2014 Letter to Stockholders

To Our Stockholders:

NetScout delivered very strong performance in fiscal year 2014. We executed well against our strategic plan, achieving another year of mid-teen revenue growth while expanding operating margins and profitability. Our real-time operational intelligence and analytics technology is unique, innovative and patented. Our technology enables our enterprise and service provider customers to capitalize on major computing trends over the next decade, including IP convergence, Network Functions Virtualization (NFV), Software-Defined Networking (SDN), Virtualization, Cloud, Mobility, Bring Your Own Device (BYOD), Web and the evolving Internet. Building on our history of innovation and market execution, NetScout is well positioned for continued growth.

Our success this year is attributable to a journey we began more than two years ago. At that time, NetScout was the leader in network performance management, a $1 billion market that was maturing and was not large enough to sustain our goal of double-digit growth. As a result, we created a strategic initiative that leveraged our core competencies to develop a product platform with enhanced functionality that would allow the company to expand into adjacent, faster-growing markets. During this time, we also acquired five technology companies, gaining valuable expertise and technology in the area of Unified Communications, cybersecurity and packet flow switch. I am happy to report that our investments in our people, products and processes are yielding results, increasing our total addressable market to $4 billion today. Future product launches are anticipated and will expand our market opportunity over the next few years.

In June 2013, we launched nGeniusONE, a new integrated platform powered by our Adaptive Session Intelligence (ASI) software for which we were awarded a U.S. patent in December 2013. nGeniusONE provides real-time operational intelligence and performance analytics to help IT teams maintain network uptime and application availability. ASI takes network traffic, which is the richest data source, and transforms the data into operational intelligence and analytics. In our unique "service triage" approach for identifying the root cause of performance issues, nGeniusONE dramatically reduces "Mean Time To Restore."

We are now expanding the data-capture and intelligence expertise that made us the leader in the network performance management market so we can bring additional value to customers in the application performance management market. We are also adding capabilities to grow into the rapidly expanding cybersecurity market, with applications that include forensics, regulatory compliance as well as early identification and mitigation of sophisticated new threats. Additionally, our ASI software has many potential uses within the realm of "Big Data" which we are exploring.

In the enterprise market, growth is being driven by our customers looking to improve efficiency and meet increased end-user expectations. Today's enterprise networks have become increasingly complex and mission critical to delivering services to customers and employees. Our solutions provide customers a holistic view for assuring user experiences across different devices, applications and next-generation IP networks. We see growing traction around the world as our customers invest in Unified Communications services that combine voice, video and data to improve collaboration and productivity for their employees and customers. Our solution is proven to be effective and scalable, offering a single solution for service assurance that spans legacy and next-generation technologies.

In the service provider market we continue to see strong growth in the wireless, cable and wireline segments driven by technology migrations, demand for new services and increased customer expectations for service delivery. The wireless industry transition to IP networks has been a strong driver of our service provider growth as carriers migrate from 3G to 4G/LTE networks that enable new types of services. At the beginning of calendar year 2014, we launched our multi-generational voice/video/data product. This is an integrated solution addressing data, video, VoLTE, VoIP and circuit-switched voice. Our product offering and brand recognition is expected to drive growth in this vertical globally.

As a result of our evolving strategy, differentiated technology and expanded product portfolio, we have successfully entered new markets and increased our customer penetration. We will continue to enhance our ASI software and nGeniusONE platform to bring additional functionality and value to our customers. By strengthening our position as a key strategic technology partner, we will expand our total addressable market over the coming years.

Successful execution of our strategic initiatives has enabled us to achieve our financial goals as well. In fiscal year 2012, we passed the $300 million revenue mark, in fiscal year 2013, we passed the $350 million revenue mark and in fiscal year 2014, we approached the $400 million revenue mark. Full-year 2014 non-GAAP revenue was $397 million, representing a second consecutive year of mid-teen revenue growth. On a non-GAAP basis, earnings per share for 2014 were $1.53, up 16 percent year-over-year and non-GAAP operating margin increased to 25.4 percent. In addition, non-GAAP product revenue grew by 18 percent for the second consecutive year.

NetScout continues to maintain strong liquidity. At the end of fiscal year 2014, cash and short- and long-term marketable securities amounted to $219 million. We generated $97 million in free cash flow, an increase of $14 million over fiscal year 2013. Over the past five years NetScout has generated more than $337 million in free cash flow. With an available credit facility of $250 million, combined with our current cash position, we have total liquidity exceeding $465 million as of the end of fiscal year 2014. We continued to repurchase our shares in the market and have extended our share repurchase program to allow us to repurchase up to an additional $100 million of our shares. Our financial foundation affords us the ability to continue to invest in our business and further develop our products either through in-house development or acquired technologies.

Our continued market leadership and strong financial performance reflects consistent innovation with high-value solutions that are critical to enabling customers to meet their objectives in a timely and cost-effective manner. The high quality of our data analytics allows customers to cut through increasing complexity to give them the real-time operational intelligence they need to make insightful and timely decisions about network, application, services and user performance.

We have executed well on our strategy; our results reflect market acceptance of our solutions and value proposition. We have demonstrated that we can set and achieve ambitious operating goals. We will continue to expand our total addressable market by adding functionality to our ASI software and nGeniusONE platform, including ongoing development of new products. As we capture more types of data and add richer analytics capabilities, our value proposition and strategic importance to our customers will increase further.
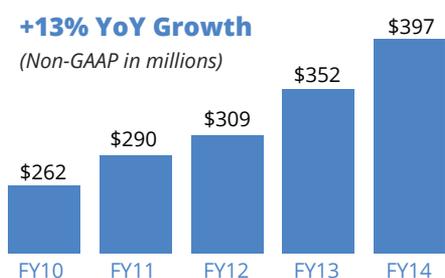
As always, I'd like to thank all employees, customers, investors and stakeholders for their continued support.

Sincerely,

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

REVENUE

+13% YoY Growth
(Non-GAAP in millions)

| FY10 | FY11 | FY12 | FY13 | FY14 |
| $262 | $290 | $309 | $352 | $397 |

EARNINGS PER SHARE

+16% YoY Growth
(Non-GAAP)

| FY10 | FY11 | FY12 | FY13 | FY14 |
| $0.86 | $1.04 | $1.10 | $1.32 | $1.53 |

CUMULATIVE FREE CASH FLOW

Generated $337M in five years

| FY10 | FY11 | FY12 | FY13 | FY14 |
| $40 | $100 | $157 | $240 | $337 |

BALANCE SHEET HIGHLIGHTS
(in millions)

	FY14	FY13	FY12	FY11	FY10
Cash and Securities	$219	$154	$214	$229	$171
Accounts Receivable	$61	$74	$70	$63	$66
Total Debt	$0	$0	$62	$68	$79
Total Deferred Revenue	$134	$121	$112	$100	$102
Total Stockholders' Equity	$409	$372	$342	$320	$267
Free Cash Flow	$97	$83	$57	$60	$40

Total liquidity exceeds $465M