

NORDSON CORP  
Form 10-Q  
June 04, 2015

FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended April 30, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-7977

NORDSON CORPORATION

(Exact name of registrant as specified in its charter)

Ohio  
(State of incorporation)

34-0590250  
(I.R.S. Employer Identification No.)

28601 Clemens Road

Westlake, Ohio  
(Address of principal executive offices)

44145  
(Zip Code)

(440) 892-1580

(Telephone Number)

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

Common Shares without par value

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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  No

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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

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

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, 2015: 60,832,553

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## Part I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

## Condensed Consolidated Statements of Income

|  | Three Months Ended |           | Six Months Ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | April 30,          | April 30, | April 30,        | April 30, |
|  | 2015               | 2014      | 2015             | 2014      |
| (In thousands, except for per share data)  |                    |           |                  |           |
| Sales  | \$400,727          | \$417,461 | \$779,735        | \$776,881 |
| Operating costs and expenses:  |                    |           |                  |           |
| Cost of sales  | 178,837            | 181,909   | 349,124          | 346,547   |
| Selling and administrative expenses  | 145,476            | 142,718   | 291,379          | 283,641   |
|  | 324,313            | 324,627   | 640,503          | 630,188   |
| Operating profit   | 76,414             | 92,834    | 139,232          | 146,693   |
| Other income (expense):  |                    |           |                  |           |
| Interest expense   | (4,313 )           | (3,532 )  | (8,402 )         | (7,107 )  |
| Interest and investment income   | 151                | 217       | 237              | 329       |
| Other - net  | (687 )             | (406 )    | (789 )           | (615 )    |
|  | (4,849 )           | (3,721 )  | (8,954 )         | (7,393 )  |
| Income before income taxes   | 71,565             | 89,113    | 130,278          | 139,300   |
| Income taxes   | 22,351             | 27,179    | 38,179           | 42,486    |
| Net income   | \$49,214           | \$61,934  | \$92,099         | \$96,814  |
| Average common shares  | 61,116             | 63,964    | 61,569           | 64,095    |
| Incremental common shares attributable to outstanding<br>stock options, restricted stock, and deferred stock-based<br>compensation | 522                | 593       | 525              | 616       |
| Average common shares and common share equivalents   | 61,638             | 64,557    | 62,094           | 64,711    |
| Basic earnings per share   | \$0.81             | \$0.97    | \$1.50           | \$1.51    |
| Diluted earnings per share   | \$0.80             | \$0.96    | \$1.48           | \$1.50    |
| Dividends declared per share   | \$0.22             | \$0.18    | \$0.44           | \$0.36    |

See accompanying notes.

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## Condensed Consolidated Statements of Comprehensive Income

|  | Three Months<br>Ended |                      | Six Months Ended  |                   |
|--|-----------------------|----------------------|-------------------|-------------------|
|  | April<br>30,<br>2015  | April<br>30,<br>2014 | April 30,<br>2015 | April 30,<br>2014 |
| (In thousands)                                       |                       |                      |                   |                   |
| Net income   | \$49,214              | \$61,934             | \$92,099          | \$96,814          |
| Components of other comprehensive income (loss):     |                       |                      |                   |                   |
| Translation adjustments                              | (306 )                | 6,862                | (30,561)          | 1,252             |
| Amortization of prior service cost and net actuarial |                       |                      |                   |                   |
| losses, net of tax                                   | 2,123                 | 1,645                | 4,287             | 3,458             |
| Total other comprehensive income (loss)              | 1,817                 | 8,507                | (26,274)          | 4,710             |
| Total comprehensive income                           | \$51,031              | \$70,441             | \$65,825          | \$101,524         |

See accompanying notes.

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## Condensed Consolidated Balance Sheets

|  | April 30,<br>2015 | October<br>31, 2014 |
|--|-------------------|---------------------|
| (In thousands)                           |                   |                     |
| Assets                                   |                   |                     |
| Current assets:                          |                   |                     |
| Cash and cash equivalents                | \$51,454          | \$42,314            |
| Receivables - net                        | 316,091           | 365,844             |
| Inventories - net                        | 239,406           | 210,871             |
| Deferred income taxes                    | 29,297            | 29,926              |
| Prepaid expenses                         | 25,895            | 23,728              |
| Total current assets                     | 662,143           | 672,683             |
| Property, plant and equipment - net      | 241,667           | 224,439             |
| Goodwill                                 | 1,039,327         | 1,052,537           |
| Intangible assets - net                  | 270,937           | 291,310             |
| Deferred income taxes                    | 4,040             | 6,559               |
| Other assets                             | 32,123            | 32,602              |
|  | \$2,250,237       | \$2,280,130         |
| Liabilities and shareholders' equity     |                   |                     |
| Current liabilities:                     |                   |                     |
| Notes payable                            | \$57,747          | \$106,181           |
| Accounts payable                         | 65,975            | 68,500              |
| Income taxes payable                     | 19,326            | 16,586              |
| Accrued liabilities                      | 104,775           | 137,001             |
| Customer advanced payments               | 33,524            | 25,578              |
| Current maturities of long-term debt     | 10,744            | 10,751              |
| Deferred income taxes                    | 4,898             | 1,163               |
| Current obligations under capital leases | 1,285             | 5,108               |
| Total current liabilities                | 298,274           | 370,868             |
| Long-term debt                           | 819,203           | 682,868             |
| Deferred income taxes                    | 87,669            | 87,092              |
| Pension obligations                      | 115,314           | 124,082             |
| Postretirement obligations               | 69,585            | 68,300              |
| Other long-term liabilities              | 41,962            | 42,123              |
| Shareholders' equity:                    |                   |                     |
| Common shares                            | 12,253            | 12,253              |
| Capital in excess of stated value        | 339,473           | 328,605             |
| Retained earnings                        | 1,625,950         | 1,560,966           |
| Accumulated other comprehensive loss     | (129,473 )        | (103,199 )          |
| Common shares in treasury, at cost       | (1,029,973 )      | (893,828 )          |
| Total shareholders' equity               | 818,230           | 904,797             |
|  | \$2,250,237       | \$2,280,130         |

See accompanying notes.

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## Condensed Consolidated Statement of Cash Flows

| Six months ended                                    | April 30,<br>2015 | April 30,<br>2014 |
|---|-------------------|-------------------|
| (In thousands)                                      |                   |                   |
| Cash flows from operating activities:               |                   |                   |
| Net income  | \$92,099          | \$96,814          |
| Depreciation and amortization                       | 32,222            | 29,231            |
| Non-cash stock compensation                         | 8,590             | 9,714             |
| Deferred income taxes                               | 2,425             | 356               |
| Other non-cash expense                              | 231               | 72                |
| Loss on sale of property, plant and equipment       | 5                 | 162               |
| Tax benefit from the exercise of stock options      | (1,814 )          | (1,795 )          |
| Changes in operating assets and liabilities         | (16,322 )         | (32,365 )         |
| Net cash provided by operating activities           | 117,436           | 102,189           |
| Cash flows from investing activities:               |                   |                   |
| Additions to property, plant and equipment          | (36,183 )         | (16,494 )         |
| Proceeds from sale of property, plant and equipment | 421               | 99                |
| Acquisition of businesses, net of cash acquired     | (371 )            | —                 |
| Net cash used in investing activities               | (36,133 )         | (16,395 )         |
| Cash flows from financing activities:               |                   |                   |
| Proceeds from short-term borrowings                 | 57,961            | 6,675             |
| Repayment of short-term borrowings                  | (106,291)         | (1,675 )          |
| Proceeds from long-term debt                        | 310,055           | 37,723            |
| Repayment of long-term debt                         | (166,531)         | (41,820 )         |
| Repayment of capital lease obligations              | (3,150 )          | (3,086 )          |
| Issuance of common shares                           | 3,174             | 3,499             |
| Purchase of treasury shares                         | (138,855)         | (58,068 )         |
| Tax benefit from the exercise of stock options      | 1,814             | 1,795             |
| Dividends paid                                      | (27,116 )         | (23,104 )         |
| Net cash used in financing activities               | (68,939 )         | (78,061 )         |
| Effect of exchange rate changes on cash             | (3,224 )          | (376 )            |
| Increase in cash and cash equivalents               | 9,140             | 7,357             |
| Cash and cash equivalents:                          |                   |                   |
| Beginning of year                                   | 42,314            | 42,375            |
| End of quarter                                      | \$51,454          | \$49,732          |

See accompanying notes.





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Notes to Condensed Consolidated Financial Statements

April 30, 2015

#### 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 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, 2015 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, 2014.

**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 2015 and 2014 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 excluded from the calculation of diluted earnings per share for the three and six months ending April 30, 2015 were 312 and 313, respectively. Options excluded from the calculation of diluted earnings per share for the three and six months ending April 30, 2014 were 276 and 138, respectively.

## 2. Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board (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 implements a five-step process for customer contract revenue recognition that focuses on transfer of control. It will be effective for us beginning in 2018, with a possible one-year deferral as a result of a current proposal by the FASB. We are currently assessing the impact this standard will have on our consolidated financial statements as well as the method by which we will adopt the new standard.

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In April 2015, the FASB issued a new standard regarding the presentation of debt issuance costs. Under this standard, a company is required to present unamortized debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt liability, rather than as a separate asset. The recognition and measurement guidance for debt issuance costs are not affected by this new standard. It will be effective for us beginning in 2017. We do not expect this standard to have a material impact on our consolidated financial statements.

## 3. Inventories

At April 30, 2015 and October 31, 2014, inventories consisted of the following:

|                                   | April 30,<br>2015 | October<br>31, 2014 |
|-----------------------------------|-------------------|---------------------|
| Raw materials and component parts | \$96,901          | \$86,573            |
| Work-in-process                   | 37,638            | 27,994              |
| Finished goods                    | 140,058           | 130,544             |
|                                   | 274,597           | 245,111             |
| Obsolescence and other reserves   | (27,639 )         | (26,744 )           |
| LIFO reserve                      | (7,552 )          | (7,496 )            |
|                                   | \$239,406         | \$210,871           |

## 4. Goodwill and other intangible assets

Changes in the carrying amount of goodwill for the three months ended April 30, 2015 by operating segment are as follows:

|                             | Adhesive Dispensing<br>Systems | Advanced Technology<br>Systems | Industrial Coating<br>Systems | Total       |
|-----------------------------|--------------------------------|--------------------------------|-------------------------------|-------------|
| Balance at October 31, 2014 | \$ 397,046                     | \$ 631,433                     | \$ 24,058                     | \$1,052,537 |
| Adjustment                  |                                | 371                            |                               | 371         |
| Currency effect             | (12,437 )                      | (1,144 )                       | —                             | (13,581 )   |
| Balance at April 30, 2015   | \$ 384,609                     | \$ 630,660                     | \$ 24,058                     | \$1,039,327 |

Accumulated impairment losses, which were recorded in 2009, were \$232,789 at April 30, 2015 and October 31, 2014. 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, 2015  |                          |                |
|-------------------------|-----------------|--------------------------|----------------|
|                         | Carrying Amount | Accumulated Amortization | Net Book Value |
| Customer relationships  | \$194,102       | \$ 48,552                | \$145,550      |
| Patent/technology costs | 91,520          | 29,485                   | 62,035         |
| Trade name              | 77,392          | 14,471                   | 62,921         |
| Non-compete agreements  | 7,993           | 7,614                    | 379            |
| Other                   | 1,366           | 1,314                    | 52             |
| Total                   | \$372,373       | \$ 101,436               | \$270,937      |

  

|                         | October 31, 2014 |                          |                |
|-------------------------|------------------|--------------------------|----------------|
|                         | Carrying Amount  | Accumulated Amortization | Net Book Value |
| Customer relationships  | \$200,028        | \$ 41,910                | \$158,118      |
| Patent/technology costs | 93,799           | 27,030                   | 66,769         |
| Trade name              | 77,846           | 12,173                   | 65,673         |
| Non-compete agreements  | 8,220            | 7,600                    | 620            |
| Other                   | 1,369            | 1,239                    | 130            |
| Total                   | \$381,262        | \$ 89,952                | \$291,310      |

Amortization expense for the three months ended April 30, 2015 and 2014 was \$6,976 and \$6,310, respectively. Amortization expense for the six months ended April 30, 2015 and 2014 was \$13,867 and \$12,640, respectively.

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## 5. Pension and other postretirement plans

The components of net periodic pension cost for the three and six months ended April 30, 2015 and April 30, 2014 were:

| Three Months Ended                          | U.S.    |         | International |         |
|---|---------|---------|---------------|---------|
|   | 2015    | 2014    | 2015          | 2014    |
| Service cost                                | \$3,031 | \$1,874 | \$692         | \$714   |
| Interest cost                               | 3,841   | 3,545   | 627           | 817     |
| Expected return on plan assets              | (4,578) | (4,487) | (395 )        | (448 )  |
| Amortization of prior service cost (credit) | 30      | 59      | (22 )         | (20 )   |
| Amortization of net actuarial loss          | 2,633   | 1,784   | 485           | 399     |
| Total benefit cost                          | \$4,957 | \$2,775 | \$1,387       | \$1,462 |

  

| Six Months Ended                            | U.S.    |         | International |         |
|---|---------|---------|---------------|---------|
|   | 2015    | 2014    | 2015          | 2014    |
| Service cost                                | \$5,431 | \$4,036 | \$1,433       | \$1,412 |
| Interest cost                               | 7,523   | 6,960   | 1,299         | 1,608   |
| Expected return on plan assets              | (9,158) | (8,648) | (812 )        | (880 )  |
| Amortization of prior service cost (credit) | 60      | 118     | (46 )         | (39 )   |
| Amortization of net actuarial loss          | 4,886   | 3,970   | 1,309         | 787     |
| Settlement loss                             | —       | —       | 1,275         | —       |
| Total benefit cost                          | \$8,742 | \$6,436 | \$4,458       | \$2,888 |

The components of other postretirement benefit cost for the three and six months ended April 30, 2015 and April 30, 2014 were:

| Three Months Ended                   | U.S.    |         | International |       |
|--------------------------------------|---------|---------|---------------|-------|
|                                      | 2015    | 2014    | 2015          | 2014  |
| Service cost                         | \$175   | \$265   | \$ 7          | \$ 7  |
| Interest cost                        | 735     | 802     | 9             | 9     |
| Amortization of prior service credit | (109 )  | (112 )  | —             | —     |
| Amortization of net actuarial loss   | 280     | 419     | —             | (3 )  |
| Total benefit cost                   | \$1,081 | \$1,374 | \$ 16         | \$ 13 |

  

| Six Months Ended | U.S.  |       | International |       |
|------------------|-------|-------|---------------|-------|
|                  | 2015  | 2014  | 2015          | 2014  |
| Service cost     | \$450 | \$518 | \$ 15         | \$ 14 |
| Interest cost    | 1,488 | 1,531 | 18            | 19    |

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|                                      |         |         |       |       |
|--------------------------------------|---------|---------|-------|-------|
| Amortization of prior service credit | (219 )  | (224 )  | —     | —     |
| Amortization of net actuarial loss   | 577     | 717     | —     | (7 )  |
| Total benefit cost                   | \$2,296 | \$2,542 | \$ 33 | \$ 26 |

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 rates for the three and six month periods ended April 30, 2015 were 31.2% and 29.3%, respectively. The effective tax rate for both the three and six month periods ended April 30, 2014 was 30.5%.

On December 19, 2014, the Tax Increase Prevention Act of 2014 was enacted which retroactively reinstated the Federal Research and Development Tax Credit (Federal R&D Tax Credit) from January 1, 2014 to December 31, 2014 and extended certain other tax provisions. As a result, our income tax provision for the six months ended April 30, 2015 included a discrete tax benefit of \$1,686 primarily related to 2014.

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## 7. Accumulated other comprehensive loss

The components of accumulated other comprehensive loss, including adjustments for items that are reclassified from accumulated other comprehensive loss to net income, are shown below.

|   | Cumulative<br>translation<br>adjustments | Pension and<br>postretirement benefit<br>plan adjustments | Accumulated<br>other comprehensive<br>loss |
|---|--|---|--|
| Balance at October 31, 2014   | \$ 2,727                                 | \$ (105,926 )   | \$ (103,199 )                              |
| Pension and postretirement plan changes, net of<br>tax of \$(2,280) | —  | 4,287   | 4,287                                      |
| Current period charge   | (30,561 )                                | —   | (30,561 )                                  |
| Balance at April 30, 2015   | \$ (27,834 )                             | \$ (101,639 )   | \$ (129,473 )                              |

## 8. Stock-based compensation

During the 2013 Annual Meeting of Shareholders, 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.

## 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 percent 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 ceases upon retirement, death and disability, and unvested shares are forfeited. For grants made during and 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 \$2,103 and \$2,178 in the three months ended April 30, 2015 and 2014, respectively. Corresponding amounts for the six months ended April 30, 2015 and April 30, 2014 were \$4,571 and \$5,844, respectively.

The following table summarizes activity related to stock options for the six months ended April 30, 2015:

| Number of | Weighted-Average | Aggregate | Weighted |
|-----------|------------------|-----------|----------|
|-----------|------------------|-----------|----------|



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|  | Options | Exercise Price Per<br>Share | Intrinsic<br>Value | Average<br>Remaining<br>Term |
|--|---------|-----------------------------|--------------------|------------------------------|
| Outstanding at October 31, 2014              | 1,686   | \$ 42.77                    |                    |                              |
| Granted                                      | 315     | \$ 79.66                    |                    |                              |
| Exercised                                    | (125 )  | \$ 28.21                    |                    |                              |
| Forfeited or expired                         | (12 )   | \$ 63.77                    |                    |                              |
| Outstanding at April 30, 2015                | 1,864   | \$ 49.85                    | \$ 55,540          | 6.4 years                    |
| Vested or expected to vest at April 30, 2015 | 1,842   | \$ 49.54                    | \$ 55,467          | 6.3 years                    |
| Exercisable at April 30, 2015                | 1,125   | \$ 36.80                    | \$ 48,216          | 5.0 years                    |

As of April 30, 2015, there was \$9,556 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.

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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:

| Three months ended                     | April 30,<br>2015 | April 30, 2014 |
|--|-------------------|----------------|
| Expected volatility                    | 31.6%-39.5%       | 40.1%-44.7%    |
| Expected dividend yield                | 1.10%             | 0.98%-1.03%    |
| Risk-free interest rate                | 1.70%-1.85%       | 1.51%-1.79%    |
| Expected life of the option (in years) | 5.4-6.1           | 5.4-6.1        |

The weighted-average expected volatility used to value the 2015 and 2014 options was 34.3%, and 44.5%, 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, 2015 and 2014 was \$24.63 and \$27.92, respectively.

The total intrinsic value of options exercised during the three months ended April 30, 2015 and 2014 was \$5,082 and \$2,307, respectively. The total intrinsic value of options exercised during the six months ended April 30, 2015 and 2014 was \$6,179 and \$5,961, respectively.

Cash received from the exercise of stock options for the six months ended April 30, 2015 and 2014 was \$3,174 and \$3,499, respectively. The tax benefit realized from tax deductions from exercises for the six months ended April 30, 2015 and 2014 was \$1,814 and \$1,795, respectively.

#### 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, 2015:

|                                       |                        | Weighted-Average |               |
|---------------------------------------|------------------------|------------------|---------------|
|                                       | Number<br>of<br>Shares | Grant Date       | Fair<br>Value |
| Restricted shares at October 31, 2014 | 71                     | \$               | 63.53         |
| Granted                               | 21                     | \$               | 79.53         |
| Forfeited                             | (2 )                   | \$               | 66.86         |
| Vested                                | (34 )                  | \$               | 57.23         |
| Restricted shares at April 30, 2015   | 56                     | \$               | 73.35         |

As of April 30, 2015, there was \$2,857 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 during the three months ended April 30, 2015 and 2014 was \$464 and \$424, respectively. These amounts included common share dividends for the three months ended April 30, 2015 and 2014 of \$12. For the six months ended April 30, 2015 and 2014, the amounts charged to expense related to restricted shares were \$936 and \$895, respectively. These amounts included common share dividends for the six months ended April 30, 2015 and 2014 of \$25.

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The following table summarizes activity related to restricted share units during the six months ended April 30, 2015:

|  |          | Weighted-Average |
|--|----------|------------------|
|  | Number   | Grant Date Fair  |
|  | of Units | Value            |
| Restricted share units at October 31, 2014 | 5        | \$ 61.59         |
| Granted                                    | 13       | \$ 76.19         |
| Vested                                     | (5 )     | \$ 61.59         |
| Restricted share units at April 30, 2015   | 13       | \$ 76.19         |

As of April 30, 2015, there was \$480 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, 2015 and 2014 was \$243 and \$223, respectively. For the six months ended April 30, 2015 and 2014, the amounts were \$486 and \$445, respectively.

## Deferred Directors' 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, 2015:

|                                 |        | Weighted-Average |
|---------------------------------|--------|------------------|
|                                 | Number | Grant Date Fair  |
|                                 | of     | Value            |
|                                 | Shares |                  |
| Outstanding at October 31, 2014 | 110    | \$ 29.74         |
| Restricted share units vested   | 5      | \$ 61.59         |
| Dividend equivalents            | 1      | \$ 74.21         |
| Distributions                   | (15 )  | \$ 21.35         |
| Outstanding at April 30, 2015   | 101    | \$ 32.91         |

The amount charged to expense related to director deferred compensation for the three months ended April 30, 2015 and 2014 was \$22 and \$25, respectively. For the six months ended April 30, 2015 and 2014, the corresponding amounts were \$47 and \$52, respectively.

### Performance Share Incentive Awards

Executive officers and selected other key employees are eligible to receive common share-based incentive awards. Payouts, in the form of unrestricted common shares, 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 \$76.48 per share for 2015, \$69.25 per share for 2014 and \$59.59 per share for 2013. During the three months ended April 30, 2015 and 2014, \$1,242 and \$1,303, respectively, was charged to expense. For the six months ended April 30, 2015 and 2014, the corresponding amounts were \$2,491 and \$2,445, respectively. The cumulative amount recorded in shareholders' equity at April 30, 2015 was \$6,593.

### Deferred Compensation

Our executive officers and other highly compensated employees may elect to defer up to 100% of their base pay and cash incentive compensation and for executive officers, up to 90% of their performance share-based incentive payout each year. Additional share units are credited for quarterly dividends paid on our common shares. Expense related to dividends paid under this plan for the three months ended April 30, 2015 and 2014 was \$45 and \$32, respectively. For the six months ended April 30, 2015 and 2014, the corresponding amounts were \$84 and \$58, respectively.

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## 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, 2015 and 2014:

|                         | April<br>30,<br>2015 | April<br>30,<br>2014 |
|-------------------------|----------------------|----------------------|
| Beginning balance       | \$9,918              | \$9,409              |
| Accruals for warranties | 6,720                | 4,087                |
| Warranty payments       | (5,556 )             | (3,993)              |
| Currency effect         | (339 )               | 63                   |
| Ending balance          | \$10,743             | \$9,566              |

## 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, 2014.

The following table presents information about our reportable segments:

|                                      | Adhesive Dispensing<br>Systems | Advanced Technology<br>Systems | Industrial Coating<br>Systems | Corporate | Total     |
|--------------------------------------|--------------------------------|--------------------------------|-------------------------------|-----------|-----------|
| Three months ended<br>April 30, 2015 |                                |                                |                               |           |           |
| Net external sales                   | \$ 203,273                     | \$ 129,482                     | \$67,972                      | \$—       | \$400,727 |

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|                         |            |     |            |     |            |           |            |
|-------------------------|------------|-----|------------|-----|------------|-----------|------------|
| Operating profit (loss) | 50,780     |     | 24,770     |     | 11,514     | (10,650 ) | 76,414     |
| 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     |
| Six months ended        |            |     |            |     |            |           |            |
| April 30, 2015          |            |     |            |     |            |           |            |
| Net external sales      | \$ 397,486 |     | \$ 261,700 |     | \$ 120,549 | \$—       | \$ 779,735 |
| Operating profit (loss) | 94,109     |     | 51,588     |     | 15,278     | (21,743 ) | 139,232    |
| 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    |

(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.

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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, 2015     | April 30, 2014 | April 30, 2015   | April 30, 2014 |
| Total profit for reportable segments | \$76,414           | \$92,834       | \$139,232        | \$146,693      |
| Interest expense                     | (4,313 )           | (3,532 )       | (8,402 )         | (7,107 )       |
| Interest and investment income       | 151                | 217            | 237              | 329            |
| Other-net                            | (687 )             | (406 )         | (789 )           | (615 )         |
| Income before income taxes           | \$71,565           | \$89,113       | \$130,278        | \$139,300      |

We have significant sales in the following geographic regions:

|                          | Three Months Ended |                | Six Months Ended |                |
|--------------------------|--------------------|----------------|------------------|----------------|
|                          | April 30, 2015     | April 30, 2014 | April 30, 2015   | April 30, 2014 |
| United States            | \$140,030          | \$125,693      | \$262,854        | \$241,199      |
| Americas                 | 31,028             | 31,144         | 59,296           | 58,409         |
| Europe                   | 105,097            | 122,058        | 213,663          | 238,533        |
| Japan                    | 28,499             | 28,889         | 50,032           | 55,134         |
| Asia Pacific             | 96,073             | 109,677        | 193,890          | 183,606        |
| Total net external sales | \$400,727          | \$417,461      | \$779,735        | \$776,881      |

#### 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, 2015:



|  | Total    | Level<br>1 | Level<br>2 | Level<br>3 |
|--|----------|------------|------------|------------|
| <b>Assets:</b>                         |          |            |            |            |
| Foreign currency forward contracts (a) | 5,506    | —          | 5,506      | —          |
| Total assets at fair value             | \$5,506  | \$—        | \$5,506    | \$—        |
| <b>Liabilities:</b>                    |          |            |            |            |
| Deferred compensation plans (b)        | \$9,945  | \$9,945    | \$—        | \$—        |
| Foreign currency forward contracts (a) | 2,493    | —          | 2,493      | —          |
| Total liabilities at fair value        | \$12,438 | \$9,945    | \$2,493    | \$—        |

- (a) 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. Foreign currency forward contracts are not designated as hedges.
- (b) Executive officers and other highly compensated employees may defer up to 100 percent of their salary and annual cash incentive award and for executive officers, up to 90 percent of their long-term performance share incentive award, 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.

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## 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.

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, 2015, we recognized gains of \$1,114 on foreign currency forward contracts and losses of \$1,669 from the change in fair value of balance sheet positions. For the three months ended April 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 six months ended April 30, 2015, we recognized gains of \$1,503 on foreign currency forward contracts and losses of \$2,065 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.

The following table summarizes, by currency, the foreign currency forward contracts outstanding at April 30, 2015:

|                   | Sell                |                         | Buy                 |                         |
|-------------------|---------------------|-------------------------|---------------------|-------------------------|
|                   | Notional<br>Amounts | Fair<br>Market<br>Value | Notional<br>Amounts | Fair<br>Market<br>Value |
| Euro              | \$372,491           | \$378,572               | \$370,074           | \$378,887               |
| British pound     | 124,115             | 127,047                 | 106,410             | 108,506                 |
| Japanese yen      | 32,306              | 32,271                  | 20,685              | 20,685                  |
| Australian dollar | 463                 | 475                     | 7,487               | 7,658                   |
| Hong Kong dollar  | 56,255              | 56,296                  | 116,757             | 116,852                 |
| Singapore dollar  | 365                 | 378                     | 10,493              | 10,761                  |
| Others            | 5,356               | 5,480                   | 30,583              | 31,290                  |
| Total             | \$591,351           | \$600,519               | \$662,489           | \$674,639               |

The carrying amounts and fair values of financial instruments at April 30, 2015, 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 | Fair     |
|---------------------------|----------|----------|
|                           | Amount   | Value    |
| Cash and cash equivalents | \$51,454 | \$51,454 |

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|  |         |         |
|--|---------|---------|
| Notes payable                                | 57,747  | 57,747  |
| Long-term debt, including current maturities | 829,947 | 826,304 |
| Foreign currency forward contracts (net)     | 3,013   | 3,013   |

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.

### 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 effect on our financial condition, quarterly or annual operating results or cash flows.

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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, 2015 and October 31, 2014 our accrual for the ongoing operation, maintenance and monitoring obligation at the Site was \$565 and \$615, respectively. 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.

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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 6,000 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, 2014. There have been no significant changes in critical accounting policies, management estimates or accounting policies followed since the year ended October 31, 2014.

Results of Operations

Sales

Worldwide sales for the three months ended April 30, 2015 were \$400,727, a 4.0% decrease from sales of \$417,461 for the comparable period of 2014. Sales volume increased 3.6%, consisting of 0.8% organic growth and 2.8% from the first year effect of the Avalon and Dima Group acquisitions. Unfavorable currency effects reduced sales by 7.6%.

Sales of the Adhesive Dispensing Systems segment for the three months ended April 30, 2015 were \$203,273 compared to \$231,954 in the comparable period of 2014, a decrease of 12.4%. Sales volume decreased 2.3%, and unfavorable currency translation effects reduced sales by 10.1%. Organic growth in product lines serving disposable hygiene, general product assembly, rigid packaging and injection molding end markets was offset by softness in product lines serving plastic extrusion, polymer compounding and pelletizing end markets. Within this segment, sales volume increased in Europe and Japan, and was offset by decreases in the United States, Americas and Asia Pacific.

Sales of the Advanced Technology Systems segment for the three months ended April 30, 2015 were \$129,482 compared to \$127,628 in the comparable period of 2014, an increase of 1.5%. Sales volume increased 5.3%, consisting of an increase of 9.2% from the first year effect of acquisitions and was offset by a decrease of 3.9% in organic volume. Unfavorable currency effects reduced sales by 3.8%. Growth in test and inspection end markets, as well as growth in fluid management applications serving medical and general industrial end markets was offset by lower demand for automated dispensing systems. Within this segment, sales volume increased in all geographies except for Asia Pacific.

Sales of the Industrial Coating Systems segment for the three months ended April 30, 2015 were \$67,972 compared to \$57,879 in the comparable period of 2014, an increase of 17.4%. Sales volume increased 23.3% and unfavorable currency effects reduced sales by 5.9%. Sales growth was driven by demand in our consumer durable, automotive, industrial and container end markets. Within this segment, sales volume increased in all geographies except for Asia Pacific.

Sales outside the United States accounted for 65.1% of sales in the three months ended April 30, 2015 compared to 69.9% for the three months ended April 30, 2014. On a geographic basis, sales in the United States increased 11.4% for the three months ended

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April 30, 2015 compared to the same period in 2014. The increase in sales volume consisted of 5.1% organic growth and 6.3% from acquisitions. Sales in the Americas region decreased 0.4% from the comparable period of 2014. Organic sales volume increased by 9.3% and was offset by 9.7% of unfavorable currency effects. Sales in Europe decreased 13.9% from the comparable period of 2014. This decrease in sales volume consisted of 1.4% organic growth and 2.5% from acquisitions, offset by unfavorable currency effects which reduced sales by 17.8%. Sales in Japan decreased 1.3% from the comparable period of 2014. Sales volume was higher by 15.6%, which consisted solely of organic volume, and unfavorable currency effects reduced sales by 16.9%. Asia Pacific sales decreased 12.4% from the comparable period of 2014. Sales volume was lower by 10.4%, which consisted of a decrease in organic volume of 11.1% offset by 0.7% growth from acquisitions. Unfavorable currency effects reduced sales by 2.0%.

Worldwide sales for the six months ended April 30, 2015 were \$779,735, a 0.4% increase from sales of \$776,881 for the comparable period of 2014. Sales volume increased 6.9%, consisting of 4.2% organic growth and 2.7% from the first year effect of acquisitions. Unfavorable currency effects reduced sales by 6.5%.

Sales of the Adhesive Dispensing Systems segment for the six months ended April 30, 2015 were \$397,486 compared to \$441,425 in the comparable period of 2014, a decrease of 10.0%. Sales volume decreased 1.5%, and unfavorable currency translation effects reduced sales by 8.5%. Organic growth in product lines serving disposable hygiene, general product assembly, rigid packaging and injection molding end markets was offset by softness in product lines serving extrusion, polymer compounding and pelletizing end markets. Sales volume increased in the Americas and Japan, and was offset by decreases in the United States, Europe and Asia Pacific.

Sales of the Advanced Technology Systems segment for the six months ended April 30, 2015 were \$261,700 compared to \$225,169 in the comparable period of 2014, an increase of 16.2%. Sales volume increased 19.6%, consisting of organic growth of 10.1% and an increase of 9.5% from the first year effect of acquisitions. Unfavorable currency effects reduced sales by 3.4%. Growth in test and inspection end markets was combined with growth in fluid management applications serving medical and general industrial end markets. Within this segment, sales volume increased in all geographies.

Sales of the Industrial Coating Systems segment for the six months ended April 30, 2015 were \$120,549 compared to \$110,287 in the comparable period of 2014, an increase of 9.3%. Sales volume increased 14.1% and unfavorable currency effects reduced sales by 4.8%. Sales growth was driven by demand in our consumer durable, automotive, cold materials, industrial and container end markets. Within this segment, sales volume increased in all geographies.

Sales outside the United States accounted for 66.3% of sales in the six months ended April 30, 2015 compared to 69.0% for the six months ended April 30, 2014. On a geographic basis, sales in the United States increased 9.0% for the six months ended April 30, 2015 compared to the same period in 2014. The increase in sales volume consisted of 2.9% organic growth and 6.1% from acquisitions. Sales in the Americas region increased 1.5% from the comparable period of 2014. Sales volume increased 9.1%, and was offset by unfavorable currency effects of 7.6%. This increase in sales volume consisted of a 9.0% increase in organic volume and a 0.1% increase from acquisitions. Sales in Europe decreased 10.4% from the comparable period of 2014. Sales volume was higher by 3.8%, which consisted of 1.7% organic growth and 2.1% from acquisitions. Unfavorable currency effects reduced sales by 14.2%. Sales in Japan decreased 9.3% from the comparable period of 2014. Sales volume was higher by 5.1%, which consisted solely of organic volume, and unfavorable currency effects reduced sales by 14.4%. Asia Pacific sales increased 5.6% from the comparable period of 2014. Sales volume was higher by 7.8%, which consisted of 7.0% organic growth and 0.8% from acquisitions. Unfavorable currency effects reduced sales by 2.2%.

## Operating Profit

Cost of sales for the three months ended April 30, 2015 were \$178,837, down from \$181,909 in the comparable period of 2014. Cost of sales for the six months ended April 30, 2015 were \$349,124, up from 346,547 in the comparable period of 2014.

Gross margin was 55.4% for the three months ended April 30, 2015, compared to 56.4% in 2014, and 55.2% for the six months ended April 30, 2015, as compared to 55.4% for the six months ended April 30, 2014. The decrease was primarily due to the unfavorable effects of currency translation.

Selling and administrative expenses for the three months ended April 30, 2015 were \$145,476, an increase of 1.9% as compared to \$142,718 for the comparable period of 2014. Selling and administrative expenses for the six months ended April 30, 2015 were \$291,379, an increase of 2.7% as compared to \$283,641 for the comparable period of 2014. The increases were primarily due to the first year effect of 2014 acquisitions, higher compensation expenses related to increased employment levels and spending for initiatives to generate future growth and improve performance.



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Selling and administrative expenses for the three months ended April 30, 2015 as a percent of sales increased to 36.3% from 34.2% for the comparable period of 2014. For the six months ended April 30, 2015, these expenses as a percent of sales increased to 37.4% from 36.5% for the comparable period of 2014.

Operating profit as a percentage of sales was 19.1% for the three months ended April 30, 2015, compared to 22.2% for the comparable period in 2014. For the six months ended April 30, 2015, operating profit as a percentage of sales was 17.9%, as compared to 18.9% for the comparable period of 2014. These decreases were primarily due to the unfavorable effects of currency translation.

For the Adhesive Dispensing Systems segment, operating profit as a percent of sales decreased to 25.0% for the three months ended April 30, 2015 from 27% in 2014 and to 23.7% for the six months ended April 30, 2015 from 25.1% for the comparable period of 2014. The decreases were primarily due to the unfavorable effects of currency translation.

For the Advanced Technology Systems segment, operating profit as a percent of sales decreased to 19.1% for the three months ended April 30, 2015 from 24.2% for the three months ended April 30, 2014. The decrease was primarily due to negative leverage on lower organic volume and the impact of currency translation. For the six months ended April 30, 2015, operating profit as a percent of sales was 19.7%, up from 18.3% for the comparable period of 2014. The increase was primarily due to the leverage of higher sales volume in test and inspection end markets and fluid management applications serving medical and general industrial end markets.

For the Industrial Coating Systems segment, operating profit as a percent of sales increased to 16.9% for the three months ended April 30, 2015 from 16.1% for the three months ended April 30, 2014. This increase was primarily due to the leverage of higher sales volume. For the six months ended April 30, 2015, operating profit as a percent of sales was 12.7%, compared to 13.0% for the same period of 2014.

Interest and Other Income (Expense)

Interest expense for the three months ended April 30, 2015 was \$4,313, up from \$3,532 for the three months ended April 30, 2014. Interest expense for the six months ended April 30, 2015 was \$8,402, up from \$7,107 for the six months ended April 30, 2014. These increases were due primarily to higher borrowing levels between periods.

Other expense was \$687 for the three months ended April 30, 2015, compared to \$406 for the three months ended April 30, 2014. Other expense was \$789 for the six months ended April 30, 2015, compared to \$615 for the six months ended April 30, 2014.

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. Significant judgment is involved regarding the application of global income tax laws and regulations and when projecting the jurisdictional mix of income. We have considered several factors in determining the probability of realizing deferred income tax assets which include forecasted operated earnings, available tax planning strategies and the time period over which the temporary differences will reverse. We review our tax positions on a regular basis and adjust the balances as new information becomes available. The effective tax rates for the three and six months ended April 30, 2015 were 31.2% and 29.3%, respectively. The effective tax rates for both the three and six months ended April 30, 2014 were 30.5%.

On December 19, 2014, the Tax Increase Prevention Act of 2014 was enacted which retroactively reinstated the Federal Research and Development Tax Credit (Federal R&D Tax Credit) from January 1, 2014 to December 31, 2014 and extended certain other tax provisions. As a result, our income tax provision for the six months ended April 30, 2015 included a discrete tax benefit of \$1,686 primarily related to 2014.

#### Net Income

Net income for the three months ended April 30, 2015 was \$49,214, or \$0.80 per share on a diluted basis, compared to \$61,934 or \$0.96 per share on a diluted basis in the same period of 2014. This represented a 20.5% decrease in net income and a 16.7% decrease in earnings per share. For the six months ended April 30, 2015, net income was \$92,099, or \$1.48 per share on a diluted basis, compared to \$96,814 or \$1.50 per share on a diluted basis in the same period of 2014. This represented a 4.9% decrease in net income and a 1.3% decrease in earnings per share. The percentage change in earnings per share is less than the percentage change in net income due to a lower number of shares outstanding in the current year as a result of share repurchases.

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Foreign Currency Effects

In the aggregate, average exchange rates for 2015 used to translate international sales and operating results into U.S. dollars were unfavorable compared with average exchange rates existing during 2014. 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, 2015 were translated at exchange rates in effect during the same period of 2014, sales would have been approximately \$31,843 higher while third-party costs and expenses would have been approximately \$19,041 higher. If transactions for the six months ended April 30, 2015 were translated at exchange rates in effect during the same period of 2014, sales would have been approximately \$50,260 higher and third-party costs would have been approximately \$30,244 higher.

Financial Condition

Liquidity and Capital Resources

During the six months ended April 30, 2015, cash and cash equivalents increased \$9,140. Cash provided by operations during this period was \$117,436, compared to \$102,189 for the six months ended April 30, 2014. Cash of \$135,572 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), compared to \$136,349 for the same six month period of the prior year. Changes in operating assets and liabilities and the effect of the tax benefit from the exercise of stock options used \$18,136 of cash in the six months ended April 30, 2015, compared to \$34,160 in the first six months of 2014.

Cash used in investing activities was \$36,133 for the six months ended April 30, 2015, compared to \$16,395 in the comparable period of the prior year. Capital expenditures in the six months ended April 30, 2015 were \$36,183, up from \$16,494 in the comparable period of 2014. Current year expenditures included a new facility in Colorado supporting our fluid management product lines, production machinery and continued investment in our information systems platform.

Cash used in financing activities was \$68,939 for the six months ended April 30, 2015, compared to \$78,061 for the six months ended April 30, 2014. In the current year, cash of \$138,855 was used for the repurchase of treasury shares, and cash of \$27,116 was used for dividend payments. Cash of \$3,174 was provided by the issuance of common stock related to stock option exercises, and cash of \$95,194 was provided by net short-term and long-term borrowings.

The following is a summary of significant changes in balance sheet captions from October 31, 2014 to April 30, 2015. Receivables decreased \$49,753 due to lower sales volume in the first half of 2015 compared to the end of 2014. Inventories increased \$28,535 due to the higher level of business activity expected in the second half of 2015 as compared to the first half of the current year. The decrease of \$20,373 in intangible assets – net was primarily due to amortization and currency translation effects.

The decrease of \$48,434 in notes payable was primarily due to net repayments of approximately \$50,000 on our PNC Bank credit facility. The decrease of \$32,226 in accrued liabilities was primarily due to payments of annual incentive compensation in the first quarter of 2015. The \$8,768 decrease in long-term pension obligations was primarily due to contributions to U.S. plans during the six months ended April 30, 2015.

The board of directors approved a common share repurchase program of up to \$200,000 in August 2013. Replacing this program in December 2014, the board of directors authorized a new \$300,000 common share repurchase program. 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, 2015, 1,788 shares were repurchased under these programs for a total amount of \$136,645, or an average price of \$76.43 per share.

#### Contractual Obligations

In February 2015, we increased, amended and extended our existing syndicated revolving credit agreement that was scheduled to expire in December 2016. We entered into a \$600,000 unsecured multicurrency credit facility with a group of banks. This facility has a five-year term and includes a \$50,000 subfacility for swing-line loans and may be increased from \$600,000 to \$850,000 under certain conditions. The new facility contains customary events of default and covenants related to limitations on indebtedness and the maintenance of certain financial ratios. Balances outstanding under the prior facility were transferred to the new facility. At April 30, 2015, \$310,114 was outstanding under this facility, compared to \$375,242 outstanding at October 31, 2014. We were in compliance with all debt covenants at April 30, 2015, and the amount we could borrow under the facility would not have been limited by any debt covenants.

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We entered into a \$150,000 three-year Note Purchase and Private Shelf agreement with New York Life Investment Management LLC in 2011. In 2013, the agreement was extended to February 2016, and the amount of the facility was increased from \$150,000 to \$175,000. In 2015, the amount of the facility was increased to \$180,000. Notes issued under the agreement may have a maturity of up to 12 years, with an average life of up to 10 years, and are unsecured. The interest rate on each note can be fixed or floating and is based upon the market rate at the borrowing date. At April 30, 2015, \$78,333 was outstanding under this facility compared to \$53,333 at October 31, 2014. The increase is due to an additional note issued for \$25,000 in January 2015 per the provisions of the agreement. Existing notes mature between September 2018 and September 2020 and bear interest at fixed rates between 2.21 percent and 2.56 percent 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, 2015, 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 percent and 3.13 percent. We were in compliance with all covenants at April 30, 2015.

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, 2015, there was €35,500 (\$39,838) outstanding under this agreement, compared to €50,500 (\$63,244) outstanding at October 31, 2014. The interest rate was 0.925 percent at April 30, 2015. We were in compliance with all covenants at April 30, 2015.

In 2014, we entered into a 364-day unsecured credit facility with PNC Bank National Association. In August 2014, we borrowed \$100,000 under this facility to partially fund the Avalon acquisition. In January 2015, we amended the agreement and borrowed an additional \$50,000 to fund daily operations. In April 2015, we paid down \$100,000 of the \$150,000 outstanding. The interest rate for borrowings under this facility was 0.93 percent at April 30, 2015. We were in compliance with all covenants at April 30, 2015.

In April 2015, we entered into a \$200,000 term loan facility with PNC Bank National Association. \$100,000 is due in three years and has an interest rate spread of 0.875 percent over LIBOR and \$100,000 is due in five years and has an interest rate spread of 0.925 percent over LIBOR. This loan was used to pay down \$100,000 of our 364-day unsecured credit facility with PNC Bank (as noted above) and \$100,000 of our revolving credit facility. We were in compliance with all covenants at April 30, 2015.

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

## Outlook

Our revenue growth in the first half of 2015 and expected for the year is reflective of solid order growth that is offset by negative currency translation effects of a much stronger U.S. dollar. We are optimistic about growth opportunities in the diverse consumer durable, non-durable, medical, electronics and industrial end markets we serve. However, we move forward with caution given continuing slow growth in emerging markets, expectations for global GDP indicating a low-growth macroeconomic environment and marketplace effects of political instability in certain areas of the world. Though the pace of improvement in the global economy 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. We believe that our cash and available borrowing capacity will enable us to make other strategic investments.

For the third quarter of 2015, sales growth is expected to be in the range of 2% to 6% as compared to the third quarter a year ago. This outlook is inclusive of organic volume growth of 6% to 10% and 2% growth from the first year effect of acquisitions. Currency translation based on the current exchange rate environment would be negative 6%. Diluted earnings per share are expected to be in the range of \$1.19 to \$1.30. On a full-year basis, we expect organic growth to be in the mid-single digit range.

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

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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,” “hope,” “forecast,” “management is 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 10-K for the year ended October 31, 2014.

### 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 10-K for the year ended October 31, 2014. The information disclosed has not changed materially in the interim period since then.

### 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, 2015. 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, 2015 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, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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 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, 2015 and October 31, 2014 our accrual for the ongoing operation, maintenance and monitoring obligation at the Site was \$565 and \$615, respectively. 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 Form 10-K filed for the year ended October 31, 2014. The information disclosed has not changed materially in 2015.



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## 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, 2015:

|                                       | Total Number<br>of Shares<br>Purchased <sup>(1)</sup> | Average<br>Price Paid<br>per Share | Total Number of<br>Shares Purchased<br>as Part of Publicly<br>Announced Plans<br>or Programs <sup>(2)</sup> | Maximum Value<br>of Shares that<br>May Yet Be Purchased<br>Under the Plans<br>or Programs <sup>(2)</sup> |
|---------------------------------------|---|------------------------------------|---|--|
| February 1, 2015 to February 28, 2015 | 305   | \$ 75.46                           | 305   | \$ 238,546   |
| March 1, 2015 to March 31, 2015       | 302   | \$ 76.63                           | 302   | \$ 215,447   |
| April 1, 2015 to April 30, 2015       | 249   | \$ 78.76                           | 249   | \$ 195,801   |
| Total                                 | 856   |                                    | 856   |  |

(1) Includes shares purchased as part of a publicly announced program, as well as shares tendered for taxes related to stock option exercises and vesting for restricted stock.

(2) In December 2014, the board of directors authorized a new \$300,000 common share repurchase program. This program replaced the \$200,000 program approved by the board 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.

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ITEM 6. EXHIBITS

- 4.1 Second Amended and Restated Credit Agreement dated February 20, 2015 between Nordson Corporation and various financial institutions (incorporated herein by reference to Exhibit 4.1 to Registrant's Form 8-K dated February 26, 2015).
- 4.2 \$200,000,000 Term Loan Facility Agreement dated April 10, 2015 between Nordson Corporation and PNC Bank National Association.
- 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 Chief Executive Officer 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 Chief Financial Officer 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, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income for the three and six months ended April 30, 2015 and 2014, (ii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended April 30, 2015 and 2014, (iii) the Condensed Consolidated Balance Sheet at April 30, 2015 and October 31, 2014, (iv) the Condensed Consolidated Statement of Cash Flows for the six months ended April 30, 2015 and 2014, and (v) the Notes to Condensed Consolidated Financial Statements.

\* Furnished herewith.

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SIGNATURE

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, 2015 Nordson Corporation

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