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NORDSON CORP

FORM 10-Q
(Quarterly Report)

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Address	28601 CLEMENS RD WESTLAKE, OH 44145
Telephone	4408921580
CIK	0000072331
Symbol	NDSN
SIC Code	3569 - General Industrial Machinery and Equipment, Not Elsewhere
Industry	Misc. Capital Goods
Sector	Capital Goods
Fiscal Year	10/31

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FORM 10-Q
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended August 1, 1999 OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-7977

NORDSON CORPORATION

(Exact name of registrant as specified in its charter)

Ohio	34-0590250
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

28601 Clemens Road, Westlake, Ohio	44145
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (440) 892-1580

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ 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 July 30, 1999: 16,464,278

NORDSON CORPORATION

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Part I - Financial Information

NORDSON CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(Dollars and shares in thousands except for per share amounts)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	Aug. 1, 1999	Aug. 2, 1998	Aug. 1, 1999	Aug. 2, 1998
Sales	$174,411	$167,171	$506,230	$474,211
Cost of sales	78,652	73,241	229,167	215,780
Selling & administrative expenses	74,450	71,397	222,604	214,988
Asset impairment, retirement and severance costs	--	--	--	9,718
Operating profit	21,309	22,533	54,459	33,725
Other income (expense):				
Interest expense	(2,505)	(2,505)	(7,351)	(7,070)
Interest and investment income	736	199	1,405	420
Other - net	366	644	1,708	2,228
Income before income taxes	19,906	20,871	50,221	29,303
Income taxes	6,517	7,096	16,824	9,963
Net income	$ 13,389	$ 13,775	$ 33,397	$ 19,340
Common shares	16,490	16,358	16,571	16,544
Common share equivalents	300	107	251	124
Common shares and common share equivalents	16,790	16,465	16,822	16,668
Earnings per share:				
Basic	$ .81	$ .84	$ 2.02	$ 1.17
Diluted	$ .80	$ .84	$ 1.99	$ 1.16
Dividends per common share	$ .24	$ .22	$ .72	$ .66

See accompanying notes.

NORDSON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	AUGUST 1, 1999 (Unaudited)	NOVEMBER 1, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,398	$ 6,820
Marketable securities	30	30
Receivables	154,811	165,286
Inventories	132,854	124,352
Deferred income taxes	28,086	24,336
Prepaid expenses	5,751	7,652
Total current assets	340,930	328,476
Property, plant and equipment - net	116,081	101,183
Intangible assets - net	102,040	84,345
Other assets	18,926	24,940
	$577,977	$538,944
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$136,417	$ 93,851
Accounts payable	30,111	33,753
Current portion of long-term debt	862	862
Other current liabilities	75,151	78,616
Total current liabilities	242,541	207,082
Long-term debt	72,849	70,444
Other liabilities	49,531	46,643
Shareholders' equity:		
Common shares	12,253	12,253
Capital in excess of stated value	96,173	92,030
Accumulated other comprehensive income (loss)	(10,301)	(4,792)
Retained earnings	445,328	423,887
Common shares in treasury, at cost	(330,186)	(308,368)
Deferred stock-based compensation	(211)	(235)
Total shareholders' equity	213,056	214,775
	$577,977	$538,944

See accompanying notes.

NORDSON CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)

	Thirty-Nine Weeks Ended August 1, 1999	Thirty-Nine Weeks Ended August 2, 1998
Cash flows from operating activities:		
Net income	$ 33,397	$ 19,340
Non-recurring charges	--	15,670
Changes in operating assets and liabilities	(3,670)	(9,470)
Other - net	27,822	21,696
	57,549	47,236
Cash flows from investing activities:		
Additions to property, plant and equipment	(29,211)	(10,029)
Proceeds from sale of property, plant, and equipment	50	47
Acquisition of new businesses	(24,921)	(504)
Proceeds from sale of marketable securities	--	170
	(54,082)	(10,316)
Cash flows from financing activities:		
Net proceeds from notes payable	41,963	13,252
Net payment of long-term debt	(633)	(5,529)
Issuance of common shares	5,762	582
Purchase of treasury shares	(23,584)	(26,927)
Dividends paid	(11,955)	(10,940)
	11,553	(29,562)
Effect of exchange rate changes on cash	(2,442)	(938)
Increase in cash	12,578	6,420
Cash and cash equivalents		
Beginning of fiscal year	6,820	1,517
End of period	$ 19,398	$ 7,937

See accompanying notes.

NORDSON CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

August 1, 1999

1. 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 thirty-nine weeks ended August 1, 1999 are not necessarily indicative of the results that may be expected for the full fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended November 1, 1998.

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

3. Inventories. Inventories consisted of the following (in thousands of dollars):

	August 1, 1999	November 1, 1998
Finished goods	$ 43,082	$ 49,833
Work-in-process	34,449	24,914
Raw materials and finished parts	55,323	49,605
	$ 132,854	$ 124,352

4. Accounting changes. In the first quarter of 1999, the Company adopted Financial Accounting Standards Board Statement No. 130, "Reporting Comprehensive Income" (FAS 130). Comprehensive income includes net income plus other comprehensive income. For the Company, the difference between net income and comprehensive income is foreign currency translation adjustments recorded in shareholders' equity.

The Company also adopted during the first quarter of 1999, Financial Accounting Standards Board Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information" (FAS 131) and Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" (FAS 132). The Company will include the required business segment and revised pension and other postretirement benefit disclosures in its October 31, 1999 Annual Report.

The Financial Accounting Standards Board has issued the following statement which the Company has not yet adopted: Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). FAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities. The Company is not required to implement this statement until fiscal year 2001, and upon its implementation, it is not expected to have a material effect on the financial statements.

5. Comprehensive income. Comprehensive income for the thirteen and thirty-nine weeks ended August 1, 1999 and August 2, 1998 is as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	August 1, 1999	August 2, 1998	August 1, 1999	August 2, 1998
(in thousands)				
Net income	$ 13,389	$ 13,775	$ 33,397	$ 19,340
Foreign currency translation adjustments	(3,448)	(1,833)	(5,509)	(4,963)
Comprehensive income (loss)	$ 9,941	$ 11,942	$ 27,888	$ 14,377

Accumulated other comprehensive income (loss), consisting entirely of accumulated foreign currency translation adjustments as of August 1, 1999 and August 2, 1998 is as follows:

	Thirty-Nine Weeks Ended	
	August 1, 1999	August 2, 1998
Beginning balance	$ (4,792)	$ (977)
Current-period change	(5,509)	(4,963)
Ending balance	$(10,301)	$(5,940)

6. Acquisitions. Business acquisitions are accounted for as purchases, with the acquired assets and liabilities recorded at their fair value at the date of acquisition. The cost in excess of the net assets of the business acquired is included in intangible assets. In July, 1999, Nordson acquired a manufacturer of cold adhesive application equipment and verification systems located in Fairfield, New Jersey. Assuming the acquisition had taken place at the beginning of fiscal 1998, pro forma results would not be materially different.

7. Common stock equivalents. Common stock equivalents consist of incremental common shares attributable to outstanding stock options, nonvested stock and deferred stock-based compensation.

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 the Company's financial condition and results of operations for the periods included in the accompanying condensed consolidated financial statements.

RESULTS OF OPERATIONS

SALES

Sales for the third quarter and the first nine months of 1999 increased 4% and 7%, respectively, over the comparable periods of 1998. Local volume gains and price increases accounted for increased sales of 5% for the quarter and 6% for the year-to-date period, while the effects of currency translations decreased reported sales in the third quarter and increased reported sales on a year-to-date basis. Price increases averaging 2% were implemented on orders taken after the beginning of the year on standardized small systems and parts.

Performance in the third quarter of 1999 was driven by continued strong sales volume growth in North America, led by the Company's powder coating, liquid finishing and automotive businesses, and by contributions from recent acquisitions. Sales volume in North America increased 9% for the quarter and 15% for the year-to-date period over the comparable periods of 1998.

In Europe, local sales volume was up 5% for the quarter, but down 2% for the year-to-date period. The increase for the quarter was traced primarily to sales growth in the Company's electronics business. The nonwovens and product assembly businesses also grew, but the increases were partially offset by declines in the packaging business.

In the Company's Pacific South region, which covers the Pacific Rim, South Asia and Latin America, third quarter sales volume was down slightly from 1998, but still up 14% for the year-to-date period. In this region, a revenue increase in the packaging business in the third quarter was offset by lower revenue in the powder coating business.

In Japan, sales volume declined 9% for the third quarter and 7% for the first nine months of 1999 as a result of the lingering effects of the sluggish Japanese economy. Favorable currency exchange rates more than offset the volume declines.

Worldwide volume gains were driven by strong sales of electronics, powder coating, automotive, and liquid finishing, which had a combined sales volume that increased 14% for the third quarter and 7% for the year-to-date period over last year. Sales of non-woven equipment increased 28% for the third quarter and 44% year-to-date, primarily due to the addition of J&M Laboratories, Inc. to this line of business. Shipments of adhesive dispensing systems for packaging and product assembly were down slightly when compared to the prior year.

Year-to-date sales to international customers in 1999 comprised approximately 56% of total sales, compared to 59% from the comparable period of 1998. Translating international sales at generally lower average exchange rates, as compared to the same periods of 1998, increased reported sales by $3,000,000 year-to-date. Currency rate differences in the third quarter of 1999 compared to 1998 had little impact on reported sales.

OPERATING PROFIT

In the second quarter of 1998 the Company recorded a non-recurring pre-tax charge of $15.7 million, $6.0 million of which was included in cost of sales and the remainder recorded below selling and administrative expenses. Year-to-date comparisons of 1999 to 1998 results noted below exclude the effect of this non-recurring charge.

Operating profit, as a percentage of sales, decreased to 12.2% for the third quarter of 1999 from 13.5% for the comparable period of 1998. Year-to-date operating profit increased to 10.8% of sales for 1999 from 10.4% for the same period of 1998.

The gross margin rate decreased for the third quarter from 56.2% in 1998 to 54.9% in 1999. The mix of products sold was the primary factor behind the decrease. Gross margin for the first three quarters increased from 54.5% in 1998 to 54.7% in 1999.

Selling and administrative expenses for the third quarter and year-to-date increased 4.3% and 3.5%, respectively, over the comparable periods in 1998. The increases were the result of recent acquisitions, combined with the currency effect of a weaker dollar in the year-to-date period of 1998.

NET INCOME

Net income, as a percentage of sales, decreased in the third quarter from 8.2% in 1998 to 7.7% in 1999 and increased on a year-to-date basis from 6.3% in 1998 to 6.6% in 1999, due to the factors discussed above.

For 1999 and 1998, diluted earnings per share were $.80 and $.84, respectively, for the third quarter and $1.99 and $1.78, respectively, year-to-date.

FOREIGN CURRENCY EFFECTS

In the aggregate, average exchange rates for the first three quarters of 1999 used to translate international sales and operating results into U.S. dollars compared favorably with average exchange rates during the comparable 1998 period. 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 structures in each country in which the Company operates. However, if transactions for the first three quarters of 1999 were translated at exchange rates in effect during 1998, sales would have been approximately $3,000,000 lower while third-party costs and expenses would have been $2,000,000 lower. Currency changes between the third quarter of 1999 and 1998 did not result in significantly different results.

FINANCIAL CONDITION

During the first three quarters of 1999, net assets decreased $1,719,000. This decrease is primarily attributable to net repurchases of Nordson stock amounting to $17,822,000, the payment of $11,955,000 in dividends, and a reduction of $5,509,000 from translating foreign net assets at the end of the third quarter when the U.S. dollar was generally stronger against other currencies than at the prior year end, offset by earnings of $33,397,000.

Working capital, as of the end of the third quarter of 1999, decreased $23,005,000 over the prior year-end. This change consisted primarily of increases in cash, inventories and notes payable and decreases in accounts receivable. Receivables decreased from the collection of year-end receivables arising from strong sales in the fourth quarter of 1998, inventories increased in anticipation of demand for Nordson products and notes payable increased from net borrowings to fund acquisitions and the implementation of an enterprise management system. All balances reflect the effects of translating amounts denominated in generally weaker foreign currencies into U.S. dollars.

Cash and cash equivalents increased $12,578,000 during the first nine months of 1999. Sources of cash included $57,549,000 from operations and $41,963,000 of net proceeds from notes payable. Uses for cash included repurchases of treasury shares, outlays for capital expenditures, the acquisition of three businesses and the payment of dividends. Available lines of credit continue to be more than adequate to meet cash requirements for operations over the next year.

Intangible assets increased $17,695,000 over the prior year end, mainly as a result of the cost of business acquisitions being in excess of the net assets acquired. Net property, plant and equipment increased $14,898,000 primarily due to the capitalization of costs associated with the implementation of an enterprise management system. Other assets decreased $6,014,000, primarily due to lower deferred income taxes.

OUTLOOK

Nordson's continued emphasis on improving business processes is clearly evidenced by a 10 percent growth in operating profits for the first three quarters of 1999 over the prior year. Although significant progress has been made to date, Nordson remains focused on further sharpening operating efficiencies in the face of a challenging international business environment, particularly in Europe and Japan.

Nordson is currently in the process of implementing an enterprise management system. Management expects that this system will improve the Company's competitiveness in the future business environment by providing common streamlined processes which will produce more timely information on Nordson products, customers and market segments, reduce manufacturing times, lower purchasing costs and improve inventory turnover. The estimated date of completion for the implementation of this enterprise management system is the second quarter of fiscal year 2000.

THE EURO CONVERSION

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing sovereign currencies and the euro. The Company has recognized the need to ensure that its operations will not be adversely impacted by the introduction of this new currency. Nordson has determined that its information systems are capable of processing transactions denominated in the euro. Nordson does not expect the euro conversion to have a material effect on the Company's financial condition and results of operations.

YEAR 2000 READINESS DISCLOSURE

Many computerized systems use only two digits, rather than four, to record the year in a date field. These systems may recognize the year 2000 as the year 1900 or some other date, causing systems to process incorrect data or simply shut down. Nordson is addressing this issue for its information systems, equipment (with embedded microprocessors), facilities, products, suppliers and vendors. Nordson's plan to resolve the Year 2000 issue involves the following four phases: assessment, remediation, testing and implementation.

The assessment phase was completed as of the end of fiscal year 1998. The results of assessment indicated that most of the Company's significant information systems could be affected, including order-entry, manufacturing, distribution, invoicing and collection systems.

The assessment phase also revealed that equipment and facilities used in operations are at risk. Based on a review of its product lines, Nordson has determined that only a few of the products it has sold and will continue to sell will require remediation to be Year 2000 ready. Efforts and costs associated with the remediation of these products are immaterial and will be addressed on an individual basis prior to the end of 1999. The Company has also gathered information regarding the Year 2000 readiness status of its major suppliers and customers and continues to monitor their readiness.

Nordson has completed the remediation, testing and implementation phases of its Year 2000 readiness program for internal, mission-critical, information technology systems. Remediation and testing of externally-purchased, payroll software is complete.

Remediation and testing of Nordson's telecommunications equipment is complete, and for other operating equipment, mainly the internal, local-area computer networks and computer workstations, remediation was completed in July 1999. The anticipated completion date for testing and implementation of remaining operating equipment is October 1999.

Nordson has made inquiries of 95 percent of its major suppliers as to the status of their Year 2000 readiness and has begun to conduct site visits of the largest ones. To date, 33 percent of these suppliers indicated that they have no issues regarding Year 2000 readiness, 45 percent responded that they are in the process of completing their Year 2000 readiness program and 22 percent have not responded to the Company's inquiry. Nordson is not aware of any third parties with a Year 2000 issue that would materially impact the Company's results of operations, liquidity or capital. However, the Company has no means of ensuring that third parties doing business with Nordson will be Year 2000 ready.

Nordson will utilize both internal and external resources to reprogram or replace, test and implement the software and operating equipment for Year 2000 readiness. The total cost of the Company's Year 2000 readiness program is estimated at $6.0 million and is being funded through operating cash flows.

Remaining readiness program costs are approximately $2.0 million of which $.6 million will be expensed, mainly for contracted labor costs, and the balance of $1.4 million capitalized for the purchases of Year 2000-ready personal computers and workstations.

Nordson believes that the steps referred to above will minimize its business risk related to the Year 2000. In the event that the Company makes no further progress on its Year 2000 readiness program, the Company would experience a minor lapse in customer service. The Company continues to maintain contingency plans for critical applications that include manual workarounds and staffing adjustments although Year 2000 readiness has been completed for all internal, mission-critical applications. For a listing of risks associated with the Year 2000, refer to the "Safe Harbor Statements Under the Private Securities Litigation Reform Act of 1995" disclosure which follows.

SAFE HARBOR STATEMENTS
UNDER THE PRIVATE SECURITIES
LITIGATION REFORM ACT OF 1995

The statements in the paragraphs titled "Outlook", "The Euro Conversion" and "Year 2000 Readiness Disclosure" that refer to anticipated trends, events or occurrences in, or expectations for, the future (generally indicated by the use of phrases such as "Nordson expects" or "Nordson believes" or words of similar import or by references to "risks") are "forward-looking statements" intended to qualify for the protection afforded by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and involve risks and uncertainties. Consequently, the Company's actual results could differ materially from the expectations expressed in the forward-looking statements. Factors that could cause the Company's actual results to differ materially from the expected results include deferral of orders, customer- requested delays in system installations, currency exchange rate fluctuations, a sales mix different from assumptions, significant changes in local business conditions in geographic regions in which the Company conducts business, and unanticipated delays or higher than expected costs associated with the implementation of the Company's new enterprise management system.

In the case of Year 2000 readiness issues, factors that could cause the Company's actual results to differ materially from the expected results are: the availability and retention of internal and external resources dedicated to the Company's Year 2000 readiness program, delayed or unsuccessful completion of planned activities of the Company, and delayed, unsuccessful or incompatible Year 2000 conversions by third parties of their products or systems on which the Company relies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding the Company's financial instruments that are sensitive to changes in interest rates and foreign currency exchange rates was disclosed in Form 10-K filed by the Company on January 29,1999. The information disclosed has not changed materially in the interim period since November 1, 1998.

Part II - Other Information

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits - Exhibit 27 Financial Data Schedule

(b) There were no reports on Form 8-K filed for the quarter ended August 1, 1999.

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: September 14, 1999 *Nordson Corporation*

/s/ Nicholas D. Pellecchia

Vice President, Finance
and Controller
(Principal Financial Officer
and Chief Accounting Officer)

NORDSON CORPORATION

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ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	OCT 31 1999
PERIOD END	AUG 01 1999
CASH	19,398
SECURITIES	30
RECEIVABLES	158,189
ALLOWANCES	3,378
INVENTORY	132,854
CURRENT ASSETS	340,930
PP&E	241,359
DEPRECIATION	125,278
TOTAL ASSETS	577,977
CURRENT LIABILITIES	242,541
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	12,253
OTHER SE	200,803
TOTAL LIABILITY AND EQUITY	577,977
SALES	506,230
TOTAL REVENUES	506,230
CGS	229,167
TOTAL COSTS	229,167
OTHER EXPENSES	0
LOSS PROVISION	680
INTEREST EXPENSE	7,351
INCOME PRETAX	50,221
INCOME TAX	16,824
INCOME CONTINUING	33,397
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	33,397
EPS BASIC	2.02
EPS DILUTED	1.99

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