

NATIONAL INSTRUMENTS CORP /DE/
Form 10-Q
October 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: September 30, 2015 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: 0-25426

NATIONAL INSTRUMENTS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

74-1871327

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

11500 North MoPac Expressway

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Austin, Texas
(address of principal executive offices)

78759
(zip code)

Registrant's telephone number, including area code: (512) 338-9119

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 23, 2015
Common Stock - \$0.01 par value	127,296,143

NATIONAL INSTRUMENTS CORPORATION

INDEX

<u>PART I. FINANCIAL INFORMATION</u>		Page No.
Item 1	Financial Statements:	
	<u>Consolidated Balance Sheets</u> September 30, 2015 (unaudited) and December 31, 2014	2
	<u>Consolidated Statements of Income</u> (unaudited) for the three and nine month periods ended September 30, 2015 and 2014	3
	<u>Consolidated Statements of Comprehensive Income</u> (unaudited) for the three and nine month periods ended September 30, 2015 and 2014	4
	<u>Consolidated Statements of Cash Flows</u> (unaudited) for the nine month periods ended September 30, 2015 and 2014	5
	<u>Notes to Consolidated Financial Statements</u>	6
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	32
Item 4	<u>Controls and Procedures</u>	34
<u>PART II. OTHER INFORMATION</u>		
Item 1	<u>Legal Proceedings</u>	35
Item 1A	<u>Risk Factors</u>	35
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
Item 5	<u>Other Information</u>	44

Item 6	<u>Exhibits</u>	45
	<u>Signatures and Certifications</u>	47

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

NATIONAL INSTRUMENTS CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	September 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 229,235	\$ 274,030
Short-term investments	182,060	197,163
Accounts receivable, net	185,658	202,329
Inventories, net	189,992	173,052
Prepaid expenses and other current assets	58,410	70,075
Deferred income taxes, net	33,675	31,171
Total current assets	879,030	947,820
Property and equipment, net	260,775	264,086
Goodwill	169,770	144,325
Intangible assets, net	82,245	78,282
Other long-term assets	21,487	20,978
Total assets	\$ 1,413,307	\$ 1,455,491
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 53,762	\$ 58,603

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Accrued compensation	28,946	33,774
Deferred revenue - current	104,509	105,964
Accrued expenses and other liabilities	14,078	14,714
Other taxes payable	34,636	34,602
Total current liabilities	235,931	247,657
Long-term debt	25,000	-
Deferred income taxes	44,093	47,406
Liability for uncertain tax positions	10,379	10,127
Deferred revenue - long-term	26,427	26,452
Other long-term liabilities	11,874	6,353
Total liabilities	353,704	337,995
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: par value \$0.01; 5,000,000 shares authorized; none issued and outstanding	-	-
Common stock: par value \$0.01; 360,000,000 shares authorized; 126,928,562 shares and 127,849,271 shares issued and outstanding, respectively	1,269	1,278
Additional paid-in capital	694,817	662,889
Retained earnings	395,154	464,993
Accumulated other comprehensive loss	(31,637)	(11,664)
Total stockholders' equity	1,059,603	1,117,496
Total liabilities and stockholders' equity	\$ 1,413,307	\$ 1,455,491

The accompanying notes are an integral part of the financial statements.

NATIONAL INSTRUMENTS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales:				
Product	\$ 271,683	\$ 287,336	\$ 807,064	\$ 837,824
Software maintenance	28,129	26,365	84,053	73,262
Total net sales	299,812	313,701	891,117	911,086
Cost of sales:				
Product	75,144	79,266	225,646	229,529
Software maintenance	2,022	1,683	4,531	4,443
Total cost of sales	77,166	80,949	230,177	233,972
Gross profit	222,646	232,752	660,940	677,114
Operating expenses:				
Sales and marketing	114,507	116,736	335,916	348,026
Research and development	52,533	58,972	168,462	170,082
General and administrative	23,255	22,741	69,391	68,854
Total operating expenses	190,295	198,449	573,769	586,962
Operating income	32,351	34,303	87,171	90,152
Other income:				
Interest income	396	362	1,089	793
Net foreign exchange gain (loss)	286	(452)	(1,965)	(1,005)
Other income (loss), net	133	(70)	787	283
Income before income taxes	33,166	34,143	87,082	90,223
Provision for (benefit from) income taxes	9,988	(5,559)	23,958	7,275

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Net income	\$ 23,178	\$ 39,702	\$ 63,124	\$ 82,948
Basic earnings per share	\$ 0.18	\$ 0.31	\$ 0.49	\$ 0.65
Weighted average shares outstanding - basic	127,935	127,478	128,219	126,785
Diluted earnings per share	\$ 0.18	\$ 0.31	\$ 0.49	\$ 0.65
Weighted average shares outstanding - diluted	128,229	127,903	128,856	127,529
Dividends declared per share	\$ 0.19	\$ 0.15	\$ 0.57	\$ 0.45

The accompanying notes are an integral part of these financial statements.

3

NATIONAL INSTRUMENTS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 23,178	\$ 39,702	\$ 63,124	\$ 82,948
Other comprehensive income, before tax and net of reclassification adjustments:				
Foreign currency translation adjustment	(3,789)	(9,909)	(14,273)	(10,467)
Unrealized (loss) gain on securities available-for-sale	(348)	(221)	441	(129)
Unrealized (loss) gain on derivative instruments	(7,642)	10,023	(14,378)	8,063
Other comprehensive loss, before tax	(11,779)	(107)	(28,210)	(2,533)
Tax (benefit) expense related to items of other comprehensive income	(3,935)	5,224	(8,238)	4,584
Other comprehensive loss, net of tax	(7,844)	(5,331)	(19,972)	(7,117)
Comprehensive income	\$ 15,334	\$ 34,371	\$ 43,152	\$ 75,831

The accompanying notes are an integral part of these financial statements.

NATIONAL INSTRUMENTS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended		
	September 30,		
	2015		2014
Cash flow from operating activities:			
Net income	\$ 63,124	\$	82,948
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	55,157		51,011
Stock-based compensation	19,151		19,531
Tax (benefit) expense from deferred income taxes	(7,404)		2,222
Tax benefit from stock option plans	(944)		(1,189)
Changes in operating assets and liabilities:			
Accounts receivable	17,162		(7,046)
Inventories	(14,809)		1,247
Prepaid expenses and other assets	(3,370)		(24,887)
Accounts payable	(5,609)		5,279
Deferred revenue	(1,591)		8,709
Taxes, accrued expenses and other liabilities	(386)		2,891
Net cash provided by operating activities	120,481		140,716
Cash flow from investing activities:			

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Capital expenditures	(28,102)	(30,645)
Capitalization of internally developed software	(22,639)	(22,055)
Additions to other intangibles	(2,240)	(2,238)
Acquisitions, net of cash received	(28,629)	-
Purchases of short-term investments	(29,649)	(107,664)
Sales and maturities of short-term investments	44,752	82,514
Net cash used in investing activities	(66,507)	(80,088)
Cash flow from financing activities:		
Proceeds from revolving line of credit	42,000	-
Principal payments on revolving line of credit	(17,000)	-
Proceeds from issuance of common stock	21,252	24,483
Repurchase of common stock	(72,559)	-
Dividends paid	(73,406)	(57,108)
Tax benefit from stock option plans	944	1,189
Net cash used in financing activities	(98,769)	(31,436)
Net change in cash and cash equivalents	(44,795)	29,192
Cash and cash equivalents at beginning of period	274,030	230,263
Cash and cash equivalents at end of period	\$ 229,235	\$ 259,455

The accompanying notes are an integral part of these financial statements.

NATIONAL INSTRUMENTS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of presentation

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2014, included in our annual report on Form 10-K, filed with the Securities and Exchange Commission. In our opinion, the accompanying consolidated financial statements reflect all adjustments (consisting only of normal recurring items) considered necessary to present fairly our financial position at September 30, 2015 and December 31, 2014, and the results of our operations and comprehensive income for the three and nine month periods ended September 30, 2015, and the cash flows for the nine month period ended September 30, 2015. Our operating results for the three and nine month periods ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Note 2 – Earnings per share

Basic earnings per share (“EPS”) is computed by dividing net income by the weighted average number of common shares outstanding during each period. Diluted EPS is computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding (if dilutive) during each period. The number of common share equivalents, which include stock options and restricted stock units (“RSUs”), is computed using the treasury stock method.

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for the three and nine month periods ended September 30, 2015 and 2014, are as follows:

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	Three Months Ended September 30, (In thousands) (Unaudited)		Nine Months Ended September 30, (In thousands) (Unaudited)	
	2015	2014	2015	2014
Weighted average shares outstanding-basic	127,935	127,478	128,219	126,785
Plus: Common share equivalents				
Stock options and RSUs	294	425	637	744
Weighted average shares outstanding-diluted	128,229	127,903	128,856	127,529

Stock awards to acquire 1,331,000 shares and 420,000 shares for the three months ended September 30, 2015 and 2014, respectively, and 433,400 shares and 24,300 shares for the nine month periods ended September 30, 2015 and 2014, respectively, were excluded in the computations of diluted EPS because the effect of including the stock awards would have been anti-dilutive.

Note 3 – Cash, cash equivalents and short-term investments

The following tables summarize unrealized gains and losses related to our cash, cash equivalents, and short-term investments designated as available-for-sale:

(In thousands)	As of September 30, 2015 (Unaudited)				
	Adjusted Cost	Gross Unrealized Gain	Gross Unrealized Loss	Cumulative Translation Adjustment	Fair Value
Cash	\$ 133,240	\$ -	\$ -	\$ -	\$ 133,240
Money Market Accounts	95,995	-	-	-	95,995
Corporate bonds	118,933	44	(362)	(8,852)	109,763
U.S. treasuries and agencies	69,302	83	-	-	69,385
Time deposits	2,912	-	-	-	2,912
Cash, cash equivalents, and short-term investments	\$ 420,382	\$ 127	\$ (362)	\$ (8,852)	\$ 411,295

(In thousands)	December 31, 2014			Cumulative Translation Adjustment	Fair Value
	Adjusted Cost	Gross Unrealized Gain	Gross Unrealized Loss		
Cash	\$ 149,598	\$ -	\$ -	\$ -	\$ 149,598
Money Market Accounts	124,432	-	-	-	124,432
Corporate bonds	118,242	54	(254)	(4,966)	113,076
U.S. treasuries and agencies	73,919	1	(8)	-	73,912
Foreign government bonds	8,841	8	-	(1,586)	7,263
Time deposits	2,912	-	-	-	2,912
Cash, cash equivalents, and short-term investments	\$ 477,944	\$ 63	\$ (262)	\$ (6,552)	\$ 471,193

The following tables summarize the contractual maturities of our short-term investments designated as available-for-sale:

(In thousands)	As of September 30, 2015 (Unaudited)	
	Adjusted Cost	Fair Value
Due in less than 1 year	\$ 103,808	\$ 103,885
Due in 1 to 5 years	87,339	78,175
Total available-for-sale debt securities	\$ 191,147	\$ 182,060
Due in less than 1 year	Adjusted Cost	Fair Value
Corporate bonds	\$ 36,381	\$ 36,397
U.S. treasuries and agencies	64,515	64,576
Time deposits	2,912	2,912
Total available-for-sale debt securities	\$ 103,808	\$ 103,885
Due in 1 to 5 years	Adjusted Cost	Fair Value
Corporate bonds	\$ 82,552	\$ 73,366
U.S. treasuries and agencies	4,787	4,809
Total available-for-sale debt securities	\$ 87,339	\$ 78,175

Note 4 – Fair value measurements

We define fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market that market participants may use when pricing the asset or liability.

We follow a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement is determined based on the lowest level input that is significant to the fair value measurement. The three values of the fair value hierarchy are the following:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs that are not based on observable market data

7

Assets and liabilities measured at fair value on a recurring basis are summarized below:

(In thousands)	Fair Value Measurements at Reporting Date Using			
	(Unaudited)			
Description	September 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents available for sale:				
Money Market Funds	\$ 95,995	\$ 95,995	-	\$ -
Short-term investments available for sale:				
Corporate bonds	109,763	-	109,763	-
U.S. treasuries and agencies	69,385	-	69,385	-
Time deposits	2,912	2,912	-	-
Derivatives	8,135	-	8,135	-
Total Assets	\$ 286,190	\$ 98,907	\$ 187,283	\$ -
Liabilities				
Derivatives	\$ (10,948)	-	(10,948)	\$ -
Total Liabilities	\$ (10,948)	\$ -	\$ (10,948)	\$ -

(In thousands)	Fair Value Measurements at Reporting Date Using			
	(Unaudited)			
Description	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents available for sale:				
Money Market Funds	\$ 124,432	\$ 124,432	\$ -	\$ -
Short-term investments available for sale:				
Corporate bonds	113,076	-	113,076	-
U.S. treasuries and agencies	73,912	-	73,912	-
Foreign government bonds	7,263	-	7,263	-
Time deposits	2,912	2,912	-	-

Derivatives	16,151	-	16,151	-
Total Assets	\$ 337,746	\$ 127,344	\$ 210,402	\$ -
Liabilities				
Derivatives	\$ (4,253)	\$ -	\$ (4,253)	\$ -
Total Liabilities	\$ (4,253)	\$ -	\$ (4,253)	\$ -

We value our available-for-sale short-term investments based on pricing from third party pricing vendors, who may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value. We classify all of our fixed income available-for-sale securities as having Level 2 inputs. The valuation techniques used to measure the fair value of our financial instruments having Level 2 inputs were derived from non-binding market consensus prices that are corroborated by observable market data, quoted market prices for similar instruments, or pricing models, such as discounted cash flow techniques. We believe all of these sources reflect the credit risk associated with each of our available-for-sale short-term investments. Short-term investments available-for-sale consists of debt securities issued by states of the U.S. and political subdivisions of the U.S., corporate debt securities and debt securities issued by U.S. government organizations and agencies as well as debt securities issued by foreign governments. All short-term investments available-for-sale have contractual maturities of less than 36 months.

Derivatives include foreign currency forward and option contracts. Our foreign currency forward contracts are valued using an income approach (Level 2) based on the spot rate less the contract rate multiplied by the notional amount. Our foreign currency option contracts are valued using a market approach based on the quoted market prices which are derived from observable inputs including current and future spot rates, interest rate spreads as well as quoted market prices of similar instruments. We consider counterparty credit risk in the valuation of our derivatives. However, counterparty credit risk did not impact the valuation of our derivatives during the nine month period ended September 30, 2015. There were no transfers in or out of Level 1 or Level 2 during the nine month period ended September 30, 2015.

As of September 30, 2015, our short-term investments did not include sovereign debt from any country other than the United States.

We did not have any items that were measured at fair value on a nonrecurring basis at September 30, 2015 and December 31, 2014.

The carrying value of net accounts receivable and accounts payable contained in the Consolidated Balance Sheets approximates fair value.

Note 5 – Derivative instruments and hedging activities

We recognize all of our derivative instruments as either assets or liabilities in our statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

We have operations in over 50 countries. Sales outside of the Americas accounted for approximately 58% and 58% of our net sales during the three month periods ended September 30, 2015 and 2014, respectively, and 58% and 60% of our net sales during the nine month periods ended September 30, 2015 and 2014, respectively. Our activities expose us to a variety of market risks, including the effects of changes in foreign currency exchange rates. These financial risks are monitored and managed by us as an integral part of our overall risk management program.

We maintain a foreign currency risk management strategy that uses derivative instruments (foreign currency forward and purchased option contracts) to help protect our earnings and cash flows from fluctuations caused by the volatility

in currency exchange rates. Movements in foreign currency exchange rates pose a risk to our operations and competitive position, in that exchange rate changes may affect our profitability and cash flow, and the business or pricing strategies of our non-U.S. based competitors.

The vast majority of our foreign sales are denominated in the customers' local currency. We purchase foreign currency forward and option contracts as hedges of forecasted sales that are denominated in foreign currencies and as hedges of foreign currency denominated receivables. These contracts are entered into to help protect against the risk that the eventual dollar-net-cash inflows resulting from such sales or firm commitments will be adversely affected by changes in exchange rates. We also purchase foreign currency forward contracts as hedges of forecasted expenses that are denominated in foreign currencies. These contracts are entered into to help protect against the risk that the eventual dollar-net-cash outflows resulting from foreign currency operating and cost of sales expenses will be adversely affected by changes in exchange rates.

We designate foreign currency forward and purchased option contracts as cash flow hedges of forecasted net sales or forecasted expenses. In addition, we hedge our foreign currency denominated balance sheet exposures using foreign currency forward contracts that are not designated as hedging instruments. None of our derivative instruments contain a credit-risk-related contingent feature.

Cash flow hedges

To help protect against the reduction in value caused by a fluctuation in foreign currency exchange rates of forecasted foreign currency cash flows resulting from international sales over the next one to three years, we have instituted a foreign currency cash flow hedging program. We hedge portions of our forecasted net sales and forecasted expenses denominated in foreign currencies with forward and purchased option contracts. For forward contracts, when the dollar strengthens significantly against the foreign currencies, the change in the present value of future foreign currency cash flows may be offset by the change in the fair value of the forward contracts designated as hedges. For option contracts, when the dollar strengthens significantly against the foreign currencies, the change in the present value of future foreign currency cash flows may be offset by the change in the fair value of the option contracts net of the premium paid designated as hedges. Our foreign currency purchased option contracts are purchased "at-the-money" or "out-of-the-money." We purchase foreign currency forward and option contracts for up to 100% of our forecasted exposures in selected currencies (primarily in Euro, Japanese yen, Hungarian forint, British pound, Chinese yuan and Malaysian ringgit) and limit the duration of these contracts to 40 months or less.

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (“OCI”) and reclassified into earnings in the same line item (net sales, operating expenses, or cost of sales) associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings or expenses during the current period and are classified as a component of “net foreign exchange loss.” Hedge effectiveness of foreign currency forwards and purchased option contracts designated as cash flow hedges are measured by comparing the hedging instrument’s cumulative change in fair value from inception to maturity to the forecasted transaction’s terminal value.

We held forward contracts with the following notional amounts:

(In thousands)	US Dollar Equivalent	
	As of September 30, 2015 (Unaudited)	As of December 31, 2014
Euro	\$ 40,929	\$ 97,198
Japanese yen	1,799	7,798
Hungarian forint	45,516	61,067
British pound	5,770	22,809
Malaysian ringgit	44,467	10,241
Chinese yuan	22,787	-
Total forward contracts notional amount	\$ 161,268	\$ 199,113

The contracts in the foregoing table had contractual maturities of 40 months or less at September 30, 2015 and December 31, 2014.

At September 30, 2015, we expect to reclassify \$7 million of gains on derivative instruments from accumulated OCI to net sales during the next twelve months when the hedged international sales occur, \$2.3 million of losses on derivative instruments from accumulated OCI to cost of sales during the next twelve months when the cost of sales are incurred and \$2.6 million of losses on derivative instruments from accumulated OCI to operating expenses during the next twelve months when the hedged operating expenses occur. Expected amounts are based on derivative valuations at September 30, 2015. Actual results may vary materially as a result of changes in the corresponding exchange rates subsequent to this date.

We did not record any ineffectiveness from our hedges during the three and nine month periods ended September 30, 2015 and 2014.

Other Derivatives

Other derivatives not designated as hedging instruments consist primarily of foreign currency forward contracts that we use to hedge our foreign denominated net receivable or net payable positions to help protect against the change in value caused by a fluctuation in foreign currency exchange rates. We typically attempt to hedge up to 90% of our outstanding foreign denominated net receivables or net payables and typically limit the duration of these foreign currency forward contracts to approximately 120 days or less. The gain or loss on the derivatives as well as the offsetting gain or loss on the hedge item attributable to the hedged risk is recognized in current earnings under the line item "net foreign exchange loss." As of September 30, 2015 and December 31, 2014, we held foreign currency forward contracts with a notional amount of \$72 million and \$78 million, respectively.

The following tables present the fair value of derivative instruments on our Consolidated Balance Sheets at September 30, 2015 and December 31, 2014, respectively.

(In thousands)	Asset Derivatives September 30, 2015 (Unaudited)		December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Foreign exchange contracts - ST forwards	Prepaid expenses and other current assets	\$ 7,181	Prepaid expenses and other current assets	\$ 14,492
Foreign exchange contracts - LT forwards	Other long-term assets	-	Other long-term assets	-
Total derivatives designated as hedging instruments		\$ 7,181		\$ 14,492
Derivatives not designated as hedging instruments				
Foreign exchange contracts - ST forwards	Prepaid expenses and other current assets	\$ 954	Prepaid expenses and other current assets	\$ 1,659
Total derivatives not designated as hedging instruments		\$ 954		\$ 1,659
Total derivatives		\$ 8,135		\$ 16,151

(In thousands)	Liability Derivatives September 30, 2015 (Unaudited)		December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Foreign exchange contracts - ST forwards	Accrued expenses and other liabilities	\$ (5,150)	Accrued expenses and other liabilities	\$ (1,937)
	Other long-term liabilities	(5,322)	Other long-term liabilities	(1,536)

Foreign exchange contracts - LT forwards				
Total derivatives designated as hedging instruments		\$ (10,472)		\$ (3,473)
Derivatives not designated as hedging instruments				
Foreign exchange contracts - ST forwards	Accrued expenses and other liabilities	\$ (476)	Accrued expenses and other liabilities	\$ (780)
Total derivatives not designated as hedging instruments		\$ (476)		\$ (780)
Total derivatives		\$ (10,948)		\$ (4,253)

The following tables present the effect of derivative instruments on our Consolidated Statements of Income for three month periods ended September 30, 2015 and 2014, respectively:

September 30, 2015

(In thousands)

(Unaudited)

	Gain or (Loss) Recognized in	Location of Gain or (Loss) Reclassified from Accumulated	Gain or (Loss) Reclassified from Accumulated OCI into Income	Location of Gain or (Loss) Recognized in	Gain or (Loss) Recognized in
Derivatives in Cash Flow Hedging Relationship Foreign exchange contracts - forwards and options	OCI on Derivative (Effective Portion)	OCI into Income (Effective Portion)	(Effective Portion)	Income on Derivative (Ineffective Portion)	Income on Derivative (Ineffective Portion)
				Net foreign exchange gain/(loss)	
	\$ (4,706)	Net sales	\$ 5,405		\$ -