



2012 Letter to Stockholders

To Our Stockholders:

NetScout performed well in fiscal 2012. The company's vision and strategy for providing a framework that manages delivery of services across customer IP networks resulted in a significantly strengthened market leadership role. Network, application, cyber security and unified communications—the four pillars of NetScout's service delivery performance management—were enhanced by technologies we acquired during the year, as well as by continued focus on rapid and responsive internal development of core product lines.

We completed three acquisitions, bringing unique products and key technologies to our nGenius Service Assurance product portfolio. We acquired U.K.-based Psytechnics, Ltd., a pioneer and recognized innovator in IP voice, video and telepresence. We integrated Psytechnics' technology with our nGenius solution to create nGenius VoiceVideo Manager, providing comprehensive real-time service management for unified communications. In the second half of the fiscal year, we acquired Fox Replay BV, based in the Netherlands. Replay is a leading provider of session reconstruction and replay technology for cyber intelligence. We developed Replay's technology into nGenius Forensic Intelligence, resulting in automated reconstruction and visual replay of network activities that enable IT organizations to quickly investigate and respond to security incidents. Additionally, we acquired Simena, LLC, based in Sterling, Virginia. Simena is a leader in packet-flow aggregation switches for high-performance networks.

NetScout's acquisitions have added to our product capabilities, helping us meet growing market requirements for service delivery management to our customers and supporting our dual-market strategy focused on wireless telecom service providers and top-tier enterprises. The Psytechnics and Fox Replay acquisitions will help us take advantage of growing market demand in unified communications and cyber security. The Simena acquisition was a natural addition to our existing Infinistream product line, increasing deployment flexibility and scalability. All three acquisitions were accretive to our full year results.

We also made a number of major enhancements to our nGenius Service Assurance Solution to further support mobile networks with additions of LTE-specific capabilities. Our proprietary, patent-pending Adaptive Session Intelligence, or "ASI" technology, is a significant competitive differentiator, enabling superior real-time analytics, scalability and price performance. This has helped us gain global market share across Tier 1 and Tier 2 service providers. During 2012, we added many new LTE customers around the globe. Our nGenius Service Assurance Solution is now deployed in 148 service provider production networks across 46 countries. It is used in active production networks of every major wireless mobile operator in North America, and a significant number of Tier 1 and Tier 2 operators across Europe, Asia and Latin America. Based on industry-analyst data and our own market assessment, we believe NetScout is the market leader in the IP probe-based, wireless telecom market. We expect to continue to gain market share globally as carriers steadily adopt our advanced service assurance solution to better manage their overall capital expenditures in the face of ongoing hyper-growth of data traffic and increasing customer quality-of-service demands.

From a financial perspective, our full-year revenue surpassed \$300 million dollars, with non-GAAP revenue of \$309 million, a 7% increase over last year. On a non-GAAP basis, our earnings per share for the year were \$1.10. This is six cents higher than last year and represents a 6% increase. We finished the year with total bookings up 17% percent over last year, outpacing revenue growth as we built a meaningful product order backlog. These increases were driven by particularly strong business from our service providers, with total bookings up 31% over last year. Growth from wireless carriers expanding 3G and 4G/LTE network rollouts was strong and we increased our global base of competitive wins. Total bookings from our enterprise sector were up 13% over last year. In the enterprise vertical, bookings from financial services were up 15%. The government sector finished the year with an 8% increase in total bookings, despite a very slow start. Service renewals were up 30% year-over-year, and drove deferred revenue up 12%.

During fiscal year 2012, we continued to maintain strong liquidity. At the end of the year, we had cash, and short- and long-term marketable securities of \$214 million. Our free cash flow generation of \$57 million dollars for fiscal year 2012 was comparable to fiscal year 2011. Additionally, we refinanced our debt with a five-year revolving credit facility which enhanced our borrowing capacity by about \$200 million.

Looking ahead, we are confident about our fiscal 2013 growth prospects. The success we are seeing with our nGenius Service Assurance solution for advanced application and service assurance reinforces our conviction that our market position and product strategy are strong and that our value proposition is growing in importance with customers. We will continue to develop new products and make acquisitions to further enhance our competitive advantage. We are committed to helping our customers deliver mission-critical services across their infrastructures and to optimize their end users' experience.

As always, I would like to thank all of our employees, customers, investors and other stakeholders 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