

To My Fellow Stockholders,

As we closed out 2021, I took time to reflect on my last two years as CEO. I'm proud of the resiliency of our business and our strong financial performance. We were committed to continued improvement, and our success was a direct result of the strategic changes we've made over the last several years.

We enhanced our software capability to drive new long-term opportunities while also capitalizing on secular trends growing faster than the market. Investment in our digital channel and global distribution created more efficient engagement with our broad-based customers, leading to enhanced leverage and scale across more than 35,000 customers. We communicated that acquisitions aligned to our strategy was a lever we were prepared to use to accelerate growth, and the additions we made in 2021 aligned with that approach.

In Q4 2021, we reported our fifth consecutive quarter of strong performance and achieved multiple all-time records in our business, including record quarterly revenue and record quarterly non-GAAP operating income. For 2021, revenue was \$1.5 billion, up 14 percent year over year. Our non-GAAP gross margin remained consistent at 75 percent. And non-GAAP operating margin was the highest in the last 20 years, at 19 percent, and up 290 basis points from 2020, demonstrating the focus we've had on driving efficiency in our cost structure.

Accelerating Growth

Our customers are facing major technology inflections, including wireless communication and 5G, autonomous and electric vehicles (EVs), and new technology for space innovation. Each is a major technology hurdle that, for many customers, is a once in a career opportunity. We believe our unmatched expertise in modular systems, test automation software, and product analytics expertise makes NI uniquely positioned to help our customers navigate these challenges to improve their development and manufacturing operations.

We remain focused on strengthening our core systems opportunity. As part of this initiative, we changed the way we serve and support our customers. We've focused on higher level systems and services to our highest potential customers while streamlining engagement with our broad-based customers to drive leverage and scale. We're delivering on this strategy, and it's leading to record revenue and operating income.

We also plan to drive long-term growth through new business opportunities in product analytics and delivering increased enterprise-level value through data. This effort is critical, as it represents a new level of value we can deliver to our customers and an opportunity to disrupt our industry.



ERIC STARKLOFF
CEO, NI

Our focus on the core systems capabilities that have driven our growth while also creating new business opportunities through product analytics and enterprise software enables us to balance our short-term and long-term growth goals with the right investments needed to drive success.

Unique Software Position

Software is in our DNA and has been the force behind our differentiated market position for many years. We've 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 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—ultimately redefining how our customers approach test and measurement. 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.

Focusing on Our Customers

Our industry focus has strengthened our customer relationships and tuned our business to the secular opportunities that are accelerating growth. These areas of intentional focus are delivering to our expectations—a proof point that we're focused on the right areas.

Semiconductor and Electronics represented approximately 27 % of revenue in 2021.

We saw continued strength in our focus areas of 5G and wireless communication, which represents more than 50 percent of revenue for this business, and we continue to see success in new offerings for automated labs. We will continue to focus on supporting our customers' needs throughout their product development flow using software and data.

Transportation represented approximately 14 % of revenue in 2021.

While this business previously correlated primarily to automotive production rates, our shift in focus to electric vehicles (EVs) and advanced driver-assistance systems (ADAS), where our customers are making significant investments, has positively impacted its trajectory. The acquisition of NH Research completed our offering and aims to accelerate growth in applications of electrification. We expect that by the end of 2022, EV and ADAS will represent more than 50 percent of revenue for transportation.

Aerospace, Defense, and Government represented approximately 25 % of revenue in 2021.

This business remains steady and profitable, delivering year-over-year growth in both 2020 and 2021, led by strength in defense applications and new space investments. 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.

Portfolio represented approximately 34 % of revenue in 2021.

In addition to the favorable macro, our focus on optimizing the channel and better positioning our offerings to these broad-based customers has gained traction. For multiple years, we invested in ni.com, and this investment showed strong return with all-time record online order growth in 2021. Utilizing global distribution partners also exceeded our expectations in revenue and margin.

Corporate Impact Strategy

One initiative that's very important to me personally is the impact we have on society, and that's long been a part of our culture at NI. One thing I've focused on was to make our effort in this area more transparent and more intentional. Last year, we published our first-ever Corporate Impact Strategy that includes 10-year goals to ensure our positive influence on society. Our focus is rooted in three pillars: changing the faces of engineering, building an equitable and thriving society, and engineering a healthy planet. These are areas of passion for me and our employees, who continue to inspire me with their efforts. As a business with a purpose, we not only retain key talent but also recruit individuals with similar values. Recently, Newsweek included NI on its list of America's Most Responsible Companies. This is great recognition and a big accomplishment in the first year of our Corporate Impact Strategy.

Looking Ahead

Our focus over the last several years 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. Our strong balance sheet enables us to continue to invest in organic capabilities to ensure we stay ahead of our customers' technology needs while also prioritizing inorganic investments that strategically align to the business to fuel growth.

Our strong financial performance in 2021 represented an inflection point for NI and has put us in position to exceed our 2023 financial goals a full year ahead of schedule. We remain committed to building on this momentum and executing to deliver growth and stockholder returns.

Thank you for your continued trust and support.



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 DELIVERING ON OUR STRATEGY AND SUCH STRATEGY LEADING TO RECORD REVENUE AND OPERATING INCOME; OUR PLAN TO DRIVE LONG-TERM GROWTH THROUGH NEW BUSINESS OPPORTUNITIES IN PRODUCT ANALYTICS AND DELIVER INCREASED ENTERPRISE-LEVEL VALUE THROUGH DATA; OUR ABILITY TO DELIVER TO OUR CUSTOMERS AND DISRUPT OUR INDUSTRY FOR LONG-TERM GROWTH; OUR INTENT 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—ULTIMATELY REDEFINING HOW OUR CUSTOMERS APPROACH TEST AND MEASUREMENT; OUR AIM TO MAKE A TEST 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; OUR CONTINUED FOCUS ON SUPPORTING OUR CUSTOMERS' NEEDS THROUGHOUT THEIR PRODUCT DEVELOPMENT FLOW USING SOFTWARE AND DATA; OUR EXPECTATION THAT BY THE END OF 2022, EV AND ADAS WILL REPRESENT MORE THAN 50% OF REVENUE FOR TRANSPORTATION; OUR ACCELERATED ABILITY TO DELIVER SOLUTION-LEVEL VALUE FOR CUSTOMERS DEALING WITH SOARING DEVELOPMENT COSTS AND COMPLEXITIES FROM THE TESTING OF THEIR EMBEDDED SOFTWARE; OUR ABILITY TO CHANGE THE FACES OF ENGINEERING, BUILD AN EQUITABLE AND THRIVING SOCIETY, AND ENGINEER A HEALTHY PLANET; OUR ABILITY TO CONTINUE TO INVEST IN ORGANIC CAPABILITIES TO ENSURE WE STAY AHEAD OF OUR CUSTOMERS' TECHNOLOGY NEEDS WHILE ALSO PRIORITIZING INORGANIC INVESTMENTS THAT STRATEGICALLY ALIGN TO THE BUSINESS TO FUEL GROWTH; EXCEEDING OUR 2023 FINANCIAL GOALS A FULL YEAR AHEAD OF SCHEDULE; OUR ABILITY TO DELIVER GROWTH AND SHAREHOLDER RETURNS. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES, INCLUDING RISKS AND UNCERTAINTIES RELATED TO GEO-POLITICAL CONFLICTS; THE CONTINUING IMPACT OF COVID-19 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); CYBERATTACKS; 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, 2021, 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 28, 2022. 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.