

To Our Stockholders

Our Core Strategic Vision continues to provide focus and alignment across our business as we strive to be the leader in software-defined automated test and automated measurement systems.

Our successful business has been built over many decades through broad-based applications created using our standard software-centric platform. This strong foundation provides us with a diverse and stable base to build upon. Specifically, more than 50 percent of our business is with customers in broad industries that value our standard platform including academic, electronics, energy, and manufacturing. By serving these customers with our standard platform, we are able to utilize our efficient ecommerce, field sales and inside sales channels to support those customers' success. In addition, the leverage of our broad ecosystem of partners expands NI's capabilities and reach, providing extensive domain and geographical coverage. To expand our market opportunity, consistent with our vision, we are working to provide more complete offerings within the industries of semiconductor, transportation, and aerospace, defense, and government where we believe our platform is well suited to further the competitive position of our customers.

In 2018, we delivered on our focus on both growth and profitability closing out the year strong with record revenue of \$1.36 billion. We also reported record annual cash from operations and record profitability. We believe these results are a testament to the value of our platform to our customers as they strive to get to market faster and stay ahead of their competition.

In reflecting on my two years as CEO of National Instruments, I am very pleased with our execution as a team. When I took on the role as CEO in January of 2017, we set two key goals: to deliver record revenue and to hit our operating profit target by 2019. I am happy to say we achieved our goals, delivering record revenue in 2017 and again in 2018. On the profitability side we hit our long-term target of 18% non-GAAP operating margin in 2018, one year ahead of schedule. As a result, our net income has increased by almost 90% since 2016.

Software Value

Our Core Strategic Vision has been effective across our organization to execute our fundamental philosophy: from focus comes growth. Choosing to organize by industry helps ensure that we are aligned across the entire organization and better able to innovate and support our customers in more impactful ways than ever before.

Many portions of our business reported all-time records this year. I am particularly proud of the success seen in our software platform is a result of our customers' positive response to investments in LabVIEW NXG. 2018 was a great year for software revenue which saw double-digit growth year-over-year. In addition, we saw continued growth of our software enterprise agreement program, demonstrating its wide spread adoption in our industry. More than any other measure, this gives me strong confidence in our long-term growth potential. We believe that software adoption drives loyalty and gives us access to more of our customers' test and measurement opportunities.

Investment went beyond LabVIEW NXG. We were able to leverage our investment and build on top of the core software platform to offer new tools like NI FlexLogger and NI InsightCM which we believe allow us to expand our market opportunity for software. Through this increased capability, we created new opportunities for our sales and marketing teams to deliver more value to existing customers and to engage new customers in the NI platform.

Our investment in software continues to be the key differentiator of our platform.

Industry Focus and Execution

NI has a broad, diverse set of over 35,000 customer accounts worldwide, with no customer accounting for more than 2% of our revenue in 2018, 2017 or 2016. With clear focus on key industries of semiconductor, transportation, and aerospace, defense and government we believe we are able to better drive growth to expand the market we serve.

Our semiconductor business saw significant wins in areas where we have put deliberate focus, including the validation and production tests of early sub-6 gigahertz 5G semiconductors. Our platform continues to see strong adoption in these applications by providing systems that can be used by our customers across characterization, validation and production test, helping them save time and cost.

While the overall production rate of automobiles weakened toward the end of 2018, our customers in transportation continued to invest in key technologies to stay ahead of their competition. As automotive is experiencing disruptive change, customers are using our platform to help them meet increased automation and efficiency requirements driven by vehicle electrification, electric and hybrid-powertrains and autonomous vehicles.

NI's focus on aerospace, defense and government continues to add significant value to our customers in this industry as seen in our strength in this business in EMEA and the Americas. This industry highly values our software-centric modular approach, as it helps enable them to meet their needs for highly customized and long-life cycle systems. With less impact from the broader economy, we believe this industry offers greater relative stability.

The rest of our business is spread among other key industries including academic, electronics, energy and manufacturing. These industries are more closely tied to the overall macroeconomic environment resulting in cyclical elements. However, we have identified areas of focus within this business to drive growth where our tools are widely used. The continued stability in this broad set of customers demonstrates the impact of our continued product innovation and the increasing adoption of our platform.

Looking Forward

I am confident in our long-term growth prospects. We have a very rich legacy built up over 42 years and we have continued to make tremendous progress over the last 2 years, delivering innovative new products to drive value for our customers, improving results for our stockholders, securing new growth opportunities for our partners and creating outstanding career opportunities for our employees. I am proud of the motivation seen within our employees as we continue to attract top talent to our journey.

With strong momentum in semiconductor, transportation and aerospace, defense and government this year, it is clear that our focus on target industries has enabled us to deliver on our focus for growth despite broad challenges in the industrial economy late in the year. We believe we are particularly well-positioned due to the focus on our vision, our well-executed sales evolution, and our product innovation continuing to deliver more system level value to our customers. The innovation by our customers must continue and our platform is a critical component to their success.

With record cash flow from operations in 2018, we are well positioned to continue investing in our platform, both organically and inorganically to address future customer needs. We intend to be more aggressive to deploy cash through strategic accelerators within our focus industries to expand the technology capabilities of our platform and reach new customers.

I would like to thank our employees for their hard work and operational excellence as we continue our journey to be the leader in software-defined automated test and automated measurement systems. We are working to increase our share in our focus opportunity areas and positioning NI for long term growth. I look forward to continuing the journey together in 2019.

Best regards,

Alex Davern
CEO

This letter contains forward-looking statements as defined under applicable securities laws and such statements are intended to be covered by safe harbor provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements relating to the focus of our employees and value of our platform; that we strive to be the leader in software defined automated and automated measurement; the ability to leverage our partners to expand our capabilities and reach; that our platform is suited to further the competitive position of our customers; that our industry organization helps ensure that we are better able to innovate and support our customers in more impactful ways than before; our long-term growth potential and prospects; the ability of new tools on our software platform to expand our market opportunity for software; that a focus on key industries will enable us to better drive growth and expand the market we serve; that the aerospace, defense and government industry offers greater relative stability; the continued stability in a broad set of customers in other key industries including academic, electronics, energy and manufacturing; the momentum of our solutions in semiconductor; transportation; and aerospace defense and government this year; our positioning to deliver more system level value to our customers and invest in our platform; and our intent to deploy cash through strategic accelerators within our focus industries. These and similar statements are subject to a number of risks and uncertainties, including the risk of adverse changes or fluctuations in the global economy, foreign exchange fluctuations, component shortages, delays in the release of new products, fluctuations in customer demand for our new and existing products, our ability to effectively manage our operating expenses, manufacturing inefficiencies and capacity utilization, and the impact of any acquisitions we may make. Actual results may differ materially from the expected results. We direct you to our Form 10-K for the fiscal year ended December 31, 2018, and the other documents we file with the SEC for other risks associated with our future performance.