

Supplemental Non-GAAP Financial Information (unaudited)

In addition to disclosing results in accordance with GAAP, in this annual report, NI has disclosed its non-GAAP net income that excludes, as applicable, charges related to stock-based compensation expense, amortization of acquisition intangibles, acquisition-related adjustments, acquisition-related transaction costs, disposal gains on buildings and related charitable contributions, tax effects related to businesses held for sale, restructuring charges, foreign exchange loss on acquisitions, taxes levied on the transfer of acquired intellectual property, tax reform charges, capitalization and amortization of internally developed software costs, and impairment of minority cost basis investments. Management believes that including these non-GAAP results assists investors in assessing NI's operational performance and its performance relative to its competitors. NI presents these non-GAAP results as a complement to its GAAP results, and they should not be regarded as a substitute for GAAP. Management uses non-GAAP measures to manage and assess the profitability and performance of its business and considers non-GAAP results to be an important supplemental measure of its performance. When presenting non-GAAP results, NI includes a reconciliation of the non-GAAP results to the GAAP results. Such reconciliation is set forth in the following table.

Reconciliation of GAAP to Non-GAAP Net Income (in thousands)

	2019	2018	2017	2016
Net income, as reported	\$162,151	\$155,057	\$52,411	\$82,734
Adjustments to reconcile net income to non-GAAP net income:				
Acquisition related deferred revenue and GSA accrual, net of tax effect	–	–	–	–
Stock-based compensation, net of tax effect	42,101	29,794	18,823	18,444
Amortization of acquisition intangibles, net of tax effect	5,136	4,775	6,970	15,234
Acquisition-related adjustment	–	–	–	1,018
Acquisition transaction costs, restructuring charges, and other, net of tax effect	16,655	13,642	12,202	2,812
Net (capitalization)/amortization of internally developed software costs, net of tax	14,235	8,757	(13,788)	(9,344)
Gain on sale of assets ⁽¹⁾ and other ⁽²⁾ , net of tax effect	(26,395)	–	–	–
Tax reform charge	2,774	(4,197)	69,902	–
Non-GAAP net income	\$216,657	\$207,828	\$146,520	\$110,898

⁽¹⁾: During the third quarter of 2019, we recognized a gain of \$27 million related to the sale of an office building, presented within "Gain on sale of assets." During the third quarter of 2019, we also recognized a charitable contribution expense of \$7 million related to a donation using a portion of the proceeds from the sale of an office building, presented within "General and Administrative." ⁽²⁾: During the fourth quarter of 2019, we recognized an income tax benefit of \$11 million related to the recognition of deferred taxes on the outside basis difference of our AWVR business, which was held for sale as of December 31, 2019.