

Supplemental Non-GAAP Financial Information

In addition to disclosing results determined in accordance with GAAP, NI discloses certain non-GAAP operating results and non-GAAP information that exclude certain charges. In this annual report, NI has presented its non-GAAP revenue, gross margin, operating income and operating margin for the 12-month periods ending Dec. 31, 2020 and 2017, which exclude, as applicable, charges related to stock-based compensation expense, acquisition-related fair value adjustments, amortization of acquisition-related intangibles, acquisition-related transaction and integration costs, taxes levied on the transfer of acquired intellectual property, foreign exchange loss on acquisitions, restructuring charges, tax reform charges, disposal gains on buildings and related charitable contributions, tax effects related to businesses held-for-sale, gain on sale of businesses, and capitalization and amortization of internally developed software costs. NI presents these non-GAAP results as a complement to its GAAP results, and they should not be regarded as a substitute for GAAP. 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 Revenue, Gross Margin, Operating Income, and Operating Margin (in thousands USD except percentage data) (unaudited)

REVENUE	2020	2017
Net sales, as reported	1,286,671	1,289,386
Impact of acquisition-related fair value adjustments	3,260	–
Non-GAAP net sales	1,289,931	1,289,386

GROSS MARGIN	2020	2017
Gross profit, as reported	915,550	961,062
Stock-based compensation	3,766	2,628
Amortization of acquisition-related intangibles and fair value adjustments	13,152	6,092
Acquisition transaction and integration costs, restructuring charges, and other	1,626	1,210
Amortization of internally developed software costs	27,931	20,450
Non-GAAP gross profit	962,025	991,442
Non-GAAP gross margin	74.6%	76.9%

OPERATING MARGIN	2020	2017
Operating income, as reported	199,550	145,778
Stock-based compensation	58,375	29,145
Amortization of acquisition-related intangibles and fair value adjustments	19,356	9,118
Acquisition transaction and integration costs, restructuring charges, and other	61,358	17,609
Net amortization/(capitalization) of internally developed software costs	23,888	(21,212)
Gain on sale of business/asset ⁽¹⁾	(159,753)	–
Non-GAAP operating income	202,774	180,438
Non-GAAP operating margin	15.7%	14.0%

⁽¹⁾ DURING THE FIRST QUARTER OF 2020, WE RECOGNIZED A GAIN OF \$160 MILLION RELATED TO THE DIVESTITURE OF AWR, PRESENTED WITHIN "GAIN ON SALE OF BUSINESS/ASSETS."