



## 2009 Letter to Stockholders

Dear Fellow Stockholders, Employees, Customers and Friends,

Our company performed well in fiscal 2009 in spite of an increasingly difficult global economy. We exceeded the financial goals that we set early in the year and further strengthened our technology and market leadership. We completed our product and sales force integration following the acquisition of Network General in November 2007. We increased our post-acquisition focus on several high growth verticals and expanded our partnership relationships.

Growth was largely driven by the successful acquisition of Network General. Non-GAAP revenue grew 54% to \$279 million and non-GAAP earnings per share increased 79%. Thanks to strong management across the company, gross margin expanded two points and operating margin seven points, to 22%. As a result, we raised – and met – our initial full year revenue and EPS guidance twice during the year. In April 2009, we raised our long-term operating margin target two points to between 24% and 27%. We have achieved remarkable compound EPS growth over the last four years of 75%.

The Network General integration was a major achievement. We merged two sales forces that had previously operated independently, a significant organizational change. While the path was bumpy at times, the integration was completed in our first quarter and the combined sales force functioned seamlessly for the rest of the year.

In the second quarter, we delivered the first version of the integrated product line, combining NetScout's real-time traffic monitoring and reporting with Network General's market-leading packet recording and analysis into the nGenius® Service Assurance Platform. Customers responded enthusiastically to this enhanced value proposition that links early warning of application performance problems with superior diagnostics in an integrated workflow. We expect that this market-leading product solution will fuel growth in fiscal 2010 and beyond.

In the fourth quarter, we expanded our product line with a new, lower-priced version of our flagship Infinistream deep packet capture monitor. Packaged with our Sniffer Analysis troubleshooting software, this product is targeted at our channel partners and medium-sized businesses, and is a cost-effective path to extend our technology further in the network.

In fiscal 2009, our long-time partnership with HP deepened with delivery of the tightly-integrated product solutions we had been collaborating on for some time. HP Network Node Manager and Business Availability Center customers can now benefit from in-depth, real-time and historical traffic and packet analysis provided by our integrated nGenius solution. We also brought the results of our Riverbed partnership to market, enabling Riverbed users to monitor effectiveness of their WAN acceleration implementations. And we launched a partnership with Cisco's Unified Wireless program based on our Sniffer Global enterprise troubleshooting solution. Starting in the fall of 2009, Cisco will refer its LAN resellers to sell Sniffer Global. We will train those resellers on Sniffer Global and selectively on the rest of our product line, significantly expanding our channel.

Looking ahead, we are in a favorable technology and market position to continue to grow and focus on our major vertical markets: wireless service providers, financial services and government. We are launching multiple development efforts simultaneously, directed at the specific needs of these verticals, and will be introducing specialized solutions for service providers and financial markets in fiscal 2010. We are also strengthening our sales, marketing and business development focus on these segments.

Once the negative effects of the economic downturn on Information Technology spending have subsided, we believe demand for our products will be even more robust. We are confident that we will return to the strong growth that we achieved prior to the recession. Our customers will increasingly demand leading-edge, service assurance solutions to solve new problems created by their innovative, rapidly expanding use of technology. That is a demand that NetScout can uniquely address, and we will.

As always, we would like to thank our employees, customers, partners and investors for their continued support. We look forward to sharing our continuing success in the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Anil K. Singhal".

Anil K. Singhal  
President, Chief Executive Officer and Chairman of the Board