NORDSON CORP
Form 10-Q
June 04, 2014
**Table of Contents**

# FORM 10-Q

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**(Mark One)**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended April 30, 2014**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from _____ to _____**

**Commission file number 0-7977**

# NORDSON CORPORATION

**(Exact name of registrant as specified in its charter)**

| **Ohio** | **34-0590250** |
|---|---|
| **(State of incorporation)** | **(I.R.S. Employer Identification No.)** |

**28601 Clemens Road**

**Westlake, Ohio** **44145**
**(Address of principal executive offices)** **(Zip Code)**

**(440) 892-1580**

**(Telephone Number)**

**Securities registered pursuant to Section 12(b) of the Act:**

**Common Shares, without par value**

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

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

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

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

Large accelerated filer x Accelerated filer ¨

Non-accelerated filer ¨ (Do not check if smaller reporting company) Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: Common Shares, without par value, as of April 30, 2014: 63,664,407

Table of Contents

**Table of Contents**


| | |
|---|---|
| **PART I FINANCIAL INFORMATION** | **3** |
| **ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)** | 3 |
| **CONDENSED CONSOLIDATED STATEMENTS OF INCOME** | 3 |
| **CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME** | 4 |
| **CONDENSED CONSOLIDATED BALANCE SHEETS** | 5 |
| **CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** | 6 |
| **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** | 7 |
| **ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS** | 20 |
| ***Overview*** | 20 |
| ***Critical Accounting Policies and Estimates*** | 20 |
| ***Results of Operations*** | 21 |
| ***Financial Condition*** | 24 |
| **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK** | 26 |
| **ITEM 4. CONTROLS AND PROCEDURES** | 27 |
| **PART II OTHER INFORMATION** | **27** |
| **ITEM 1. LEGAL PROCEEDINGS** | 27 |
| **ITEM 1A. RISK FACTORS** | 27 |
| **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS** | 28 |
| **ITEM 6. EXHIBITS** | 28 |
| **SIGNATURES** | **29** |

Table of Contents

**Nordson Corporation**

## PART I FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

**Condensed Consolidated Statements of Income**

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | April 30, 2014 | April 30, 2013 | April 30, 2014 | April 30, 2013 |
| *(In thousands, except for per share data)* | | | | |
| Sales | $ 417,461 | $ 382,100 | $ 776,881 | $ 729,143 |
| Operating costs and expenses: | | | | |
| Cost of sales | 181,909 | 165,162 | 346,547 | 314,976 |
| Selling and administrative expenses | 142,718 | 134,736 | 283,641 | 270,401 |
| | 324,627 | 299,898 | 630,188 | 585,377 |
| Operating profit | 92,834 | 82,202 | 146,693 | 143,766 |
| Other income (expense): | | | | |
| Interest expense | (3,532) | (3,612) | (7,107) | (7,692) |
| Interest and investment income | 217 | 94 | 329 | 192 |
| Other net | (406) | (565) | (615) | (1,765) |
| | (3,721) | (4,083) | (7,393) | (9,265) |
| Income before income taxes | 89,113 | 78,119 | 139,300 | 134,501 |
| Income taxes | 27,179 | 23,514 | 42,486 | 37,885 |
| Net income | $ 61,934 | $ 54,605 | $ 96,814 | $ 96,616 |
| Average common shares | 63,964 | 64,320 | 64,095 | 64,296 |
| Incremental common shares attributable to outstanding stock options, restricted stock, and deferred stock-based compensation | 593 | 650 | 616 | 663 |
| Average common shares and common share equivalents | 64,557 | 64,970 | 64,711 | 64,959 |
| Basic earnings per share | $ 0.97 | $ 0.85 | $ 1.51 | $ 1.50 |
| Diluted earnings per share | $ 0.96 | $ 0.84 | $ 1.50 | $ 1.49 |
| Dividends declared per share | $ 0.18 | $ 0.15 | $ 0.36 | $ 0.30 |

See accompanying notes.

Table of Contents

**Nordson Corporation**

**Condensed Consolidated Statements of Comprehensive Income**

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | April 30, 2014 | April 30, 2013 | April 30, 2014 | April 30, 2013 |
| *(In thousands)* | | | | |
| Net income | $ 61,934 | $ 54,605 | $ 96,814 | $ 96,616 |
| Components of other comprehensive income (loss), net of tax: | | | | |
| Translation adjustments | 6,862 | (7,954) | 1,252 | (4,583) |
| Amortization of prior service cost and net actuarial losses | 1,645 | 2,791 | 3,458 | 5,526 |
| Total other comprehensive income (loss) | 8,507 | (5,163) | 4,710 | 943 |
| Total comprehensive income | $ 70,441 | $ 49,442 | $ 101,524 | $ 97,559 |

See accompanying notes.

Table of Contents

**Nordson Corporation**

**Condensed Consolidated Balance Sheets**

| | April 30, 2014 | October 31, 2013 |
|---|---|---|
| *(In thousands)* | | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 49,732 | $ 42,375 |
| Receivables - net | 327,391 | 308,707 |
| Inventories - net | 206,438 | 198,401 |
| Deferred income taxes | 29,021 | 29,354 |
| Prepaid expenses | 26,170 | 21,733 |
| Total current assets | 638,752 | 600,570 |
| Property, plant and equipment - net | 206,840 | 200,979 |
| Goodwill | 942,018 | 939,211 |
| Intangible assets - net | 258,552 | 269,073 |
| Other assets | 32,896 | 32,456 |
| | $ 2,079,058 | $ 2,042,289 |
| Liabilities and shareholders equity | | |
| Current liabilities: | | |
| Notes payable | $ 8,379 | $ 3,604 |
| Accounts payable | 59,556 | 62,123 |
| Income taxes payable | 23,281 | 14,522 |
| Accrued liabilities | 103,325 | 110,528 |
| Customer advanced payments | 25,611 | 28,341 |
| Current maturities of long-term debt | 10,770 | 10,832 |
| Current obligations under capital leases | 5,631 | 5,521 |
| Total current liabilities | 236,553 | 235,471 |
| Long-term debt | 636,587 | 638,158 |
| Deferred income taxes | 82,283 | 79,977 |
| Pension obligations | 97,274 | 103,754 |
| Postretirement obligations | 60,913 | 59,794 |
| Other long-term liabilities | 42,225 | 37,272 |
| Shareholders equity: | | |
| Common shares | 12,253 | 12,253 |
| Capital in excess of stated value | 315,794 | 304,549 |
| Retained earnings | 1,436,294 | 1,362,584 |
| Accumulated other comprehensive loss | (52,670) | (57,380) |
| Common shares in treasury, at cost | (788,448) | (734,143) |
| Total shareholders equity | 923,223 | 887,863 |
| | $ 2,079,058 | $ 2,042,289 |

See accompanying notes.

Table of Contents

**Nordson Corporation**

**Condensed Consolidated Statement of Cash Flows**

| Six Months Ended | April 30, 2014 | April 30, 2013 |
|---|---|---|
| *(In thousands)* | | |
| Cash flows from operating activities: | | |
| Net income | $ 96,814 | $ 96,616 |
| Depreciation and amortization | 29,231 | 26,189 |
| Non-cash stock compensation | 9,714 | 6,137 |
| Deferred income taxes | 356 | 3,022 |
| Other non-cash expense | 72 | 1,145 |
| Loss on sale of property, plant and equipment | 162 | 119 |
| Tax benefit from the exercise of stock options | (1,795) | (2,553) |
| Changes in operating assets and liabilities | (32,365) | (28,046) |
| Net cash provided by operating activities | 102,189 | 102,629 |
| Cash flows from investing activities: | | |
| Additions to property, plant and equipment | (16,494) | (23,714) |
| Proceeds from sale of property, plant and equipment | 99 | 30 |
| Acquisition of business | | (1,231) |
| Investment in equity affiliate | | (1,116) |
| Proceeds from sale of marketable securities | | 277 |
| Net cash used in investing activities | (16,395) | (25,754) |
| Cash flows from financing activities: | | |
| Proceeds from short-term borrowings | 6,675 | 9,948 |
| Repayment of short-term borrowings | (1,675) | (1) |
| Proceeds from long-term debt | 37,723 | 86,000 |
| Repayment of long-term debt | (41,820) | (112,480) |
| Repayment of capital lease obligations | (3,086) | (2,664) |
| Issuance of common shares | 3,499 | 4,058 |
| Purchase of treasury shares | (58,068) | (25,174) |
| Tax benefit from the exercise of stock options | 1,795 | 2,553 |
| Dividends paid | (23,104) | (19,308) |
| Net cash used in financing activities | (78,061) | (57,068) |
| Effect of exchange rate changes on cash | (376) | 1,746 |
| Increase in cash and cash equivalents | 7,357 | 21,553 |
| Cash and cash equivalents: | | |
| Beginning of year | 42,375 | 41,239 |
| End of quarter | $ 49,732 | $ 62,792 |

See accompanying notes.

Table of Contents

**Nordson Corporation**

**Notes to Condensed Consolidated Financial Statements**

**April 30, 2014**

NOTE REGARDING AMOUNTS AND FISCAL YEAR REFERENCES

In this quarterly report, all amounts related to United States dollars and foreign currency and to the number of Nordson Corporation s common shares, except for per share earnings and dividend amounts, are expressed in thousands. Unless the context otherwise indicates, all references to we or the Company mean Nordson Corporation.

Unless otherwise noted, all references to years relate to our fiscal year ending October 31.

**1. Significant accounting policies**

Basis of presentation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended April 30, 2014 are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and footnotes included in our annual report on Form 10-K for the year ended October 31, 2013.

Basis of consolidation. The consolidated financial statements include the accounts of Nordson Corporation and its majority-owned and controlled subsidiaries. Investments in affiliates and joint ventures in which our ownership is 50% or less or in which we do not have control but have the ability to exercise significant influence, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual amounts could differ from these estimates.

Revenue recognition. Most of our revenues are recognized upon shipment, provided that persuasive evidence of an arrangement exists, the sales price is fixed or determinable, collectibility is reasonably assured, and title and risk of loss have passed to the customer.

A relative selling price hierarchy exists for determining the selling price of deliverables in multiple deliverable arrangements. Vendor specific objective evidence (VSOE) is used, if available. Third-party evidence (TPE) is used if VSOE is not available, and best estimated selling price is used if neither VSOE nor TPE is available. Our multiple deliverable arrangements include installation, installation supervision, training, and spare parts, which tend to be completed in a short period of time, at an insignificant cost, and utilizing skills not unique to us, and, therefore, are typically regarded as inconsequential or perfunctory. Revenue for undelivered items is deferred and included within accrued liabilities in the accompanying balance sheet. Revenues deferred in 2014 and 2013 were not material.

Earnings per share. Basic earnings per share are computed based on the weighted-average number of common shares outstanding during each year, while diluted earnings per share are based on the weighted-average number of common shares and common share equivalents outstanding. Common share equivalents consist of shares issuable upon exercise of stock options computed using the treasury stock method, as well as restricted shares and deferred stock-based compensation. Options whose exercise price is higher than the average market price are excluded from the calculation of diluted earnings per share because the effect would be anti-dilutive. Options of 276 and 138 were excluded from the diluted earnings per share calculations for the three and six month periods, respectively, ending April 30, 2014. No options were excluded from the 2013 calculations of diluted earnings per share.

Table of Contents

**Nordson Corporation**

**2. Recently issued accounting standards**

In July 2013, the Financial Accounting Standards Board ( FASB ) issued an Accounting Standards Update which requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carry forward that would apply in settlement of uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carry forwards that would be utilized, rather than only against carry forwards that are created by the unrecognized tax benefits. The new guidance is effective prospectively to all existing unrecognized tax benefits, but entities can choose to apply it retrospectively. The guidance will be effective for us in our first quarter of 2015, with early adoption permitted. We are currently assessing the impact this guidance will have on our consolidated financial statements.

In May 2014, the FASB issued a new standard regarding revenue recognition. Under this standard, a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard creates a five-step model that requires companies to exercise judgment when considering the terms of the contract(s) and all relevant facts and circumstances. The steps are: identify the contract(s) with the customer, identify the separate performance obligations in the contract, determine the transaction price, allocate the transaction price to the separate performance obligations and recognize revenue when each performance obligation is satisfied. This standard will be effective for us beginning in 2018, with early adoption not permitted. We are currently assessing the impact this standard will have on our consolidated financial statements.

**3. Inventories**

At April 30, 2014 and October 31, 2013, inventories consisted of the following:

| | April 30, 2014 | October 31, 2013 |
|---|---|---|
| Raw materials and component parts | $ 83,610 | $ 81,943 |
| Work-in-process | 35,570 | 34,756 |
| Finished goods | 121,949 | 115,078 |
| | 241,129 | 231,777 |
| Obsolescence and other reserves | (27,269) | (26,579) |
| LIFO reserve | (7,422) | (6,797) |
| | $ 206,438 | $ 198,401 |

Table of Contents

**Nordson Corporation**

**4. Goodwill and other intangible assets**

Changes in the carrying amount of goodwill for the six months ended April 30, 2014 by operating segment are as follows:

| | Adhesive Dispensing Systems | Advanced Technology Systems | Industrial Coating Systems | Total |
|---|---|---|---|---|
| Balance at October 31, 2013 | $ 407,269 | $ 507,884 | $ 24,058 | $ 939,211 |
| Currency effect | 2,615 | 192 | | 2,807 |
| Balance at April 30, 2014 | $ 409,884 | $ 508,076 | $ 24,058 | $ 942,018 |

Accumulated impairment losses, which were recorded in 2009, were $232,789 at April 30, 2014 and October 31, 2013. Of these losses, $229,173 related to the Advanced Technology Systems segment, and $3,616 related to the Industrial Coating Systems segment.

Information regarding our intangible assets subject to amortization is as follows:

| | April 30, 2014 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net Book Value |
| Customer relationships | $ 173,217 | $ 35,856 | $ 137,361 |
| Patent/technology costs | 86,523 | 24,671 | 61,852 |
| Trade name | 68,072 | 10,031 | 58,041 |
| Non-compete agreements | 8,454 | 7,374 | 1,080 |
| Other | 1,393 | 1,175 | 218 |
| Total | $ 337,659 | $ 79,107 | $ 258,552 |

| | October 31, 2013 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net Book Value |
| Customer relationships | $ 171,489 | $ 28,872 | $ 142,617 |
| Patent/technology costs | 85,414 | 21,145 | 64,269 |
| Trade name | 67,865 | 7,856 | 60,009 |
| Non-compete agreements | 9,965 | 8,091 | 1,874 |
| Other | 1,400 | 1,096 | 304 |
| Total | $ 336,133 | $ 67,060 | $ 269,073 |

Amortization expense for the three months ended April 30, 2014 and 2013 was $6,310 and $5,683, respectively. Amortization expense for the six months ended April 30, 2014 and 2013 was $12,640 and $11,484, respectively.

Table of Contents

**Nordson Corporation**

**5. Pension and other postretirement plans**

The components of net periodic pension cost for the three and six months ended April 30, 2014 and April 30, 2013 were:

| | U.S. | | International | |
|---|---|---|---|---|
| Three months ended | April 30, 2014 | April 30, 2013 | April 30, 2014 | April 30, 2013 |
| Service cost | $ 1,874 | $ 2,305 | $ 714 | $ 523 |
| Interest cost | 3,545 | 3,084 | 817 | 709 |
| Expected return on plan assets | (4,487) | (3,836) | (448) | (372) |
| Amortization of prior service cost (credit) | 59 | 40 | (20) | (20) |
| Amortization of net actuarial loss | 1,784 | 3,579 | 399 | 348 |
| Total benefit cost | $ 2,775 | $ 5,172 | $ 1,462 | $ 1,188 |

| | U.S. | | International | |
|---|---|---|---|---|
| Six months ended | April 30, 2014 | April 30, 2013 | April 30, 2014 | April 30, 2013 |
| Service cost | $ 4,036 | $ 4,622 | $ 1,412 | $ 1,070 |
| Interest cost | 6,960 | 6,178 | 1,608 | 1,438 |
| Expected return on plan assets | (8,648) | (7,664) | (880) | (760) |
| Amortization of prior service cost (credit) | 118 | 79 | (39) | (43) |
| Amortization of net actuarial loss | 3,970 | 7,065 | 787 | 702 |
| Total benefit cost | $ 6,436 | $ 10,280 | $ 2,888 | $ 2,407 |

The components of other postretirement benefit cost for the three and six months ended April 30, 2014 and April 30, 2013 were:

| | U.S. | | International | |
|---|---|---|---|---|
| Three months ended | April 30, 2014 | April 30, 2013 | April 30, 2014 | April 30, 2013 |
| Service cost | $ 265 | $ 336 | $ 7 | $ 9 |
| Interest cost | 802 | 678 | 9 | 9 |
| Amortization of prior service credit | (112) | (119) | | |
| Amortization of net actuarial (gain) loss | 419 | 554 | (3) | (1) |
| Total benefit cost | $ 1,374 | $ 1,449 | $ 13 | $ 17 |

| | U.S. | | International | |
|---|---|---|---|---|
| Six months ended | April 30, 2014 | April 30, 2013 | April 30, 2014 | April 30, 2013 |
| Service cost | $ 518 | $ 672 | $ 14 | $ 18 |
| Interest cost | 1,531 | 1,356 | 19 | 19 |
| Amortization of prior service credit | (224) | (237) | | |
| Amortization of net actuarial (gain) loss | 717 | 1,107 | (7) | (2) |
| Total benefit cost | $ 2,542 | $ 2,898 | $ 26 | $ 35 |

Table of Contents

**Nordson Corporation**

**6. Income taxes**

We record our interim provision for income taxes based on our estimated annual effective tax rate, as well as certain items discrete to the current period. The effective tax rate for both the three- and six-month periods ended April 30, 2014 was 30.5%. The effective tax rates for the three- and six-month periods ended April 30, 2013 were 30.1% and 28.2%, respectively.

The effective tax rate for the six months ending April 30, 2014, was higher than the comparable prior year period due to the expiration of the Federal Research and Development Tax Credit (the Federal R&D Tax Credit ) on December 31, 2013 and certain discrete tax items recorded in 2013.

During the six months ending April 30, 2013 we recorded a favorable adjustment to unrecognized tax benefits of $900 primarily related to expiration of certain foreign statutes of limitations. On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retroactively reinstated and extended the Federal R&D Tax Credit from January 1, 2012 to December 31, 2013 and extended certain other tax provisions. As a result, the Company s income tax provision for the six months ending April 30, 2013 included a discrete tax benefit of $1,700 related to 2012.

**7. Accumulated other comprehensive loss**

Accumulated other comprehensive loss at April 30, 2014 and October 31, 2013 consisted of:

| | Cumulative translation adjustments | Pension and postretirement benefit plan adjustments | Accumulated other comprehensive loss |
|---|---|---|---|
| Balance at October 31, 2013 | $ 26,699 | $ (84,079) | $ (57,380) |
| Reclassification adjustments, net of tax of $(1,877) | | 3,458 | 3,458 |
| Current period charge | 1,252 | | 1,252 |
| Balance at April 30, 2014 | $ 27,951 | $ (80,621) | $ (52,670) |

For the three months ended April 30, 2014, reclassification adjustments out of accumulated other comprehensive loss affecting net income were $1,645 (net of tax of $888) and related to pension and postretirement adjustments.

**8. Stock-based compensation**

During the 2013 Annual Meeting of Shareholders on February 26, 2013, our shareholders approved the 2012 Stock Incentive and Award Plan (the 2012 Plan ). The 2012 Plan provides for the granting of stock options, stock appreciation rights, restricted shares, performance shares, stock purchase rights, stock equivalent units, cash awards and other stock or performance-based incentives. A maximum of 2,900 common shares is available for grant under the Plan, inclusive of shares available to be granted under the 2008 Plan immediately prior to shareholder approval of the 2012 Plan.

Stock Options

Nonqualified or incentive stock options may be granted to our employees and directors. Generally, options granted to employees may be exercised beginning one year from the date of grant at a rate not exceeding 25% per year and expire 10 years from the date of grant. Vesting accelerates upon the occurrence of events that involve or may result in a change of control. For grants made prior to November 2012, vesting would cease upon retirement, death and disability, and unvested shares would be forfeited. For grants made in or after November 2012, in the event of termination of employment due to early retirement or normal retirement at age 65, options granted within 12 months prior to

termination are forfeited, and vesting continues post retirement for all other unvested options granted. In the event of disability or death, all unvested stock options fully vest. Termination for any other reason results in forfeiture of unvested options and vested options in certain circumstances. The amortized cost of options is accelerated if the retirement eligibility date occurs before the normal vesting date. Option exercises are satisfied through the issuance of treasury shares on a first-in, first-out basis. We recognized compensation expense related to stock options of $2,178 and $1,199 in the three months ended April 30, 2014 and 2013, respectively. Corresponding amounts for the six months ended April 30, 2014 and April 30, 2013 were $5,844 and $2,403, respectively. Most of the increases are related to accelerated amortization of the cost of options.

Table of Contents

**Nordson Corporation**

The following table summarizes activity related to stock options for the six months ended April 30, 2014:

| | Number of Options | Weighted-Average Exercise Price Per Share | Aggregate Intrinsic Value | Weighted Average Remaining Term |
|---|---|---|---|---|
| Outstanding at October 31, 2013 | 1,749 | $ 34.63 | | |
| Granted | 277 | $ 71.75 | | |
| Exercised | (131) | $ 26.79 | | |
| Forfeited or expired | (9) | $ 52.22 | | |
| Outstanding at April 30, 2014 | 1,886 | $ 40.55 | $ 63,744 | 6.3 years |
| Vested or expected to vest at April 30, 2014 | 1,866 | $ 40.27 | $ 63,579 | 6.3 years |
| Exercisable at April 30, 2014 | 1,139 | $ 28.98 | $ 51,661 | 4.9 years |

At April 30, 2014, there was $11,338 of total unrecognized compensation cost related to nonvested stock options. That cost is expected to be amortized over a weighted average period of approximately 1.4 years.

The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| Six months ended | April 30, 2014 | April 30, 2013 |
|---|---|---|
| Expected volatility | 40.1%-44.7% | 45.3%-46.9% |
| Expected dividend yield | 0.98%-1.03% | 0.97%-1.01% |
| Risk-free interest rate | 1.51%-1.79% | 0.75%-0.90% |
| Expected life of the option (in years) | 5.4-6.1 | 5.4-6.1 |

The weighted-average expected volatility used to value the 2014 and 2013 options was 44.5% and 46.3%, respectively.

Historical information was the primary basis for the selection of the expected volatility, expected dividend yield and the expected lives of the options. The risk-free interest rate was selected based upon yields of U.S. Treasury issues with a term equal to the expected life of the option being valued.

The weighted average grant date fair value of stock options granted during the six months ended April 30, 2014 and 2013 was $27.92 and $24.12, respectively.

The total intrinsic value of options exercised during the three months ended April 30, 2014 and 2013 was $2,307 and $1,773, respectively. The total intrinsic value of options exercised during the six months ended April 30, 2014 and 2013 was $5,961 and $8,355, respectively. Cash received from the exercise of stock options for the six months ended April 30, 2014 and 2013 was $3,499 and $4,058, respectively. The tax benefit realized from tax deductions from exercises for the six months ended April 30, 2014 and 2013 was $1,795 and $2,553, respectively.

Table of Contents

**Nordson Corporation**

Restricted Shares and Restricted Share Units

We may grant restricted shares and/or restricted share units to our employees and directors. These shares or units may not be transferred for a designated period of time (generally one to three years) defined at the date of grant.

For employee recipients, in the event of termination of employment due to early retirement, restricted shares granted within 12 months prior to termination are forfeited, and other restricted shares vest on a pro-rata basis. In the event of termination of employment due to retirement at normal retirement age restricted shares granted within 12 months prior to termination are forfeited, and, for other restricted shares, the restriction period will terminate and the shares will vest and be transferable. Restrictions lapse in the event of a recipient s disability or death. Termination for any other reason prior to the lapse of any restrictions results in forfeiture of the shares.

For non-employee directors, all restrictions lapse in the event of disability or death of the non-employee director. Termination of service as a director for any other reason within one year of date of grant results in a pro-rata vesting of shares or units.

As shares or units are issued, deferred stock-based compensation equivalent to the fair market value on the date of grant is expensed over the vesting period. Tax benefits arising from the lapse of restrictions are recognized when realized and credited to capital in excess of stated value.

The following table summarizes activity related to restricted shares during the six months ended April 30, 2014:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Restricted shares at October 31, 2013 | 82 | $ 52.67 |
| Granted | 23 | $ 71.76 |
| Vested | (38) | $ 47.73 |
| Restricted shares at April 30, 2014 | 67 | $ 61.93 |

As of April 30, 2014, there was $2,579 of unrecognized compensation cost related to restricted shares. The cost is expected to be amortized over a weighted average period of 2.0 years. The amount charged to expense related to restricted shares was $424 and $555 in the three months ended April 30, 2014 and 2013, respectively. These amounts included common share dividends for the three months ended April 30, 2014 and 2013 of $12 and $13, respectively. For the six months ended April 30, 2014 and 2013, the amounts charged to expense related to restricted shares were $895 and $1,136, respectively. These amounts included common share dividends for the six months ended April 30, 2014 and 2013 of $25 and $28, respectively.

The following table summarizes activity related to restricted share units during the six months ended April 30, 2014:

| | Number of Units | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Restricted share units at October 31, 2013 | 12 | $ 51.79 |
| Granted | 12 | $ 71.82 |
| Vested | (6) | $ 43.73 |
| Restricted share units at April 30, 2014 | 18 | $ 68.71 |

As of April 30, 2014, there was $440 of remaining expense to be recognized related to outstanding restricted share units, which is expected to be recognized over a weighted average period of 0.5 years. The amount charged to expense related to restricted share units during the three months ended April 30, 2014 and 2013 was $223 and $102, respectively. For the six months ended April 30, 2014 and 2013, the amounts were $445 and $218, respectively.

Table of Contents

**Nordson Corporation**

Directors Deferred Compensation

Non-employee directors may defer all or part of their cash and equity-based compensation until retirement. Cash compensation may be deferred as cash or as share equivalent units. Deferred cash amounts are recorded as liabilities, and share equivalent units are recorded as equity. Additional share equivalent units are earned when common share dividends are declared.

The following table summarizes activity related to director deferred compensation share equivalent units during the six months ended April 30, 2014:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Outstanding at October 31, 2013 | 148 | $ 23.22 |
| Restricted stock units vested | 6 | $ 43.73 |
| Dividend equivalents | 1 | $ 72.02 |
| Distributions | (29) | $ 18.75 |
| Outstanding at April 30, 2014 | 126 | $ 25.60 |

The amount charged to expense related to director deferred compensation for the three months ended April 30, 2014 and 2013 was $25 and $53, respectively. For the six months ended April 30, 2014 and 2013, the corresponding amounts were $52 and $109, respectively.

Long-Term Incentives

Executive officers and selected other key employees participate in a common share-based long-term incentive compensation program. Payouts vary based on the degree to which corporate financial performance exceeds predetermined threshold, target and maximum performance levels over three-year performance periods. No payout will occur unless certain threshold performance objectives are exceeded.

The amount of compensation expense is based upon current performance projections for each three-year period and the percentage of the requisite service that has been rendered. The calculations are also based upon the grant date fair value determined using the closing market price of our common shares at the grant date, reduced by the implied value of dividends not to be paid. This value was $69.25 per share for 2014, $59.59 per share for 2013 and $42.12 per share for 2012. During the three months ended April 30, 2014 and 2013, $1,303 and $654, respectively, was charged to expense. For the six months ended April 30, 2014 and 2013, the corresponding amounts were $2,445 and $2,267, respectively. The cumulative amount recorded in shareholders equity at April 30, 2014 was $5,711.

Our executive officers and other highly compensated employees may elect to defer up to 100% of their base pay and annual cash incentive compensation and for executive officers, up to 90% of their share-based long-term incentive compensation plan payout each year. Additional share units are credited for quarterly dividends paid on our common shares. There was $32 of expense related to dividends paid under this plan for both the three months ended April 30, 2014 and April 30, 2013. For the six months ended April 30, 2014 and 2013, the amounts were $58 and $32, respectively.

Table of Contents

**Nordson Corporation**

**9. Warranties**

We offer warranties to our customers depending on the specific product and terms of the customer purchase agreement. A typical warranty program requires that we repair or replace defective products within a specified time period (generally one year) from the date of delivery or first use. We record an estimate for future warranty-related costs based on actual historical return rates. Based on analysis of return rates and other factors, the adequacy of our warranty provisions are adjusted as necessary. The liability for warranty costs is included in accrued liabilities in the Consolidated Balance Sheet.

Following is a reconciliation of the product warranty liability for the six months ended April 30, 2014 and 2013:

| | April 30, 2014 | April 30, 2013 |
|---|---|---|
| Beginning balance | $ 9,409 | $ 8,929 |
| Accruals for warranties | 4,087 | 3,522 |
| Warranty payments | (3,993) | (3,656) |
| Currency effect | 63 | (46) |
| Ending balance | $ 9,566 | $ 8,749 |

**10. Operating segments**

We conduct business across three primary business segments: Adhesive Dispensing Systems, Advanced Technology Systems, and Industrial Coating Systems. The composition of segments and measure of segment profitability is consistent with that used by our chief operating decision maker. The primary measure used by the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing performance is operating profit, which equals sales less cost of sales and certain operating expenses. Items below the operating profit line of the Consolidated Statement of Income (interest and investment income, interest expense and other income/expense) are excluded from the measure of segment profitability reviewed by our chief operating decision maker and are not presented by operating segment. The accounting policies of the segments are generally the same as those described in Note 1, Significant Accounting Policies, of our annual report on Form 10-K for the year ended October 31, 2013.

Table of Contents

**Nordson Corporation**

The following table presents sales and operating profits of our reportable segments:

| | Adhesive Dispensing Systems | Advanced Technology Systems | Industrial Coating Systems | Corporate | Total |
|---|---|---|---|---|---|
| Three months ended April 30, 2014 | | | | | |
| Net external sales | $ 231,954 | $ 127,628 | $ 57,879 | $ | $ 417,461 |
| Operating profit (loss) | 62,699(a) | 30,842(b) | 9,335 | (10,042) | 92,834 |
| Three months ended April 30, 2013 | | | | | |
| Net external sales | $ 196,380 | $ 130,001 | $ 55,719 | $ | $ 382,100 |
| Operating profit (loss) | 51,339 | 33,112(c) | 8,150 | (10,399) | 82,202 |
| Six months ended April 30, 2014 | | | | | |
| Net external sales | $ 441,425 | $ 225,169 | $ 110,287 | $ | $ 776,881 |
| Operating profit (loss) | 110,619(a) | 41,220(b) | 14,291 | (19,437) | 146,693 |
| Six months ended April 30, 2013 | | | | | |
| Net external sales | $ 379,758 | $ 238,710 | $ 110,675 | $ | $ 729,143 |
| Operating profit (loss) | 95,013(d) | 53,845(c) | 15,311 | (20,403) | 143,766 |

(a) Includes $699 of severance and restructuring costs in the three and six months ended April 30, 2014.
(b) Includes $579 of severance and restructuring costs in the three and six months ended April 30, 2014.
(c) Includes $118 and $446 of severance and restructuring costs in the three and six months ended April 30, 2013, respectively.
(d) Includes $258 of severance and restructuring costs in the six months ended April 30, 2013.

Table of Contents

**Nordson Corporation**

A reconciliation of total segment operating income to total consolidated income before income taxes is as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | April 30, 2014 | April 30, 2013 | April 30, 2014 | April 30, 2013 |
| Total profit for reportable segments | $ 92,834 | $ 82,202 | $ 146,693 | $ 143,766 |
| Interest expense | (3,532) | (3,612) | (7,107) | (7,692) |
| Interest and investment income | 217 | 94 | 329 | 192 |
| Other-net | (406) | (565) | (615) | (1,765) |
| Income before income taxes | $ 89,113 | $ 78,119 | $ 139,300 | $ 134,501 |

We had significant sales in the following geographic regions:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | April 30, 2014 | April 30, 2013 | April 30, 2014 | April 30, 2013 |
| United States | $ 125,693 | $ 114,813 | $ 241,199 | $ 226,117 |
| Americas | 31,144 | 36,147 | 58,409 | 63,834 |
| Europe | 122,058 | 99,196 | 238,533 | 193,831 |
| Japan | 28,889 | 31,614 | 55,134 | 67,210 |
| Asia Pacific | 109,677 | 100,330 | 183,606 | 178,151 |
| Total net external sales | $ 417,461 | $ 382,100 | $ 776,881 | $ 729,143 |

Table of Contents

**Nordson Corporation**

**11. Fair value measurements**

The inputs to the valuation techniques used to measure fair value are classified into the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table presents the classification of our assets and liabilities measured at fair value on a recurring basis at April 30, 2014:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Assets: | | | | |
| Rabbi trust (a) | $ 13,539 | $ | $ 13,539 | $ |
| Foreign currency forward contracts (b) | 1,606 | | 1,606 | |
| Total assets at fair value | $ 15,145 | $ | $ 15,145 | $ |
| Liabilities: | | | | |
| Deferred compensation plans (c) | $ 8,140 | $ 8,140 | $ | $ |
| Foreign currency forward contracts (b) | 1,599 | | 1,599 | |
| Total liabilities at fair value | $ 9,739 | $ 8,140 | $ 1,599 | $ |

(a) We maintain a rabbi trust that serves as an investment to shadow our deferred compensation plan liability. The investment assets of the trust consist of life insurance policies for which we recognize income or expense based upon changes in cash surrender value.

(b) We enter into foreign currency forward contracts to reduce the risk of foreign currency exposures resulting from receivables, payables, intercompany receivables, intercompany payables and loans denominated in foreign currencies. Foreign currency forward contracts are valued using market exchange rates. These contracts are not designated as hedging instruments.

(c) Executive officers and other highly compensated employees may defer up to 100% of their salary and annual cash incentive compensation and for executive officers, up to 90% of their long-term incentive compensation, into various non-qualified deferred compensation plans. Deferrals can be allocated to various market performance measurement funds. Changes in the value of compensation deferred under these plans are recognized each period based on the fair value of the underlying measurement funds.

**12. Financial instruments**

We operate internationally and enter into intercompany transactions denominated in foreign currencies. Consequently, we are subject to market risk arising from exchange rate movements between the dates foreign currencies are recorded and the dates they are settled. We regularly use foreign currency forward contracts to reduce our risks related to most of these transactions. These contracts usually have maturities of 90 days or less and generally require us to exchange foreign currencies for U.S. dollars at maturity, at rates stated in the contracts. These contracts are not designated as hedging instruments. We do not use financial instruments for trading or speculative purposes.

Table of Contents

**Nordson Corporation**

Gains and losses on foreign currency forward contracts are recorded in Other net on the Consolidated Statement of Income together with the transaction gain or loss from the hedged balance sheet position. For the three months ended April 30, 2014, we recognized gains of $1,100 on foreign currency forward contracts and losses of $1,332 from the change in fair value of balance sheet positions. For the three months ended April 30, 2013, we recognized losses of $4,086 on foreign currency forward contracts and gains of $3,054 from the change in fair value of balance sheet positions. For the six months ended April 30, 2014, we recognized losses of $2,329 on foreign currency forward contracts and gains of $2,181 from the change in fair value of balance sheet positions. For the six months ended April 30, 2013, we recognized losses of $574 on foreign currency forward contracts and losses of $1,973 from the change in fair value of balance sheet positions.

We had the following outstanding foreign currency forward contracts at April 30, 2014:

| | Sell | | Buy | |
|---|---|---|---|---|
| | Notional Amounts | Fair Market Value | Notional Amounts | Fair Market Value |
| Euro | $ 381,688 | $ 383,643 | $ 333,401 | $ 335,097 |
| British pound | 48,904 | 49,929 | 64,323 | 64,837 |
| Japanese yen | 16,793 | 16,783 | 11,879 | 11,875 |
| Australian dollar | 554 | 557 | 8,256 | 8,537 |
| Hong Kong dollar | 56,465 | 56,450 | 116,437 | 116,405 |
| Singapore dollar | | | 10,200 | 10,294 |
| Others | 7,396 | 7,411 | 27,799 | 28,227 |
| Total | $ 511,800 | $ 514,773 | $ 572,295 | $ 575,272 |

The carrying amounts and fair values of financial instruments at April 30, 2014, other than receivables and accounts payable, are shown in the table below. The carrying values of receivables and accounts payable approximate fair value due to the short-term nature of these instruments.

| | Carrying Amount | Fair Value |
|---|---|---|
| Cash and cash equivalents | $ 49,732 | $ 49,732 |
| Notes payable | 8,379 | 8,379 |
| Long-term debt, including current maturities | 647,357 | 645,091 |
| Foreign currency forward contracts (net) | 7 | 7 |

We used the following methods and assumptions in estimating the fair value of financial instruments:

Cash, cash equivalents and notes payable are valued at their carrying amounts due to the relatively short period to maturity of the instruments.

Long-term debt is valued by discounting future cash flows at currently available rates for borrowing arrangements with similar terms and conditions, which are considered to be Level 2 inputs under the fair value hierarchy.

Foreign currency forward contracts are valued using observable market based inputs, which are considered to be Level 2 inputs under the fair value hierarchy.

Table of Contents

**Nordson Corporation**

**13. Contingencies**

We are involved in pending or potential litigation regarding environmental, product liability, patent, contract, employee and other matters arising from the normal course of business. Including the environmental matter discussed below, it is our opinion, after consultation with legal counsel, that resolutions of these matters are not expected to result in a material adverse effect on our financial condition, quarterly or annual operating results or cash flows.

We have voluntarily agreed with the City of New Richmond, Wisconsin and other Potentially Responsible Parties to share costs associated with the remediation of the City of New Richmond municipal landfill (the Site ) and the construction of a potable water delivery system serving the impacted area down gradient of the Site. At April 30, 2014 and October 31, 2013 our accrual for the ongoing operation, maintenance and monitoring obligation at the Site was $668. The liability for environmental remediation represents management s best estimate of the probable and reasonably estimable undiscounted costs related to known remediation obligations. The accuracy of our estimate of environmental liability is affected by several uncertainties such as additional requirements that may be identified in connection with remedial activities, the complexity and evolution of environmental laws and regulations, and the identification of presently unknown remediation requirements. Consequently, our liability could be greater than our current estimate. However, we do not expect that the costs associated with remediation will have a material adverse effect on our financial condition or results of operations.

**ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following is Management s discussion and analysis of certain significant factors affecting our financial condition and results of operations for the periods included in the accompanying condensed consolidated financial statements.*

**Overview**

Founded in 1954, Nordson Corporation delivers precision technology solutions to help customers succeed worldwide. We engineer, manufacture and market differentiated products and systems used for dispensing and processing adhesives, coatings, polymers, sealants and biomaterials, and for managing fluids, testing and inspecting for quality, treating surfaces and curing. These products are supported with extensive application expertise and direct global sales and service. We serve a wide variety of consumer non-durable, consumer durable and technology end-markets including packaging, nonwovens, electronics, medical, appliances, energy, transportation, building and construction, and general product assembly and finishing. We have approximately 5,800 employees and direct operations in more than 30 countries.

**Critical Accounting Policies and Estimates**

The preparation and fair presentation of the consolidated unaudited interim financial statements and accompanying notes included in this report are the responsibility of management. The financial statements and footnotes have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements and contain certain amounts that were based upon management s best estimates, judgments and assumptions that were believed to be reasonable under the circumstances. On an ongoing basis, we evaluate the accounting policies and estimates used to prepare financial statements. Estimates are based on historical experience, judgments and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates used by management.

A comprehensive discussion of the Company s critical accounting policies and management estimates and significant accounting policies followed in the preparation of the financial statements is included in Item 7 of our annual report on Form 10-K for the year ended October 31, 2013. There have been no significant changes in critical accounting policies, management estimates or accounting policies followed since the year ended October 31, 2013.

Table of Contents

**Nordson Corporation**

**Results of Operations**

**Sales**

Worldwide sales for the three months ended April 30, 2014 were $417,461, an increase of $35,361, or 9.3%, from sales of $382,100 for the comparable period of 2013. Sales volume increased 9.2%, consisting of organic growth of 4.2% and 5.0% from acquisitions. Favorable currency effects increased sales by 0.1%.

Sales of the Adhesive Dispensing Systems segment for the three months ended April 30, 2014 were $231,954, an increase of 18.1% from the comparable period of 2013. Sales volume increased 18.4%, consisting of 8.6% organic volume and 9.8% from the first-year effect of the Kreyenborg acquisition. Unfavorable currency effects reduced sales by 0.3%. Organic growth was driven by our rigid packaging, disposable hygiene, general product assembly and polymer processing end markets. Sales volume, inclusive of acquisitions, increased in all geographic regions and was most pronounced in Asia Pacific.

Sales of the Advanced Technology Systems segment for the three months ended April 30, 2014 were $127,628, a 1.8% decrease compared to $130,001 for the three months ended April 30, 2013. Sales volume was lower by 2.6%, partially offset by currency effects which increased sales by 0.8%. Organic growth in products for electronics test and inspection and surface treatment end markets, along with general fluid management markets, was offset by softness in demand for automated dispensing equipment in selected mobile device and other niche electronic end markets. Within this segment, sales volume increased in the United States and Europe and was offset by softness in other regions.

Sales of the Industrial Coating Systems segment for the three months ended April 30, 2014 were $57,879, an increase of 3.9% over the three months ended April 30, 2013. Sales volume growth of 4.3% was partially offset by unfavorable currency effects that reduced sales by 0.4%. Sales growth in our consumer durable and industrial, food and beverage, and UV end markets was offset by softness in our large dollar systems supporting automotive OEMs. Sales volume increased in all regions except for the Americas as compared to the same period a year ago.

Sales outside the United States accounted for 69.9% of sales in the three months ended April 30, 2014 and 70.0% of sales in the three months ended April 30, 2013. On a geographic basis, sales in the United States increased 9.5% for the three months ended April 30, 2014 compared to the same period of 2013. This increase in sales volume consisted of 8.4% organic growth and 1.1% from acquisitions. Sales in the Americas region were down 13.8%, with volume decreasing 9.7% and unfavorable currency effects reducing sales by 4.1%. The sales volume decline consisted of 10.1% organic volume, partially offset by 0.4% from acquisitions. Sales in Europe increased 23.0%, consisting of a volume increase of 18.5% and favorable currency effects that increased sales by 4.5%. This increase in sales volume consisted of 4.7% organic growth and 13.8% from acquisitions. Sales in Japan for the three months ended April 30, 2014 were down 8.6% from the comparable period of the prior year, which consisted of volume decreases of 2.4% and unfavorable changes in the Japanese Yen that reduced sales by 6.2%. The sales volume decrease consisted of a 4.0% decline in organic volume that was partially offset by 1.6% growth from acquisitions. Sales in the Asia Pacific region were up 9.3%, consisting of a 10.0% volume increase partially offset by unfavorable currency effects of 0.7%. This increase in sales volume consisted of 6.3% organic volume growth and 3.7% growth from acquisitions.

Worldwide sales for the six months ended April 30, 2014 were $776,881, an increase of $47,738, or 6.5%, over sales of $729,143 for the comparable period of 2013. Sales volume increased 7.0%, consisting of organic growth of 1.4% and 5.6% from acquisitions. Unfavorable currency effects reduced sales by 0.5%.

Sales of the Adhesive Dispensing Systems segment for the six months ended April 30, 2014 were $441,425, an increase of $61,667, or 16.2%, over the comparable period of 2013. Sales volume increased 17.1%, consisting of 6.4% organic growth and 10.7% from the first-year effect of acquisitions. Unfavorable currency effects reduced sales by 0.9%. Organic sales growth was driven by continued demand in the rigid packaging, disposable hygiene, general product assembly and polymer processing end markets. Sales volume, inclusive of acquisitions, increased in all geographic regions with the exception of Japan which was flat.

Table of Contents

**Nordson Corporation**

Sales of the Advanced Technology Systems segment for the six months ended April 30, 2014 were $225,169 compared to $238,710 in the comparable period of 2013, a decrease of $13,541, or 5.7%. Sales volume decreased 6.0%, and favorable currency effects increased sales by 0.3%. Within the segment, sales volume increased in the United States and Europe. Lower demand for automated dispensing equipment in selected mobile electronic device end markets was offset by growth in products for electronics test and inspection and surface treatment markets, along with general fluid management markets.

Sales of the Industrial Coating Systems segment for the six months ended April 30, 2014 were $110,287, a decrease of $388, or 0.4% compared to the same period of 2013. Sales volume increased 0.4%, and was offset by unfavorable currency effects of 0.8%. Sales volume increased in the United States and Europe regions, and was offset by softness in other regions. Sales growth in powder and liquid coating product lines for consumer and industrial durable goods end markets was offset by softness in our large dollar systems supporting automotive OEMs.

Sales outside the United States accounted for 69.0% of sales in the six months ended April 30, 2014 and 2013. On a geographic basis, sales in the United States increased 6.7% for the six months ended April 30, 2014 compared to the six months ended April 30, 2013. This increase in sales volume consisted of 5.5% organic growth and 1.2% from acquisitions. Sales in the Americas region were down 8.5% for the six months ended April 30, 2014. Sales volume decreased 4.6%, and unfavorable currency effects reduced sales by 3.9%. This decrease in sales volume consisted of a 4.9% decrease in organic volume, offset by 0.3% increase from acquisitions. Sales in Europe increased 23.1%, consisting of a volume increase of 19.6% and favorable currency effects of 3.5%. This increase in sales volume consisted of 6.3% organic growth and 13.3% from acquisitions. Sales in Japan for the six months ended April 30, 2014 decreased 18.0% from the comparable period of the prior year, consisting of lower volume of 7.6%, and unfavorable changes in the Japanese Yen of 10.4%. This sales volume decrease consisted of a 9.9% decline in organic volume, offset by 2.3% from acquisitions. Sales in the Asia Pacific region increased 3.1%, consisting of 3.6% volume, offset by unfavorable currency effects of 0.5%. This increase in sales volume consisted of 5.8% from acquisitions offset by lower organic volume of 2.2%.

**Operating Profit**

Cost of sales for the three months ended April 30, 2014 were $181,909, up from $165,162 in 2013. Cost of sales for the six months ended April 30, 2014 were $346,547, up from $314,976 in 2013.

The gross profit percentage was 56.4% for the three months ended April 30, 2014 and 55.4% for the six months ended April 30, 2014, as compared to 56.8% for the three and six months ended April 30, 2013. The decrease was caused by the dilutive effect of our fourth quarter 2013 Kreyenborg acquisition and the short-term purchase price accounting valuation adjustment associated with acquired inventory which impacted the six-month percentage. In addition, the combination of product mix and less absorption as a result of lower sales volume in the Advanced Technology segment also impacted total company gross margin.

Selling and administrative expenses, including severance and restructuring costs, for the three months ended April 30, 2014 were $142,718, an increase of 5.9% as compared to $134,736 for the comparable period of 2013. Selling and administrative expenses for the six months ended April 30, 2014 were $283,641, an increase of 4.9% as compared to $270,401 for the comparable period of 2013. The increases were primarily a result of the first-year effect of 2013 acquisitions, as well as higher compensation expenses related to increased employment levels worldwide.

Selling and administrative expenses, including severance and restructuring costs, for the three months ended April 30, 2014 as a percent of sales were reduced to 34.2%, as compared to 35.3% for the comparable period of 2013. For the six months ended April 30, 2014, these expenses as a percent of sales were reduced to 36.5% from 37.1% for the same period of 2013.

During the three and six months ended April 30, 2014, we recognized severance costs of $699 in the Adhesive Dispensing Systems segment and $579 in the Advanced Technology Systems segment. These costs were associated with continuous improvement and global optimization efforts.

During the three months ended April 30, 2013, we recognized severance costs of $118 in the Advanced Technology Systems segment, and during the six months ended April 30, 2013, we recognized severance costs of $258 in the Adhesive Dispensing Systems segment and $446 in the Advanced Technology Systems segment. These costs were associated with implementing restructuring initiatives to optimize global operations.

Table of Contents

**Nordson Corporation**

Operating profit as a percentage of sales was 22.2% for the three months ended April 30, 2014, up from 21.5% for the comparable period of 2013. This increase was primarily due to the leverage of higher sales volume. Operating profit as a percentage of sales was 18.9% for the six months ended April 30, 2014, down from 19.7% for the comparable period of 2013. This change was primarily due to lower gross margins traced to product mix and the short-term purchase price accounting adjustment associated with acquired inventory.

For the Adhesive Dispensing Systems segment, operating profit as a percent of sales increased to 27.0% for the three months ended April 30, 2014 from 26.1% in 2013 and to 25.1% for the six months ended April 30, 2014 from 25.0% for the comparable period of 2013. The increases were primarily due to the leverage of higher sales volume.

For the Advanced Technology Systems segment, operating profit as a percent of sales for the three months ended April 30, 2014 decreased to 24.2% from 25.5% for the three months ended April 30, 2013. For the six months ended April 30, 2014, operating profit as a percent of sales was 18.3%, down from 22.6% last year. The decreases were primarily due to lower sales volume.

For the Industrial Coating Systems segment, operating profit as a percent of sales was 16.1% for the three months ended April 30, 2014, up from 14.6% for the three months ended April 30, 2013. The increase was primarily due to higher sales volume. For the six months ended April 30, 2014, operating profit was 13.0% of sales, compared 13.8% in the same period of 2013. The decrease was primarily due to lower sales volume and product mix in the first quarter.

**Interest and Other Income (Expense)**

Interest expense for the three months ended April 30, 2014 was $3,532, down from $3,612 for the three months ended April 30, 2013. Interest expense for the six months ended April 30, 2014 was $7,107, down from $7,692 for the six months ended April 30, 2013. These reductions were due primarily to lower interest rates.

Other expense was $406 for the three months ended April 30, 2014, compared to $565 in the comparable period of the prior year. Included in those amounts were foreign exchange losses of $232 in 2014 and $1,032 in 2013. Other expense for the six months ended April 30, 2014 was $615, compared to $1,765 for the six months ended April 30, 2013. Included in those amounts were foreign exchange losses of $148 in 2014 and $2,547 in 2013.

**Income Taxes**

The effective tax rate for the three- and six-month periods ending April 30, 2014 was 30.5%, compared to 30.1% and 28.2% for the three- and six-month periods ending April 30, 2013, respectively. The increases in the effective tax rates compared to the prior year were due to the expiration of the Federal R&D Tax Credit on December 31, 2013 and certain discrete tax items recorded in 2013.

During the six months ending April 30, 2013 we recorded a favorable adjustment to unrecognized tax benefits of $900 primarily related to expiration of certain foreign statutes of limitations. On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which retroactively reinstated and extended the Federal R&D Tax Credit from January 1, 2012 to December 31, 2013 and extended certain other tax provisions. As a result, the Company s income tax provision for the six months ending April 30, 2013 includes a discrete tax benefit of $1,700 related to 2012.

**Net Income**

Net income for the three months ended April 30, 2014 was $61,934, or $0.96 per share on a diluted basis, compared to $54,605, or $0.84 per share on a diluted basis in the same period of 2013. This represented a 13.4% increase in net income and a 14.3% increase in earnings per share. For the six months ended April 30, 2014, net income was $96,814, or $1.50 per share on a diluted basis, compared to $96,616, or $1.49 per share for the six months ended April 30, 2013. This represented a 0.2% increase in net income and a 0.7% increase in earnings per share. The percentage increase in earnings per share is more than the percentage increase in net income due to a lower number of shares outstanding in the current year as result of share repurchases.

Table of Contents

**Nordson Corporation**

**Foreign Currency Effects**

In the aggregate, average exchange rates for 2014 used to translate international sales and operating results into U.S. dollars compared unfavorably with average exchange rates existing during 2013. It is not possible to precisely measure the impact on operating results arising from foreign currency exchange rate changes because of changes in selling prices, sales volume, product mix and cost structure in each country in which we operate. However, if transactions for the three months ended April 30, 2014 were translated at exchange rates in effect during the same period of 2013, sales would have been approximately $393 lower while third-party costs and expenses would have been approximately $912 lower. If transactions for the six months ended April 30, 2014 were translated at exchange rates in effect during the same period of 2013, sales would have been approximately $3,580 higher and third party costs would have been approximately $227 higher.

**Financial Condition**

**Liquidity and Capital Resources**

During the six months ended April 30, 2014, cash and cash equivalents increased $7,357. Cash provided by operations during this period was $102,189, compared to $102,629 for the six months ended April 30, 2013. Cash of $136,349 for the six months ended April 30, 2014 was generated from net income adjusted for non-cash income and expenses (consisting of depreciation and amortization, non-cash stock compensation, deferred income taxes, other non-cash expense and loss on sale of property, plant and equipment) as compared to $133,228 in the same period of the prior year. Changes in operating assets and liabilities, including the tax benefit from the exercise of stock options, used $34,160 of cash in the first six months of 2014, compared to $30,599 in the first six months of 2013.

Cash used in investing activities was $16,395 for the six months ended April 30, 2014, compared to $25,754 in the comparable period of the prior year. Current year capital expenditures were $16,494, down from $23,714 in 2013. Current year capital expenditures were focused on production machinery and continued investment in our information systems platform. For the six months ended April 30, 2013, cash of $1,231 was used for the acquisition of certain assets of Kodama Chemical Industry Co. Ltd., a licensed distributor of our EDI business in Japan, and cash of $1,116 was used for an equity investment.

Cash used in financing activities was $78,061 for the six months ended April 30, 2014, compared to $57,068 for the six months ended April 30, 2013. In the current year, cash of $58,068 was used for the repurchase of common shares, and cash of $23,104 was used for dividend payments. Cash of $3,499 was provided by the issuance of common stock related to stock option exercises, and cash of $903 was provided by net short-term and long-term borrowings.

The following is a summary of significant changes in balance sheet captions from the end of fiscal 2013 to April 30, 2014:

Receivables increased $18,684 due to higher sales in the second quarter of 2014 as compared to the fourth quarter of 2013. Inventories increased $8,037 due to the higher level of business activity expected in the third quarter of 2014 as compared to the first quarter. Prepaid expenses increased $4,437 primarily due to annual insurance payments made in the first half of the year. Property, plant and equipment net increased $5,861 primarily due to capital expenditures and a capital lease for a new facility in Japan, and was partially offset by depreciation. The decrease of $10,521 in intangible assets net was due to amortization and translation effects.

The increase of $4,775 in notes payable for the six months ended April 30, 2014 was due to borrowings in China to fund expansion in China. The increase of $8,759 in income taxes payable was primarily due to the timing of required tax payments. The $7,203 decrease in accrued liabilities was primarily due to payments of annual incentive compensation in the first half of the year. The decrease of $6,480 in long-term pension obligations was primarily due to scheduled contributions to our domestic plans. The increase of $4,953 in other long-term liabilities was primarily due to a capital lease for the Japanese facility referred to above.

The board of directors approved a repurchase program of up to $200,000 in August 2013. Uses for repurchased shares include the funding of benefit programs including stock options, restricted stock and 401(k) matching. Shares purchased are treated as treasury shares until used for such purposes. The repurchase program is being funded using cash from operations and proceeds from borrowings under our credit facilities. During the six months ended April 30, 2014, 779 shares were repurchased under this program for a total amount of $55,357, or $71.09 per share.

Table of Contents

**Nordson Corporation**

**Contractual Obligations**

We have a $500,000 unsecured, multicurrency credit facility with a group of banks that expires in December 2016 and may be increased to $750,000 under certain conditions. At April 30, 2014, $269,255 was outstanding under this facility, compared to $254,000 outstanding at October 31, 2013. The weighted average interest rate for borrowings under this facility was 1.09% at April 30, 2014. This facility contains customary events of default and covenants related to limitations on indebtedness and the maintenance of certain financial ratios. We were in compliance with all debt covenants at April 30, 2014, and the amount we could borrow under the facility would not have been limited by any debt covenants.

We entered into a $150,000 three-year Private Shelf Note agreement with New York Life Investment Management LLC in 2011, and the amount of the facility was increased from $150,000 to $175,000 in 2013. Borrowings under the agreement may be up to 12 years, with an average life of up to 10 years, and are unsecured. The interest rate on each borrowing can be fixed or floating and is based upon the market rate at the borrowing date. At April 30, 2014 and October 31, 2013, $63,889 was outstanding under this facility at a fixed rate of 2.21% per annum. This agreement contains customary events of default and covenants related to limitations on indebtedness and the maintenance of certain financial ratios. We were in compliance with all covenants at April 30, 2014, and the amount we could borrow would not have been limited by any debt covenants.

In 2012, we entered into a Note Purchase Agreement with a group of insurance companies under which we sold $200,000 of Senior Notes. The notes mature between July 2017 and July 2025 and bear interest at fixed rates between 2.27% and 3.13%. We were in compliance with all covenants at April 30, 2014.

In 2013, we entered into a 100,000 agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd. The term of the agreement is three years and can be extended by one year at the end of the third and fourth anniversaries. The interest rate is variable based upon the EUR LIBOR rate. At April 30, 2014, there was 81,000 ($112,328) outstanding under this agreement, compared to 95,000 ($129,058) outstanding at October 31, 2013. The weighted-average interest rate was 1.20% at April 30, 2014. We were in compliance with all covenants at April 30, 2014.

In addition, we have notes payable which our subsidiaries use for short-term financing needs.

**Outlook**

We continue to move forward with caution regarding expectations for the balance of fiscal 2014, given slowing growth in emerging markets and economists expectations for global GDP indicating a low-growth macroeconomic environment. Though the near-term global macroeconomic outlook remains unclear, our growth potential has been demonstrated over time from our capacity to build and enhance our core businesses by entering emerging markets and pursuing market adjacencies. We drive value for our customers through our application expertise, differentiated technology, and direct sales and service support. Our priorities also are focused on operational efficiencies by employing continuous improvement methodologies in our business processes. We expect these efforts will continue to provide more than sufficient cash from operations for meeting our liquidity needs and paying dividends to common shareholders, as well as enabling us to invest in the development of new applications and markets for our technologies. Our cash and available borrowing capacity will enable us to make other strategic investments.

For the third quarter of 2014, sales are expected to be in the range of $439,000 to $455,000, an increase of 9% to 13% as compared to the third quarter a year ago. This outlook is inclusive of organic volume growth of 3% to 7% and currency translation effects of 1% based on the current exchange rate environment. Diluted earnings per share are expected to be in the range of $1.06 to $1.16.

Table of Contents

**Nordson Corporation**

**Safe Harbor Statements Under the Private Securities Litigation Reform Act of 1995**

This Form 10-Q, particularly Management s Discussion and Analysis, contains forward-looking statements within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, income, earnings, cash flows, changes in operations, operating improvements, businesses in which we operate and the U.S. and global economies. Statements in this 10-Q that are not historical are hereby identified as forward-looking statements and may be indicated by words or phrases such as anticipates, supports, plans, projects, expects, believes, should, would, could, management is of the opinion, use of the future tense and similar words or phrases.

In light of these risks and uncertainties, actual events and results may vary significantly from those included in or contemplated or implied by such statements. Readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Factors that could cause actual results to differ materially from the expected results are discussed in Item 1A, Risk Factors in our annual report on Form 10-K for the year ended October 31, 2013.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Information regarding our financial instruments that are sensitive to changes in interest rates and foreign currency exchange rates was disclosed in our annual report on Form 10-K for the year ended October 31, 2013. The information disclosed has not changed materially in the interim period since then.

Table of Contents

**Nordson Corporation**

**ITEM 4. CONTROLS AND PROCEDURES**

Our management with the participation of the principal executive officer (President and Chief Executive Officer) and principal financial officer (Senior Vice President, Chief Financial Officer) has reviewed and evaluated our disclosure controls and procedures (as defined in the Securities Exchange Act Rule 13a-15(e)) as of April 30, 2014. Based on that evaluation, our management, including the principal executive and financial officers, has concluded that our disclosure controls and procedures were effective as of April 30, 2014 in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal controls over financial reporting that occurred during the three months ended April 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We are involved in pending or potential litigation regarding environmental, product liability, patent, contract, employee and other matters arising from the normal course of business. Including the environmental matter discussed below, it is our opinion, after consultation with legal counsel, that resolutions of these matters are not expected to result in a material adverse effect on our financial condition, quarterly or annual operating results or cash flows.

We have voluntarily agreed with the City of New Richmond, Wisconsin and other Potentially Responsible Parties to share costs associated with the remediation of the City of New Richmond municipal landfill (the Site ) and constructing a potable water delivery system serving the impacted area down gradient of the Site. Our accrual for the ongoing operation, maintenance and monitoring obligation at the Site was $668 at April 30, 2014 and October 31, 2013. The liability for environmental remediation represents management s best estimate of the probable and reasonably estimable undiscounted costs related to known remediation obligations. The accuracy of our estimate of environmental liability is affected by several uncertainties such as additional requirements that may be identified in connection with remedial activities, the complexity and evolution of environmental laws and regulations, and the identification of presently unknown remediation requirements. Consequently, our liability could be greater than our current estimate. However, we do not expect that the costs associated with remediation will have a material adverse effect on our financial condition or results of operations.

**ITEM 1A. RISK FACTORS**

Information regarding our risk factors was disclosed in our annual report on Form 10-K filed for the year ended October 31, 2013. The information disclosed has not changed materially in 2014.

Table of Contents

**Nordson Corporation**

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table summarizes common stock repurchased by the Company during the three months ended April 30, 2014:

| *(In thousands, except for per share data)* | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| February 1, 2014 to February 28, 2014 | 182 | $ 69.24 | 182 | $ 181,403 |
| March 1, 2014 to March 31, 2014 | 267 | $ 71.70 | 266 | $ 162,332 |
| April 1, 2014 to April 30, 2014 | 303 | $ 71.78 | 302 | $ 140,674 |
| Total | 752 | | 750 | |

(1) In August 2013 the board of directors approved a repurchase program of up to $200,000. Uses for repurchased shares include the funding of benefit programs, including stock options, restricted stock and 401(k) matching. Shares purchased are treated as treasury shares until used for such purposes. The repurchase program is being funded using cash from operations and proceeds from borrowings under our credit facilities.

**ITEM 6. EXHIBITS**

Exhibit Number:

31.1 Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 by the Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934 by the Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following financial information from Nordson Corporation s Quarterly Report on Form 10-Q for the three and six months ended April 30, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income for the three and six months ended April 30, 2014 and April 30, 2013, (ii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended April 30, 2014 and April 30, 2013, (iii) the Condensed Consolidated Balance Sheets at April 30, 2014 and October 31, 2013, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended April 30, 2014 and April 30, 2013, and (v) the Notes to Condensed Consolidated Financial Statements.

Table of Contents

**Nordson Corporation**

**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.

Date: June 4, 2014

Nordson Corporation

By: /s/ GREGORY A. THAXTON
Gregory A. Thaxton
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)