

To My Fellow Stockholders,

Reflecting on my first year as CEO, I'm extremely proud of our ability to adapt during circumstances no one could have predicted. We remained diligent in managing the short-term impact of the global pandemic while maintaining critical investments in pursuit of our long-term growth ambitions. The safety of our employees was a priority as we transitioned to work from home globally. The level of productivity exceeded my expectations, with our teams swift to innovate and create more virtual connections with our customers. I believe this year was a stress test of our strategy, and it proved resilient. The areas of our business we have focused on strategically showed growth, and although the global economy proved to be a headwind, we continued to see momentum build throughout the year with an all-time record for quarterly revenue in Q4. In times of uncertainty, the core strengths of NI remain clear—our highly differentiated software position, the diversity of our business, and the innovation of our people.

Today, we are in a stronger position strategically with a focus on key market growth opportunities and our broad reach to over 35,000 customer accounts. For 2020, revenue was \$1.3 billion. Our non-GAAP gross margin remained consistent at 75 percent. And non-GAAP operating margin was 16 percent. This represented an improvement in our non-GAAP operating margin of 170 basis points from 2017, when we had similar annual revenue, which we believe demonstrates the focus we have had on driving efficiency in our cost structure.

Vision Powered by a Unique Software Position

Software is in our DNA, and it's been the force behind our drive to have a disruptive market position. Over many years, we have built the most comprehensive set of driver level software, application software, and test operations software in our industry. And, building on that leadership position, we intend to disrupt our industry once again—redefining the way our customers approach test and measurement. We intend to grow our software capability alongside our customers' changing needs by bringing together concepts of systems and data management, connectivity to design, artificial intelligence, and machine learning—to ultimately enhance the way our customers design and test products. We aim to make test a key enabler of product performance by integrating automated test systems and test data analytics to create a digital thread of data that goes across engineering and manufacturing workflows.

We believe the acquisition of OptimalPlus, a global leader in data analytics software for the semiconductor, automotive, and electronics industries, will accelerate growth by increasing enterprise-level value for our customers through software. Combined with our own investment in innovation, we are creating complementary enterprise-level capabilities intended to increase our served available market. We believe this will also fuel an increase in our software revenue from 20 percent of total revenue today to 30 percent by 2025, shifting towards primarily recurring, or subscription-based, software.

As the complexity of customers' products continue to grow and scale, many of the manual steps will need to be automated by intelligent systems, and I believe we are in the best position to lead that change.



ERIC STARKLOFF
CEO, NI

Strategic Pillars for Growth

Our vision is the foundation of our growth strategy, and we are prioritizing our investments to achieve it. We are focusing our decisions, investments, and execution within four strategic growth pillars as follows:

- Broadening our **software** offering to meet enterprise-level needs
- Assisting to accelerate customer time to market through more **system-level** capabilities
- Providing our customers with differentiated **services**
- Making it easier and more efficient to do business with NI by **streamlining** our processes

Focusing on Our Customers

To accelerate growth, we must expand our reach to customers and shift investments to high growth opportunities. Our customers are at the center of innovation impacting the world around us—iterating on new ideas while navigating the fast and complex pace of technology to bring applications to market. I believe we have a tremendous opportunity in front of us to improve that work—to help them bring their products to market faster, with more efficiency and better quality. We remain focused on customers in the industries of semiconductor; transportation; and aerospace, defense, and government as well as the broad-based customers in our Portfolio business, which comprises the other industries we serve.

Semiconductor represented approximately 17 percent of total revenue in 2020. This was a record year for our Semiconductor business revenue. Despite geopolitical and trade tensions, China was a strong driver of growth. We saw increased adoption of our RF test capability as a result of 5G, including new production test and lab wins at key semiconductor accounts. We plan to leverage the technology of OptimalPlus for our new Connected Lifecycle and Analytics solution focused on supporting our customers' needs throughout their product development flow using software and data.

Transportation represented approximately 13 percent of total revenue in 2020. For most of the year, Transportation was negatively impacted by headwinds from continued COVID-19 shutdowns, particularly in Europe. We began to see positive recovery in vehicle production toward year end. We believe the vehicle production recovery will serve as a tailwind to fuel increased investment in key trends of electrification and active safety systems where we continue to see strong growth.

Aerospace, Defense, and Government (ADG) represented approximately 26 percent of total revenue in 2020. ADG saw strength throughout the year as we continued to capitalize on a relatively steady defense spending environment, particularly

in the United States, and expect it to continue to be robust in 2021. We look to accelerate our ability to deliver solution-level value for customers dealing with soaring development costs and complexities from the testing of their embedded software in manned/unmanned aircraft, space launch vehicles, and new urban air mobility vehicles.

Portfolio represented approximately 44 percent of total revenue in 2020. This portion of our business is most closely correlated to the macro economy. However, we did see sequential improvement in order growth in the fourth quarter, which represented the highest order growth for our Portfolio business in nine quarters. We believe this is indicative of the strengthening macro economy as well as traction in key growth initiatives we focused on in 2020.

The focus to streamline in order to make it more efficient for our customers to do business with NI is most impactful to our Portfolio business, which is responsible for approximately 30,000 accounts. We are focused on driving more efficiency in the ways we serve and support these broad-based customers while still helping to ensure their success. We will optimize how they engage with NI, including further utilizing our ecommerce for lower touch and use of distribution to improve efficiency and customer reach. We believe this shift will maximize the value of our experienced direct sales force and allow them to focus on proactive engagements with accounts where we can deliver enterprise-level value through software and systems.

New Corporate Identity and Impact Strategy

This year we executed a brand refresh, which is much more than a new logo or a fresh new color. It's about standing out in the market and stronger positioning of our software differentiation in areas of data analytics, cloud, and artificial intelligence to modernize our category. It's about elevating the need for test and the critical role of engineers through our refined purpose to Engineer Ambitiously.™

As part of this work, we redefined our core values, which we believe better represent the strong culture of NI and will help guide us in recruiting and retention of top talent.

We will strive to:

- **Be Bold** in decisions and challenge the status quo
- **Be Kind** and candid in interactions while promoting belonging, inclusion, and mutual respect
- **Be Connectors** of people, ideas, and technology

I have always believed that doing good is good for our business. At NI, we have always been diligently but quietly

dedicated to corporate citizenship. This year, we shared our vision for a more sustainable and equitable world by launching our first-ever Corporate Impact Strategy. The new strategy puts forth ambitious 2030 goals and commitments for cultivating a diverse inclusive workforce and engineering talent pipeline; fostering wellbeing, equity, and opportunity at NI and in our society; and protecting our planet by reducing our environmental footprint. These are areas of passion for me and our employees, and we look forward to influencing change.

Accelerating Growth

As we look ahead, I'm inspired by our opportunities and believe our strong foundation will help us achieve our ambitions. We remain committed to the long-term with continued focus on innovation, sustainable growth, and profitability to create value for all our stakeholders. Customers benefit from our continued investment in our technology and expertise to support their technology needs. Employees benefit through the creation of opportunities for personal career growth and development. And we believe our stockholders will benefit from receiving a solid return on the investment they make in us. Our success also benefits our community of developers that build on our technology as well as the communities where we live, work, and give back.

I firmly believe that when we, as a business, unite toward common goals, we will be well positioned to meet or exceed those expectations. Our focus has been to transform our business for scale and to reach our full potential in the market. Innovation continues to be a top priority, with R&D investments aligned to systems and enterprise software. We will continue to view our strong balance sheet as a way to leverage inorganic investments as strategic accelerators to help us achieve our growth targets faster and address a broader range of customers. And we will continue to shift resources to higher growth opportunities where we believe our leadership in software, product analytics, and automation is highly differentiated to accelerate growth now and into the future.

Thank you for your support and continued trust.



Eric Starkloff
CEO, NI

A RECONCILIATION OF OUR NON-GAAP FINANCIAL MEASURES MENTIONED IN THIS LETTER TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES AND RELATED DISCLOSURES ARE IN THE INSIDE BACK COVER OF THIS ANNUAL REPORT.

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 BELIEVING THIS YEAR WAS A STRESS TEST OF OUR STRATEGY AND IT PROVED RESILIENT; WE CONTINUED TO SEE MOMENTUM BUILD THROUGHOUT THE YEAR; TODAY WE ARE IN A STRONGER POSITION STRATEGICALLY WITH A FOCUS ON KEY MARKET GROWTH OPPORTUNITIES AND OUR BROAD REACH TO OVER 35,000 CUSTOMER ACCOUNTS; OUR DRIVE TO HAVE A DISRUPTIVE MARKET POSITION; BUILDING ON THAT LEADERSHIP POSITION, WE INTEND TO DISRUPT OUR INDUSTRY ONCE AGAIN—REDEFINING THE WAY OUR CUSTOMERS APPROACH TEST AND MEASUREMENT; INTENDING TO GROW OUR SOFTWARE CAPABILITY ALONGSIDE OUR CUSTOMERS' CHANGING NEEDS BY BRINGING TOGETHER CONCEPTS OF SYSTEMS AND DATA MANAGEMENT, CONNECTIVITY TO DESIGN, ARTIFICIAL INTELLIGENCE, AND MACHINE LEARNING—TO ULTIMATELY ENHANCE THE WAY OUR CUSTOMERS DESIGN AND TEST PRODUCTS; AIMING TO MAKE TEST A KEY ENABLER OF PRODUCT PERFORMANCE BY INTEGRATING AUTOMATED TEST SYSTEMS AND TEST DATA ANALYTICS TO CREATE A DIGITAL THREAD OF DATA THAT GOES ACROSS ENGINEERING AND MANUFACTURING WORKFLOWS; BELIEVING THE ACQUISITION OF OPTIMALPLUS, A GLOBAL LEADER IN DATA ANALYTICS SOFTWARE FOR THE SEMICONDUCTOR, AUTOMOTIVE, AND ELECTRONICS INDUSTRIES, WILL ACCELERATE GROWTH BY INCREASING ENTERPRISE-LEVEL VALUE FOR OUR CUSTOMERS THROUGH SOFTWARE; COMBINED WITH OUR OWN INVESTMENT IN INNOVATION, WE ARE CREATING COMPLEMENTARY ENTERPRISE-LEVEL CAPABILITIES INTENDED TO INCREASE OUR SERVED AVAILABLE MARKET; BELIEF THAT THIS WILL ALSO FUEL AN INCREASE IN OUR SOFTWARE REVENUE FROM 20 PERCENT OF TOTAL REVENUE TODAY TO 30 PERCENT BY 2025, SHIFTING TOWARDS PRIMARILY RECURRING, OR SUBSCRIPTION-BASED, SOFTWARE; AS THE COMPLEXITY OF CUSTOMERS' PRODUCTS CONTINUE TO GROW AND SCALE MANY OF THE MANUAL STEPS WILL NEED TO BE AUTOMATED BY INTELLIGENT SYSTEMS AND BELIEVING THAT WE ARE IN THE BEST POSITION TO LEAD THAT CHANGE; OUR VISION IS THE FOUNDATION OF OUR GROWTH STRATEGY, AND WE ARE PRIORITIZING OUR INVESTMENTS TO ACHIEVE IT; WE ARE FOCUSING OUR DECISIONS, INVESTMENTS, AND EXECUTION WITHIN FOUR STRATEGIC GROWTH PILLARS DESCRIBED AS BROADENING OUR SOFTWARE OFFERING TO MEET ENTERPRISE-LEVEL NEEDS, ASSISTING TO ACCELERATE CUSTOMER TIME TO MARKET THROUGH MORE SYSTEM-LEVEL CAPABILITIES, PROVIDING OUR CUSTOMERS WITH DIFFERENTIATED SERVICES, MAKING IT EASIER AND MORE EFFICIENT TO DO BUSINESS WITH NI BY STREAMLINING OUR PROCESSES; TO ACCELERATE GROWTH, WE MUST EXPAND OUR REACH TO CUSTOMERS AND SHIFT INVESTMENTS TO HIGH GROWTH OPPORTUNITIES; BELIEF THAT WE HAVE A TREMENDOUS OPPORTUNITY IN FRONT OF US TO IMPROVE THAT WORK—TO HELP THEM BRING THEIR PRODUCTS TO MARKET FASTER, WITH MORE EFFICIENCY AND BETTER QUALITY; WE PLAN TO LEVERAGE THE TECHNOLOGY OF OPTIMALPLUS FOR OUR NEW CONNECTED LIFECYCLE AND ANALYTICS SOLUTION FOCUSED ON SUPPORTING OUR CUSTOMERS' NEEDS THROUGHOUT THEIR PRODUCT DEVELOPMENT FLOW USING SOFTWARE AND DATA; WE BELIEVE THE VEHICLE PRODUCTION RECOVERY WILL SERVE AS A TAILWIND TO FUEL INCREASED INVESTMENT IN KEY TRENDS OF ELECTRIFICATION AND ACTIVE SAFETY SYSTEMS WHERE WE CONTINUE TO SEE STRONG GROWTH; EXPECTING THE RELATIVELY STEADY DEFENSE SPENDING ENVIRONMENT TO CONTINUE TO BE ROBUST IN 2021; WE LOOK TO ACCELERATE OUR ABILITY TO DELIVER SOLUTION-LEVEL VALUE FOR CUSTOMERS DEALING WITH SOARING DEVELOPMENT COSTS AND COMPLEXITIES FROM THE TESTING OF THEIR EMBEDDED SOFTWARE IN MANNED/UNMANNED AIRCRAFT, SPACE LAUNCH VEHICLES, AND NEW URBAN AIR MOBILITY VEHICLES; BELIEVING SEEING SEQUENTIAL IMPROVEMENT IN ORDER GROWTH IN THE FOURTH QUARTER, WHICH REPRESENTED THE HIGHEST ORDER GROWTH FOR OUR PORTFOLIO BUSINESS IN NINE QUARTERS IS INDICATIVE OF THE STRENGTHENING MACRO ECONOMY AS WELL AS TRACTION IN KEY GROWTH INITIATIVES WE FOCUSED ON IN 2020; WE ARE FOCUSED ON DRIVING MORE EFFICIENCY IN THE WAYS WE SERVE AND SUPPORT THESE BROAD-BASED CUSTOMERS WHILE STILL HELPING TO ENSURE THEIR SUCCESS; WE WILL OPTIMIZE HOW THEY ENGAGE WITH NI, INCLUDING FURTHER UTILIZING OUR ECOMMERCE FOR LOWER TOUCH AND USE OF DISTRIBUTION TO IMPROVE EFFICIENCY AND CUSTOMER REACH; WE BELIEVE THIS SHIFT WILL MAXIMIZE THE VALUE OF OUR EXPERIENCED DIRECT SALES FORCE AND ALLOW THEM TO FOCUS ON PROACTIVE ENGAGEMENTS WITH ACCOUNTS WHERE WE CAN DELIVER ENTERPRISE-LEVEL VALUE THROUGH SOFTWARE AND SYSTEMS; ELEVATING THE NEED FOR TEST AND THE CRITICAL ROLE OF ENGINEERS THROUGH OUR REFINED PURPOSE TO ENGINEER AMBITIOUSLY; STRIVING TOWARD OUR REDEFINED CORE VALUES WHICH WE BELIEVE BETTER REPRESENT THE STRONG CULTURE OF NI AND WILL HELP GUIDE US IN RECRUITING AND RETAINMENT OF TOP TALENT; OUR CORPORATE IMPACT STRATEGY AND OUR AMBITIOUS 2030 GOALS AND COMMITMENTS; BEING INSPIRED BY OUR OPPORTUNITIES AND BELIEVING OUR STRONG FOUNDATION WILL HELP US ACHIEVE OUR AMBITIONS; WE REMAIN COMMITTED TO THE LONG-TERM WITH CONTINUED FOCUS ON INNOVATION, SUSTAINABLE GROWTH, AND PROFITABILITY TO CREATE VALUE FOR ALL OUR STAKEHOLDERS; BELIEVING THAT OUR STOCKHOLDERS WILL BENEFIT FROM RECEIVING A SOLID RETURN ON THE INVESTMENT THEY MAKE IN US; BELIEVING THAT WHEN WE, AS A BUSINESS, UNITE TOWARD COMMON GOALS, WE WILL BE WELL POSITIONED TO MEET OR EXCEED THOSE EXPECTATIONS; INNOVATION CONTINUES TO BE A TOP PRIORITY, WITH R&D INVESTMENTS ALIGNED TO SYSTEMS AND ENTERPRISE SOFTWARE; WE WILL CONTINUE TO VIEW OUR STRONG BALANCE SHEET AS A WAY TO LEVERAGE INORGANIC INVESTMENTS AS STRATEGIC ACCELERATORS TO HELP US ACHIEVE OUR GROWTH TARGETS FASTER AND ADDRESS A BROADER RANGE OF CUSTOMERS; AND WE WILL CONTINUE TO SHIFT RESOURCES TO HIGHER GROWTH OPPORTUNITIES WHERE WE BELIEVE OUR LEADERSHIP IN SOFTWARE, PRODUCT ANALYTICS, AND AUTOMATION IS HIGHLY DIFFERENTIATED TO ACCELERATE GROWTH NOW AND INTO THE FUTURE. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES, INCLUDING RISKS AND UNCERTAINTIES RELATED TO THE COVID-19 VIRUS AND FURTHER ECONOMIC AND MARKET DISRUPTIONS RESULTING FROM COVID-19; FURTHER ADVERSE CHANGES OR FLUCTUATIONS IN THE GLOBAL ECONOMY; FURTHER ADVERSE FLUCTUATIONS IN OUR INDUSTRY, FOREIGN EXCHANGE FLUCTUATIONS, CHANGES IN THE CURRENT GLOBAL TRADE REGULATORY ENVIRONMENT; FLUCTUATIONS IN CUSTOMER DEMANDS AND MARKETS; FLUCTUATIONS IN DEMAND FOR OUR PRODUCTS INCLUDING ORDERS FROM OUR LARGE CUSTOMERS; COMPONENT SHORTAGES; DELAYS IN THE RELEASE OF NEW PRODUCTS; OUR ABILITY TO EFFECTIVELY MANAGE OUR OPERATING EXPENSES; MANUFACTURING INEFFICIENCIES AND THE LEVEL OF CAPACITY UTILIZATION; THE IMPACT OF ANY RECENT OR FUTURE ACQUISITIONS OR DIVESTITURES BY NI (INCLUDING THE ABILITY TO SUCCESSFULLY OPERATE OR INTEGRATE THE ACQUIRED COMPANY'S BUSINESS INTO NI, THE ABILITY TO RETAIN AND INTEGRATE THE ACQUIRED COMPANY'S EMPLOYEES INTO NI, AND THE ABILITY TO REALIZE THE EXPECTED BENEFITS OF THE ACQUISITION); OUR ABILITY TO ACHIEVE THE BENEFITS OF EMPLOYEE RESTRUCTURING PLANS AND POSSIBLE CHANGES IN THE SIZE AND TIMING OF THE RELATED CHARGES; CYBER-ATTACKS; EXPENSE OVERRUNS; AND ADVERSE EFFECTS OF PRICE CHANGES OR EFFECTIVE TAX RATES. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE EXPECTED RESULTS. WE DIRECT YOU TO OUR FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020, AND THE OTHER DOCUMENTS WE FILE WITH THE SEC FOR OTHER RISKS ASSOCIATED WITH OUR FUTURE PERFORMANCE. THESE DOCUMENTS CONTAIN AND IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE OUR ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN OUR FORWARD-LOOKING STATEMENTS. ALL INFORMATION IN THIS LETTER IS AS OF MARCH 29, 2021. THE COMPANY UNDERTAKES NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENT TO CONFORM THE STATEMENT TO ACTUAL RESULTS OR CHANGES IN THE COMPANY'S EXPECTATIONS.