



2013 Letter to Stockholders

To Our Stockholders:

We are pleased with our fiscal year 2013 performance. NetScout continues to strengthen its market leadership by offering innovative products and introducing significant additions to our Unified Service Delivery Management solution. We developed key new capabilities internally as well as acquired and integrated others into our product suite.

In the service provider market, we have been building our products to capture the expansion of IP Services for wireless, cable and wireline service providers. The service provider market continues to demand service-assurance solutions to satisfy consumer demand for quality user experience with both voice and data services. The industry's massive IP transformation continues and drives the majority of capital expenditure spending as carriers upgrade network infrastructures from 3G to 4G/LTE. We have continued to gain market share with wireless Tier 1 and Tier 2 operators where we predominantly service 3G and 4G/LTE infrastructures. For the current year, we anticipate continuing demand for capacity upgrades and for support of new services with existing customers, as well as expansion to new customers with our growing solution range. In July 2012, we acquired voice service assurance products from Accanto Systems. This acquisition complements our solution with an integrated, legacy-based, as well as IP-based voice-service-assurance capability. With our complete, leading technology voice and data service assurance-solution portfolio we expect to capture additional market share in the global telecommunications market. Our current momentum and ongoing investment and focus, lead us to expect growth within the service provider segment to remain strong over the next few years.

In fiscal year 2013 we further enhanced our network monitoring abilities through introduction of a high-capacity packet flow switch. In November 2012 we acquired ONPATH Technologies, a provider of scalable, chassis-based packet flow switches. This line of ultra-low latency switches is a strategic extension to our earlier packet flow switch product. The combination of the two product lines is providing NetScout with an unparalleled range of functionality, price/performance and scale. These products are well suited for both large enterprise and service provider applications. The packet flow switch line is a natural addition to our existing Infinistream product line, providing deployment flexibility and scalability while improving the efficiency, control and distribution of network traffic flows. These products continue to accelerate growth across our target markets.

Over the past two years, we have worked diligently to achieve our revenue-growth goals. In fiscal year 2012 we passed the \$300 million revenue mark and this year we topped \$350 million. Full-year 2013 non-GAAP revenue was \$352 million, a 14% increase over last year. On a non-GAAP basis, earnings per share for 2013 were \$1.32, up 20% year-over-year. Non-GAAP operating margin improved by one point to 25%. In addition, non-GAAP product revenue grew by 18% over last year and non-GAAP service revenue was up by 9%.

During fiscal year 2013 NetScout continued to maintain strong liquidity. At the end of the year, cash, and short- and long-term marketable securities amounted to \$154 million. Free cash flow generation of \$83 million dollars for fiscal year 2013 increased by \$26 million over fiscal year 2012. In November 2012 we paid down the outstanding balance of \$62 million on our revolving debt facility. We have \$250 million of capacity available over the remaining four year term of the agreement. This available facility combined with cash provides a total liquidity of more than \$400 million as of the end of fiscal year 2013.

We are optimistic about our prospects for continued success in the years ahead. This year, we are particularly excited about our recently released nGeniusOne™ product which is the result of an extensive, concentrated development effort throughout the fiscal 2013 year. nGeniusOne is our single integrated platform for combined network and application performance management (NPM and APM) for IT operations. The nGeniusOne solution is based on advancements in Adaptive Session Intelligence™ technology (ASI 2.0). ASI 2.0 is the second generation of our proprietary, patent-pending traffic-metadata technology that enables even faster and simpler diagnosis of complex performance problems in IT and service provider operations than earlier NetScout solutions. nGeniusOne will provide our customers with a rapid triage for application performance problems based on a holistic view of the interaction between user communities and their infrastructure and applications. nGeniusONE will solve problems that traditional APM approaches cannot. Initial deployments are generating positive feedback and we believe nGeniusOne is well positioned to deliver new value to a broader audience within our existing customer base, as well as increase our customer win rate in the enterprise segment.

The investments we have made over the past year in technology and new product development, in combination with targeted acquisitions, are creating opportunities across NetScout's enterprise and service provider markets. We will continue to further develop our product solution for competitive advantage and to strengthen our value proposition to our customers.

As always, I'd like to thank all employees, customers, investors and stakeholders for their continued support.

Sincerely,

A handwritten signature in black ink, appearing to read "Anil K. Singhal", written over a horizontal line.

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