NU SKIN ENTERPRISES INC
Form S-3/A
September 16, 2004
Table of Contents

As filed with the Securities and Exchange Commission on September 16, 2004

Registration No. 333-118495

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

NU SKIN ENTERPRISES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**87-0565309**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

75 West Center Street

Provo, Utah 84601

(801) 345-1000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

M. Truman Hunt

Chief Executive Officer

Nu Skin Enterprises, Inc.

75 West Center Street

Provo, Utah 84601

(801) 345-1000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

D. Matthew Dorny, Esq.

Nu Skin Enterprises, Inc.

75 West Center Street

Provo, Utah 84601

(801) 345-1000

Kevin P. Kennedy, Esq.

Simpson Thacher & Bartlett LLP

3330 Hillview Avenue

Palo Alto, California 94304

(650) 251-5000

Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered in this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and neither we nor the selling stockholders are soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 16, 2004.

PROSPECTUS

1,500,000 Shares

Class A Common Stock

The 1,500,000 shares of our Class A common stock covered by this prospectus were initially sold in a private placement transaction on July 30, 2004. We will not receive any of the proceeds from the resale by the selling stockholders of their shares of Class A common stock.

Our Class A common stock is listed on the New York Stock Exchange under the symbol NUS . On September 10, 2004, the last reported sale price of our Class A common stock as reported on the New York Stock Exchange was $26.80 per share.

Investing in our Class A common stock involves a high degree of risk. For a discussion of the risks relevant to an investment in our Class A common stock, please refer to the Risk Factors section of this prospectus beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2004.

Table of Contents

TABLE OF CONTENTS

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Our SEC filings are available to the public over the Internet at the SEC s website at http://www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities, which are located at 450 Fifth Street, N.W., Washington, D.C. 20459, and obtain copies of our filings at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. In addition, you may look at our filings at the offices of the New York Stock Exchange, Inc., which are located at 20 Broad Street, New York, New York 10005. Our SEC filings are available at the NYSE because our Class A common stock is listed and traded on the NYSE under the symbol NUS . We also have a website (www.nuskinenterprises.com) through which you may access our filings. Information contained on our website, however, is not and should not be deemed a part of this prospectus.

Table of Contents

INCORPORATION BY REFERENCE

We incorporate by reference into this prospectus some of the information that we file with the SEC, which means that we can disclose important information to you by referring you to those filings. Any information contained in future SEC filings that are incorporated by reference into this prospectus will automatically update this prospectus, and any information included directly in this prospectus updates and supersedes the information contained in past SEC filings incorporated by reference into this prospectus. Unless specifically stated to the contrary, none of the information that we disclose under Item 9 or 12 of any current report on Form 8-K that we may, from time to time, furnish to the SEC will be incorporated by reference into, or otherwise included in, this prospectus. The information incorporated by reference, as updated, is an important part of this prospectus. We incorporate by reference the following documents:

- our current report on Form 8-K (file no. 001-12421) filed on July 27, 2004;
- our quarterly report on Form 10-Q (file no. 001-12421) for the quarter ended June 30, 2004;
- our quarterly report on Form 10-Q (file no. 001-12421) for the quarter ended March 31, 2004;
- our annual report on Form 10-K (file no. 001-12421) for the fiscal year ended December 31, 2003;
- the description of our Class A common stock in our registration statement on Form 8-A (file no. 001-12421) filed with the SEC on November 6, 1996 (as such description is updated by the description contained in the Description of Capital Stock section of this prospectus); and
- all documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and prior to the completion of the resale of the shares of the Class A common stock by the selling stockholders pursuant to this prospectus.

You may request a copy of these filings, at no cost, by writing to our Investor Relations Department at 75 West Center Street, Provo, Utah 84601 or calling our Investor Relations Department at (801) 345-1000.

You should rely only on the information incorporated by reference or provided in this prospectus or a prospectus supplement or amendment. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should assume that the information appearing in this prospectus or a prospectus supplement or amendment or any documents incorporated by reference therein is accurate only as of the date on the front cover of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

2

Table of Contents

PROSPECTUS SUMMARY

This summary may not contain all of the information that may be important to you. You should read this summary together with the entire prospectus, including the Risk Factors section, and the documents incorporated by reference into this prospectus, including the more detailed information in the financial statements and the accompanying notes contained in our annual report on Form 10-K for the year ended December 31, 2003 and our quarterly reports on Form 10-Q for each of the quarters ended March 31, 2004 and June 30, 2004. For ease of reference, throughout this prospectus, we use the terms we, us and our to refer to Nu Skin Enterprises, Inc. and, unless it is otherwise evident from the context, its subsidiaries.

Our Business

Nu Skin Enterprises is a leading, global direct selling company. We develop and distribute personal care products and nutritional supplements that are sold worldwide under the Nu Skin and Pharmanex brands. We also market technology products and services and a line of home care products under the Big Planet brand. We are one of the largest direct selling companies in the world with 2003 revenue of $986 million and, as of June 30, 2004, a global network of approximately 808,000 active independent distributors and preferred customers. Approximately 31,000 of these active distributors had achieved executive distributor status. Our executive distributors play an important leadership role in our distribution network and are critical to the growth and profitability of our business. We operate in more than 30 countries throughout Asia, the Americas and Europe, and we recognized approximately 89% of our revenue in markets outside the United States in 2003, with our Japanese operations accounting for approximately 57% of our revenue. Because of the size of our foreign operations, our operating results can be negatively impacted by such factors as weakening of foreign currencies, regulatory issues and poor economic or political conditions in those markets.

We develop and market branded consumer products that we believe are well suited for direct selling. Our distributors market and sell our products by educating consumers about the benefits and distinguishing characteristics of our products and by providing personalized customer service. Through dedicated research and development, we continually develop and introduce new products and enhance our existing line of products to provide our distributors with a differentiated product portfolio. We believe that we are able to attract and motivate high-caliber independent distributors because of our focus on developing innovative products, our attractive global compensation system and our advanced technological distributor support. The direct selling and nutritional supplement industries, however, are subject to extensive governmental regulations throughout the world, which impose some restrictions on our business and create the risk that we could be fined or have our operations suspended if we fail to comply with these regulations.

Table of Contents

Corporate Information

We are incorporated in the State of Delaware. Our principal executive offices are located at 75 West Center Street, Provo, Utah 84601. Our telephone number at that address is (801) 345-1000. Our corporate website is located at http://www.nuskinenterprises.com. Our product division websites are located at http://www.nuskin.com, http://www.pharmanex.com and http://www.bigplanet.com. Information contained on our websites does not constitute part of this prospectus.

Table of Contents

RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. Before making an investment decision, you should carefully consider the risks described below, together with all of the other information included or incorporated by reference into this prospectus. Our business, financial condition or results of operations could be harmed by any of these risks. The trading price of our Class A common stock could decline due to any of these risks, and you may lose all or part of your investment.

Risks Related to Our Business

Currency exchange rate fluctuations could lower our revenue and net income.

In 2003, we recognized approximately 89% of our revenue in markets outside of the United States in each market s respective local currency. We purchase inventory primarily in the United States in U.S. dollars. In preparing our financial statements, we translate revenue and expenses in foreign countries from their local currencies into U.S. dollars using weighted average exchange rates. If the U.S. dollar strengthens relative to local currencies, particularly the Japanese yen inasmuch as we generated approximately 57% of our 2003 revenue in Japan, our reported revenue, gross profit and net income will likely be reduced. Given our inability to predict the degree of exchange rate fluctuations, we cannot estimate the effect these fluctuations may have upon future reported results or our overall financial condition. Although we attempt to reduce our exposure to short-term exchange rate fluctuations by using foreign currency exchange contracts for the Japanese yen, we cannot be certain these contracts or any other hedging activity will effectively reduce exchange rate exposure. In addition, there is the risk that the Chinese government may allow the Yuan to float against the U.S. dollar, which would result in exchange rate risk for our Chinese business.

Because our Japanese operations account for a majority of our business, any adverse changes in our business operations in Japan would harm our business.

Approximately 57% of our 2003 revenue was generated in Japan. Various factors could harm our business in Japan, such as worsening economic conditions. Economic conditions in Japan have been poor in recent years and may worsen or not improve. Many of our competitors have seen their businesses in this market contract in the last few years. The volume of goods sold through the direct selling channel has decreased from $26.2 billion in 1998 to approximately $24.5 billion in 2002, we believe primarily as a result of difficult economic conditions. We believe our operating results have been negatively impacted in the past in part because of economic conditions. Continued or worsening economic and political conditions in Japan could further impact our revenue and net income. In addition, we also face significant competition from existing and new competitors in Japan. Our financial results would be harmed if our products, business opportunity or planned growth initiatives fail to retain and generate continued interest and enthusiasm among our distributors and consumers in this market.

Table of Contents

If we are unable to retain our existing independent distributors and recruit additional distributors, our revenue will not increase and may even decline.

We distribute almost all of our products through our independent distributors, and we depend on them to generate virtually all of our revenue. Our distributors may terminate their services at any time, and, like most direct selling companies, we experience high turnover among distributors from year to year. As a result, in order to maintain sales and increase sales in the future, we need to continue to retain existing distributors and recruit additional distributors. To increase our revenue, we must increase the number of and/or the productivity of our distributors.

We have experienced periodic declines in both active distributors and executive distributors in the past. Our growth depends upon our ability to increase the number of active distributors and executive distributors. However, the number of our active and executive distributors may not increase and could decline once again in the future. While we take many steps to help train, motivate and retain distributors, we cannot accurately predict how the number and productivity of distributors may fluctuate because we rely primarily upon our distributor leaders to recruit, train and motivate new distributors. Our operating results could be harmed if we and our distributor leaders fail to generate sufficient interest in our business to retain existing distributors and attract new distributors.

The number and productivity of our distributors also depends on several additional factors, including:

- any adverse publicity regarding us, our products, our distribution channel or our competitors;
- a lack of interest in, or the technical failure of, existing or new products;
- the public s perception of our products and their ingredients;
- the public s perception of our distributors and direct selling businesses in general; and
- general economic and business conditions.

In addition, we may face saturation or maturity levels in a given country or market. This is of particular concern in Taiwan, where industry sources have estimated that over 10% of the population is already involved in some form of direct selling. The maturity of several of our markets could also affect our ability to attract and retain distributors in those markets.

Our expansion of operations in China has resulted in governmental scrutiny, and our operations in China may

be harmed by the results of such scrutiny.

The Chinese government banned direct selling activities in China in 1998, subject to certain limited exceptions. The government has rigorously monitored and enforced this ban. In the past, the government has taken significant actions against companies that the government found were engaging in direct selling in violation of applicable law, including shutting down their businesses and imposing substantial fines. Although a few of our global direct selling competitors have authorization to conduct limited direct selling activities after the 1998 ban,

Table of Contents

we have not received such authorization. Consequently, we have not implemented our direct sales model in China. Instead, we have implemented a business model that utilizes retail stores and an employed sales force that we believe complies with applicable regulations. We also allow distributor leaders from outside of China to help us recruit, find, train and motivate our employed sales force in China. Frequently, individuals, including our competitors, complain to local regulatory agencies that our China business model violates applicable regulations on direct selling. As a result, we regularly visit with regulators to address their questions and concerns and explain our local business model. We also use our best efforts to train our China sales force on our business model.

The regulatory environment in China is evolving, and officials in the Chinese government often exercise discretion in deciding how to interpret and apply applicable regulations. We have made some modifications to our business model and policies in response to concerns expressed by governmental authorities prior to and since we opened for business in January 2003. In addition, some of our distributors living outside of China and some of our employed sales representatives in China have engaged in activities that violated our policies in this market and resulted in some regulatory concern and some adverse publicity. At times, these reviews and investigations by government regulators have obstructed our ability to conduct business and have resulted in several cases in fines being paid by us, which in the aggregate have been less than 1% of our revenue in China since we began operating there. We may incur similar or more severe sanctions in the future. Occasionally, we have also been asked to cease sales activity in some stores while the regulators review our operations. While, in each of these cases, we have been allowed to recommence operations after the government s review, there is no assurance that this will always be the case.

Although we have worked closely with both national and local governmental agencies in implementing our plans, our efforts to comply with local laws may be harmed by a rapidly evolving regulatory climate, concerns about activities resembling direct selling and any subjective interpretation of laws. Any determination that our operations or activities, or the activities of our employed sales representatives or distributors living outside of China, are not in compliance with applicable regulations could result in the imposition of substantial fines, extended interruptions of business, restrictions on our ability to open new stores or expand into new locations, changes to our business model, the termination of required licenses to conduct business, or other actions, all of which would harm our business.

If regulators prevent us from hiring sales employees or opening new stores in China as quickly as we would like, our ability to grow our business there could be negatively impacted.

Because of concerns about the potential number of sales employees we could hire in some cities, regulators in a few cities in China initially recommended that we maintain a reasonable level of sales employees per store. If the level of employees that regulators determine to be reasonable is less than we anticipate or believe reasonable, or if regulators otherwise impose restrictions on the number of sales employees we may hire, our revenue could be negatively impacted, which could reduce our revenue or slow our growth rate in

Table of Contents

China. Additionally, regulatory provisions require us to obtain a license for each store that we operate in China, and regulators have broad discretion in approving these licenses. If regulators fail to approve licenses for new stores at a rate that meets our growth demands, this could harm our growth potential.

If China fails to adopt new direct selling regulations, or if these regulations are not favorable to us, this could harm our business.

Chinese regulators have indicated that they intend to publish new direct selling regulations by the end of 2004. There can be no assurance that these regulations will be adopted or, if adopted, that they will benefit our company. While we intend to apply for a direct selling license under any new proposed regulations and believe that one would be granted to us, there can be no assurance that this would be the case. Although we currently do not operate a direct selling business in China, our future growth could be harmed if the regulations are not adopted or are unfavorable, or if we are unable to obtain a license for direct selling under these regulations.

Global political issues and conflicts could harm our business.

Because a substantial portion of our business is conducted outside of the United States, our business is subject to global political issues and conflicts, including terrorism threats, tensions related to North Korea, political tensions between the People s Republic of China and Taiwan, and other issues. If these conflicts or issues escalate, or if there is increased anti-American sentiment, this could harm our foreign operations. In addition, changes and actions by governments in foreign markets, in particular those markets such as China where capitalism and free market trading is still evolving, could harm our business.

If we are unable to successfully manage rapid growth in China, our operations may be harmed.

As a result of Chinese regulations prohibiting us from implementing our direct selling model in China, we have opened over 100 of our own retail stores and hired a large and rapidly growing employed sales force. In addition, due to import restrictions in China, we have built and operate our own manufacturing plant to produce the products that we sell in our stores in China. As of June 30, 2004, we had spent approximately $10 million building our stores and factory and expect to spend an additional $7 to $10 million through the end of 2005. We have experienced rapid growth in China, and we cannot assure you that we will be able to successfully manage rapid expansion of manufacturing operations and a rapidly growing and dynamic sales force. We also cannot assure you that we will not experience difficulties in dealing with or taking employment related actions (such as hiring, terminations and salary administration, including social benefit payments) with respect to our employed sales representatives, particularly given the highly regulated nature of the employment relationship in China. If we are unable to effectively manage such growth and expansion of our retail stores, manufacturing operations or our employees, our government relations may be compromised and our operations in China may be harmed.

8

Table of Contents

Intellectual property rights are difficult to enforce in China.

Chinese commercial law is relatively undeveloped compared to most of our other major markets, and, as a result, we may have limited legal recourse in the event we encounter significant difficulties with patent or trademark infringers. Limited protection of intellectual property is available under Chinese law, and the local manufacturing of our products may subject us to an increased risk that unauthorized parties may attempt to copy or otherwise obtain or use our product formulations. As a result, we cannot assure you that we will be able to adequately protect our product formulations.

Manufacturing and production cost issues associated with our laser-based scanner could negatively impact the success of our scanner program and our ability to make a sufficient number of scanners available to interested distributors, which could harm our business.

Our introduction of a laser-based scanner that measures the levels of carotenoid antioxidants in the skin has generated considerable enthusiasm among some of our distributors, particularly in the United States. We have not had experience in developing, manufacturing and marketing sophisticated technology products such as the scanner. As with any new technology, we have experienced delays and technical and production cost issues in developing and manufacturing a scanner that meets required specifications and performs at a consistent level. As of June 30, 2004, we were manufacturing 40 to 50 units each week at a cost of approximately $7,000 per unit. If we are unable to timely resolve technical issues or otherwise fail to deliver scanners that perform to a standard expected by our distributors or if we are unable to make a sufficient number of scanners available to interested distributors at reasonable lease rates, we could dampen distributor enthusiasm and harm our business, particularly in the United States where many distributors have been focusing their marketing activities around the introduction of the scanner. Because of the substantial investment in the scanner initiative, we may not be able to recoup our investment or may have to record an expense that would negatively impact earnings if the scanner program fails for any reason.

If our laser-based scanner is determined to be a medical device in a particular geographic market, this could inhibit or delay our ability to market the scanner in such market.

We believe that our laser-based scanner can be marketed as a non-medical device. However, the FDA in the United States has questioned the status of the scanner as a non-medical device. There are various factors that could determine whether the scanner is a medical device including the claims that we or our distributors make about the scanner. If the FDA were to make a determination that the scanner is a medical device, or if it determines that our distributors are using the scanner to make medical claims, we would be required to obtain FDA clearance to market the scanner as a medical device, which could delay significantly or otherwise inhibit our ability and the ability of our distributors to use the scanner in the United States. In addition, we are facing similar regulatory issues in other markets with respect to the status of the scanner as a non-medical device. If distributors make claims regarding the

9

scanner outside of the claims authorized by us this could result in regulatory actions against our business or prevent us from marketing the scanner as a non-medical device.

Although we are in the process of preparing an application for FDA clearance to market the scanner as a medical device in the United States in the event such clearance is required, obtaining FDA clearance or similar clearance in other markets could require us to provide documentation concerning the clinical utility of the scanner and to make some modifications to the design, specifications and manufacturing process of the scanner in order to meet stringent standards imposed on medical device companies. There can be no assurance we would be able to provide such documentation and make such changes promptly or in a manner that is satisfactory to regulatory authorities. We are also subject to regulatory restrictions that limit the claims or representations that we and our distributors can make about the scanner because we are not using it as a medical device, which could adversely impact our success in utilizing the scanner. Any delay, restriction or limitation of our anticipated use of this tool caused by regulatory issues could harm our business, particularly in the United States where we have experienced the strongest interest in the scanner.

Governmental regulations relating to the marketing and advertising of our products and services, in particular our nutritional supplements, may restrict or inhibit our ability to sell these products.

Our products and our related marketing and advertising efforts are subject to extensive governmental regulations by numerous domestic and foreign governmental agencies and authorities. These include the FDA, the FTC, the Consumer Product Safety Commission and the Department of Agriculture in the United States, State Attorneys General and other state regulatory agencies and the Ministry of Health, Labor and Welfare in Japan along with similar governmental agencies in other foreign markets where we operate. We also believe that the regulatory attitude towards dietary supplements in the United States, Japan and other markets is worsening.

Our markets have varied regulations concerning product formulation, labeling, packaging and importation. These laws and regulations often require us to, among other things:

- reformulate products for a specific market to meet the specific product formulation laws of that country;
- conform product labeling to the regulations in each country; and
- register or qualify products with the applicable governmental authority or obtain necessary approvals or file necessary notifications for the marketing of our products.

Failure to introduce products or delays in introducing products could reduce revenue and decrease profitability. Regulators also may prohibit us from making therapeutic claims about products, regardless of the existence of research and independent studies that may support such claims. These product claim restrictions could prevent us from realizing the potential revenue from some of our products.

Table of Contents

The recent discovery of Bovine Spongiform Encephalopathy (BSE), commonly referred to as mad cow disease , in the United States could harm our business if we are not able to successfully implement contingency plans to address regulatory issues surrounding BSE.

Some countries, including Japan, have banned the importation or sale of products that contain bovine materials sourced from locations where BSE has been identified. Approximately 40% of our Pharmanex revenue, accounting for over 18% of our total revenue, is generated from products that are encapsulated in gel capsules that are currently produced with bovine materials. We have been sourcing substantially all of our bovine materials, used primarily in the gel capsules of our nutritional supplements, from India and the United States, which were both BSE-free countries. At the end of December 2003, a single cow imported from Canada into the United States was found to have BSE, which has prompted some countries, including Japan, to suspend imports of beef and bovine related products from the United States as they review the situation. We have implemented alternative production plans for Japan to utilize gelatin capsules sourced from BSE-free countries or non-bovine gelatin capsules, and produce certain products in tablet form, in order to avoid material stock outages of our major products in Japan. If we experience production difficulties, quality control problems or shortages in supply, this could result in stock outages of key products or customer satisfaction issues in Japan, which could harm our business. In the event that the BSE issue is not resolved satisfactorily in the United States in a timely manner or if BSE becomes an issue in other countries, this could result in additional risk of product shortages or write-offs of inventory that no longer can be used. In addition, our business could be harmed if consumers become unduly concerned about the risks of BSE with respect to our bovine-sourced gelatin capsules or, alternatively, if consumers react negatively to our switching from capsules to tablets on some products as part of our contingency plans.

The sources and ingredients of our products are also subject to additional governmental regulations by numerous domestic and foreign governmental agencies and authorities regarding product ingredients. We may be unable to introduce our products in some markets if we fail to obtain the necessary regulatory approvals or if any product ingredients are prohibited, which could harm our business.

Recent negative publicity concerning stimulant-based supplements have spurred efforts to change existing laws and regulations with respect to nutritional supplements that, if successful, could result in more restrictive and burdensome regulations.

There have been some recent injuries and deaths that have been attributed to the use of nutritional supplements that contain ingredients that are controversial and have generated negative publicity. This publicity has resulted in efforts to adopt new regulations applicable to nutritional supplements that could impose further restrictions and regulatory controls over the nutritional supplement industry. Although we are committed not to market nutritional supplements that contain any stimulants, steroids or other substances that are controversial and could pose health risks, our operations could be harmed if governmental laws or regulations are enacted that restrict the ability of companies to market or distribute nutritional

11

Table of Contents

supplements or impose additional burdens or requirements on nutritional supplement companies as a result of public reaction to the recent injuries and deaths caused by supplements that do contain these controversial ingredients.

If we are unable to expand operations in any of the new markets we have currently targeted, we may have difficulty achieving our long-term objectives.

A significant percentage of our revenue growth over the past decade has been attributable to our expansion into new markets. For example, the revenue growth we experienced in recent years was due in part to our successful expansion of operations into Singapore, Malaysia and Mainland China. Moreover, our growth over the next several years depends on our ability to successfully introduce our products and our distribution system into new markets, including further development of Mainland China and Eastern Europe. In addition to the regulatory difficulties we may face in gaining access into these new markets, we could face difficulties in achieving acceptance of our premium-priced products in developing markets. In the past, we have struggled to operate successfully in developing country markets, such as Latin America. This may also be the case in Eastern Europe and the other new markets into which we currently intend to expand. If we are unable to successfully expand our operations into these new markets, our opportunities to grow our business may be limited, and, as a result, we may not be able to achieve our long-term objectives.

Adverse publicity concerning our business, marketing plan or products could harm our business and reputation.

The size of our distribution force and the results of our operations can be particularly impacted by adverse publicity regarding us, the legality of our distributor network, our products or the actions of our distributors. Specifically, we are susceptible to adverse publicity concerning:

- suspicions about the legality of network marketing;
- the ingredients or safety of our or our competitors products;
- regulatory investigations of us, our competitors and our respective products;
- the actions of our current or former distributors; and
- public perceptions of direct selling businesses generally.

In addition, in the past we have experienced negative publicity that has harmed our business in connection with regulatory investigations and inquiries. We may receive negative publicity in the future, and it may harm our business and reputation.

Although our distributors are independent contractors, improper distributor actions that violate laws or regulations could harm our business.

Distributor activities in our existing markets that violate governmental laws or regulations could result in governmental actions against us in markets where we operate. Except in China, our distributors are not employees and act independently of us. We implement strict policies and procedures to ensure our distributors will comply with legal requirements. However, given the size of our distributor force, we experience problems with distributors from time to time. For example, product claims made by some of our distributors in 1990 and 1991 led to an investigation by the FTC, which resulted in our entering into a consent decree with the FTC as described below.

Failure of new products to gain distributor and market acceptance could harm our business.

A critical component of our business is our ability to develop new products that create enthusiasm among our distributor force. If we fail to introduce new products planned for introduction, our distributor productivity could be harmed. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements or have quality problems, this would harm our results of operations. Factors that could affect our ability to continue to introduce new products include, among others, government regulations, the loss of key research and development staff from our divisions, the termination of third-party research and collaborative arrangements, proprietary protections of competitors that may limit our ability to offer comparable products and any failure to anticipate changes in consumer tastes and buying preferences.

Government inquiries, investigations and actions could harm our business.

From time to time, we receive formal and informal inquiries from various government regulatory authorities about our business and our compliance with local laws and regulations. Any determination that we or our distributors are not in compliance with existing laws or regulations could potentially harm our business. Even if governmental actions do not result in rulings or orders, they potentially could create negative publicity. Negative publicity could detrimentally affect our efforts to recruit or motivate distributors and attract customers and, consequently, could reduce revenue and net income.

In the early 1990s, we entered into voluntary consent agreements with the FTC and other state regulatory agencies relating to investigations of our distributors product claims and practices. These investigations centered around allegedly unsubstantiated product and earnings claims made by some of our distributors. We believe that the negative publicity generated by this FTC action, as well as a subsequent action in the mid-1990s related to unsubstantiated product claims, harmed our business and results of operations in the United States. Pursuant to the consent decrees, we agreed, among other things, to supplement our procedures to enforce our policies, to not allow distributors to make earnings representations without making additional disclosures relating to average earnings and to not make, or allow our distributors to make, product claims that were not substantiated. We have taken various actions, including implementing a more generous inventory buy-back policy, publishing average distributor earnings information, supplementing our procedures for enforcing our policies, and reviewing distributor product sales aids, to address the issues raised by the FTC and state agencies in these investigations. As a result of the previous investigations, the FTC makes inquiries from time to time regarding our compliance with applicable laws and regulations and our consent

13

decree. Any further actions by the FTC or other comparable state or federal regulatory agencies, in the United States or abroad, could have a further negative impact on us in the future.

In addition, we are susceptible to government-initiated campaigns that do not rise to the level of formal regulations. For example, the South Korean government, several South Korean trade groups and members of the South Korean media initiated campaigns in 1997 and 1998 urging South Korean consumers not to purchase luxury or foreign goods. We believe that these campaigns and the related media attention they received, together with the economic recession that occurred in the late 1990s in the South Korean economy, significantly harmed our South Korean business. We cannot assure you that similar government, trade group or media actions will not occur again in South Korea or in other countries where we operate or that such events will not similarly harm our operations.

The loss of key high-level distributors could negatively impact our distributor growth and our revenue.

As of June 30, 2004, we had approximately 808,000 active distributors and preferred customers and 31,000 executive distributors. Approximately 311 of these distributors occupied the highest distributor level under our Global Compensation Plan. These distributors, together with their extensive networks of downline distributors, account for substantially all of our revenue. As a result, the loss of a high-level distributor or a group of leading distributors in the distributor s network of downline distributors, whether by their own choice or through disciplinary actions by us for violations of our policies and procedures, could negatively impact our distributor growth and our revenue.

Laws and regulations may prohibit or severely restrict our direct sales efforts and cause our revenue and profitability to decline.

Various government agencies throughout the world regulate direct sales practices. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as pyramid schemes, that compensate participants for recruiting additional participants irrespective of product sales, use high pressure recruiting methods and/or do not involve legitimate products. The laws and regulations in our current markets often:

- impose order cancellations, product returns, inventory buy-backs and cooling-off rights for consumers and distributors;
- require us or our distributors to register with governmental agencies;
- impose reporting requirements to regulatory agencies; and/or

require us to ensure that distributors are not being compensated based upon the recruitment of new distributors.

Complying with these widely varying and sometimes inconsistent rules and regulations can be difficult and require the devotion of significant resources on our part. If we are unable to continue business in existing markets or commence operations in new markets because of these laws, our revenue and profitability will decline. Countries where we currently do business could change their laws or regulations to negatively affect or prohibit completely direct sales efforts. In addition, government agencies and courts in the countries where we operate may use their powers and discretion in interpreting and applying laws in a manner that limits our ability to operate or otherwise harms our business. If any governmental authority were to bring a regulatory enforcement action against us that interrupts our business, revenue and earnings would likely suffer.

Challenges by private parties to the form of our network marketing system could harm our business.

We may be subject to challenges by private parties, including our distributors, to the form of our network marketing system or elements of our business. In the United States, the network marketing industry and regulatory authorities have generally relied on the implementation of distributor rules and policies designed to promote retail sales to protect consumers and to prevent inappropriate activities and to distinguish between legitimate network marketing distribution plans and unlawful pyramid schemes. We have adopted rules and policies based on case law, rulings of the FTC, discussions with regulatory authorities in several states and domestic and global industry standards. Legal and regulatory requirements concerning network marketing systems, however, involve a high level of subjectivity, are inherently fact-based and are subject to judicial interpretation. Because of the foregoing, we can provide no assurance that we would not be harmed by the application or interpretation of statutes or regulations governing network marketing, particularly in any civil challenge by a current or former distributor.

Increases in duties on our imported products in our markets outside of the United States could reduce our revenue and harm our competitive position.

Historically, we have imported most of our products into the countries in which they are ultimately sold. These countries impose various legal restrictions on imports and typically impose duties on our products. In any given country, regulators may increase duties on imports and, as a result, reduce our profitability and harm our competitive position relative to locally produced goods.

Governmental authorities may question our inter-company transfer pricing policies or change their laws in a manner that could increase our effective tax rate or otherwise harm our business.

As a U.S. company doing business in international markets through subsidiaries, we are subject to foreign tax and inter-company pricing laws, including those relating to the flow of funds between our company and our subsidiaries. Regulators in the United States and in foreign markets closely monitor our corporate structure and how we effect inter-company fund transfers. If regulators challenge our corporate structure, transfer pricing mechanisms or inter-company transfers, our operations may be harmed, and our effective tax rate may increase. Tax rates vary from country to country, and, if regulators determine that our profits in one jurisdiction may need to be increased, we may not be able to fully utilize all foreign tax credits that are generated, which will increase our effective tax rate. For example, our corporate

income tax rate in the United States is 35%. If our profitability in a higher tax jurisdiction, such as Japan where the corporate tax rate is currently set at 42%, increases disproportionately to the rest of our business, our effective tax rate may increase. We cannot assure you that we will continue operating in compliance with all applicable customs, exchange control and transfer pricing laws, despite our efforts to be aware of and comply with such laws. If these laws change, we may need to adjust our operating procedures and our business may suffer.

The loss of suppliers could harm our business.

For approximately ten years, we have acquired ingredients and products from one unaffiliated supplier that currently manufactures approximately 39% of our Nu Skin personal care products. We currently rely on two unaffiliated suppliers, one of which supplies approximately 39% and the other of which supplies approximately 28% of our Pharmanex nutritional supplements. We obtain some of our nutritional supplements from sole suppliers in China. We also license the right to distribute some of our products from third parties. Because of the concentrated nature of our suppliers and manufacturers, the loss of any of these suppliers or manufacturers, or the failure of suppliers to meet our needs, could restrict our ability to produce or distribute some products and harm our revenue as a result.

We depend on our key personnel, and the loss of the services provided by any of our executive officers or other key employees could harm our business and results of operations.

Our success depends to a significant degree upon the continued contributions of our senior management, many of whom would be difficult to replace. These employees may voluntarily terminate their employment with us at any time. We may not be able to successfully retain existing personnel or identify, hire and integrate new personnel. We do not carry key person insurance for any of our personnel. While we have signed offer letters from most of our senior executives, we only have one formal employment agreement with Joseph Chang, President of Pharmanex. If we lose the services of our executive officers or key employees for any reason, our business, financial condition and results of operations could be harmed.

Our markets are intensely competitive, and market conditions and the strengths of competitors may harm our business.

The markets for our Nu Skin and Pharmanex products are intensely competitive. Our results of operations may be harmed by market conditions and competition in the future. Many competitors have much greater name recognition and financial resources than we have, which may give them a competitive advantage. For example, our Nu Skin products compete directly with branded, premium retail products. We also compete with other direct selling organizations. The leading direct selling companies in our existing markets are Avon and Alticor (Amway). We currently do not have significant patent or other proprietary protection, and our competitors may introduce products with the same ingredients that we use in our products. Because of regulatory restrictions concerning claims about the efficacy of dietary

16

supplements, we may have difficulty differentiating our products from our competitors products, and competing products entering the nutritional market could harm our nutritional supplement revenue.

We also compete with other network marketing companies for distributors. Some of these competitors have a longer operating history and greater visibility, name recognition and financial resources than we do. Some of our competitors have also adopted and could continue to adopt some of our successful business strategies, including our Global Compensation Plan for distributors. Consequently, to successfully compete in this market and attract and retain distributors, we must ensure that our business opportunities and compensation plans are financially rewarding. We cannot assure you that we will be able to successfully compete in this market.

There is uncertainty whether the SARS epidemic could return, particularly in those Asian markets most affected by the epidemic in 2003.

It is difficult to predict the impact, if any, of a recurrence of a SARS epidemic on our business. Although such an event could generate increased sales of health/immune supplements and certain personal care products, our direct selling and retail activities and results of operations could be harmed if the fear of SARS or other communicable diseases that spread rapidly in densely populated areas causes people to avoid public places and interaction with one another.

Product liability claims could harm our business.

We may be required to pay for losses or injuries purportedly caused by our products. Although we have had a very limited product claims history, we have recently experienced difficulty in finding insurers that are willing to provide product liability coverage at reasonable rates due to insurance industry trends and the rising cost of insurance generally. As a result, we have elected to self-insure our product liability risks for our core product lines. Until we elect and are able to obtain product liability insurance, if any of our products are found to cause any injury or damage, we will be subject to the full amount of liability associated with any injuries or damages. This liability could be substantial. We cannot predict if and when product liability insurance will be available to us on reasonable terms.

System failures could harm our business.

Because of our diverse geographic operations and our complex distributor compensation plan, our business is highly dependent on efficiently functioning information technology systems. These systems and operations are vulnerable to damage or interruption from fires, earthquakes, telecommunications failures and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. In April 2002, we adopted a Business Continuity/Disaster Recovery Plan, which is in the process of being implemented. All of our data sets are archived and stored at third party, secure sites, but we have not contracted for a third party recovery site. Despite any precautions, the occurrence of a natural

17

Table of Contents

disaster or other unanticipated problems could result in interruptions in services and reduce our revenue and profits.

Risks Related to Our Class A Common Stock

The market price of our Class A common stock is subject to significant fluctuations due to a number of factors that are beyond our control.

Our Class A common stock closed at $12.85 per share on September 10, 2002 and closed at $26.80 per share on September 10, 2004. During this two-year period, our Class A common stock traded as low as $8.75 per share and as high as $28.15 per share. Many factors could cause the market price of our Class A common stock to fall. Some of these factors include:

- fluctuations in our quarterly operating results;
- the sale of shares of Class A common stock by our original or significant stockholders;
- general trends in the market for our products;
- acquisitions by us or our competitors;
- economic and/or currency exchange issues in those foreign countries in which we operate;
- changes in estimates of our operating performance or changes in recommendations by securities analysts; and
- general business and political conditions.

Broad market fluctuations could also lower the market price of our Class A common stock regardless of our actual operating performance.

As of July 31, 2004, our original stockholders, together with their family members, estate planning entities and affiliates, controlled approximately 36% of the combined stockholder voting power, and their interests may be different from yours.

The original stockholders of our company, together with their family members and affiliates, have the ability to influence the election and removal of the board of directors and, as a result, future direction and operations of our company. As of July 31, 2004, these stockholders owned approximately 36% of the voting power of the outstanding shares of Class A common stock. Accordingly, they may influence decisions concerning business opportunities, declaring dividends, issuing additional shares of Class A common stock or other securities and the approval of any merger, consolidation or sale of all or substantially all of our assets. They may make decisions that are adverse to your interests.

Table of Contents

If our stockholders sell a substantial number of shares of our Class A common stock in the public market, the market price of our Class A common stock could fall.

Several of our principal stockholders hold a large number of shares of the outstanding Class A common stock. Any decision by any of our principal stockholders to aggressively sell their shares could depress the market price of our Class A common stock.

As of July 31, 2004, we had 69,379,761 shares of Class A common stock outstanding. All of these shares are freely tradable, except for approximately 23 million shares held, as of July 31, 2004, by certain stockholders who participated in our October 2003 recapitalization. Under the terms of our repurchase, our original stockholders agreed that they will not sell or otherwise dispose of any shares of Class A common stock on the open market or without the prior written consent of a majority of our independent directors prior to October 22, 2005. The restrictions provided for in this agreement are also subject to the following exceptions:

- certain charitable donations to religious organizations;
- transfers to us;
- transfers of common stock to immediate family members or related persons who or estate planning entities that agree to be bound by similar restrictions;
- transfers pursuant to an existing call option for 2 million shares granted by one of our original stockholders, Sandra Tillotson, or an existing put option for up to 3.5 million shares obtained by Ms. Tillotson in a recent transaction; and
- the pledge of shares as security for loans up to $10 million, provided certain conditions are met, including our right to purchase any shares upon the occurrence of an event of default at a price equal to 50% of the average closing price for the 15 days immediately prior to the event of default.

These stockholders also agreed that, after the expiration of the two-year lock-up agreement in October 2005, they will be subject to certain volume limitations with respect to open market transactions. In the event these lock-up restrictions were removed, the resulting sales could cause the price of our Class A common stock to decline.

Table of Contents

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus and the documents incorporated by reference into the prospectus are forward-looking statements that involve risks and uncertainties. The statements contained in this prospectus and the documents incorporated by reference into the prospectus that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. The words anticipate , believe , could , should , propose , continue , estimate , expect , intend , m project , will and other similar terms and phrases are used to identify forward-looking statements.

The forward-looking statements are made based on our management s expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. These uncertainties and factors, including those discussed in the Risk Factors section of this prospectus, could cause our actual results to differ materially from those matters expressed in or implied by the forward-looking statements. All of the forward-looking statements should be considered in light of these factors.

We urge you not to place undue reliance on any forward-looking statements, which speak only as of the date made. Except as required by law, we do not undertake any obligation to update our forward-looking statements or the risk factors contained in this prospectus to reflect new information or future events or otherwise.

USE OF PROCEEDS

We will not receive any proceeds from the resale of all or any portion of the 1,500,000 shares of our Class A common stock by the selling stockholders or their pledgees, donees, transferees or other successors in interest pursuant to this prospectus.

Table of Contents

DESCRIPTION OF CAPITAL STOCK

As of the date of this prospectus, our authorized capital stock consists of 500,000,000 shares of Class A common stock, 100,000,000 shares of Class B common stock and 25,000,000 shares of preferred stock. As of July 31, 2004, we had 69,379,761 shares of Class A common stock issued and outstanding and no shares of Class B common stock issued and outstanding. Of the authorized shares of preferred stock, no shares of preferred stock were outstanding as of July 31, 2004. All of the shares of our Class B common stock that had been outstanding immediately prior to March 29, 2004 were automatically converted into shares of our Class A common stock on March 29, 2004, the record date for our annual meeting of stockholders in 2004, in accordance with the provisions of our certificate of incorporation.

The following description of our capital stock is a summary and is subject to and qualified in its entirety by reference to the provisions of our certificate of incorporation.

Common Stock

As of July 31, 2004, there were approximately 733 holders of record of our Class A common stock and no holders of record of our Class B common stock.

Voting Rights

Each share of our Class A common stock entitles the holder to one vote on each matter submitted to a vote of our stockholders, including the election of directors. There is no cumulative voting. With respect to corporate changes, including liquidations, reorganizations, recapitalizations, mergers, consolidations and sales of substantially all of our assets, the approval of $66\,^{2}/_{3}\%$ of the outstanding voting power is required to authorize or approve the transactions.

Dividends

The holders of our Class A common stock are entitled to receive dividends if, as and when the dividends are declared by our board of directors out of assets legally available for the dividends after payment of dividends required to be paid on shares of preferred stock, if any.

Liquidation Preference

In the event of liquidation, after payment of the debts and other liabilities of our company and after making provision for the holders of our preferred stock, if any, our remaining assets will be distributable ratably among holders of the Class A common stock.

Mergers and Other Business Combinations

Upon the merger or consolidation of our company, holders of our common stock are entitled to receive equal per-share payments or distributions. We may not dispose of all or any substantial part of our assets to, or merge or consolidate with, any person, entity or group (as the term group is defined in Rule 13d-5 of the Securities Exchange Act of 1934) that beneficially owns, in the aggregate, 10% or more of our outstanding common stock without the affirmative vote of the holders, other than a related person, of not less than 66 $^{2}/_{3}$% of the voting power. For the sole purpose of determining the 66 $^{2}/_{3}$% vote, a related person will also include the seller or sellers from whom the related person acquired, during the preceding six months, at least 5% of the outstanding shares of Class A common stock in a single transaction or series of related transactions pursuant to one or more agreements or other arrangements and not through a brokers transaction, but only if the seller or sellers have beneficial ownership of shares of common stock having a fair market value in excess of $10 million in the aggregate following the disposition to a related person. This 66 $^{2}/_{3}$% voting requirement is not applicable, however, if:

- the proposed transaction is approved by a vote of not less than a majority of our directors who are neither affiliated nor associated with the related person or the seller of shares to the related person as described above; or

- in the case of a transaction pursuant to which the holders of common stock are entitled to receive cash, property, securities or other consideration, the cash or fair market value of the property, securities or other consideration to be received per share in the transaction is not less than the higher of:

  - the highest price per share paid by the related person for any of its holdings of common stock within the two-year period immediately prior to the announcement of the proposed transaction; or

  - the highest closing sale price during the 30-day period immediately preceding that date or during the 30-day period immediately preceding the date on which the related person became a related person, whichever is higher.

Registration Rights

Shelf Registration

On July 30, 2004, members of our original stockholder group and their affiliated entities, including Blake Roney, who is the chairman of our board of directors, and Sandra Tillotson, who is a member of our board of directors and also serves as one of our senior vice presidents, among others, sold 1,500,000 shares of our Class A common stock in a private placement transaction to third-party private equity purchasers. For ease of reference, throughout this prospectus, we refer to the purchasers of those 1,500,000 shares as the initial purchasers. In connection with this private placement transaction, we and the initial purchasers entered into a registration rights agreement, pursuant to which we agreed to file a registration statement (of which this prospectus forms a part) under the Securities Act of 1933, as amended, for the registration and resale of the 1,500,000 shares under Rule 415 of the Securities Act and to use our commercially reasonable best efforts to cause such registration statement to be declared effective under the Securities Act as soon as possible but, in any event, no later than November 27, 2004.

Table of Contents

On October 27, 2003, members of our original stockholders group and their affiliated entities, including Blake Roney, who is the chairman of our board of directors, Sandra Tillotson who is a member of our board of directors and also serves as one of our senior vice presidents, and Brooke Roney, who serves as one of our senior vice presidents, among others, sold 6,178,800 shares of our Class A common stock in a private placement transaction to third-party private equity investors. For ease of reference, throughout this prospectus, we refer to the purchasers of those 6,178,800 shares as the recapitalization initial purchasers. In connection with this private placement transaction, we and the recapitalization initial purchasers entered into a registration rights agreement, pursuant to which we agreed to file a registration statement under the Securities Act of 1933, as amended, for the registration and resale of the 6,178,800 shares under Rule 415 of the Securities Act. This registration statement was declared effective by the Securities and Exchange Commission on July 29, 2004.

On September 22, 2003, Sandra Tillotson, who is a member of our board of directors and also serves as one of our senior vice presidents, together with The Sandra N. Tillotson Family Trust, sold 750,000 shares of the Class A common stock in a private placement transaction. For ease of reference, we refer to the purchasers of those 750,000 shares as the Tillotson initial purchasers. In connection with the private placement transaction, we, Ms. Tillotson, her family trust and the Tillotson initial purchasers entered into an amended and restated registration rights agreement, pursuant to which we agreed to file a registration statement under the Securities Act for the registration and resale of the 750,000 shares under Rule 415 of the Securities Act. This registration statement was declared effective by the Securities and Exchange Commission on July 29, 2004.

Demand Registration

In addition to the private placement of the 750,000 shares of our Class A common stock, Ms. Tillotson and her family trust provided the Tillotson initial purchasers with an option to purchase, or call, in one or more transactions up to an aggregate of 2,000,000 shares of the Class A common stock held by either Ms. Tillotson or her family trust, and the Tillotson initial purchasers provided Ms. Tillotson with an option to sell, or put, in one or more transactions (not to exceed 500,000 shares in any one transaction) up to an aggregate of 3,500,000 shares of the Class A common stock held by either Ms. Tillotson or her family trust to the Tillotson initial purchasers. For shorthand purposes, we refer to the shares of our Class A common stock that may be purchased pursuant to the call option as the call shares and the shares of our Class A common stock that may be sold pursuant to the put option as the put shares. The put option and the call option may be exercised by Ms. Tillotson and the Tillotson initial purchasers, respectively, in one or more transactions at any time prior to July 5, 2005. The price to be paid for the call shares will be $13.70 per share. The per share price to be paid for any given block of put shares will be 94% of the volume weighted average price of our stock for the 12 trading days following the date Ms. Tillotson exercises a put option.

Under the terms of the amended and restated registration rights agreement, upon the written request from the holders of at least a majority of the then outstanding call shares and

Table of Contents

the put shares, we will be obligated to file a registration statement under the Securities Act to cover the resale of the call shares and the put shares then outstanding. Under this agreement, we are not required to file more than two such registration statements in any consecutive 12-month period.

The foregoing description of the amended and restated registration rights agreement that we entered into with the Tillotson initial purchasers, the registration rights agreement that we entered into with the recapitalization initial purchasers and the registration rights agreement that we entered into with the initial purchasers is only a brief summary and is not complete. We urge you to refer to these agreements (copies of which are filed as exhibits to the registration statement of which this prospectus forms a part) for a full description of the terms, conditions and other provisions of the registration rights that apply to our Class A common stock.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock is American Stock Transfer and Trust Company.

Listing

Our Class A common stock is traded on the New York Stock Exchange under the trading symbol NUS .

Preferred Stock

Our board of directors is authorized, subject to the limitations prescribed by the Delaware General Corporation Law or the rules of the New York Stock Exchange or other organizations on whose systems our stock may be quoted or listed, to:

- provide for the issuance of shares of preferred stock in one or more series;
- establish from time to time the number of shares to be included in each series;
- fix the rights, powers, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions on such shares; and

increase or decrease the number of shares of each series, without any further vote or action by the stockholders.

The approval of the holders of at least 66 $^{2}/_{3}$% of the combined voting power of the outstanding shares of common stock, however, is required for the issuance of shares of preferred stock that have the right to vote for the election of directors under ordinary circumstances or to elect 50% or more of the directors under any circumstances.

Depending upon the terms of the preferred stock established by our board of directors, any or all series of preferred stock could have preference over the common stock with respect

Table of Contents

to dividends and other distributions and upon liquidation of our company or could have voting or conversion rights that could adversely affect the holders of the outstanding common stock. In addition, the preferred stock could delay, defer or prevent a change of control of our company. We have no present plans to issue any shares of preferred stock.

Anti-Takeover Provisions

Special Stockholder Meetings

Special meetings of stockholders may be called only by the board of directors, the president, the secretary or at least a majority of the stockholders of our company. Except as otherwise required by law, stockholders are not entitled to request or call a special meeting of the stockholders.

Director Nominations and Business Proposals

Our stockholders are required to provide advance notice of nominations of directors to be made at, and of business proposed to be brought before, a meeting of the stockholders. The failure to deliver proper notice within the periods specified in our amended and restated bylaws will result in the denial of the stockholder of the right to make any nominations or propose any action at the meeting.

Section 203 of the Delaware General Corporation Law

We are a Delaware corporation and are subject to the provisions of Section 203 of the Delaware General Corporation Law. This law prevents many Delaware corporations, including those whose securities are listed on the New York Stock Exchange, from engaging, under specific circumstances, in a business combination with an interested stockholder for three years following the date that the stockholder became an interested stockholder, unless the business combination or interested stockholder is approved in a prescribed manner. An interested stockholder is a stockholder who, together with affiliates and associates, within the prior three years did own 15% or more of the corporation s outstanding voting stock.

A Delaware corporation may opt out of the provisions of Section 203 of the Delaware General Corporation Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders amendment approved by at least a majority of the outstanding voting shares. We have not opted out of the provisions of Section 203.

Table of Contents

SELLING STOCKHOLDERS

In a private placement transaction that occurred on July 30, 2004, certain members of our original stockholders group and their affiliated entities sold 1,500,000 shares of the Class A common stock to third-party private equity investors. We refer to these purchasers as the initial purchasers. In connection with this private placement transaction, we and the initial purchasers entered into a registration rights agreement, pursuant to which we agreed to file a registration statement (of which this prospectus forms a part) under the Securities Act for the registration and resale of the 1,500,000 shares under Rule 415 of the Securities Act and to use our commercially reasonable best efforts to cause such registration statement to be declared effective under the Securities Act as soon as possible but, in any event, no later than November 27, 2004.

The following table sets forth information as of July 31, 2004 about the shares of our Class A common stock beneficially owned by each initial purchaser. We refer to the holders who are named in the table below as the selling stockholders.

As described in the Plan of Distribution section of this prospectus, the selling stockholders may offer all or some portion of their shares of the Class A common stock from time to time. As a result, we are not able to accurately estimate the amount or percentage of shares of the Class A common stock that will be held by the selling stockholders at any given time. In addition, the selling stockholders identified below may have sold, transferred or disposed of all or a portion of their shares of the Class A common stock since the date on which they provided the information regarding their holdings in transactions exempt from the registration requirements of the Securities Act.

Unless otherwise described below, to our knowledge, no selling stockholder or any of its affiliates has held any position or office with, been employed by or otherwise had any material relationship with us or our affiliates during the three years prior to the date of this prospectus.

Name of the Selling Stockholder	Number of Shares of Class A Common Registered Stock for Resale	Number of Shares of Class A Common Stock Beneficially Owned	Percentage of Class A Common Stock Outstanding(1)
Chilton Global Partners, L.P.(2)	23,723	113,064	*
Chilton International, L.P.(2)	400,125	727,532	1.05%
Chilton Investment Partners, L.P.(2)	75,545	137,169	*
Chilton Opportunity International, L.P.(2)	22,666	107,828	*

Chilton Opportunity Trust, L.P.(2)	38,578	183,552	*
Chilton QP Investment Partners, L.P.(2)	219,363	398,250	*
Chilton Small Cap International, L.P.(3)	147,026	271,051	*
Chilton Small Cap Partners, L.P.(3)	72,974	134,828	*
Invus Public Equities, LP(4)	500,000	500,000	*

* Represents less than 1% of the Class A common stock outstanding as of July 31, 2004.

Table of Contents

(1) Percentage of ownership is calculated based on Rule 13d-3 of the Securities Exchange Act of 1934, as amended, using 69,379,761 shares of the Class A common stock outstanding as of July 31, 2004.

(2) Chilton Investment Company, Inc. is the investment manager and adviser to Chilton Global Partners, L.P., Chilton International, L.P., Chilton Investment Partners, L.P., Chilton Opportunity International, L.P., Chilton Opportunity Trust, L.P. and Chilton QP Investment Partners, L.P. Richard L. Chilton, Jr. is the portfolio manager at Chilton Investment Company, Inc. responsible for monitoring the investments made by the aforementioned entities and in such capacity has voting, dispositive and investment power over these shares.

(3) Chilton Investment Company, Inc. is the investment manager and adviser to Chilton Small Cap International, L.P. and Chilton Small Cap Partners, L.P. Daniel V. Szemis is the portfolio manager at Chilton Investment Company, Inc. responsible for monitoring the investments made by the aforementioned entities and in such capacity has voting, dispositive and investment power over these shares.

(4) Invus Public Equities Advisors, LLC is the general partner to Invus Public Equities, LP. Khalil Barrage is the portfolio manager and vice president of Invus Public Equities Advisors, LLC and in such capacity has voting, dispositive and investment power over these shares.

Table of Contents

PLAN OF DISTRIBUTION

The shares of the Class A common stock listed in the table appearing in the Selling Stockholders section of this prospectus are being registered to permit public secondary trading of the shares by the holders of such shares from time to time after the date of this prospectus. We will not receive any of the proceeds from the sale of the shares of the Class A common stock by the selling stockholders.

The selling stockholders and their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of the Class A common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling their shares:

- ordinary brokerage transactions and transactions in which the broker dealer solicits purchasers;
- block trades in which the broker dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker dealer as principal and resale by the broker dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- in satisfaction of positions created by short sales;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell their shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker dealers engaged by the selling stockholders may arrange for other brokers dealers to participate in sales. Broker dealers may receive commissions or discounts from the selling stockholders (or, if any broker dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares of the Class A common stock owned by them, and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of the Class A common stock from time to time under this prospectus, or under a supplement to this prospectus under Rule 424(b)(3) or other applicable provision of the

Table of Contents

Securities Act, by amending the list of the selling stockholders to include the pledgee, transferee or other successors in interest as a selling stockholder under this prospectus.

The selling stockholders and any broker dealers or agents that are involved in selling the shares may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. The selling stockholders have informed us that they do not have any agreement or understanding, directly or indirectly, with any person to distribute the Class A common stock.

We are required to pay all fees and expenses incident to the registration of the shares. We estimate that these expenses will be approximately $100,000. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including certain liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters relating to the validity of the Class A common stock are being passed upon for us by Simpson Thacher & Bartlett LLP, Palo Alto, California.

EXPERTS

The financial statements incorporated in this prospectus by reference to the annual report on Form 10-K for the year ended December 31, 2003 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Table of Contents

1,500,000 Shares

Class A Common Stock

PROSPECTUS

, 2004

Table of Contents

PART II

Information Not Required in Prospectus

Item 14. Other Expenses of Issuance and Distribution

The following table lists the expenses expected to be incurred in connection with the preparation and filing of the registration statement, including amendments thereto, and the printing and distribution of the prospectus contained therein, all of which will be paid by the registrant. All amounts listed below, other than the SEC registration fee, are estimates.

SEC registration fee	$ 4,877
Printing and engraving expenses	5,000
Accounting fees and expenses	10,000
Legal fees and expenses	70,000
Miscellaneous expenses	10,123
Total	$ 100,000

Item 15. Indemnification of Directors and Officers

Indemnification

The registrant is incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation may indemnify persons who were, are or are threatened to be made parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation s best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal. The registrant s certificate of incorporation and bylaws provide for the indemnification of the registrant s officers and directors to the fullest extent permitted by the Delaware General Corporation Law. The registrant believes that such indemnification is necessary to attract and retain qualified persons as directors and officers. The registrant has also entered into separate indemnification agreements with each of its directors and executive officers.

Liability Insurance

Section 145 of the Delaware General Corporation Law also permits a Delaware corporation to purchase and maintain insurance on behalf of its directors and officers. The registrant s bylaws permit the registrant to purchase such insurance on behalf of its directors and officers.

II-1

Table of Contents

Limitation of Liability

Section 102(b)(7) of the Delaware General Corporation Law permits a Delaware corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability (i) for any breach of a director s duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or that involve international misconduct or a knowing violation of law; (iii) for improper payment of dividends or redemptions of shares; or (iv) for any transaction from which the director derives an improper personal benefit. The registrant s certificate of incorporation provides for, to the fullest extent permitted by the Delaware General Corporation Law, elimination or limitation of liability of its directors to the registrant or its stockholders for breach of fiduciary duty as a director.

Item 16. Exhibits

Exhibit Number	Description
4.1*	Specimen Form of Stock Certificate for Class A Common Stock (incorporated by reference to the registrant s Registration Statement on Form S-3 (File No. 333-90716)).
4.2*	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the registrant s Registration Statement on Form S-1 (File No. 333-12073)).
4.3*	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the registrant s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998).
4.4*	Certificate of Designation, Preferences and Relative Participating, Optional, and Other Special Rights of Preferred Stock and Qualification, Limitations and Restrictions Thereof (incorporated by reference to Exhibit 3.3 to the registrant s Annual Report on Form 10-K for the year ended December 31, 1998).
4.5*	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the registrant s Registration Statement on Form S-1 (File No. 333-12073)).
4.6*	Registration Rights Agreement, dated as of July 26, 2004, by and among Nu Skin Enterprises, Inc. and the Purchasers signatory thereto.
4.7*	Stock Purchase Agreement, dated as of July 26, 2004, by and among the Selling Stockholders and the Purchasers signatory thereto.
4.8*	Stock Repurchase Agreement, dated as of July 27, 2004, by and among Nu Skin Enterprises, Inc. and the Selling Stockholders signatory thereto.

Table of Contents

Exhibit Number	Description
4.9*	Registration Rights Agreement, dated as of October 27, 2003, by and among Nu Skin Enterprises, Inc. and the Purchasers signatory thereto (incorporated by reference to Exhibit 10.2 to the registrant s current report on Form 8-K filed on November 10, 2003).
4.10*	Amended and Restated Registration Rights Agreement, dated as of September 18, 2003, by and among Nu Skin Enterprises, Inc., Sandra N. Tillotson, The Sandra N. Tillotson Family Trust and the Purchasers signatory thereto (incorporated by reference to Exhibit 4.6 to the registrant s Registration Statement on Form S-3 (File No. 333-109836)).
5.1*	Opinion of Simpson Thacher & Bartlett LLP.
23.1	Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.
23.2*	Consent of Simpson Thacher & Bartlett LLP (contained in Exhibit 5.1 hereto).
24.1*	Power of Attorney.

* Previously filed.

Item 17. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

II-3

Table of Contents

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions set forth in response to Item 15, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Provo, State of Utah, on September 15, 2004.

NU SKIN ENTERPRISES, INC.

By: /s/ M. TRUMAN HUNT

Name: M. Truman Hunt
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ M. TRUMAN HUNT M. Truman Hunt	Chief Executive Officer and Director (Principal Executive Officer)	September 15, 2004
* Ritch N. Wood	Chief Financial Officer (Principal Financial and Accounting Officer)	September 15, 2004
* Blake M. Roney	Chairman of the Board	September 15, 2004
* Sandra N. Tillotson	Director	September 15, 2004
* Daniel W. Campbell	Director	September 15, 2004

*	Director	September 15, 2004
E.J. Jake Garn		
*	Director	September 15, 2004
Paula F. Hawkins		

II-5

Table of Contents

Signature	Title	Date
* Andrew D. Lipman	Director	September 15, 2004
* Jose Ferreira, Jr.	Director	September 15, 2004
* D. Allen Andersen	Director	September 15, 2004

*By: /s/ M. TRUMAN HUNT
M. Truman Hunt

Attorney-in-Fact

II-6

Table of Contents

EXHIBIT INDEX

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24.1*	Power of Attorney.

* Previously filed.

Roman">Equivalent shares from share-based compensations plans **1,126** 1,219 **1,158** 1,282

Weighted-average common and common equivalent shares - diluted

51,471	51,175	**51,425**	51,215

Basic earnings per share is calculated by dividing net income attributable to H.B. Fuller by the weighted-average number of common shares outstanding during the applicable period. Diluted earnings per share is based upon the weighted-average number of common and common equivalent shares outstanding during the applicable period. The difference between basic and diluted earnings per share is attributable to share-based compensation awards. We use the treasury stock method to calculate the effect of outstanding shares, which computes total employee proceeds as the sum of (a) the amount the employee must pay upon exercise of the award, (b) the amount of unearned share-based compensation costs attributed to future services and (c) the amount of tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of the award. Share-based compensation awards for which total employee proceeds exceed the average market price over the applicable period have an antidilutive effect on earnings per share, and accordingly, are excluded from the calculation of diluted earnings per share.

Options to purchase 437,798 and 442,616 shares of common stock at a weighted-average exercise price of $48.59 for the 13 weeks and 26 weeks ended May 30, 2015, respectively, were excluded from the diluted earnings per share calculations because they were antidilutive. Options to purchase 407,145 shares of common stock at a weighted-average exercise price of $48.93 for the 13 weeks and 26 weeks ended May 31, 2014 were excluded from the diluted earnings per share calculations because they were antidilutive.

Note 5: Accumulated Other Comprehensive Income (Loss)

The following table provides details of total comprehensive income (loss):

	13 Weeks Ended May 30, 2015				13 Weeks Ended May 31, 2014			
	H.B. Fuller Stockholders			**Non-controlling Interests**	H.B. Fuller Stockholders			Non-controlling Interests
	Pretax	**Tax**	**Net**	**Net**	Pretax	Tax	Net	Net
Net income including non-controlling interests			**$ 25,172**	**$ 144**			$ 20,537	$ 89
Other comprehensive income (loss)								
Foreign currency translation adjustment[1]	**$ (4,725)**		**(4,725)**	**74**	$ (1,385)		(1,385)	8
Reclassification to earnings:								
Defined benefit pension plans adjustment[2]	**2,326**	**(798)**	**1,528**		1,670	(649)	1,021	
Interest rate swap[3]	**5**	**5**	**10**		14	(4)	10	
Cash-flow hedges[3]					47	(18)	29	
Other comprehensive income (loss)	**$ (2,394)**	**$ (793)**	**(3,187)**	**74**	$ 346	$ (671)	(325)	8
Comprehensive income (loss)			**$ 21,985**	**$ 218**			$ 20,212	$ 97

	26 Weeks Ended May 30, 2015				26 Weeks Ended May 31, 2014			
	H.B. Fuller Stockholders			Non-controlling Interests	H.B. Fuller Stockholders			Non-controlling Interests
	Pretax	Tax	Net	Net	Pretax	Tax	Net	Net
Net income including non-controlling interests			**$ 34,882**	**$ 229**			$ 35,108	$ 167
Other comprehensive income (loss)								
Foreign currency translation adjustment[1]	**$ (38,004)**		**(38,004)**	**84**	$ (827)		(827)	(3)
Reclassification to earnings:								
Defined benefit pension plans adjustment[2]	**4,651**	**(1,596)**	**3,055**		3,326	(1,287)	2,039	
Interest rate swap[3]	**21**	**(1)**	**20**		28	(8)	20	
Cash-flow hedges[3]	**(31)**	**6**	**(25)**		53	(21)	32	
Other comprehensive income (loss)	**$ (33,363)**	**$ (1,591)**	**(34,954)**	**84**	$ 2,580	$ (1,316)	1,264	(3)
Comprehensive income			**$ (72)**	**$ 313**			$ 36,372	$ 164

[1] Income taxes are not provided for foreign currency translation relating to permanent investments in international subsidiaries.

[2] Loss reclassified from AOCI into earnings as part of net periodic cost related to pension and other postretirement benefit plans is reported in cost of sales, SG&A and special charges.

[3] Loss reclassified from AOCI into earnings is reported in other income (expense), net.

The components of accumulated other comprehensive loss follow:

	May 30, 2015		
	Total	H.B. Fuller Stockholders	Non-controlling Interests
Foreign currency translation adjustment	**$ (26,736)**	**$ (26,799)**	**$ 63**
Defined benefit pension plans adjustment, net of taxes of $83,007	**(155,474)**	**(155,474)**	
Interest rate swap, net of taxes of $20	**(33)**	**(33)**	
Accumulated other comprehensive income (loss)	**$ (182,243)**	**$ (182,306)**	**$ 63**

November 29, 2014

	Total	H.B. Fuller Stockholders	Non-controlling Interests
Foreign currency translation adjustment	$ 11,184	$ 11,205	$ (21)
Defined benefit pension plans adjustment, net of taxes of $84,604	(158,529)	(158,529)	
Interest rate swap, net of taxes of $21	(53)	(53)	
Cash-flow hedges, net of taxes of $15	25	25	
Accumulated other comprehensive income (loss)	$ (147,373)	$ (147,352)	$ (21)

Note 6: Special Charges, net

The integration of the Forbo industrial adhesives business we acquired in March 2012 involved a significant amount of restructuring and capital investment to optimize the new combined entity. In addition, we have taken a series of actions in our existing EIMEA operating segment to improve the profitability and future growth prospects of this operating segment. We combined these two initiatives into a single project which we refer to as the Business

Integration Project . During the 13 weeks ended May 30, 2015 and May 31, 2014, we incurred special charges, net of $934 and $13,538, respectively for costs related to the Business Integration Project. During the 26 weeks ended May 30, 2015 and May 31, 2014, we incurred special charges, net of $3,295 and $25,272, respectively for costs related to the Business Integration Project.

The following table provides detail of special charges, net:

	13 Weeks Ended		26 Weeks Ended	
	May 30, 2015	**May 31, 2014**	**May 30, 2015**	**May 31, 2014**
Acquisition and transformation related costs	**$ 75**	$ 2,578	**$ 547**	$ 4,286
Workforce reduction costs	**(270)**	899	**(214)**	2,958
Facility exit costs	**1,111**	7,326	**2,640**	12,452
Other related costs	**18**	2,735	**322**	5,576
Special charges, net	**$ 934**	$ 13,538	**$ 3,295**	$ 25,272

Acquisition and transformation related costs of $75 for the 13 weeks ended May 30, 2015 and $2,578 for the 13 weeks ended May 31, 2014 include costs related to organization consulting, financial advisory and legal services necessary to integrate the Forbo industrial adhesives business into our existing operating segments. For the 26 weeks ended May 30, 2015 and May 31, 2014 we incurred acquisition and transformation related costs of $547 and $4,286, respectively. During the 13 weeks ended May 30, 2015, we recorded a net reversal of workforce reduction costs of $270 and we incurred cash facility exit costs of $429 and a non-cash facility exit costs of $682 and other incremental transformation related costs of $18 including the cost of personnel directly working on the integration. During the 13 weeks ended May 31, 2014, we incurred workforce reduction costs of $899, cash facility exit costs of $5,708, non-cash facility exit costs of $1,618 and other incremental transformation related costs of $2,735 including the cost of personnel directly working on the integration. During the 26 weeks ended May 30, 2015, we recorded a net reversal of workforce reduction costs of $214 and we incurred cash facility exit costs of $1,823 and a non-cash facility exit costs of $817 and other incremental transformation related costs of $322 including the cost of personnel directly working on the integration. During the 26 weeks ended May 31, 2014, we incurred workforce reduction costs of $2,958, cash facility exit costs of $9,282, non-cash facility exit costs of $3,170 and other incremental transformation related costs of $5,576 including the cost of personnel directly working on the integration.

Note 7: Components of Net Periodic Cost (Benefit) related to Pension and Other Postretirement Benefit Plans

	13 Weeks Ended May 30, 2015 and May 31, 2014					
	Pension Benefits				Other Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
Net periodic cost (benefit):	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Service cost	**$ 26**	$ 24	**$ 473**	$ 438	**$ 112**	$ 109
Interest cost	**4,080**	4,021	**1,461**	1,924	**511**	536
Expected return on assets	**(6,421)**	(5,967)	**(2,573)**	(2,736)	**(1,378)**	(1,185)
Amortization:						
Prior service cost	**7**	7	**(1)**	(1)	**(626)**	(943)
Actuarial loss (gain)	**1,407**	1,144	**781**	784	**608**	678

Net periodic (benefit) cost	**$ (901)**	$ (771)	**$ 141**	$ 409	**$ (773)**	$ (805)

	26 Weeks Ended May 30, 2015 and May 31, 2014					
	Pension Benefits				Other Postretirement Benefits	
	U.S. Plans		Non-U.S. Plans			
Net periodic cost (benefit):	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Service cost	**$ 53**	$ 47	**$ 980**	$ 868	**$ 224**	$ 217
Interest cost	**8,161**	8,043	**2,977**	3,817	**1,021**	1,072
Expected return on assets	**(12,841)**	(11,933)	**(5,240)**	(5,426)	**(2,755)**	(2,371)
Amortization:						
Prior service cost	**14**	14	**(2)**	(2)	**(1,252)**	(1,886)
Actuarial loss (gain)	**2,814**	2,288	**1,612**	1,556	**1,216**	1,355
Net periodic (benefit) cost	**$ (1,799)**	$ (1,541)	**$ 327**	$ 813	**$ (1,546)**	$ (1,613)

Note 8: Inventories

The composition of inventories follows:

	May 30, 2015	November 30, 2014
Raw materials	**$ 135,260**	$ 133,476
Finished goods	**147,985**	140,014
LIFO reserve	**(17,625)**	(22,200)
Total inventories	**$ 265,620**	$ 251,290

Note 9: Financial Instruments

As a result of being a global enterprise, our earnings, cash flows and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables. These items are denominated in various foreign currencies, including the Euro, British pound sterling, Canadian dollar, Chinese renminbi, Japanese yen, Australian dollar, Argentine peso, Brazilian real, Colombian peso, Mexican peso, Turkish lira, Egyptian pound, Indian rupee and Malaysian ringgit.

Our objective is to balance, where possible, local currency denominated assets to local currency denominated liabilities to have a natural hedge and minimize foreign exchange impacts. We take steps to minimize risks from foreign currency exchange rate fluctuations through normal operating and financing activities and, when deemed appropriate, through the use of derivative instruments. We do not enter into any speculative positions with regard to derivative instruments.

We enter into derivative contracts with a group of investment grade multinational commercial banks. We evaluate the credit quality of each of these banks on a periodic basis as warranted.

Foreign currency derivative instruments outstanding are not designated as hedges for accounting purposes. The gains and losses related to mark-to-market adjustments are recognized as other income or expense in the income statement during the periods in which the derivative instruments are outstanding. See Note 14 to Condensed Consolidated Financial Statements for fair value amounts of these derivative instruments.

As of May 30, 2015, we had forward foreign currency contracts maturing between June 5, 2015 and January 28, 2016. The mark-to-market effect associated with these contracts, on a net basis, was a gain of $7,430 at May 30, 2015. These gains were largely offset by the underlying transaction gains and losses resulting from the foreign currency exposures for which these contracts relate.

We have interest rate swap agreements to convert $75,000 of our Senior Notes to variable interest rates. The change in fair value of the Senior Notes, attributable to the change in the risk being hedged, was a liability of $4,065 at May 30, 2015 and was included in long-term debt in the Condensed Consolidated Balance Sheets. The fair values of the swaps in total were an asset of $4,108 at May 30, 2015 and were included in other assets in the Condensed Consolidated Balance Sheets. The swaps were designated for hedge accounting treatment as fair value hedges. The changes in the fair value of the swap and the fair value of the Senior Notes attributable to the change in the risk being hedged are recorded as other income (expense), net in the Condensed Consolidated Statements of Income. In a perfectly effective hedge relationship, the two fair value calculations would exactly offset each other. Any difference in the calculation represents hedge ineffectiveness. The calculation as of May 30, 2015 resulted in a pretax gain of $52 as the fair value of the interest rate swaps increased by more than the change in the fair value of the Senior Notes attributable to the change in the risk being hedged.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of entities in the customer base and their dispersion across many different industries and countries. As of May 30, 2015, there were no significant concentrations of credit risk.

Note 10: Commitments and Contingencies

Environmental Matters: From time to time, we become aware of compliance matters relating to, or receive notices from, federal, state or local entities regarding possible or alleged violations of environmental, health or safety laws and regulations. We review the circumstances of each individual site, considering the number of parties involved, the level of potential liability or contribution of us relative to the other parties, the nature and magnitude of the hazardous substances involved, the method and extent of remediation, the estimated legal and consulting expense with respect to each site and the time period over which any costs would likely be incurred. Also, from time to time, we are identified as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and/or similar state laws that impose liability for costs relating to the clean up of contamination resulting from past spills, disposal or other release of hazardous substances. We are also subject to similar laws in some of the countries where current and former facilities are located. Our environmental, health and safety department monitors compliance with applicable laws on a global basis. To the extent we can reasonably estimate the amount of our probable liabilities for environmental matters, we establish a financial provision.

Currently we are involved in various environmental investigations, clean up activities and administrative proceedings and lawsuits. In particular, we are currently deemed a PRP in conjunction with numerous other parties, in a number of government enforcement actions associated with landfills and/or hazardous waste sites. As a PRP, we may be required to pay a share of the costs of investigation and clean up of these sites. In addition, we are engaged in environmental remediation and monitoring efforts at a number of current and former operating facilities. While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we have concluded that these matters, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow.

Other Legal Proceedings: From time to time and in the ordinary course of business, we are a party to, or a target of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, contract, patent and intellectual property, environmental, health and safety, tax and employment matters. While we are unable to predict the outcome of these matters, we have concluded, based upon currently available information, that the ultimate resolution of any pending matter, individually or in the aggregate, including the asbestos litigation described in the following paragraphs, will not have a material adverse effect on our results of operations, financial condition or cash flow.

We have been named as a defendant in lawsuits in which plaintiffs have alleged injury due to products containing asbestos manufactured more than 30 years ago. The plaintiffs generally bring these lawsuits against multiple defendants and seek damages (both actual and punitive) in very large amounts. In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable injuries or that the injuries suffered were the result of exposure to products manufactured by us. We are typically dismissed as a defendant in such cases without payment. If the plaintiff presents evidence indicating that compensable injury occurred as a result of exposure to our products, the case is generally settled for an amount that reflects the seriousness of the injury, the length, intensity and character of exposure to products containing asbestos, the number and solvency of other defendants in the case, and the jurisdiction in which the case has been brought.

A significant portion of the defense costs and settlements in asbestos-related litigation is paid by third parties, including indemnification pursuant to the provisions of a 1976 agreement under which we acquired a business from a third party. Currently, this third party is defending and paying settlement amounts, under a reservation of rights, in most of the asbestos cases tendered to the third party.

In addition to the indemnification arrangements with third parties, we have insurance policies that generally provide coverage for asbestos liabilities (including defense costs). Historically, insurers have paid a significant portion of our defense costs and settlements in asbestos-related litigation. However, certain of our insurers are insolvent. We have entered into cost-sharing agreements with our insurers that provide for the allocation of defense costs and under certain circumstances, settlements and judgments, in asbestos-related lawsuits. Under these agreements, we are required under certain circumstances to fund a share of settlements and judgments allocable to years in which the responsible insurer is insolvent. In addition, to delineate our rights under certain insurance policies, in October 2009, we commenced a declaratory judgment action against one of our insurers in the United States District Court for the District of Minnesota. Additional insurers were brought into the action to address issues related to the scope of their coverage. In 2013, we entered into a settlement agreement with the defendant insurers in this case that provided for the allocation of defense costs and settlements in the future. The allocation under the settlement agreement depended on the outcome of an appeal of two issues to the United States Eighth Circuit Court of Appeals. During the second quarter of 2015, we entered into an additional settlement with the parties to the coverage litigation, which resulted in the appeal being dismissed. Therefore, this litigation has now been fully resolved.

A summary of the number of and settlement amounts for asbestos-related lawsuits and claims is as follows:

	26 Weeks Ended		3 Years Ended
($ in thousands)	**May 30, 2015**	**May 31, 2014**	**November 29, 2014**
Lawsuits and claims settled	**5**	4	24
Settlement amounts	**$ 438**	$ 178	$ 1,754
Insurance payments received or expected to be received	**$ 354**	$ 155	$ 1,357

We do not believe that it would be meaningful to disclose the aggregate number of asbestos-related lawsuits filed against us because relatively few of these lawsuits are known to involve exposure to asbestos-containing products that we manufactured. Rather, we believe it is more meaningful to disclose the number of lawsuits that are settled and result in a payment to the plaintiff. To the extent we can reasonably estimate the amount of our probable liabilities for pending asbestos-related claims, we establish a financial provision and a corresponding receivable for insurance recoveries.

Based on currently available information, we have concluded that the resolution of any pending matter, including asbestos-related litigation, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow.

Note 11: Operating Segments

We are required to report segment information in the same way that we internally organize our business for assessing performance and making decisions regarding allocation of resources. We evaluate the performance of each of our operating segments based on segment operating income, which is defined as gross profit less selling, general and administrative (SG&A) expenses. Segment operating income excludes special charges, net. Corporate expenses are fully allocated to each operating segment. Inter-segment revenues are recorded at cost plus a markup for administrative costs. Operating results of each segment are regularly reviewed by our chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance.

The tables below provide certain information regarding net revenue and segment operating income of each of our operating segments:

	13 Weeks Ended					
	May 30, 2015			**May 31, 2014**		
	Trade Revenue	**Inter-Segment Revenue**	**Segment Operating Income**	**Trade Revenue**	**Inter-Segment Revenue**	**Segment Operating Income**
Americas Adhesives	**$ 228,526**	**$ 6,320**	**$ 34,809**	$ 236,985	$ 5,774	$ 31,889
EIMEA	**151,520**	**3,111**	**1,647**	189,656	4,427	10,156

Asia Pacific	**95,101**	**3,967**	**5,325**	67,948	3,107	1,758
Construction Products	**65,615**	**247**	**6,574**	49,445	691	2,480
Total	**$ 540,762**		**$ 48,355**	$ 544,034		$ 46,283

	26 Weeks Ended					
	May 30, 2015			May 31, 2014		
	Trade Revenue	Inter-Segment Revenue	Segment Operating Income	Trade Revenue	Inter-Segment Revenue	Segment Operating Income
Americas Adhesives	**$ 432,469**	**$ 11,703**	**$ 55,597**	$ 446,651	$ 11,453	$ 57,095
EIMEA	**299,082**	**7,661**	**925**	361,215	8,533	18,596
Asia Pacific	**165,094**	**7,433**	**4,839**	132,995	6,579	3,546
Construction Products	**114,778**	**423**	**8,367**	89,154	963	3,292
Total	**$ 1,011,423**		**$ 69,728**	$ 1,030,015		$ 82,529

	13 Weeks Ended		26 Weeks Ended	
	May 30, 2015	**May 31, 2014**	**May 30, 2015**	**May 31, 2014**
Segment operating income	**$ 48,355**	$ 46,283	**$ 69,728**	$ 82,529
Special charges, net	**(934)**	(13,538)	**(3,295)**	(25,272)
Other income (expense), net	**(569)**	(204)	**(206)**	(1,254)
Interest expense	**(6,215)**	(4,760)	**(12,317)**	(8,886)
Income from continuing operations before income taxes and income from equity method investments	**$ 40,637**	$ 27,781	**$ 53,910**	$ 47,117

Note 12: Income Taxes

As of May 30, 2015, we had a $5,499 liability recorded under FASB ASC 740, Income Taxes for gross unrecognized tax benefits (excluding interest) compared to $4,787 as of November 29, 2014. As of May 30, 2015, we had accrued $545 of gross interest relating to unrecognized tax benefits. During the second quarter of 2015 our recorded liability for gross unrecognized tax benefits increased by $395.

Note 13: Goodwill

A summary of goodwill activity for the first six months of 2015 is presented below:

Balance at November 29, 2014	$ 255,972
Tonsan Adhesive, Inc. acquisition	158,347
Continental Products Limited acquisition	462
Currency impact	(13,769)
Balance at May 30, 2015	$ 401,012

Note 14: Fair Value Measurements

The following tables present information about our financial assets and liabilities that are measured at fair value on a recurring basis as of May 30, 2015 and November 29, 2014, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. The hierarchy is broken down into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

		Fair Value Measurements Using:		
Description	**May 30, 2015**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Marketable securities	$ **909**	**$ 909**	**$**	**$**

Derivative assets	**8,577**		**8,577**	
Interest rate swaps	**4,108**		**4,108**	
Liabilities:				
Derivative liabilities	$ **1,147**	**$**	**$ 1,147**	**$**
Contingent consideration liability, continuing operations	**38,216**			**38,216**
Contingent consideration liability, discontinued operations	**8,000**			**8,000**

Description	November 29, 2014	Fair Value Measurements Using: Level 1	Level 2	Level 3
Assets:				
Marketable securities	$ 748	$ 748	$	$
Derivative assets	1,007		1,007	
Interest rate swaps	4,726		4,726	
Cash-flow hedges	5,408		5,408	
Liabilities:				
Derivative liabilities	$ 433	$	$ 433	$
Contingent consideration liability, continuing operations	196			196
Contingent consideration liability, discontinued operations	5,000			5,000

Note 15: Share Repurchase Program

On September 30, 2010, the Board of Directors authorized a share repurchase program of up to $100,000 of our outstanding common shares. Under the program, we are authorized to repurchase shares for cash on the open market, from time to time, in privately negotiated transactions or block transactions, or through an accelerated repurchase agreement. The timing of such repurchases is dependent on price, market conditions and applicable regulatory requirements. Upon repurchase of the shares, we reduced our common stock for the par value of the shares with the excess being applied against additional paid-in capital.

Under this program, we did not repurchase any shares during the first six months of 2015 or during the second quarter of 2014. During the first six months of 2014 we repurchased shares under this program, with an aggregate value of $12,254. Of this amount, $250 reduced common stock and $12,004 reduced additional paid-in capital.

Note 16: Redeemable Non-Controlling Interest

We account for the non-controlling interest in H.B. Fuller Kimya San. Tic A.S. (HBF Kimya) as a redeemable non-controlling interest because both the non-controlling shareholder and H.B. Fuller have an option, exercisable beginning August 1, 2018, to require the redemption of the shares owned by the non-controlling shareholder at a price determined by a formula based on 24 months trailing EBITDA. Since the option makes the redemption of the non-controlling ownership shares of HBF Kimya outside of our control, these shares are classified as a redeemable non-controlling interest in temporary equity in the Condensed Consolidated Balance Sheets. The non-controlling shareholder is entitled to increase his ownership by 1 percent per year for 5 years up to a maximum of 13 percent ownership based on the achievement of profitability targets in each year. The option is subject to a minimum price of 3,500. The redemption value of the option, if it were currently redeemable, is estimated to be 3,500.

The results of operations for the HBF Kimya non-controlling interest is consolidated in our financial statements. Both the non-controlling interest and the accretion adjustment to redemption value are included in net income attributable to non-controlling interests in the Condensed Consolidated Statements of Income and in the carrying value of the redeemable non-controlling interest on the Condensed Consolidated Balance Sheets.

The acquisition of the 95 percent of the equity of Tonsan Adhesive, Inc. and concurrent agreement to acquire the remaining 5 percent in the future, resulted in the assumption of a non-controlling interest for the remaining equity.

Based on requirements to redeem this non-controlling interest beginning February 1, 2019, the non-controlling interest was immediately recognized as a liability and reclassified to other liabilities. The fair value of the non-controlling interest as of the date of acquisition was $11,773.

As of May 30, 2015 the redeemable non-controlling interests were:

	Total
Balance at November 29, 2014	$ 4,654
Non-controlling interest assumed	11,773
Recognition of non-controlling interest redemption liability	(11,773)
Net income (loss) attributed to redeemable non-controlling interest	151
Foreign currency translation adjustment	(556)
Balance at May 30, 2015	$ 4,249

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Overview

The Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the MD&A included in our Annual Report on Form 10-K for the year ended November 29, 2014 for important background information related to our business.

Net revenue in the second quarter of 2015 decreased 0.6 percent from the second quarter of 2014. Sales volume increased 5.5 percent and product pricing increased 0.9 percent compared to the second quarter of last year. A weaker Euro, Turkish lira, Canadian dollar and Australian dollar compared to the U.S. dollar, for the second quarter of 2015 compared to the second quarter of 2014 were the main drivers of a negative 7.0 percent currency effect. Gross profit margin increased 130 basis points due to lower raw material and delivery costs, partially offset by production inefficiencies related to the Business Integration Project. We incurred special charges, net of $0.9 million for costs related to the Business Integration Project in the second quarter of 2015 and $13.5 million in the second quarter of 2014. The second quarter of 2015 included a loss from discontinued operations, net of tax of $1.3 million.

Net income attributable to H.B. Fuller in the second quarter of 2015 was $25.2 million as compared to $20.5 million in the second quarter of 2014. On a diluted earnings per share basis, the second quarter of 2015 was $0.49 per share as compared to $0.40 per share for the same period last year.

Net revenue in the first six months of 2015 decreased 1.8 percent compared to the first six months of 2014. Sales volume increased 3.4 percent and product pricing increased 0.7 percent compared to the same period last year. A weaker Euro, Turkish lira, Canadian dollar and Australian dollar compared to the U.S. dollar, for the first six months of 2015 compared to the first six months of 2014 were the main drivers of a negative 5.9 percent currency effect. Gross profit margin decreased 60 basis points mainly due to production inefficiencies related to the Business Integration Project and the impact of the inventory step up related to our recent acquisitions. We incurred special charges, net of $3.3 million for costs related to the Business Integration Project in the first six months of 2015 and $25.3 million in the first six months of 2014. The first six months of 2015 included a loss from discontinued operations, net of tax of $1.3 million.

Net income attributable to H.B. Fuller in the first six months of 2015 was $34.9 million as compared to $35.1 million in the first six months of 2014. On a diluted earnings per share basis, the first six months of 2015 was $0.68 per share as compared to $0.69 per share for the same period last year.

Results of Operations

Net revenue:

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	May 30, 2015	May 31, 2014	2015 vs 2014	May 30, 2015	May 31, 2014	2015 vs 2014
Net revenue	$ 540.8	$ 544.0	(0.6%)	$ 1,011.4	$ 1,030.0	(1.8%)

We review variances in net revenue in terms of changes related to product pricing, sales volume, changes in foreign currency exchange rates and large acquisitions. The product pricing/sales volume variance and small acquisitions, including Tonsan Adhesive, Inc., Continental Products Limited and ProSpec construction products are viewed as constant currency growth. The following table shows the net revenue variance analysis for the second quarter and first six months of 2015 compared to the same periods in 2014:

	13 Weeks Ended May 30, 2015 vs May 31, 2014	26 Weeks Ended May 30, 2015 vs May 31, 2014
Product pricing	0.9%	0.7%
Sales volume	5.5%	3.4%
Currency	(7.0%)	(5.9%)
	(0.6%)	(1.8%)

Constant currency growth, which we define as the combined variances from product pricing, sales volume and small acquisitions was 6.4 percent in the second quarter of 2015 compared to the second quarter of 2014. Sales volume increased 5.5 percent and product pricing increased 0.9 percent compared to last year. The 6.4 percent constant currency growth in the second quarter of 2015 was driven by 44.2 percent growth in Asia Pacific and 32.7 percent growth in Construction Products partially offset by decreases in Americas and EIMEA of 2.8 percent and 2.5 percent respectively. The currency impacts were primarily driven by the devaluation of the Euro, Turkish lira, Canadian dollar and Australian dollar compared to the U.S. dollar.

Constant currency growth was 4.1 percent in first six months of 2015 compared to the first six months of 2014. Sales volume increased 3.4 percent and product pricing increased 0.7 percent compared to last year. The 4.1 percent constant currency growth in first six months of 2015 was driven by 28.7 percent growth in Construction Products and 28.0 percent growth in Asia Pacific, partially offset by decreases in EIMEA and Americas of 2.7 percent and 2.5 percent respectively. The currency impacts were primarily driven by the devaluation of the Euro, Turkish lira, Canadian dollar and Australian dollar compared to the U.S. dollar.

Cost of sales:

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**
Raw materials	$ 302.2	$ 310.8	(2.7%)	$ 574.0	$ 585.8	(2.0%)
Other manufacturing costs	89.6	90.6	(1.1%)	172.3	168.5	2.3%
Cost of sales	$ 391.8	$ 401.4	(2.4%)	$ 746.3	$ 754.3	(1.1%)
Percent of net revenue	72.5%	73.8%		73.8%	73.2%	

Cost of sales in the second quarter of 2015 compared to second quarter of 2014 decreased 130 basis points as a percentage of net revenue. Raw material cost as a percentage of net revenue decreased 120 basis points compared to last year due to lower raw material costs and sales mix. Other manufacturing costs as a percentage of revenue decreased 10 basis points compared to last year as lower delivery costs were offset by production inefficiencies.

Cost of sales in the first six months of 2015 compared to first six months of 2014 increased 60 basis points as a percentage of net revenue. Raw material cost as a percentage of net revenue decreased 10 basis points compared to last year due to lower raw material costs and sales mix offset by the impact of the inventory step up related to our recent acquisitions. Other manufacturing costs as a percentage of revenue increased 70 basis points compared to last year mainly due to production inefficiencies related to the Business Integration Project partially offset by lower delivery costs.

Gross profit:

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**
Gross profit	$ 148.9	$ 142.7	4.4%	$ 265.1	$ 275.7	(3.8%)
Percent of net revenue	27.5%	26.2%		26.2%	26.8%	

Gross profit in the second quarter of 2015 increased $6.2 million or 4.4 percent and gross profit margin increased 130 basis points compared to the second quarter of 2014. Reductions in raw material cost and better sales mix in the second quarter of 2015 resulted in the increase in gross profit.

Gross profit in the first six months of 2015 decreased $10.6 million or 3.8 percent and gross profit margin decreased 60 basis points compared to the first six months of 2014. Lower sales volumes, production inefficiencies related to the Business Integration Project and the impact of the inventory step up related to our recent acquisitions partially offset by lower raw material costs are the main drivers to the gross margin reduction.

Selling, general and administrative (SG&A) expenses:

($ in millions)	13 Weeks Ended May 30, 2015	13 Weeks Ended May 31, 2014	2015 vs 2014	26 Weeks Ended May 30, 2015	26 Weeks Ended May 31, 2014	2015 vs 2014
SG&A	$ 100.6	$ 96.4	4.4%	$ 195.4	$ 193.2	1.2%
Percent of net revenue	18.6%	17.7%		19.3%	18.8%	

SG&A expenses for the second quarter of 2015 increased $4.2 million or 4.4 percent, compared to the second quarter of 2014 mainly due to incremental expenses from Tonsan acquisition partially offset by lower expenses related to Project ONE and foreign currency exchange rate benefits.

SG&A expenses for the first six months of 2015 increased $2.2 million or 1.2 percent, compared to the first six months of 2014 due to incremental expenses from Tonsan acquisition partially offset by lower expenses related to Project ONE and foreign currency exchange rate benefits.

We make SG&A expense plans at the beginning of each fiscal year and barring significant changes in business conditions or our outlook for the future, we maintain these spending plans for the entire year. Management routinely monitors our SG&A spending relative to these fiscal year plans for each operating segment and for the company overall. We feel it is important to maintain a consistent spending program in this area as many of the activities within the SG&A category such as the sales force, technology development, and customer service are critical elements of our business strategy. For the current year we planned SG&A expenses to increase relative to last year by an amount slightly less than our expected growth in net revenue.

Special charges, net:

($ in millions)	13 Weeks Ended May 30, 2015	13 Weeks Ended May 31, 2014	2015 vs 2014	26 Weeks Ended May 30, 2015	26 Weeks Ended May 31, 2014	2015 vs 2014
Special charges, net	$ 0.9	$ 13.5	(93.1%)	$ 3.3	$ 25.3	(87.0%)

The following table provides detail of special charges, net:

($ in millions)	13 Weeks Ended May 30, 2015	13 Weeks Ended May 31, 2014	26 Weeks Ended May 30, 2015	26 Weeks Ended May 31, 2014
Acquisition and transformation related costs	$ 0.1	$ 2.6	$ 0.6	$ 4.3
Workforce reduction costs	(0.3)	0.9	(0.2)	3.0
Facility exit costs	1.1	7.3	2.6	12.4
Other related costs		2.7	0.3	5.6
Special charges, net	$ 0.9	$ 13.5	$ 3.3	$ 25.3

The integration of the industrial adhesives business we acquired in March 2012 involved a significant amount of restructuring and capital investment to optimize the new combined entity. In addition to this acquisition, we announced our intentions to take a series of actions in our existing EIMEA operating segment to improve the profitability and future growth prospects of this operating segment. We combined these two initiatives into a single project which we refer to as the Business Integration Project . During the 13 weeks ended May 30, 2015 and May 31, 2014, we incurred special charges, net of $0.9 million and $13.5 million respectively, for costs related to the Business Integration Project. During the 26 weeks ended May 30, 2015 and May 31, 2014, we incurred special charges, net of $3.3 million and $25.3 million respectively, for costs related to the Business Integration Project.

Acquisition and transformation related costs of $0.1 million for the 13 weeks ended May 30, 2015 and $2.6 million for the 13 weeks ended May 31, 2014 include costs related to organization consulting, financial advisory and legal services necessary to integrate the acquired business into our existing operating segments. During the 13 weeks ended May 30, 2015, we recorded a net reversal of workforce reduction costs of $0.3 million and we incurred cash facility exit costs of $0.4 million and non-cash facility exit costs of $0.7 million. During the 13 weeks ended May 31, 2014, we incurred workforce reduction costs of 0.9 million, cash facility exit costs of $5.7 million, non-cash facility exit costs of $1.6 million and other incremental transformation related costs of $2.7 million including the cost of personnel directly working on the integration.

Acquisition and transformation related costs of $0.6 million for the 26 weeks ended May 30, 2015 and $4.3 million for the 26 weeks ended May 31, 2014 include costs related to organization consulting, financial advisory and legal services necessary to integrate the acquired business into our existing operating segments. During the 26 weeks ended May 30, 2015, we recorded a net reversal of workforce reduction costs of $0.2 million and we incurred cash facility exit costs of $1.8 million and non-cash facility exit costs of $0.8 million and other incremental transformation related costs of $0.3 million including the cost of personnel directly working on the integration. During the 26 weeks ended May 31, 2014, we incurred workforce reduction costs of $3.0 million, cash facility exit costs of $9.3 million, non-cash facility exit costs of $3.1 million and other incremental transformation related costs of $5.6 million including the cost of personnel directly working on the integration.

We present operating segment information consistent with how we organize our business internally, assess performance and make decisions regarding the allocation of resources. Segment operating income is defined as gross profit less selling, general and administrative expenses. Because this definition excludes special charges, we have not allocated special charges to the operating segments or included them in Management s Discussion & Analysis of operating segment results. For informational purposes only, the following table provides the special charges, net attributable to each operating segment for the periods presented:

($ in millions)	13 Weeks Ended May 30, 2015	13 Weeks Ended May 31, 2014	26 Weeks Ended May 30, 2015	26 Weeks Ended May 31, 2014
Americas Adhesives	$ (0.6)	$ 0.8	$ (0.9)	$ 1.3
EIMEA	1.5	11.2	3.9	21.7
Asia Pacific		1.0		1.4
Company-wide		0.5	0.3	0.9
Special Charges, net	$ 0.9	$ 13.5	$ 3.3	$ 25.3

The benefits of the Business Integration Project are expected to be substantial. We have plans to create annual cash cost savings and other cash pretax profit improvement benefits aggregating to $90.0 million when the various integration activities are complete. The Business Integration Project activities were expected to improve the EBITDA margin of the global business from just under 11 percent in 2011 to a target level of 15 percent by 2015. The achievement of the cost savings will be delayed due to project delays and higher than expected implementation costs. We now believe that the 15 percent EBITDA margin goal will be achieved in 2016.

We originally estimated the total costs of the Business Integration Project to be approximately $125.0 million. Primarily due to delays in completing the EIMEA portion of the project, we now expect total project costs will be approximately $164.0 million. The following table provides detail of costs incurred inception-to-date as of May 30, 2015 for the Business Integration Project:

($ in millions)	Costs Incurred Inception-to-Date as of May 30, 2015
Acquisition and transformation related costs	$ 42.9
Work force reduction costs	40.9
Cash facility exit costs	39.8

Non-cash facility exit costs		17.0
Other related costs		19.3
Business Integration Project	$	159.9

Non-cash costs are primarily related to accelerated depreciation of long-lived assets.

From the inception of the project we have focused on three key metrics which track the bulk of the Business Integration Project cost savings and profit improvement objectives: (1) cost savings achieved through workforce reductions, (2) cost reductions achieved through facility closures and consolidation and (3) the EBITDA margin of the business relative to our expected trend over the timeframe of the project. Since the project commenced over three years ago many changes have occurred in the project and within the underlying business. These changes make it difficult to accurately measure the cost savings according to the original metrics that we established. Therefore, going forward we will focus on the EBITDA margin goal of 15 percent as the performance metric for this project. For the quarter ended May 30, 2015 and May 31, 2014, we achieved EBITDA margin of 12.4 percent and 11.5 percent, respectively. For the first six months ended May 30, 2015 and May 31, 2014, we achieved EBITDA margin of 10.5 percent and 11.0 percent, respectively.

Other income (expense), net:

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**
Other income (expense), net	$ (0.6)	$ (0.2)	NMP	$ (0.2)	$ (1.3)	NMP

NMP = Non-meaningful percentage

Other income (expense), net in the second quarter of 2015 included $0.6 million of currency translation and re-measurement losses. Other income (expense), net in the second quarter of 2014 included $0.5 million of currency translation and re-measurement losses offset by $0.2 million of net financing income and $0.1 million of interest income.

Other income (expense), net for the first six months of 2015 included $0.7 million of currency translation and re-measurement losses offset by $0.4 million of net financing income and $0.1 million of interest income. Other income (expense), net for the first six months of 2014 included $1.8 million of currency translation and re-measurement losses offset by $0.4 million of net financing income and $0.1 million of interest income.

Interest expense:

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**
Interest expense	$ 6.2	$ 4.8	30.6%	$ 12.3	$ 8.9	38.6%

Interest expense in the second quarter of 2015 as compared to the same period last year was higher due to higher average debt balances related to the Tonsan acquisition and lower capitalized interest, offset by lower average interest rates. We capitalized a minimal amount of interest expense in the second quarter of 2015 compared to $1.0 million in the same period last year.

Interest expense for the first six months of 2015 as compared to the same period last year was higher due to higher average debt balances and lower capitalized interest, offset by lower average interest rates. We capitalized a minimal amount of interest expense in the first six months of 2015 compared to $2.0 million in the same period last year.

Income taxes:

	13 Weeks Ended	26 Weeks Ended

($ in millions)	May 30, 2015	May 31, 2014	2015 vs 2014	May 30, 2015	May 31, 2014	2015 vs 2014
Income taxes	$ 15.4	$ 8.8	74.1%	$ 20.2	$ 15.4	31.1%
Effective tax rate	37.9%	31.8%		37.4%	32.6%	

Income tax expense of $15.4 million in the second quarter of 2015 includes $0.2 million of discrete tax expense and $0.1 million of tax benefits relating to the special charges for costs related to the Business Integration Project. Excluding the discrete benefits and the effects of items included in special charges, the overall effective tax rate was 37.0 percent.

Income tax expense of $20.2 million in the first six months of 2015 includes $0.2 million of discrete tax benefits and $0.4 million of tax benefits relating to special charges for costs related to the Business Integration Project. Excluding the discrete tax benefits and the effects of items included in special charges, the overall effective tax rate was 36.4 percent.

Income from equity method investments:

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	May 30, 2015	May 31, 2014	2015 vs 2014	May 30, 2015	May 31, 2014	2015 vs 2014
Income from equity method investments	$ 1.4	$ 1.7	(18.8%)	$ 2.7	$ 3.5	(24.9%)

The income from equity method investments relates to our 50 percent ownership of the Sekisui-Fuller joint venture in Japan. The lower 2015 income compared to 2014 is primarily related to lower profitability and the weakening of the Japanese yen compared to the U.S. dollar.

Loss from discontinued operations, net of tax:

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	May 30, 2015	May 31, 2014	2015 vs 2014	May 30, 2015	May 31, 2014	2015 vs 2014
Loss from discontinued operations, net of tax	$ (1.3)	$	NMP	$ (1.3)	$	NMP

NMP = Non-meaningful percentage

The loss from discontinued operations, net of tax, relates to our Central America Paints business, which we sold on August 6, 2012. In the second quarter of 2015, we increased our liability $2.1 million and adjusted the related deferred income tax. See Note 2 to the Condensed Consolidated Financial Statements.

Net income attributable to non-controlling interests:

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	May 30, 2015	May 31, 2014	2015 vs 2014	May 30, 2015	May 31, 2014	2015 vs 2014
Net income attributable to non-controlling interests	$ (0.1)	$ (0.1)	NMP	$ (0.2)	$ (0.2)	NMP

NMP = Non-meaningful percentage

Net income attributable to non-controlling interests relates to an 11 percent redeemable non-controlling interest in HBF Turkey.

Net income attributable to H.B. Fuller:

	13 Weeks Ended	26 Weeks Ended
($ in millions)		

	May 30, 2015	May 31, 2014	2015 vs 2014	May 30, 2015	May 31, 2014	2015 vs 2014
Net income attributable to H.B. Fuller	$ 25.2	$ 20.5	19.9%	$ 34.9	$ 35.1	(2.2%)
Percent of net revenue	4.7%	3.8%		3.4%	3.4%	

The net income attributable to H.B. Fuller for the second quarter of 2015 was $25.2 million compared to $20.5 million for the second quarter of 2014. The second quarter of 2015 included $0.9 million of special charges, net ($0.8 million after tax) for costs related to the Business Integration Project and a loss from discontinued operations, net of tax of $1.3 million. The second quarter of 2014 included $13.5 million of special charges, net ($12.0 million after tax) for costs related to the Business Integration Project. The diluted earnings per share for the second quarter of 2015 was $0.49 per share as compared to $0.40 per share for the second quarter of 2014.

The net income attributable to H.B. Fuller for the first six months of 2015 was $34.9 million compared to $35.1 million for the first six months of 2014. The first six months of 2015 included $3.3 million of special charges, net ($2.9 million after tax) for costs related to the Business Integration Project and a loss from discontinued operations, net of tax of $1.3 million. The first six months of 2014 included $25.3 million of special charges, net ($21.4 million after tax) for costs related to the Business Integration Project. The diluted earnings per share for the first six months of 2015 was $0.68 per share as compared to $0.69 per share for the first six months of 2014.

Operating Segment Results

We have four reportable segments: Americas Adhesives, EIMEA (Europe, India, Middle East and Africa), Asia Pacific and Construction Products. Operating results of each of these segments are regularly reviewed by our chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance.

The tables below provide certain information regarding the net revenue and segment operating income of each of our operating segments. For segment evaluation by the chief operating decision maker, segment operating income is defined as gross profit less SG&A expenses and excludes special charges, net. The product pricing/sales volume variance and small acquisitions are viewed as constant currency growth.

Net Revenue by Segment:

	13 Weeks Ended				26 Weeks Ended			
	May 30, 2015		May 31, 2014		May 30, 2015		May 31, 2014	
($ in millions)	Net Revenue	% of Total	Net Revenue	% of Total	Net Revenue	% of Total	Net Revenue	% of Total
Americas Adhesives	$ 228.6	42%	$ 236.9	44%	$ 432.4	43%	$ 446.6	43%
EIMEA	151.5	28%	189.6	35%	299.1	30%	361.2	36%
Asia Pacific	95.1	18%	68.0	12%	165.1	16%	133.0	12%
Construction Products	65.6	12%	49.5	9%	114.8	11%	89.2	9%
Total	$ 540.8	100%	$ 544.0	100%	$ 1,011.4	100%	$ 1,030.0	100%

Segment Operating Income:

	13 Weeks Ended				26 Weeks Ended			
	May 30, 2015		May 31, 2014		May 30, 2015		May 31, 2014	
($ in millions)	Segment Operating Income	% of Total	Segment Operating Income	% of Total	Segment Operating Income	% of Total	Segment Operating Income	% of Total

Americas Adhesives	$ 34.8	72%	$ 31.9	69%	$ 55.6	80%	$ 57.1	69%
EIMEA	1.7	3%	10.2	22%	0.9	1%	18.6	23%
Asia Pacific	5.3	11%	1.7	4%	4.8	7%	3.5	4%
Construction Products	6.6	14%	2.5	5%	8.4	12%	3.3	4%
Total	$ 48.4	100%	$ 46.3	100%	$ 69.7	100%	$ 82.5	100%

The following table provides a reconciliation of segment operating income to income from continuing operations before income taxes and income from equity method investments, as reported on the Condensed Consolidated Statements of Income.

($ in millions)	13 Weeks Ended May 30, 2015	13 Weeks Ended May 31, 2014	26 Weeks Ended May 30, 2015	26 Weeks Ended May 31, 2014
Segment operating income	$ 48.4	$ 46.3	$ 69.7	$ 82.5
Special charges, net	(1.0)	(13.5)	(3.3)	(25.3)
Other income (expense), net	(0.6)	(0.2)	(0.2)	(1.2)
Interest expense	(6.2)	(4.8)	(12.3)	(8.9)
Income from continuing operations before income taxes and income from equity method investments	$ 40.6	$ 27.8	$ 53.9	$ 47.1

Americas Adhesives

($ in millions)	13 Weeks Ended May 30, 2015	13 Weeks Ended May 31, 2014	13 Weeks Ended 2015 vs 2014	26 Weeks Ended May 30, 2015	26 Weeks Ended May 31, 2014	26 Weeks Ended 2015 vs 2014
Net revenue	$ 228.6	$ 236.9	(3.6%)	$ 432.4	$ 446.6	(3.2%)
Segment operating income	$ 34.8	$ 31.9	9.2%	$ 55.6	$ 57.1	(2.6%)
Segment profit margin %	15.2%	13.5%		12.9%	12.8%	

The following tables provide details of the Americas Adhesives net revenue variances:

	13 Weeks Ended May 30, 2015 vs May 31, 2014	26 Weeks Ended May 30, 2015 vs May 31, 2014
Constant currency growth	(2.8%)	(2.5%)
Currency	(0.8%)	(0.7%)
Total	(3.6%)	(3.2%)

Net revenue decreased 3.6 percent in the second quarter of 2015 compared to the second quarter of 2014. The 2.8 percent decrease in constant currency growth was attributable to a 3.9 percent decrease in sales volume partially offset by a 1.1 percent increase in product pricing. The weaker Canadian dollar compared to the U.S. dollar resulted in a 0.8 percent decrease in net revenue. As a percentage of net revenue, raw material costs decreased 20 basis points mainly due to reduction in raw material costs. Other manufacturing costs as a percentage of net revenue decreased 150 basis points mainly due to lower production and delivery costs compared to the second quarter of last year that was negatively impacted by the Project ONE implementation. Segment operating income increased 9.2 percent and segment profit margin as a percentage of net revenue increased 170 basis points in the second quarter compared to the second quarter last year.

Net revenue decreased 3.2 percent in the first six months of 2015 compared to the first six months of 2014. The 2.5 percent decrease in constant currency growth was attributable to a 3.2 percent decrease in sales volume partially offset by a 0.7 percent increase in product pricing. The weaker Canadian dollar compared to the U.S. dollar resulted in a 0.7 percent decrease in net revenue. As a percentage of net revenue, raw material costs increased 10 basis points mainly due to a lower price sales mix. Other manufacturing costs as a percentage of net revenue decreased 20 basis points compared to the first six months of 2014 mainly due to lower production and delivery costs compared to last year that was negatively impacted by the Project ONE implementation. Segment operating income decreased 2.6 percent and segment profit margin as a percentage of net revenue increased 10 basis points compared to the first six months of last year.

EIMEA

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	May 30, 2015	May 31, 2014	2015 vs 2014	May 30, 2015	May 31, 2014	2015 vs 2014
Net revenue	$ 151.5	$ 189.6	(20.1%)	$ 299.1	$ 361.2	(17.2%)
Segment operating income	$ 1.7	$ 10.2	(83.8%)	$ 0.9	$ 18.6	(95.0%)
Segment profit margin%	1.1%	5.4%		0.3%	5.1%	

The following table provides details of the EIMEA net revenue variances:

	13 Weeks Ended May 30, 2015 vs May 31, 2014	26 Weeks Ended May 30, 2015 vs May 31, 2014
Constant currency growth	(2.5%)	(2.7%)
Currency	(17.6%)	(14.5%)
Total	(20.1%)	(17.2%)

Net revenue decreased 20.1 percent in the second quarter of 2015 compared to the second quarter of 2014. Sales volume decreased 2.6 percent and product pricing increased 0.1 percent. The negative currency effect of 17.6 percent was primarily the result of a weaker Euro and Turkish lira compared to the U.S. dollar. Sales volume was down in core Europe reflecting the generally soft end market conditions across most of the region and volume losses due to longer lead times caused by production inefficiencies related to the Business Integration Project. Sales volume growth was generated in the emerging markets, mainly in India, Turkey, Middle East and Egypt. Raw material cost as a percentage of net revenue decreased 80 basis points in the second quarter compared to the second quarter last year primarily due to raw material price reductions. Other manufacturing costs as a percentage of net revenue were 370 basis points higher than last year mainly driven by lower revenue and ongoing production inefficiencies related to the Business Integration Project. As a result, segment operating income decreased 83.8 percent and segment profit margin decreased 430 basis points compared to the second quarter last year.

Net revenue decreased 17.2 percent in the first six months of 2015 compared to the first six months of 2014. Sales volume decreased 2.8 percent and product pricing increased 0.1 percent. The negative currency effect of 14.5 percent was primarily the result of a weaker Euro and Turkish lira compared to the U.S. dollar. Sales volume was down in core Europe reflecting the generally soft end market conditions across most of the region and volume losses due to longer lead times caused by production inefficiencies related to the Business Integration Project. Sales volume growth was generated in the emerging markets, mainly in India, Turkey, Middle East and Egypt. Raw material cost as a percentage of net revenue increased 90 basis points in the first six months compared to the first six months last year primarily due to sales mix and higher raw material costs in the first quarter of 2015. Other manufacturing costs as a percentage of net revenue were 320 basis points higher than last year mainly driven by lower revenue and ongoing production inefficiencies related to the Business Integration Project. As a result, segment operating income decreased 95.0 percent and segment profit margin decreased 480 basis points compared to the first six months last year.

Asia Pacific

	13 Weeks Ended			26 Weeks Ended		
($ in millions)	May 30, 2015	May 31, 2014	2015 vs 2014	May 30, 2015	May 31, 2014	2015 vs 2014
Net revenue	$ 95.1	$ 68.0	40.0%	$ 165.1	$ 133.0	24.1%
Segment operating income	$ 5.3	$ 1.7	202.9%	$ 4.8	$ 3.5	36.5%
Segment profit margin %	5.6%	2.6%		2.9%	2.7%	

The following table provides details of Asia Pacific net revenue variances:

	13 Weeks Ended May 30, 2015 vs May 31, 2014	26 Weeks Ended May 30, 2015 vs May 31, 2014
Constant currency growth	44.2%	28.0%
Currency	(4.2%)	(3.9%)
Total	40.0%	24.1%

Net revenue in the second quarter of 2015 increased 40.0 percent compared to the second quarter of last year. The 44.2 percent increase in constant currency growth was attributable to a 44.5 percent increase in sales volume partially offset by a 0.3 percent decrease in product pricing. All Asian markets showed growth compared to the second quarter of last year. Sales volume growth was primarily driven by Southeast Asia, our legacy business in Greater China and the impact of the Tonsan acquisition. Negative currency effects of 4.2 percent compared to the second quarter of last year were primarily driven by the weaker Australian dollar and Malaysian ringgit. Raw material costs as a percentage of net revenue decreased 570 basis points compared to the second quarter of last year due to raw material price reductions and changes in sales mix. Other manufacturing costs as a percentage of net revenue decreased 140 basis points compared to the second quarter of last year mainly due to increased sales volume and related manufacturing efficiencies. Segment operating income increased $3.6 million or 202.9 percent compared to the second quarter of last year.

Net revenue in the first six months of 2015 increased 24.1 percent compared to the first six months of 2014. The 28.0 percent increase in constant currency growth was attributable to an increase in sales volume while product pricing was flat. All Asian markets showed growth compared to the first six months of last year. Sales volume growth was primarily driven by Southeast Asia, our legacy business in Greater China and the impact of the Tonsan acquisition. Negative currency effects of 3.9 percent compared to last year were primarily driven by the weaker Australian dollar and Malaysian ringgit. Raw material costs as a percentage of net revenue decreased 280 basis points compared to the first six months of last year due to raw material price reductions and changes in sales mix. Other manufacturing costs as a percentage of net revenue decreased 50 basis points compared to the first six months of last year mainly due to increased revenue and related manufacturing efficiencies. Segment operating income increased $1.3 million or 36.5 percent compared to the first six months of last year.

Construction Products

	13 Weeks Ended			**26 Weeks Ended**		
($ in millions)	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**	**May 30, 2015**	**May 31, 2014**	**2015 vs 2014**
Net revenue	$ 65.6	$ 49.5	32.7%	$ 114.8	$ 89.2	28.7%
Segment operating income	$ 6.6	$ 2.5	165.1%	$ 8.4	$ 3.3	154.2%
Segment profit margin %	10.0%	5.0%		7.3%	3.7%	

The following tables provide details of the Construction Products net revenue variances:

	13 Weeks Ended May 30, 2015 vs May 31, 2014	**26 Weeks Ended May 30, 2015 vs May 31, 2014**
Constant currency growth	32.7%	28.7%

Net revenue increased 32.7 percent in the second quarter of 2015 compared to the second quarter of 2014. The increase was driven by 27.7 percent increase in sales volume and a 5.0 percent increase in product pricing. The increase in sales volume was primarily attributed to continued market share gains with several key retail partners and the addition of the ProSpec construction products business acquired in the fourth quarter of 2014. The increase in pricing is mainly due to price increases related to certain product lines in certain channels. Raw material cost as a percentage of net revenue was basically flat in the second quarter of 2015 compared to last year as the impact of lower raw material costs were offset by product launch discounts at a key retail partner. Other manufacturing costs as a percentage of net revenue decreased 160 basis points compared to the second quarter of last year driven mainly by higher revenue and operation efficiencies partially offset by higher delivery costs related to a product launch at a key retail partner. Segment operating income increased 165.1 percent and segment profit margin increased 500 basis points in the second quarter compared to the second quarter last year.

Net revenue increased 28.7 percent in the first six months of 2015 compared to the first six months of 2014. The increase was driven by 25.1 percent increase in sales volume and a 3.6 percent increase in product pricing. The increase in sales volume was primarily attributed to continued market share gains with several key retail partners and the addition of the ProSpec construction products business acquired in the fourth quarter of 2014. The increase in pricing is mainly due to price increases related to certain product lines in certain channels. Raw material cost as a percentage of net revenue was 30 basis points higher in the first six months of 2015 compared to last year. Other manufacturing costs as a percentage of net revenue decreased 40 basis points compared to the first six months of last year mainly driven by higher revenue and operation efficiencies. Segment operating income increased 154.2 percent and segment profit margin increased 360 basis points in the first six months compared to the first six months last year.

Financial Condition, Liquidity and Capital Resources

Total cash and cash equivalents as of May 30, 2015 were $79.5 million as compared to $77.6 million as of November 29, 2014 and $95.0 million as of May 31, 2014. Of the $79.5 million in cash and cash equivalents as of May 30, 2015, $63.9 million was held outside the United States. Total long and short-term debt was $736.9 million as of May 30, 2015, $574.9 million as of November 29, 2014 and $566.1 million as of May 31, 2014. The total debt to total capital ratio as measured by Total Debt divided by (Total Debt plus Total Equity) was 45.3 percent as of May 30, 2015 as compared to 39.2 percent as of November 29, 2014 and 37.2 percent as of May 31, 2014.

We believe that cash flows from operating activities will be adequate to meet our ongoing liquidity and capital expenditure needs. In addition, we believe we have the ability to obtain both short-term and long-term debt to meet our financing needs for the foreseeable future. Cash available in the United States has historically been sufficient and we expect it will continue to be sufficient to fund U.S. operations and U.S. capital spending and U.S. pension and other postretirement benefit contributions in addition to funding U.S. acquisitions, dividend payments, debt service and share repurchases as needed. For those international earnings considered to be reinvested indefinitely, we currently have no intention to, and plans do not indicate a need to, repatriate these funds for U.S. operations.

Our credit agreements and note purchase agreements include restrictive covenants that, if not met, could lead to a renegotiation of our credit lines and a significant increase in our cost of financing. At May 30, 2015, we were in compliance with all covenants of our contractual obligations as shown in the following table:

Covenant	Debt Instrument	Measurement	Result as of May 30, 2015
TTM EBITDA / TTM Interest Expense	All Debt Instruments	Not less than 2.5	9.1
Total Indebtedness / TTM EBITDA	All Debt Instruments	Not greater than 3.75	3.3

TTM = Trailing 12 months

EBITDA for covenant purposes is defined as consolidated net income, plus (i) interest expense, (ii) taxes, (iii) depreciation and amortization, (iv) non-cash impairment losses, (v) extraordinary non-cash losses incurred other than in the ordinary course of business, (vi) nonrecurring extraordinary non-cash restructuring charges, (vii) [reserved], (viii) cash expenses incurred during fiscal years 2013 through 2015 in connection with facilities consolidation, restructuring and integration, discontinuance of operations, work force reduction, sale or abandonment of assets other than inventory, and professional and other fees incurred in connection with the acquired business or the restructuring of the company s Europe, India, Middle East and Africa operations, not to exceed (x) $39.8 million for the period beginning with the fiscal quarter ending November 30, 2013 through and including the fiscal quarter ending May 31, 2014 and (y) $20.0 million for the period beginning with the fiscal quarter ending August 30, 2014 through and including the fiscal quarter ending November 28, 2015, (ix) cash expenses related to the Tonsan acquisition for advisory services and for arranging financing for the acquired business (including the non-cash write-off of deferred financing costs and any loss or expense on foreign exchange transactions intended to hedge the purchase price for the acquired business) with cash expenses not to exceed $10.0 million, minus extraordinary non-cash gains incurred other than in the ordinary course of business. For the Total Indebtedness / TTM EBITDA ratio, TTM EBITDA is adjusted for the pro forma results from Material Acquisitions and Material Divestitures as if the acquisition or divestiture occurred at the beginning of the calculation period. Additional detail is provided in the Form 8-K dated October 31, 2014.

Pursuant to the Credit Agreement dated October 31, 2014, the company elected to increase the Total Indebtedness / TTM EBITDA ratio to a maximum of 3.75 to 1.00 for four quarters beginning with first fiscal quarter ending February 28, 2015. The maximum ratio will return to 3.50 to 1.00 in the first fiscal quarter 2016.

We believe we have the ability to meet all of our contractual obligations and commitments in fiscal 2015.

Selected Metrics of Liquidity

Key metrics we monitor are net working capital as a percent of annualized net revenue, trade account receivable days sales outstanding (DSO), inventory days on hand, free cash flow and debt capitalization ratio.

	May 30, 2015	May 31, 2014
Net working capital as a percentage of annualized net revenue[1]	19.9%	19.0%
Accounts receivable DSO[2]	59 Days	60 Days
Inventory days on hand[3]	65 Days	69 Days
Free cash flow[4]	$64.7 million	$(127.0) million
Total debt to total capital ratio[5]	45.3%	37.2%

1 Current quarter net working capital (trade receivables, net of allowance for doubtful accounts plus inventory minus trade payables) divided by annualized net revenue (current quarter multiplied by four).

2 Trade receivables net of the allowance for doubtful accounts at the balance sheet date multiplied by 56 (8 weeks) and divided by the net revenue for the last 2 months of the quarter.

3 Total inventory multiplied by 56 and divided by cost of sales (excluding delivery costs) for the last 2 months of the quarter.

4 Year-to-date net cash provided by (used in) operations from continuing operations, less purchased property, plant and equipment and dividends paid.

5 Total debt divided by (total debt plus total stockholders equity).

Another key metric is the return on invested capital, or ROIC. The calculation is represented by total return divided by total invested capital.

Total return is defined as: gross profit less SG&A expenses, less taxes at the effective tax rate plus income from equity method investments. Total return is calculated using trailing 12 month information.

Total invested capital is defined as the sum of notes payable, current maturities of long-term debt, long-term debt, redeemable non-controlling interest and total equity.

We believe ROIC provides a true measure of return on capital invested and is focused on the long term. The following table shows the ROIC calculations based on the definition above:

($ in millions)	Trailing 12 months as of May 30, 2015	Trailing 12 months as of May 31, 2014
Gross profit	$ 522.7	$ 565.9
Selling, general and administrative expenses	(385.7)	(376.4)
Income taxes at effective rate	(49.7)	(52.2)
	4.3	7.8

Income from equity method investments				
Total return	$	91.6	$	145.1
Total invested capital	$	1,631.3	$	1,525.8
Return on invested capital		5.6%		9.5%

Summary of Cash Flows

Cash Flows from Operating Activities:

	26 Weeks Ended	
($ in millions)	**May 30, 2015**	**May 31, 2014**
Net cash provided by (used in) operating activities	$ 116.2	$ (33.8)

Net income including non-controlling interests was $35.1 million in the first six months of 2015 compared to $35.3 million in the first six months of 2014. Depreciation and amortization expense totaled $36.8 million in the first six months of 2015 compared to $33.7 million in the first six months of 2014. Accrued compensation was a use of cash of $3.6 million in 2015 compared to a use of cash of $24.9 million last year. The lower use of cash in 2015 is related to lower accruals and payments for our employee incentive plans and 2014 payments of severance related costs for the Business Integration Project. Income taxes payable was a use of cash of $1.0 million in the first six months of 2015 compared to a use of cash of $4.0 million in same period last year. The use of cash in 2015 and 2014 are related to the timing of income tax payments and accruals. Other assets was a source of cash of $5.8 million in 2015 compared to a use of $12.6 million in 2014. Other operating activity was a source of cash of $19.7 million in the first six months of 2015 compared to a source of cash of $2.2 million in the first six months of 2014. The source of cash in 2015 was primarily related to the impact of a stronger U.S. dollar on certain foreign transactions.

Changes in net working capital (trade receivables, inventory and trade payables) accounted for a source of cash of $18.5 million compared to a use of cash of $57.3 million last year. The table below provides the cash flow impact due to changes in the components of net working capital:

	26 Weeks Ended	
($ in millions)	**May 30, 2015**	**May 31, 2014**
Trade receivables, net	$ 2.5	$ (23.8)
Inventory	(14.3)	(60.6)
Trade payables	30.3	27.1
Total cash flow impact	$ 18.5	$ (57.3)

Trade Receivables, net Trade Receivables, net was a source of cash of $2.5 million in 2015 compared to a use of cash of $23.8 million in 2014. The source of cash in 2015 compared to the use of cash in 2014 was due to a lower net revenue and strong collection activity of trade receivables. The DSO were 59 days at May 30, 2015 and 60 days at May 31, 2014.

Inventory Inventory was a use of cash of $14.3 million and $60.6 million in 2015 and 2014, respectively. The lower use of cash in 2015 is related to lower seasonal build of inventory in 2015. In 2014 we were also building inventory for the implementation of our ERP system in North America and to support the manufacturing transitions as part of our Business Integration Project. Inventory days on hand were 65 days as of May 30, 2015 and 69 days as of May 31, 2014.

Trade Payables For the first six months of 2015 trade payables was a source of cash of $30.3 million compared to a source of cash of $27.1 million in 2014. The higher source of cash in 2015 is primarily a reflection of the timing of various transactions within the quarter compared to last year.

Cash Flows from Investing Activities:

26 Weeks Ended

($ in millions)	May 30, 2015	May 31, 2014
Net cash used in investing activities	$ (255.4)	$ (80.5)

Purchases of property, plant and equipment were $38.9 million in the first six months of 2015 as compared to $82.1 million for the same period of 2014. The decrease in 2015 compared to 2014 was primarily related to higher capital expenditures for the Business Integration Project and the implementation of our ERP system in 2014. In the first quarter of 2015 we acquired Tonsan Adhesive, Inc. for $215.9 million and Continental Products Limited for $1.6 million.

Cash Flows from Financing Activities:

($ in millions)	26 Weeks Ended May 30, 2015	May 31, 2014
Net cash provided by financing activities	$ 145.8	$ 54.7

Proceeds from long-term debt in the first six months of 2015 were $337.0 million compared to $175.0 million in the first six months of 2014. Included in the $337.0 million of proceeds is $300.0 million from our January 28, 2015 term loan. Repayments of long-term debt were $183.8 million in the first six months of 2015 and $110.0 million in the first six months of 2014. Included in the $183.8 million of repayments were $70.0 million from our January 28, 2015 term loan used to repay outstanding balances under the revolving credit facility. Net proceeds on notes payable were $2.5 million in 2015 compared to net proceeds of $9.0 million in 2014. Cash generated from the exercise of stock options were $4.0 million and $4.7 million for the first six months of 2015 and 2014, respectively. Repurchases of common stock were $2.2 million in the first six months of 2015 compared to $15.4 million in the same period of 2014. We repurchased $12.3 million in 2014 from our 2010 share repurchase program.

Forward-Looking Statements and Risk Factors

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In this Quarterly Report on Form 10-Q, we discuss expectations regarding our future performance which include anticipated financial performance, savings from restructuring and process initiatives, global economic conditions, liquidity requirements, the impact of litigation and environmental matters, the effect of new accounting pronouncements and one-time accounting charges and credits, and similar matters. This Quarterly Report on Form 10-Q contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of words like plan, expect, aim, believe, project, anticipate, intend, estimate, v could (including the negative or variations thereof) and other expressions that indicate future events and trends. These plans and expectations are based upon certain underlying assumptions, including those mentioned with the specific statements. Such assumptions are in turn based upon internal estimates and analyses of current market conditions and trends, our plans and strategies, economic conditions and other factors. These plans and expectations and the assumptions underlying them are necessarily subject to risks and uncertainties inherent in projecting future conditions and results. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions and expectations proves to be inaccurate or is unrealized. In addition to the factors described in this report, Part II, Item 1A. Risk Factors in this report and Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended November 29, 2014, identify some of the important factors that could cause our actual results to differ materially from those in any such forward-looking statements. This list of important factors does not include all such factors nor necessarily present them in order of importance. In order to comply with the terms of the safe harbor, we have identified these important factors which could affect our financial performance and could cause our actual results for future periods to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. Additionally, the variety of products sold by us and the regions where we do business makes it difficult to determine with certainty the increases or decreases in revenues resulting from changes in the volume of products sold, currency impact, changes in geographic and product mix and selling prices. Our best estimates of these changes as well as changes in other factors have been included. References to volume changes include volume, product mix and delivery charges, combined. These factors should be considered, together with any similar risk factors or other cautionary language, which may be made elsewhere in this Quarterly Report on Form 10-Q.

We may refer to Part II, Item 1A. Risk Factors and this section of the Form 10-Q to identify risk factors related to other forward looking statements made in oral presentations, including investor conferences and/or webcasts open to the public.

This disclosure, including that under Forward-Looking Statements and Risk Factors, and other forward-looking statements and related disclosures made by us in this report and elsewhere from time to time, represents our best judgment as of the date the information is given. We do not undertake responsibility for updating any of such information, whether as a result of new information, future events, or otherwise, except as required by law. Investors are advised, however, to consult any further public company disclosures (such as in filings with the Securities and Exchange Commission or in company press releases) on related subjects.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk: We are exposed to various market risks, including changes in interest rates, foreign currency rates and prices of raw materials. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and cost of raw materials.

Our financial performance may be negatively affected by the unfavorable economic conditions. Recessionary economic conditions may have an adverse impact on our sales volumes, pricing levels and profitability. As domestic and international economic conditions change, trends in discretionary consumer spending also become unpredictable and subject to reductions due to uncertainties about the future. A general reduction in consumer discretionary spending due to recession in the domestic and international economies, or uncertainties regarding future economic prospects, could have a material adverse effect on our results of operations.

Interest Rate Risk: Exposure to changes in interest rates result primarily from borrowing activities used to fund operations. Committed floating rate credit facilities are used to fund a portion of operations. We believe that probable near-term changes in interest rates would not materially affect financial condition, results of operations or cash flows. The annual impact on interest expense of a one-percentage point interest rate change on the outstanding balance of our variable rate debt as of May 30, 2015 would be approximately $2.6 million or $0.05 per diluted share.

Foreign Exchange Risk: As a result of being a global enterprise, there is exposure to market risks from changes in foreign currency exchange rates, which may adversely affect operating results and financial condition. We enter into cross border transactions through importing and exporting raw materials, our products and other goods to and from different countries and locations. These transactions generate foreign exchange risk as they create assets, liabilities and cash flows in currencies other than the functional currency. This also applies to services provided and other cross border agreements among subsidiaries.

Approximately 56 percent of net revenue was generated outside of the United States for the first six months of 2015. Principal foreign currency exposures relate to the Euro, British pound sterling, Canadian dollar, Chinese renminbi, Japanese yen, Australian dollar, Argentine peso, Brazilian real, Colombian peso, Mexican peso, Turkish lira, Egyptian pound, Indian rupee and Malaysian ringgit.

Our objective is to match our non-functional currency product costs with non-functional currency revenues to create a natural hedge and minimize foreign exchange impacts on our gross margins. In situations where these non-functional costs and revenues cannot be matched or changes in our functional currency selling price are unable to offset the impact of the foreign currency rate change, the change will impact our profitability. From a sensitivity analysis perspective, based on the financial results of the first six months of 2015, a hypothetical 1 percent change in our cost of sales due to foreign currency rate changes would have resulted in a change in net income attributable to H.B. Fuller of approximately $2.5 million or $0.05 per diluted share.

In addition, we strive to balance, where possible, non-functional currency denominated assets to non-functional currency denominated liabilities through normal operating and financing activities to have a natural hedge and minimize foreign exchange impacts. When deemed appropriate, we enter into derivative instruments to further mitigate foreign currency exchange risks. We do not enter into any speculative positions with regard to derivative instruments. From a sensitivity analysis viewpoint, based on the financial results of the first six months of 2015, and foreign currency balance sheet positions as of May 30, 2015, a hypothetical overall 10 percent change in the U.S. dollar would have resulted in a change in net income attributable to H.B. Fuller of approximately $1.3 million or $0.03 per diluted share.

In addition, the translation of financial results from non U.S. dollar functional entities into U.S. dollars for purposes of reporting consolidated financial results may be adversely impacted by changes in foreign currency exchange rates. The Company does not take measures to mitigate these translation effects.

Raw Materials: The principal raw materials used to manufacture products include resins, polymers, synthetic rubbers, vinyl acetate monomer and plasticizers. Many of these raw materials are petroleum and natural gas based derivatives that are manufactured on a global basis. As such, the price of these raw materials fluctuate based upon changes in the cost of petroleum and natural gas, supply and demand and changes in foreign currency exchange rates.

We generally avoid single source supplier arrangements for raw materials. While alternate supplies of most key raw materials are available, unplanned supplier production outages may lead to strained supply-demand situations for several key raw materials such as tackifyers and base polymers. There is also tightness in feed stream chemicals such as ethylene and propylene.

For the six months ended May 30, 2015, our single largest expenditure was the purchase of raw materials. Our objective is to purchase raw materials that meet both our quality standards and production needs at the lowest total cost. Most raw materials are purchased on the open market or under contracts that limit the frequency but not the magnitude of price increases. In some cases, however, the risk of raw material price changes is managed by strategic sourcing agreements which limit price increases to increases in supplier feedstock costs, while requiring decreases as feedstock costs decline. The leverage of having substitute raw materials approved for use wherever possible is used to minimize the impact of possible price increases.

From a sensitivity analysis perspective, based on the financial results of the first six months of 2015, a hypothetical 1 percent change in our raw material costs would have resulted in a change in net income attributable to H.B. Fuller of approximately $2.1 million or $0.04 per diluted share.

Item 4. Controls and Procedures
(a) Controls and procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our president and chief executive officer and executive vice president, chief financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)). We acquired Tonsan Adhesive, Inc. and Continental Products Limited in the first quarter of 2015. They represented approximately 11 percent of our total assets as of May 30, 2015. As these acquisitions occurred in the first quarter of 2015, the scope of our assessment of the effectiveness of internal control over financial reporting does not include these recent acquisitions. This exclusion is in accordance with the SEC s general guidance that an assessment of a recently acquired business may be omitted from our scope in the year of acquisition. Based on this evaluation, the president and chief executive officer and the executive vice president, chief financial officer concluded that, as of May 30, 2015, our disclosure controls and procedures were effective (1) to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms and (2) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to us, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) Change in internal control over financial reporting

There were no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act.

PART II. OTHER INFORMATION
Item 1. Legal Proceedings

Environmental Matters. From time to time, we become aware of compliance matters relating to, or receive notices from, federal, state or local entities regarding possible or alleged violations of environmental, health or safety laws and regulations. We review the circumstances of each individual site, considering the number of parties involved, the level of potential liability or contribution of us relative to the other parties, the nature and magnitude of the hazardous substances involved, the method and extent of remediation, the estimated legal and consulting expense with respect to each site and the time period over which any costs would likely be incurred. Also, from time to time, we are identified as a potentially responsible party (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and/or similar state laws that impose liability for costs relating to the clean up of contamination resulting from past spills, disposal or other release of hazardous substances. We are also subject to similar laws in some of the countries where current and former facilities are located. Our environmental, health and safety department monitors compliance with applicable laws on a global basis. To the extent we can reasonably estimate the amount of our probable liabilities for environmental matters, we establish a financial provision.

Currently we are involved in various environmental investigations, clean up activities and administrative proceedings and lawsuits. In particular, we are currently deemed a PRP in conjunction with numerous other parties, in a number of government enforcement actions associated with landfills and/or hazardous waste sites. As a PRP, we may be required to pay a share of the costs of investigation and clean up of these sites. In addition, we are engaged in environmental remediation and monitoring efforts at a number of current and former operating facilities. While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we have concluded that these matters, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow. However, adverse developments and/or periodic settlements could negatively impact the results of operations or cash flows in one or more future periods.

Other Legal Proceedings. From time to time and in the ordinary course of business, we are a party to, or a target of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, contract, patent and intellectual property, environmental, health and safety, tax and employment matters. While we are unable to predict the outcome of these matters, we have concluded, based upon currently available information, that the ultimate resolution of any pending matter, individually or in the aggregate, including the asbestos litigation described in the following paragraphs, will not have a material adverse effect on our results of operations, financial condition or cash flow.

We have been named as a defendant in lawsuits in which plaintiffs have alleged injury due to products containing asbestos manufactured more than 30 years ago. The plaintiffs generally bring these lawsuits against multiple defendants and seek damages (both actual and punitive) in very large amounts. In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable injuries or that the injuries suffered were the result of exposure to products manufactured by us. We are typically dismissed as a defendant in such cases without payment. If the plaintiff presents evidence indicating that compensable injury occurred as a result of exposure to our products, the case is generally settled for an amount that reflects the seriousness of the injury, the length, intensity and character of exposure to products containing asbestos, the number and solvency of other defendants in the case, and the jurisdiction in which the case has been brought.

A significant portion of the defense costs and settlements in asbestos-related litigation is paid by third parties, including indemnification pursuant to the provisions of a 1976 agreement under which we acquired a business from a third party. Currently, this third party is defending and paying settlement amounts, under a reservation of rights, in most of the asbestos cases tendered to the third party.

In addition to the indemnification arrangements with third parties, we have insurance policies that generally provide coverage for asbestos liabilities (including defense costs). Historically, insurers have paid a significant portion of our defense costs and settlements in asbestos-related litigation. However, certain of our insurers are insolvent. We have entered into cost-sharing agreements with our insurers that provide for the allocation of defense costs and under certain circumstances, settlements and judgments, in asbestos-related lawsuits. Under these agreements, we are required under certain circumstances to fund a share of settlements and judgments allocable to years in which the responsible insurer is insolvent. In addition, to delineate our rights under certain insurance policies, in October 2009, we commenced a declaratory judgment action against one of our insurers in the United States District Court for the District of Minnesota. Additional insurers were brought into the action to address issues related to the scope of their coverage. In 2013, we entered into a settlement agreement with the defendant insurers in this case that provided for the allocation of defense costs and settlements in the future. The allocation under the settlement agreement depended on the outcome of an appeal of two issues to the United States Eighth Circuit Court of Appeals. During the second quarter of 2015, we entered into an additional settlement with the parties to the coverage litigation, which resulted in the appeal being dismissed. Therefore, this litigation has now been fully resolved.

A summary of the number of and settlement amounts for asbestos-related lawsuits and claims is as follows:

($ in millions)	26 Weeks Ended May 30, 2015	May 31, 2014	3 Years Ended November 29, 2014
Lawsuits and claims settled	5	4	24
Settlement amounts	$ 0.4	$ 0.2	$ 1.8
Insurance payments received or expected to be received	$ 0.4	$ 0.2	$ 1.4

We do not believe that it would be meaningful to disclose the aggregate number of asbestos-related lawsuits filed against us because relatively few of these lawsuits are known to involve exposure to asbestos-containing products that we manufactured. Rather, we believe it is more meaningful to disclose the number of lawsuits that are settled and result in a payment to the plaintiff. To the extent we can reasonably estimate the amount of our probable liabilities for pending asbestos-related claims, we establish a financial provision and a corresponding receivable for insurance recoveries.

Based on currently available information, we have concluded that the resolution of any pending matter, including asbestos-related litigation, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial condition or cash flow. However, adverse developments and/or periodic settlements could negatively impact the results of operations or cash flows in one or more future periods.

Item 1A. Risk Factors

This Form 10-Q contains forward-looking statements concerning our future programs, products, expenses, revenue, liquidity and cash needs as well as our plans and strategies. These forward-looking statements are based on current expectations and we assume no obligation to update this information. Numerous factors could cause actual results to differ significantly from the results described in these forward-looking statements, including the risk factors identified under Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended November 29, 2014. There have been no material changes in the risk factors disclosed by us under Part I, Item 1A. Risk Factors contained in the Annual Report on Form 10-K for the fiscal year ended November 29, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Information on our purchases of equity securities during the second quarter follows:

Period	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(d) Maximum Approximate Dollar Value of Shares that may yet be Purchased Under the Plan or Program (millions)
March 1, 2015 - April 4, 2015		$	$ 62.0
April 5, 2015 - May 2, 2015	86	$ 43.62	$ 62.0
May 3, 2015 - May 30, 2015		$	$ 62.0

1 The total number of shares purchased includes shares withheld to satisfy the employees withholding taxes upon vesting of restricted stock.

Repurchases of common stock are made to support our stock-based employee compensation plans and for other corporate purposes. Upon vesting of restricted stock awarded to employees, shares are withheld to cover the employees minimum withholding taxes.

In 2010, the Board of Directors authorized a new share repurchase program of up to $100.0 million of our outstanding common shares. Under the program, we are authorized to repurchase shares for cash on the open market, from time to time, in privately negotiated transactions or block transactions, or through an accelerated repurchase agreement. The timing of such repurchases is dependent on price, market conditions and applicable regulatory requirements. Upon repurchase of the shares, we reduced our common stock for the par value of the shares with the excess being applied against additional paid-in capital. There were no shares repurchased in the first six months of 2015 under this program.

Item 6. Exhibits

31.1	Form of 302 Certification	James J. Owens
31.2	Form of 302 Certification	James R. Giertz
32.1	Form of 906 Certification	James J. Owens
32.2	Form of 906 Certification	James R. Giertz
101	The following materials from the H.B. Fuller Company Quarterly Report on Form 10-Q for the quarter ended May 30, 2015 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Total Equity, (v) the Condensed Consolidated Statements of Cash Flows and (vi) the Notes to Condensed Consolidated Financial Statements.	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H.B. Fuller Company

Dated: June 30, 2015

/s/ James R. Giertz
James R. Giertz
Executive Vice President,
Chief Financial Officer

Exhibit Index

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