



2011 Letter to Stockholders

Dear Fellow Stockholders, Employees, Customers and Friends,

Fiscal 2011 was a successful year for NetScout. We saw growth in revenue, operating margins and profitability despite a challenging economic environment. Non-GAAP revenue grew to \$290 million, an increase of 11% over last year. We met our goal of continuing to expand operating margins; non-GAAP operating margins were 24%, up two percentage points over a year ago. Non-GAAP earnings per share increased 21%.

As the year progressed we performed well in our major vertical markets. New business bookings, the foundation of our revenue growth, grew 14% overall. Our broader enterprise sector strengthened, finishing the year with a 17% increase in new business. Within the enterprise vertical, new bookings from financial services grew 25%. We also recorded a 12% increase in new business from our service provider customers, and expect that growth to accelerate in fiscal year 2012. We finished the year with record cash and marketable securities of \$229 million, an increase of more than \$58 million year-over-year.

The market for NetScout products is larger than ever. Virtualization, the “cloud,” media-rich services and mobility are reshaping the IT landscape. We remain committed to building innovative solutions for solving IT challenges across these fast-growing markets. We expect new business from service providers to continue to accelerate as carriers compete through investments in 4G/LTE networks and as we roll out a number of product enhancements for LTE mobile networks. We have added engineering and sales resources to fully exploit growth opportunities, and we are now well positioned at Tier 1 carriers globally and have been winning significant Tier 2 business, substantially focused on new LTE implementations.

We accelerated our growth with several unique new product offerings and enhancements launched over the past year. We delivered a half dozen significant new products, all aimed at broadening our penetration across the enterprise, government and service provider verticals. In early fiscal 2011, we began shipping nGenius Service Delivery Manager, which greatly extended our service management capabilities by providing an integrated end-to-end view of service delivery. We released follow-on enhancements to Service Delivery Manager and to Subscriber Intelligence with CDMA and other protocols to support our mobile operators’ 3G expansion and fast-growing LTE deployments. We launched the new high performance Infinistream 7900 series appliance, offering expandable storage from 32 to 96 terabytes for high-capacity environments such as wireless service provider infrastructures and cloud datacenters. For our enterprise customers, we launched the nGenius Integrated Agent for Cisco’s ISR routers to support customers with management capability for their remote facilities. We announced our next-generation, deep packet analysis technology called Adaptive Session Intelligence. This proprietary technology allows closer monitoring even as network speeds continue to accelerate, and will be rolled out in successive releases in 2012 across our Service Assurance product family.

In 2012 you will see accelerating evolution of the nGenius Service Assurance Solution, on both the enterprise and service provider fronts, including session-level and transaction-level visibility and intelligence for business services based on our Adaptive Session Intelligence technology.

At the end of the fiscal year we announced the acquisition of Psytechnics, Ltd., a privately-held firm based in Ipswich, United Kingdom, and a market leader in the area of monitoring IP Voice, Video and Telepresence. Psytechnics has 132 issued and pending patents worldwide covering related standards and proprietary technology and is recognized as the world authority on voice and video quality assessment. The company is also bringing us important new customers and exciting strategic partnerships. This acquisition enables us to access new service management market segments associated with Unified Communications, Telepresence and Telemedicine. We will be strengthening our Unified Service Delivery Platform for Unified Communications deployments over the course of the year and we expect our new voice and video capability to contribute significantly to growth in fiscal 2012 and beyond.

We are also very pleased that NetScout has been receiving a growing number of industry awards for our visionary technology as well as our financial achievements, including recognition from Frost & Sullivan, Interop, NetworkWorld, Forbes and Fortune, demonstrating our continued industry leadership and increasing market mindshare.

We are confident about our fiscal 2012 growth prospects, based on a strong new product line-up that features advanced proprietary technology, the addition of a proven voice/video assurance solution to our portfolio, investments we made last year in new service provider territories, continued rapid growth of the service provider data market and our increasing visibility in all our key market segments. We extend our thanks to our dedicated and outstanding employees, our customers, partners and our shareholders for their continued support.

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