NORDSON CORP
Form 10-K
December 17, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 31, 2012

OR

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

Commission file number 0-7977

NORDSON CORPORATION

(Exact name of Registrant as specified in its charter)

Ohio	**34-0590250**
(State of incorporation)	(I.R.S. Employer Identification No.)
28601 Clemens Road	
Westlake, Ohio	**44145**
(Address of principal executive offices)	(Zip Code)

(440) 892-1580
(Registrant s Telephone Number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Common Shares, without par value

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of Common Shares no par value per share, held by nonaffiliates (based on the closing sale price on the Nasdaq Stock Market) as of April 29, 2012 was approximately $3,452,129,000.

There were 64,321,670 Common Shares outstanding as of November 30, 2012.

Documents incorporated by reference:

Portions of the Proxy Statement for the 2013 Annual Meeting Part III

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PART I

NOTE REGARDING AMOUNTS AND FISCAL YEAR REFERENCES

In this annual 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.

Item 1. Business
General Description of Business

Nordson engineers, manufactures and markets differentiated products and systems used for dispensing and processing adhesives, coatings, plastics, sealants and biomaterials; managing fluids; testing and inspecting for quality; and treating surfaces. These products are supported with extensive application expertise and direct global sales and service. Nordson serves 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.

Our strategy for long-term growth is based on solving customers needs globally. Headquartered in Westlake, Ohio, our products are marketed through a network of direct operations in more than 30 countries. Consistent with this global strategy, more than 70 percent of our revenues were generated outside the United States in 2012.

We have 5,361 employees worldwide. Principal manufacturing facilities are located in the United States, Belgium, Peoples Republic of China, Germany, India, the Netherlands, Thailand and the United Kingdom.

Corporate Purpose and Goals

We strive to be a vital, self-renewing, worldwide organization that, within the framework of ethical behavior and enlightened citizenship, grows and produces wealth for our customers, employees, shareholders and communities.

We operate for the purpose of creating balanced, long-term benefits for all of our constituencies.

Although every quarter may not produce increased sales, earnings and earnings per share, or exceed the comparative prior year s quarter, we do expect to produce long-term gains. When short-term swings occur, we do not intend to alter our basic objectives in efforts to mitigate the impact of these natural occurrences.

We drive organic growth by continually introducing new products and technology, providing high levels of customer service and support, capturing rapidly expanding opportunities in emerging geographies, and by leveraging existing technology into new applications. Additional growth comes through the acquisition of companies that serve international growth markets, share our business model characteristics and can be grown via our global infrastructure.

We create benefits for our customers through a Package of Values®, which includes carefully engineered, durable products; strong service support; the backing of a well-established, worldwide company with financial and technical strengths; and a corporate commitment to deliver what was promised.

We strive to provide genuine customer satisfaction; it is the foundation upon which we continue to build our business.

Complementing our business strategy is the objective to provide opportunities for employee self-fulfillment, growth, security, recognition and equitable compensation. This goal is met through Human Resources facilitation of employee training and leadership training and the creation of on-the-job growth opportunities. The result is a highly qualified and professional global team capable of meeting corporate objectives.

We recognize the value of employee participation in the planning process. Strategic and operating plans are developed by all business units and divisions, resulting in a sense of ownership and commitment on the part of employees in accomplishing our objectives. In addition, employees participate in Lean and Six Sigma initiatives to continuously improve our processes.

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We are an equal opportunity employer.

We are committed to contributing approximately five percent of domestic pretax earnings to human welfare services, education and other charitable activities, particularly in communities where we have major facilities.

Financial Information About Operating Segments, Foreign and Domestic Operations and Export Sales

In accordance with accounting standards, we have reported information about our three operating segments. This information is contained in Note 16 of Notes to Consolidated Financial Statements, which can be found in Part II, Item 8 of this document.

Principal Products and Uses

We engineer, manufacture and market differentiated products and systems used for precision dispensing and processing, fluid management, testing and inspection, surface treatment and curing. Our technology-based systems can be found in manufacturing facilities around the world producing a wide range of goods for consumer durable, consumer non-durable and technology end markets. Equipment ranges from single-use components to manual, stand-alone units for low-volume operations to microprocessor-based automated systems for high-speed, high-volume production lines.

We market our products in the United States and in more than 50 other countries, primarily through a direct sales force and also through qualified distributors and sales representatives. We have built a worldwide reputation for creativity and expertise in the design and engineering of high-technology application equipment that meets the specific needs of our customers. We create value for our customers by developing solutions that increase uptime, enable faster line speeds and reduce consumption of materials.

The following is a summary of the products and markets served by our operating segments:

1. **Adhesive Dispensing Systems**

This segment delivers our proprietary precision dispensing and processing technology to diverse markets for applications that commonly reduce material consumption, increase line efficiency and enhance product strength, durability, brand and appearance.

Nonwovens Equipment for applying adhesives, lotions, liquids and fibers to disposable products. Key strategic markets include adult incontinence products, baby diapers and child-training pants, feminine hygiene products and surgical drapes, gowns, shoe covers and face masks.

Packaging Automated adhesive dispensing systems used in the rigid packaged goods industries. Key strategic markets include food and beverage packaging, pharmaceutical packaging, and other consumer goods packaging.

Product Assembly Adhesive and sealant dispensing systems for bonding or sealing plastic, metal and wood products and for use in the paper and paperboard converting industries. Key strategic markets include appliances, automotive components, building and construction materials, electronics, furniture, solar energy, and the manufacturing of bags, sacks, books, envelopes and folding cartons.

Web Coating Laminating and coating systems used to manufacture continuous-roll goods in the nonwovens, textile, and paper industries. Key strategic markets include carpet, labels, tapes and textiles.

Plastic Processing Components and systems used in the thermoplastic melt stream in plastic extrusion and injection molding processes. Key strategic markets include flexible packaging, electronics, medical, building and construction, transportation and aerospace, and general consumer goods.

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2. Advanced Technology Systems

This segment integrates our proprietary product technologies found in progressive stages of a customer s production process, such as surface treatment, precisely controlled automated, semi-automated or manual dispensing of material, and post-dispense bond testing and X-ray inspection to ensure quality. Related single-use plastic molded syringes, cartridges, tips, and fluid connection components are used to dispense fluids or control flow in production processes or within customers end products. This segment primarily serves the specific needs of electronics, medical and related high-tech industries.

Electronic Systems Automated dispensing systems for high-speed, accurate application of a broad range of attachment, protection and coating fluids, and related gas plasma treatment systems for cleaning and conditioning surfaces prior to dispense. Key strategic markets include mobile phones, tablets, personal computers, liquid crystal displays, micro hard drives, microprocessors, printed circuit boards, micro electronic mechanical systems (MEMS), semiconductor packaging, light emitting diodes (LED) and solar energy.

Fluid Management Precision manual and semi-automated dispensers, highly engineered single-use plastic molded syringes, cartridges tips, and fluid connection components. Products are used for applying and controlling the flow of adhesives, sealants, lubricants, and biomaterials in critical industrial production processes and within medical equipment and related surgical procedures. Key strategic markets include consumer goods, electronics, industrial assembly, solar, anesthesia, cardiovascular and ophthalmic surgery, blood management, pneumatic control systems, water treatment, and analytical instrumentation.

Test & Inspection Bond testing and automated optical and x-ray inspection systems used in the semiconductor and printed circuit board industries. Key strategic markets include mobile phones, tablets, personal computers, liquid crystal displays, micro hard drives, microprocessors, printed circuit boards, micro electronic mechanical systems (MEMS), semiconductor packaging, light emitting diodes (LED) and solar energy.

3. Industrial Coating Systems

This segment provides both standard and highly-customized equipment used primarily for applying coatings, paint, finishes, sealants and other materials, and curing and drying of dispensed material. This segment primarily serves the consumer durables market.

Cold Materials Automated and manual dispensing products and systems used to apply multiple component adhesive and sealant materials in the general industrial and transportation manufacturing industries. Key strategic markets include aerospace, alternative energy, appliances, automotive, building and construction, composites, electronics and medical.

Container Coating Automated and manual dispensing and curing systems used to coat and cure containers. Key strategic markets include beverage containers and food cans.

Curing and Drying Systems Ultraviolet equipment used primarily in curing and drying operations for specialty coatings, semiconductor materials and paints. Key strategic markets include electronics, containers, and durable goods products.

Liquid Finishing Automated and manual dispensing systems used to apply liquid paints and coatings to consumer and industrial products. Key strategic markets include automotive components, construction, metal shelving and drums.

Powder Coating Automated and manual dispensing systems used to apply powder paints and coatings to a variety of metal, plastic and wood products. Key strategic markets include agriculture and construction equipment, appliances, automotive components, home and office furniture, lawn and garden equipment, pipe coating, and wood and metal shelving.

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Manufacturing and Raw Materials

Our production operations include machining and assembly. We manufacture specially designed parts and assemble components into finished equipment. Many components are made in standard modules that can be used in more than one product or in combination with other components for a variety of models. We have principal manufacturing operations in the United States in Amherst and Youngstown, Ohio; Duluth and Swainsboro, Georgia; Carlsbad, California; Ft. Collins, Colorado; Plymouth, Michigan; Eagan, Minnesota; Robbinsville, New Jersey; Hickory, North Carolina; New Castle, Pennsylvania; East Providence, Rhode Island; Pulaski, Virginia and Chippewa Falls, Wisconsin; as well as in Temse, Belgium; Shanghai and Suzhou, Peoples Republic of China; Luneburg, Germany; Bangalore, India; Maastricht, the Netherlands; Chonburi, Thailand and in Aylesbury, United Kingdom.

Principal materials used to make our products are metals and plastics, typically in sheets, bar stock, castings, forgings, tubing and pellets. We also purchase many electrical and electronic components, fabricated metal parts, high-pressure fluid hoses, packings, seals and other items integral to our products. Suppliers are competitively selected based on cost, quality and service. All significant raw materials that we use are available through multiple sources.

Senior operating executives supervise an extensive quality control program for our equipment, machinery and systems.

Natural gas and other fuels are our primary energy sources. However, standby capacity for alternative sources is available if needed.

Intellectual Property

We maintain procedures to protect our intellectual property (including patents, trademarks and copyrights) both domestically and internationally. Risk factors associated with our intellectual property are discussed in Item 1A Risk Factors.

Our intellectual property portfolios include valuable patents, trade secrets, know-how, domain names, trademarks and trade names. As of October 31, 2012, we held 435 United States patents and 892 foreign patents and had 235 United States patent applications pending and 814 foreign patent applications pending, but there is no assurance that any patent application will be issued. We continue to apply for and obtain patent protection for new products on an ongoing basis.

Patents covering individual products extend for varying periods according to the date of filing or grant and legal term of patents in various countries where a patent is obtained. Our current patent portfolio has expiration dates ranging from January 2013 to April 2037. The actual protection a patent provides, which can vary from country to country, depends upon the type of patent, the scope of its coverage, and the availability of legal remedies in each country. We believe, however, that the duration of our patents generally exceeds the life cycles of the technologies disclosed and claimed in the patents.

We believe our trademarks are important assets and we aggressively manage our brands. We also own a number of trademarks in the United States and foreign countries, including registered trademarks for Nordson, Asymtek, Dage, EDI, EFD, Micromedics, Value Plastics, and Xaloy and various common law trademarks which are important to our business, inasmuch as they identify Nordson and our products to our customers. As of October 31, 2012, we had a total of 1,137 trademark registrations in the United States and in various foreign countries.

We rely upon a combination of nondisclosure and other contractual arrangements and trade secret laws to protect our proprietary rights and also enter into confidentiality and intellectual property agreements with our employees that require them to disclose any inventions created during employment, convey all rights to inventions to us, and restrict the distribution of proprietary information.

We protect and promote our intellectual property portfolio and take those actions we deem appropriate to enforce our intellectual property rights and to defend our right to sell our products. Although in aggregate our intellectual property is important to our operations, we do not believe that the loss of any one patent, trademark, or group of related patents or trademarks would have a material adverse effect on our results of operations or financial position of our overall business.

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Seasonal Variation in Business

Generally, the highest volume of sales occurs in our fourth quarter due in large part to the timing of customers capital spending programs. Accordingly, first quarter sales volume is typically the lowest of the year due to timing of customers capital spending programs and customer holiday shutdowns.

Working Capital Practices

No special or unusual practices affect our working capital. However, we generally require advance payments as deposits on customized equipment and systems and, in certain cases, require progress payments during the manufacturing of these products. We continue to initiate new processes focused on reduction of manufacturing lead times, resulting in lower investment in inventory while maintaining the capability to respond promptly to customer needs.

Customers

We serve a broad customer base, both in terms of industries and geographic regions. In 2012, no single customer accounted for ten percent or more of sales.

Backlog

Our backlog of open orders increased to approximately $178,000 at October 31, 2012 from approximately $129,000 at October 31, 2011. The amounts for both years were calculated based upon exchange rates in effect at October 31, 2012. The increase can be traced primarily to acquisitions completed during the year. All orders in the 2012 year-end backlog are expected to be shipped to customers in 2013.

Government Contracts

Our business neither includes nor depends upon a significant amount of governmental contracts or subcontracts. Therefore, no material part of our business is subject to renegotiation or termination at the option of the government.

Competitive Conditions

Our equipment is sold in competition with a wide variety of alternative bonding, sealing, caulking, finishing, coating, testing and inspection, and fluid management techniques**.** Any production process that requires surface preparation or modification, application of material to a substrate or surface, curing, testing and inspection, or fluid management is a potential use for our equipment.

Many factors influence our competitive position, including pricing, product quality and service. We maintain a leadership position in our business segments by delivering high-quality, innovative products and technologies, as well as after-the-sale service and technical support. Working with customers to understand their processes and developing the application solutions that help them meet their production requirements also contributes to our leadership position. Our worldwide network of direct sales and technical resources also is a competitive advantage.

Research and Development

Investments in research and development are important to our long-term growth, enabling us to keep pace with changing customer and marketplace needs through the development of new products and new applications for existing products. We place strong emphasis on technology developments and improvements through internal engineering and research teams. Research and development expenses were approximately $36,535 in 2012, compared with approximately $26,997 in 2011 and $23,835 in 2010.

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Environmental Compliance

We are subject to extensive federal, state, local and foreign environmental, safety and health laws and regulations concerning, among other things, emissions to the air, discharges to land and water and the generation, handling, treatment and disposal of hazardous waste and other materials. Under certain of these laws, we can be held strictly liable for hazardous substance contamination of any real property we have ever owned, operated or used as a disposal site or for natural resource damages associated with such contamination. We are also required to maintain various related permits and licenses, many of which require periodic modification and renewal. The operation of manufacturing plants unavoidably entails environmental, safety and health risks, and we could incur material unanticipated costs or liabilities in the future if any of these risks were realized in ways or to an extent that we did not anticipate.

We believe that we operate in compliance, in all material respects, with applicable environmental laws and regulations. Compliance with environmental laws and regulations requires continuing management effort and expenditures. We have incurred, and will continue to incur, costs and capital expenditures to comply with these laws and regulations and to obtain and maintain the necessary permits and licenses. We believe that the cost of complying with environmental laws and regulations will not have a material effect on our earnings, liquidity or competitive position but cannot assure that material compliance-related costs and expenses may not arise in the future. For example, future adoption of new or amended environmental laws, regulations or requirements or newly discovered contamination or other circumstances that could require us to incur costs and expenses that may have a material effect, but cannot be presently anticipated.

We believe that policies, practices and procedures have been properly designed to prevent unreasonable risk of material environmental damage arising from our operations. We accrue for estimated environmental liabilities with charges to expense and believe our environmental accrual is adequate to provide for our portion of the costs of all such known environmental liabilities. Compliance with federal, state and local environmental protection laws during 2012 had no material effect on our capital expenditures, earnings or competitive position. Based upon consideration of currently available information, we believe liabilities for environmental matters will not have a material adverse affect on our financial position, operating results or liquidity, but we cannot assure that material environmental liabilities may not arise in the future.

Employees

As of October 31, 2012, we had 5,361 full- and part-time employees, including 123 at our Amherst, Ohio, facility who are represented by a collective bargaining agreement that expires on November 3, 2013 and 66 at our New Castle, Pennsylvania facility who are represented by a collective bargaining agreement that expires on July 31, 2014. No material work stoppages have been experienced at any of our facilities during any of the periods covered by this report.

Available Information

Our proxy statement, annual report to the Securities and Exchange Commission (Form 10-K), quarterly reports (Form 10-Q) and current reports (Form 8-K) and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge at http://www.nordson.com/investors as soon as reasonably practical after such material is electronically filed with, or furnished to, the SEC. Copies of these reports may also be obtained free of charge by sending written requests to Corporate Communications, Nordson Corporation, 28601 Clemens Road, Westlake, Ohio 44145.

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Item 1A. Risk Factors

In an enterprise as diverse as ours, a wide range of factors could affect future performance. We discuss in this section some of the risk factors that, if they actually occurred, could materially and adversely affect our business, financial condition, value and results of operations. You should consider these risk factors in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause our actual results and financial condition to differ materially from those projected in forward-looking statements.

The significant risk factors affecting our operations include the following:

Changes in United States or international economic conditions could adversely affect the profitability of any of our operations.

In 2012, 28 percent of our revenue was derived from domestic customers, while 72 percent was derived from international customers. Our largest markets include appliance, automotive, construction, container, electronics assembly, food and beverage, furniture, life sciences and medical, metal finishing, nonwovens, packaging, paper and paperboard converting, plastics processing and semiconductor. A slowdown in any of these specific end markets could directly affect our revenue stream and profitability.

A portion of our product sales is attributable to industries and markets, such as the semiconductor and metal finishing industries, which historically have been cyclical and sensitive to relative changes in supply and demand and general economic conditions. The demand for our products depends, in part, on the general economic conditions of the industries or national economies of our customers. Downward economic cycles in our customers industries or countries may reduce sales of some of our products. It is not possible to predict accurately the factors that will affect demand for our products in the future.

Any significant downturn in the health of the general economy, either globally, regionally or in the markets in which we sell products could have an adverse effect on our revenues and financial performance, resulting in impairment of assets.

Our growth strategy includes acquisitions, and we may not be able to execute on our acquisition strategy or integrate acquisitions successfully.

Our recent historical growth has depended, and our future growth is likely to continue to depend, in part on our acquisition strategy and the successful integration of acquired businesses into our existing operations. We intend to continue to seek additional acquisition opportunities both to expand into new markets and to enhance our position in existing markets throughout the world. We cannot assure, however, that we will be able to successfully identify suitable acquisition opportunities, prevail against competing potential acquirers, negotiate appropriate acquisition terms, obtain financing that may be needed to consummate such acquisitions, complete proposed acquisitions, successfully integrate acquired businesses into our existing operations or expand into new markets. In addition, we cannot assure that any acquisition, once successfully integrated, will perform as planned, be accretive to earnings, or prove to be beneficial to our operations and cash flow.

The success of our acquisition strategy is subject to other risks and uncertainties, including:

- our ability to realize operating efficiencies, synergies or other benefits expected from an acquisition, and possible delays in realizing the benefits of the acquired company or products;
- diversion of management s time and attention from other business concerns;
- difficulties in retaining key employees, customers or suppliers of the acquired business;
- difficulties in maintaining uniform standards, controls, procedures and policies throughout acquired companies;
- adverse effects on existing business relationships with suppliers or customers;

the risks associated with the assumption of contingent or undisclosed liabilities of acquisition targets;

the ability to generate future cash flows or the availability of financing.

In addition, an acquisition could adversely impact our operating performance as a result of the incurrence of acquisition-related debt, acquisition expenses, the amortization of acquisition-acquired assets, or possible future impairments of goodwill or intangible assets associated with the acquisition.

We may also face liability with respect to acquired businesses for violations of environmental laws occurring prior to the date of our acquisition, and some or all of these liabilities may not be covered by environmental insurance secured to mitigate the risk or by indemnification from the sellers from which we acquired these businesses. We could also incur significant costs, including, but not limited to, remediation costs, natural resources damages, civil or criminal fines and sanctions and third-party claims, as a result of past or future violations of, or liabilities associated with environmental laws.

Failure to retain our existing senior management team or the inability to attract and retain qualified personnel could hurt our business and inhibit our ability to operate and grow successfully.

Our success will continue to depend to a significant extent on the continued service of our executive management team and the ability to recruit, hire and retain other key management personnel to support our growth and operational initiatives and replace executives who retire or resign. Failure to retain our leadership team and attract and retain other important management and technical personnel could place a constraint on our global growth and operational initiatives, possibly resulting in inefficient and ineffective management and operations, which would likely harm our revenues, operations and product development efforts and eventually result in a decrease in profitability.

If we fail to develop new products, or our customers do not accept the new products we develop, our revenue and profitability could be adversely impacted.

Innovation is critical to our success. We believe that we must continue to enhance our existing products and to develop and manufacture new products with improved capabilities in order to continue to be a leading provider of precision technology solutions for the industrial equipment market. We also believe that we must continue to make improvements in our productivity in order to maintain our competitive position. Difficulties or delays in research, development or production of new products or failure to gain market acceptance of new products and technologies may reduce future sales and adversely affect our competitive position. We continue to invest in the development and marketing of new products. There can be no assurance that we will have sufficient resources to make such investments, that we will be able to make the technological advances necessary to maintain competitive advantages or that we can recover major research and development expenses. If we fail to make innovations, launch products with quality problems or the market does not accept our new products, our financial condition, results of operations, cash flows and liquidity could be adversely affected. In addition, as new or enhanced products are introduced, we must successfully manage the transition from older products to minimize disruption in customers ordering patterns, avoid excessive levels of older product inventories and ensure that we can deliver sufficient supplies of new products to meet customers demands.

If our intellectual property protection is inadequate, others may be able to use our technologies and tradenames and thereby reduce our ability to compete, which could have a material adverse effect on us, our financial condition and results of operations.

We regard much of the technology underlying our products and the trademarks under which we market our products as proprietary. The steps we take to protect our proprietary technology may be inadequate to prevent misappropriation of our technology, or third parties may independently develop similar technology. We rely on a combination of patents, trademark, copyright and trade secret laws, employee and third-party non-disclosure agreements and other contracts to establish and protect our technology and other intellectual property rights. The agreements may be breached or terminated, and we may not have adequate remedies for any breach, and existing trade secrets, patent and copyright law afford us limited protection. Policing unauthorized use of our intellectual property is difficult. A third party could copy or otherwise obtain and use our products or technology without authorization. Litigation may be necessary for us to defend against claims of infringement or to protect our intellectual property rights and could result in substantial cost to us and diversion of our efforts. Further, we might not prevail in such litigation, which could harm our business.

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Our products could infringe on the intellectual property of others, which may cause us to engage in costly litigation and, if we are not successful, could cause us to pay substantial damages and prohibit us from selling our products.

Third parties may assert infringement or other intellectual property claims against us based on their patents or other intellectual property claims, and we may have to pay substantial damages, possibly including treble damages, if it is ultimately determined that our products infringe. We may have to obtain a license to sell our products if it is determined that our products infringe upon another party s intellectual property. We might be prohibited from selling our products before we obtain a license, which, if available at all, may require us to pay substantial royalties. Even if infringement claims against us are without merit, defending these types of lawsuits takes significant time, may be expensive and may divert management attention from other business concerns.

Significant movements in foreign currency exchange rates or change in monetary policy may harm our financial results.

We are exposed to fluctuations in foreign currency exchange rates, particularly with respect to the euro, the yen, the pound sterling and the Chinese yuan. Any significant change in the value of the currencies of the countries in which we do business against the United States dollar could affect our ability to sell products competitively and control our cost structure, which could have a material adverse effect on our business, financial condition and results of operations. For additional detail related to this risk, see Item 7A, Quantitative and Qualitative Disclosure About Market Risk.

The majority of our consolidated revenues in 2012 were generated in currencies other than the United States dollar, which is our reporting currency. We recognize foreign currency transaction gains and losses arising from our operations in the period incurred. As a result, currency fluctuations between the United States dollar and the currencies in which we do business have caused and will continue to cause foreign currency transaction and translation gains and losses, which historically have been material and could continue to be material. We cannot predict the effects of exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposures and the potential volatility of currency exchange rates. We take actions to manage our foreign currency exposure, such as entering into hedging transactions, where available, but we cannot assure that our strategies will adequately protect our consolidated operating results from the effects of exchange rate fluctuations.

We also face risks arising from the imposition of exchange controls and currency devaluations. Exchange controls may limit our ability to convert foreign currencies into United States dollars or to remit dividends and other payments by our foreign subsidiaries or customers located in or conducting business in a country imposing controls. Currency devaluations diminish the United States dollar value of the currency of the country instituting the devaluation and, if they occur or continue for significant periods, could adversely affect our earnings or cash flow.

Inability to access capital could impede growth or the repayment or refinancing of existing indebtedness.

The limits imposed on us by the restrictive covenants contained in our credit facilities could prevent us from making acquisitions or cause us to lose access to these facilities.

Our existing credit facilities contain restrictive covenants that limit our ability to, among other things:

- borrow money or guarantee the debts of others;
- use assets as security in other transactions;
- make investments or other restricted payments or distributions;
- change our business or enter into new lines of business;
- sell or acquire assets or merge with or into other companies.

In addition, our credit facilities require us to meet financial ratios, including total indebtedness to consolidated trailing earnings before interest taxes depreciation and amortization (EBITDA) both as defined in the credit facility, and consolidated trailing EBITDA to consolidated trailing interest expense as defined in the credit facility.

These restrictions could limit our ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict our financing activities.

Our ability to comply with the covenants and other terms of our credit facilities will depend on our future operating performance. If we fail to comply with such covenants and terms, we will be in default and the maturity of the related debt could be accelerated and become immediately due and payable. We may be required to obtain waivers from our lenders in order to maintain compliance under our credit facilities, including waivers with respect to our compliance with certain financial covenants. If we are unable to obtain necessary waivers and the debt under our credit facilities is accelerated, we would be required to obtain replacement financing at prevailing market rates.

We may need new or additional financing in the future to expand our business or refinance existing indebtedness. If we are unable to access capital on satisfactory terms and conditions, we may not be able to expand our business or meet our payment requirements under our existing credit facilities. Our ability to obtain new or additional financing will depend on a variety of factors, many of which are beyond our control. We may not be able to obtain new or additional financing because we have substantial debt or because we may not have sufficient cash flow to service or repay our existing or future debt. In addition, depending on market conditions and our financial performance, neither debt nor equity financing may be available on satisfactory terms or at all. Finally, as a consequence of worsening financial market conditions, our credit facility providers may not provide the agreed credit if they become undercapitalized.

Political conditions in foreign countries in which we operate could adversely affect us.

We conduct our manufacturing, sales and distribution operations on a worldwide basis and are subject to risks associated with doing business outside the United States. In 2012, approximately 72 percent of our total sales were to customers outside the United States. We expect that international operations and United States export sales will continue to be important to our business for the foreseeable future. Both sales from international operations and export sales are subject in varying degrees to risks inherent in doing business outside the United States. Such risks include, but are not limited to, the following:

- risks of economic instability;
- unanticipated or unfavorable circumstances arising from host country laws or regulations;
- threats of war, terrorism or governmental instability;
- natural disasters, such as earthquakes, fires, floods or typhoons;
- significant foreign and U.S. taxes on repatriated cash;
- longer payment cycles in foreign markets;
- difficulties in managing foreign distributors;
- restrictions on the transfer of funds into or out of a country;
- currency exchange rate fluctuations;

- difficulties in enforcing agreements and collecting receivables through some foreign legal systems;
- international customers with longer payment cycles than customers in the United States;
- potential negative consequences from changes to taxation policies;
- the disruption of operations from foreign labor and political disturbances;
- the imposition of tariffs, import or export licensing requirements;
- exchange controls or other trade restrictions including transfer pricing restrictions when products produced in one country are sold to an affiliated entity in another country.

Any of these events could reduce the demand for our products, limit the prices at which we can sell our products, or otherwise have an adverse effect on our operating performance.

In addition, there is a potential risk of conflict and instability in the relationships between Taiwan and China and China and Japan. Conflict or instability could disrupt the operations of our customers and/or suppliers in all three countries. Additionally, our manufacturing operations in China and elsewhere could be impacted should disruptions caused by these conflicts substantially curtail our ability to source components used in the manufacture and assembly of our equipment.

Our international operations also depend upon favorable trade relations between the U.S. and those foreign countries in which our customers, subcontractors and materials suppliers have operations. A protectionist trade environment in either the U.S. or those foreign countries in which we do business, such as a change in the current tariff structures, export compliance or other trade policies, may materially and adversely affect our ability to sell our products in foreign markets.

Although we have obtained property damage and business interruption insurance, a major catastrophe such as an earthquake, hurricane, flood, tsunami or other natural disaster at any of our sites, or significant labor strikes, work stoppages, political unrest, or any of the events described above, some of which may not be covered by our insurance, in any of the areas where we conduct operations could result in a prolonged interruption of our business. Any disruption resulting from these events could cause significant delays in the manufacture or shipment of products or the provision of repair and other services that may result in our loss of sales and customers. Our insurance will not cover all potential risks, and we cannot assure you that we will have adequate insurance to compensate us for all losses that result from any insured risks. Any material loss not covered by insurance could have a material adverse effect on our financial condition, results of operations and cash flows. We cannot assure you that insurance will be available in the future at a cost acceptable to us or at a cost that will not have a material adverse effect on our profitability, net income and cash flows.

We could be adversely affected by rapid changes in interest rates.

Any period of unexpected or rapid increase in interest rates may also adversely affect our profitability. At October 31, 2012, we had $633,710 of total debt and notes payable outstanding, of which 49 percent was priced at interest rates that float with the market. A one percent increase in the interest rate on the floating rate debt in 2012 would have resulted in approximately $2,951 of additional interest expense. A higher level of floating rate debt would increase the exposure to changes in interest rates. For additional detail related to this risk, see Item 7A, Quantitative and Qualitative Disclosure About Market Risk.

New regulations related to conflict-free minerals may force us to incur additional expenses and may materially adversely affect our financial condition and business operations.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC promulgated final rules regarding disclosure of the use of certain minerals, known as conflict minerals, which are mined from the Democratic Republic of the Congo and adjoining countries, as well as procedures regarding a manufacturer s efforts to prevent the sourcing of such minerals and metals produced from those minerals. These new disclosure obligations will require due diligence efforts to support our initial disclosure requirements effective in May 2014. We will incur costs associated with complying with such disclosure requirements, including costs associated with canvassing our supply chain to determine the source country of any conflict minerals incorporated in our products, in addition to the cost of remediation and other changes to products, processes, or sources of supply as a consequence of such verification activities. In addition, the implementation of these rules could adversely affect the sourcing, supply, and pricing of materials used in our products.

Item 1B. Unresolved Staff Comments
None.

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Item 2. Properties

The following table summarizes our principal properties as of October 31, 2012.

Location	Description of Property	Approximate Square Feet
Amherst, Ohio[2, 3]	A manufacturing, laboratory and office complex	521,000
Swainsboro, Georgia[1]	A manufacturing building (leased)	136,000
East Providence, Rhode Island[2]	A manufacturing, warehouse and office building	116,000
Duluth, Georgia[1]	An office and laboratory building	110,000
Pulaski, Virginia[1]	A manufacturing, warehouse and office building	101,000
Carlsbad, California[2]	Two manufacturing and office buildings (leased)	88,000
Robbinsville, New Jersey[2]	A manufacturing, warehouse and office building (leased)	88,000
Chippewa Falls, Wisconsin[1]	A manufacturing, warehouse and office building (leased)	86,000
New Castle, Pennsylvania[1]	A manufacturing, warehouse and office building	72,000
Youngstown, Ohio[1]	A manufacturing, warehouse and office building (leased)	57,000
Ft. Collins, Colorado[2]	A manufacturing, warehouse and office building (leased)	42,000
Vista, California[2]	A manufacturing building (leased)	41,000
Hickory, North Carolina[1]	A manufacturing, warehouse and office building (leased)	41,000
Chippewa Falls, Wisconsin[1]	A manufacturing, warehouse and office building (leased)	40,000
Plymouth, Michigan[3]	Two manufacturing, warehouse and office buildings (leased)	35,000
Westlake, Ohio	Corporate headquarters	28,000
Eagan, Minnesota[2]	A manufacturing, warehouse and office building (leased)	27,000
Chippewa Falls, Wisconsin[1]	An engineering and laboratory building (leased)	20,000
Luneburg, Germany[1]	A manufacturing and laboratory building	130,000
Shanghai, China[1, 3]	A manufacturing, warehouse and office building (leased)	92,000
Erkrath, Germany[1,2, 3]	An office, laboratory and warehouse building (leased)	63,000
Bangalore, India[1, 2, 3]	A manufacturing, warehouse and office building	56,000
Shanghai, China[1,2, 3]	An office and laboratory building	54,000
Chonburi, Thailand[1]	A manufacturing, warehouse and office building	54,000
Shanghai, China[1]	A manufacturing, warehouse and office building (leased)	53,000
Temse, Belgium[1]	A manufacturing, warehouse and office building (leased)	44,000
Suzhou, China[2]	A manufacturing, warehouse and office building (leased)	42,000
Tokyo, Japan[1, 2, 3]	An office, laboratory and warehouse building (leased)	42,000
Aylesbury, U.K.[1,2]	A manufacturing, warehouse and office building (leased)	36,000
Mexico City, Mexico[1, 2, 3]	A warehouse and office building (leased)	23,000
Lagny Sur Marne, France[1, 3]	An office building (leased)	17,000
Segrate, Italy[1, 3]	An office, laboratory and warehouse building (leased)	7,000
Singapore[1, 2, 3]	A warehouse and office building (leased)	6,000

Business Segment Property Identification Legend

1 Adhesive Dispensing Systems

2 Advanced Technology Systems

3 Industrial Coating Systems

The facilities listed above have adequate, suitable and sufficient capacity (production and nonproduction) to meet present and foreseeable demand for our products.

Other properties at international subsidiary locations and at branch locations within the United States are leased. Lease terms do not exceed 25 years and generally contain a provision for cancellation with some penalty at an earlier date.

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In addition, we lease equipment under various operating and capitalized leases. Information about leases is reported in Note 6 of Notes to Consolidated Financial Statements that can be found in Part II, Item 8 of this document.

Item 3. 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.

Environmental We have voluntarily agreed with the City of New Richmond, Wisconsin and other Potentially Responsible Parties to share costs associated with the remediation of the City of New Richmond municipal landfill (the Site) and constructing a potable water delivery system serving the impacted area down gradient of the Site. At October 31, 2012 and 2011, our accrual for the ongoing operation, maintenance and monitoring obligation at the Site was $750 and $795, 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 4. Mine Safety Disclosures

None.

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Executive Officers of the Company

Our executive officers as of October 31, 2012, were as follows:

Name	Age	Officer Since	Position or Office with The Company and Business Experience During the Past Five (5) Year Period
Michael F. Hilton	58	2010	President and Chief Executive Officer, 2010
			Senior Vice President and General Manager-Electronics and Performance Materials Segment of Air Products and Chemicals, Inc., 2007
John J. Keane	51	2003	Senior Vice President, 2005
Peter G. Lambert	52	2005	Senior Vice President, 2010
			Vice President, 2005
Gregory A. Thaxton	51	2007	Senior Vice President, Chief Financial Officer, 2012
			Vice President, Chief Financial Officer, 2008
			Vice President, Controller, 2007
Douglas C. Bloomfield	53	2005	Vice President, 2005
James E. DeVries	53	2012	Vice President, 2012
			Vice President Global Continuous Improvement, 2011
			Vice President North America and China, Engineering (Adhesive Dispensing Systems), 2010
			Vice President Adhesive Dispensing Systems, North America, 2009
			Vice President Global Business Development (Adhesive Dispensing Systems), 2008
			Vice President Global Adhesives Operations, 2007
Gregory P. Merk	41	2006	Vice President, 2006
Shelly M. Peet	47	2007	Vice President, 2009
			Vice President, Chief Information Officer, 2007
Robert E. Veillette	60	2007	Vice President, General Counsel and Secretary, 2007

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PART II

Item 5. Market for the Company s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
Market Information and Dividends

(a) Our common shares are listed on the Nasdaq Global Select Market under the symbol NDSN. As of November 30, 2012, there were 1,682 registered shareholders. The table below is a summary of dividends paid per common share and the range of closing market prices during each quarter of 2012 and 2011.

Quarters	Dividend Paid	Common Share Price High	Common Share Price Low
2012:			
First	**$ .125**	**$ 48.39**	**$ 39.65**
Second	**.125**	**56.46**	**46.35**
Third	**.125**	**54.19**	**47.85**
Fourth	**.15**	**62.81**	**50.17**
2011:			
First	$ .105	$ 47.58	$ 38.06
Second	.105	58.75	47.56
Third	.105	59.01	48.98
Fourth	.125	50.50	37.21

Source: NASDAQ OMX

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Performance Graph

The following is a graph that compares the five-year cumulative return, calculated on a dividend-reinvested basis, from investing $100 on November 1, 2007 in Nordson common shares, the S&P MidCap 400 Index, the S&P 500 Industrial Machinery Index, and the S&P MidCap 400 Industrial Machinery Index.

Company/Market/Peer Group	2007	2008	2009	2010	2011	2012
Nordson Corporation	$100.00	$70.90	$105.80	$160.42	$194.33	$252.55
S&P MidCap 400	$100.00	$63.53	$ 75.09	$ 95.84	$104.03	$116.62
S&P 500 Ind. Machinery	$100.00	$57.24	$ 76.59	$ 97.99	$101.38	$121.33
S&P Midcap 400 Ind. Machinery	$100.00	$57.90	$ 71.54	$ 92.98	$105.75	$115.49

Source: Zak s Investment Research

(b) Use of Proceeds. Not applicable.

(c) Issuer Purchases of Equity Securities
In March 2012 the board of directors approved a repurchase program of up to $100,000. Uses for repurchased shares include the funding of benefit programs including stock options, nonvested 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. There were no share repurchases under this program during the three months ended October 31, 2012. The maximum value of shares that may yet be repurchased under the March 2012 program is $84,883.

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Item 6. Selected Financial Data

Five-Year Summary

	2012	2011	2010	2009	2008
(In thousands except for per-share amounts)					
Operating Data[a]					
Sales	**$ 1,409,578**	$ 1,233,159	$ 1,041,551	$ 819,165	$ 1,124,829
Cost of sales	**584,249**	484,727	419,937	350,239	494,394
% of sales	**41**	39	40	43	44
Cost of sales restructuring	**2,040**				
Selling and administrative expenses	**485,285**	429,489	384,752	337,294	434,476
% of sales	**34**	35	37	41	39
Severance and restructuring costs	**2,524**	1,589	2,029	16,396	5,621
Goodwill and long-lived asset impairments		1,811		243,043	
Operating profit (loss)	**335,480**	315,543	234,833	(127,807)	190,338
% of sales	**24**	26	23	(16)	17
Net income (loss)	**224,829**	222,364	168,048	(160,055)	117,504
% of sales	**16**	18	16	(20)	10
Financial Data(a)					
Working capital	**$ 242,939**	$ 294,796	$ 259,117	$ 190,249	$ 180,317
Net property, plant and equipment and other non-current assets	**1,242,892**	827,493	535,323	544,003	782,356
Total invested capital[b]	**1,261,962**	853,071	567,323	508,989	847,253
Total assets	**1,829,515**	1,304,450	986,354	890,674	1,166,669
Long-term liabilities	**816,061**	550,966	289,368	364,276	388,561
Shareholders equity	**669,770**	571,323	505,072	369,976	574,112
Return on average invested capital %[c]	**23**	35	32	10[d]	15
Return on average shareholders equity %[e]	**38**	39	40	13[f]	20
Per-Share Data[a][g]					
Average number of common shares	**64,407**	67,616	67,610	67,129	67,492
Average number of common shares and common share equivalents	**65,103**	68,425	68,442	67,129	68,613
Basic earnings (loss) per share	**$ 3.49**	$ 3.29	$ 2.49	$ (2.38)	$ 1.74
Diluted earnings (loss) per share	**3.45**	3.25	2.46	(2.38)	1.71
Dividends per common share	**0.525**	0.44	0.39	0.36875	0.365
Book value per common share	**10.42**	8.71	7.44	5.49	8.52

(a) See accompanying Notes to Consolidated Financial Statements.

(b) Notes payable, plus current portion of long-term debt, plus long-term debt, minus cash and marketable securities, plus shareholders equity.

(c) Net income (loss), plus after-tax interest expense on borrowings as a percentage of average quarterly borrowings (net of cash) plus average quarterly shareholders equity over five accounting periods.

(d) The percentage for 2009 excludes goodwill and long-lived asset impairment charges. Including these charges, the return on average invested capital for 2009 would have been negative 21 percent.

(e) Net income (loss) as a percentage of average quarterly shareholders equity over five accounting periods.

(f) The percentage for 2009 excludes goodwill and long-lived asset impairment charges. Including these charges, the return on average shareholder equity for 2009 would have been negative 28 percent.

(g) Amounts adjusted for 2-for-1 stock split effective April 12, 2011.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

NOTE REGARDING AMOUNTS AND FISCAL YEAR REFERENCES

In this annual 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.

Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate the accounting policies and estimates that are used to prepare financial statements. We base our estimates on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates used by management.

Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed below. On a regular basis, critical accounting policies are reviewed with the Audit Committee of the board of directors.

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. In October 2009, the FASB issued an accounting standard update on multiple deliverable arrangements, which we adopted on November 1, 2010. This accounting standard update establishes a relative selling price hierarchy for determining the selling price of a deliverable based on vendor specific objective evidence (VSOE) if available, third-party evidence (TPE) if vendor-specific objective evidence is not available, or best estimated selling price (BESP) if neither vendor-specific objective evidence nor third-party evidence 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 2012, 2011 and 2010 were not material. The requirements of this standard did not significantly change our units of accounting or how we allocate arrangement consideration to various units of accounting. The adoption of this standard had no material impact on our financial position or results of operations.

Goodwill Goodwill is the excess of purchase price over the fair value of tangible and identifiable intangible net assets acquired in various business combinations. Goodwill is not amortized but is tested for impairment annually at the reporting unit level, or more often if indications of impairment exist. Our reporting units are the Adhesive Dispensing Systems segment, the Industrial Coating Systems segment and one level below the Advanced Technology Systems segment.

We test goodwill in accordance with Accounting Standards Codification (ASC) 350 and other depreciable and amortizable long-lived assets for recoverability in accordance with ASC 360. The goodwill impairment test is a two-step process. In the first step, performed in the fourth quarter of each year, we calculate a reporting unit s fair value using a discounted cash flow valuation methodology and compare the result against the reporting unit s carrying value of net assets. If the carrying value of a reporting unit is close to or exceeds its fair value, then a second step is performed to determine if goodwill is impaired. We used independent valuation specialists to assist with refining our assumptions and methods used to determine fair values using Discounted Cash Flow (DCF) methodology for our reporting units and other long-lived assets and to prepare indications of value derived from a market approach using guideline companies and a reconciliation to results of the DCF approach. In step one, the assumptions used for discounted cash flow, revenue growth, operating margin, and working capital turnover are based on general management s strategic plans tempered by performance trends and reasonable expectations

about those trends. Terminal value calculations employ a published formula known as the Gordon Growth Model Method that essentially captures the present value of perpetual cash flows beyond the last projected period assuming a constant Weighted Average Cost of Capital (WACC) methodology and growth rate. For each reporting unit, a sensitivity analysis is performed to vary the discount and terminal growth rates in order to provide a range of reasonableness that our expected assumptions are fair for detecting impairment.

Discount rates are developed using a WACC methodology. The WACC represents the blended average required rate of return for equity and debt capital based on observed market return data and company specific risk factors. For 2012, the discount rates used ranged from 9 percent to 18 percent depending upon the reporting unit s size, end market volatility, and projection risk. The calculated internal rate of return for the step one consolidated valuation was 10.2 percent, the same as the calculated WACC for total Nordson.

To test the reasonableness of the discounted cash flow valuations, we performed the control premium test, which compares the sum of the fair values calculated for our reporting units (net of debt) to the market value of equity. The control premium was 12 percent as of the test date of August 1, 2012 and negative 2 percent as of our year-end of October 31, 2012. These comparisons indicated that the discounted cash flow valuation was reasonable. In addition, indications of value derived for each reporting unit using the market approach reconciled reasonably with the results of the discounted cash flow approach.

In 2012 and 2011, the results of our step one testing indicated no impairment; therefore, the second step of impairment testing was not necessary.

The excess of fair value (FV) over carrying value (CV) was compared to the carrying value for each reporting unit. Based on the results shown in the table below and based on our measurement date of August 1, 2012, our conclusion is that no indicators of impairment exist in 2012. Potential events or circumstances, such as a sustained downturn in global economies, could have a negative effect on estimated fair values. The table below includes Sealant Equipment & Engineering, Inc.

		WACC	Excess of FV over CV	Goodwill
Adhesive Dispensing Systems Segment		9%	391%	$ 280,279
Industrial Coating Systems Segment		16%	79%	$ 23,247
Advanced Technology Systems Segment	Electronics Systems	12%	1870%	$ 15,166
Advanced Technology Systems Segment	Fluid Management	12%	28%	$ 475,149
Advanced Technology Systems Segment	Test & Inspection	18%	81%	$ 14,397

We acquired Sealant Equipment & Engineering, Inc. (SEE) on August 1, 2012. Determination of the preliminary fair value associated with this acquisition was completed with the assistance of an independent valuation specialist in October 2012. Since the date of valuation, no events or changes in circumstances have occurred that would more likely than not reduce the fair value of SEE below its carrying value. For future valuation purposes, SEE will be included in our Industrial Coating Systems segment.

Other Long-Lived Assets Our test for recoverability of long-lived depreciable and amortizable assets uses undiscounted cash flows. Long-lived assets are grouped at the lowest level for which there are identifiable cash flows. The total carrying value of long-lived assets for each reporting unit has been compared to the forecasted cash flows of each reporting unit s long-lived assets being tested. Cash flows have been defined as earnings before interest, taxes, depreciation, and amortization, less annual maintenance capital spending.

Estimates of future cash flows used to test the recoverability of a long-lived asset (asset group) are based on the remaining useful life of the asset. We believe that the relative value of long-lived assets within each reporting unit is a reasonable proxy for the relative importance of the assets in the production of cash flow. To get to a reasonable forecast period, the aggregate net book value of long-lived assets was divided by the current depreciation and amortization value to arrive at a blended remaining useful life. Our calculations for 2012 showed the undiscounted aggregate value of cash flows over the remaining useful life for each reporting unit was greater than the respective carrying value of the long-lived assets within each reporting unit, so no impairment charges were recognized.

Inventories Inventories are valued at the lower of cost or market. Cost was determined using the last-in, first-out (LIFO) method for 24 percent of consolidated inventories at October 31, 2012, and 26 percent at October 31, 2011, with the first-in, first-out (FIFO) method used for the remaining inventory. On an ongoing basis, inventory is tested for technical obsolescence, as well as for future demand and changes in market conditions. We have historically maintained inventory reserves to reflect those conditions when the cost of inventory is not expected to be recovered. Reserves are also maintained for inventory used for demonstration purposes. The inventory reserve balance was $20,505, $16,050 and $16,802 at October 31, 2012, 2011 and 2010, respectively.

Pension Plans and Postretirement Medical Plans The measurement of liabilities related to our pension plans and postretirement medical plans is based on management s assumptions related to future factors, including interest rates, return on pension plan assets, compensation increases, mortality and turnover assumptions, and health care cost trend rates.

The weighted-average discount rate used to determine the present value of our domestic pension plan obligations was 3.85 percent at October 31, 2012 and 4.46 percent at October 31, 2011. The weighted-average discount rate used to determine the present value of our various international pension plan obligations was 3.52 percent at October 31, 2012, compared to 4.43 percent at October 31, 2011. The discount rates used for all plans were determined by using quality fixed income investments with a duration period approximately equal to the period over which pension obligations are expected to be settled.

In determining the expected return on plan assets, we consider both historical performance and an estimate of future long-term rates of return on assets similar to those in our plans. We consult with and consider the opinions of financial and actuarial experts in developing appropriate return assumptions. The expected rate of return (long-term investment rate) on domestic pension assets used to determine net benefit costs was 7.75 percent in 2012 and 8.25 percent in 2011. The average expected rate of return on international pension assets used to determine net benefit costs was 4.85 percent in 2012 and 4.84 percent in 2011.

The assumed rate of compensation increases used to determine the present value of our domestic pension plan obligations was 3.12 percent at October 31, 2012 and 3.20 percent at October 31, 2011. The assumed rate of compensation increases used to determine the present value of our international pension plan obligations was 3.13 percent at October 31, 2012, compared to 3.16 percent at October 31, 2011.

Annual expense amounts are determined based on the discount rate used at the end of the prior year. Differences between actual and assumed investment returns on pension plan assets result in actuarial gains or losses that are amortized into expense over a period of years.

Economic assumptions have a significant effect on the amounts reported. The effect of a one percent change in the discount rate, expected return on assets and compensation increase is shown in the table below. Bracketed numbers represent decreases in expense and obligation amounts.

	United States		International	
	1% Point Increase	1% Point Decrease	1% Point Increase	1% Point Decrease
Discount rate:				
Effect on total service and interest cost components in 2012	$ (3,897)	$ 4,670	$ (851)	$ 1,398
Effect on pension obligation as of October 31, 2012	$ (37,767)	$ 47,918	$ (13,344)	$ 17,074
Expected return on assets:				
Effect on total service and interest cost components in 2012	$ (1,890)	$ 1,890	$ (321)	$ 321
Effect on pension obligation as of October 31, 2012	$	$	$	$
Compensation increase:				
Effect on total service and interest cost components in 2012	$ 2,792	$ (2,309)	$ 903	$ (734)
Effect on pension obligation as of October 31, 2012	$ 17,886	$ (14,864)	$ 6,304	$ (5,468)

With respect to the domestic postretirement medical plan, the discount rate used to value the benefit obligation decreased from 4.50 percent at October 31, 2011 to 3.85 percent at October 31, 2012. The annual rate of

increase in the per capita cost of covered benefits (the health care cost trend rate) is assumed to be 4.90 percent in 2013, decreasing gradually to 3.60 percent in 2017. The health care cost trend rate reflects a change in the plan design of the retiree medical plan effective January 1, 2013 moving to a Health Reimbursement Arrangement for post-65 coverage.

For the international postretirement plan, the discount rate used to value the benefit obligation was 4.40 percent at October 31, 2012 and 5.85 percent at October 31, 2011. The annual rate of increase in the per capita cost of covered benefits (the health care cost trend rate) is assumed to be 7.00 percent in 2013, decreasing gradually to 3.50 percent in 2031.

The discount rate and the health care cost trend rate assumptions have a significant effect on the amounts reported. For example, a one-percentage point change in the discount rate and assumed health care cost trend rate would have the following effects:

	United States		International	
	1% Point Increase	1% Point Decrease	1% Point Increase	1% Point Decrease
Discount rate:				
Effect on total service and interest cost components in 2012	$ (858)	$ 1,056	$ (8)	$ 10
Effect on postretirement obligation as of October 31, 2012	$ (9,402)	$ 11,835	$ (163)	$ 217
Health care trend rate:				
Effect on total service and interest cost components in 2012	$ 699	$ (558)	$ 18	$ (13)
Effect on postretirement obligation as of October 31, 2012	$ 10,827	$ (8,766)	$ 205	$ (158)

Employees hired after January 1, 2002, are not eligible to participate in the domestic postretirement medical plan.

Pension and postretirement expenses in 2013 are expected to be approximately $5,200 higher than 2012, primarily due to changes in discount rates and expected rates of return on assets.

Financial Instruments Assets, liabilities and commitments that are to be settled in cash and are denominated in foreign currencies are sensitive to changes in currency exchange rates. We enter into foreign currency forward contracts, which are derivative financial instruments, to reduce the risk of foreign currency exposures resulting from the collection of receivables, payables and loans denominated in foreign currencies. The maturities of these contracts are usually less than 90 days. Forward contracts are not designated as hedging instruments and therefore are marked to market each accounting period, and the resulting gains or losses are included in other net within other income (expense) in the Consolidated Statement of Income.

Warranties We provide customers with a product warranty that requires us to repair or replace defective products within a specified period of time (generally one year) from the date of delivery or first use. An accrual is recorded for expected warranty costs for products shipped through the end of each accounting period. In determining the amount of the accrual, we rely primarily on historical warranty claims. Amounts charged to the warranty reserve were $5,430, $7,417 and $6,068 in 2012, 2011 and 2010, respectively. The reserve balance was $8,929, $6,723 and $5,242 at October 31, 2012, 2011 and 2010, respectively.

Long-Term Incentive Plan (LTIP) Under the long-term incentive plan, executive officers and selected other key employees receive share awards based on corporate performance measures over three-year performance periods. Awards vary based on the degree to which corporate performance equals or exceeds predetermined threshold, target and maximum performance levels at the end of a performance period. No award will occur unless certain threshold performance objectives are equaled or 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 common stock at the grant date, reduced by the implied value of dividends not to be paid. Awards are recorded as capital in excess of stated value in shareholders equity. The amount recorded at October 31, 2012 for the plans originating in 2010, 2011 and 2012 was $8,707.

Compensation expense attributable to all LTIP performance periods for executive officers and selected other key employees for 2012, 2011 and 2010 was $4,235, $4,067 and $3,879, respectively.

2012 compared to 2011

Sales Worldwide sales for 2012 were $1,409,578, an increase of 14.3 percent from 2011 sales of $1,233,159. Sales volume increased 16.4 percent, and unfavorable currency effects caused by the stronger U.S. dollar decreased sales by 2.1 percent. The volume increase consisted of 8.5 percent from acquisitions and 7.9 percent from organic growth. Three acquisitions were made during 2012: EDI Holdings, Inc. (EDI) and Xaloy Superior Holdings, Inc. (Xaloy), which were included within the Adhesive Dispensing Systems segment, and Sealant Equipment & Engineering, Inc. (SEE), which was included within the Industrial Coating Systems segment. Three acquisitions were made during 2011: Micromedics, Inc. (Micromedics) and Value Plastics, which were included within the Advanced Technology Systems segment, and Constructiewerkhuizen G. Verbruggen NV (Verbruggen), which was included within the Adhesive Dispensing Systems segment.

As used throughout this Form 10-K, geographic regions include the Americas (Canada, Mexico and Central and South America), Asia Pacific (excluding Japan), Europe, Japan, and the United States.

Sales of the Adhesive Dispensing Systems segment were $684,096 in 2012, an increase of $72,185, or 11.8 percent, from 2011 sales of $611,911. The increase was the result of a sales volume increase of 14.9 percent offset by unfavorable currency effects that reduced sales by 3.1 percent. The sales volume increase consisted of 2.0 percent organic volume growth and 12.9 percent from acquisitions. Sales volume, inclusive of acquisitions, increased in all geographic regions and was particularly strong in the United States and Asia Pacific regions.

Sales of the Advanced Technology Systems segment were $515,992 in 2012, an increase of $78,760, or 18.0 percent, from 2011 sales of $437,232. The increase was the result of a sales volume increase of 18.9 percent offset by unfavorable currency effects that decreased sales by 0.9 percent. The sales volume increase consisted of 13.9 percent organic growth and 5.0 percent from acquisitions. Within the segment, volume increases occurred in all geographic regions, except Europe, and were most pronounced in Asia Pacific. Volume increases were driven by strong broad-based demand for dispensing and test and inspection in electronics end markets, especially for mobile device applications.

In 2012, sales of the Industrial Coating Systems segment were $209,490, an increase of $25,474, or 13.8 percent, from 2011 sales of $184,016. The increase was the result of a sales volume increase of 15.5 percent offset by unfavorable currency effects that reduced sales by 1.7 percent. The sales volume increase consisted of 13.3 percent organic growth and 2.2 percent from an acquisition. Sales volume increased in all geographic regions except the Americas and was most pronounced in the United States. The sales volume increase was driven by durable goods manufacturers demand for our coating and cold material system solutions.

Sales outside the United States accounted for 72.4 percent of our sales in 2012, versus 74.7 percent last year. On a geographic basis, sales in the United States were $388,904, an increase of 24.5 percent from 2011. The increase consisted of 8.2 percent organic volume and 16.3 percent from acquisitions. In the Americas region, sales were $109,074, up 6.9 percent from the prior year, with volume increasing 11.3 percent offset by unfavorable currency effects of 4.4 percent. The increase in sales volume consisted of 4.3 percent organic volume and 7.0 percent from acquisitions. Sales in Europe were $381,005 in 2012, a decrease of 2.4 percent from 2011. Sales volume increases of 3.6 percent were offset by unfavorable currency effects of 6.0 percent. The increase in sales volume consisted of a decline in organic volume of 3.1 percent offset by 6.7 percent from acquisitions. Sales in Japan for 2012 were $127,509, an increase of 14.9 percent from the prior year. The increase consisted of volume of 13.4 percent and favorable currency effects of 1.5 percent. The increase in sales volume consisted of 9.1 percent organic volume and 4.3 percent from acquisitions. In Asia Pacific, sales were $403,086, up 27.0 percent from 2011, with volume increasing 27.1 percent, partially offset by unfavorable currency effects of 0.1 percent. The increase in sales volume consisted of 22.2 percent organic volume and 4.9 percent from acquisitions.

It is estimated that the effect of pricing on total revenue was neutral relative to 2011.

Operating profit Cost of sales, including those costs classified as restructuring, were $586,289 in 2012, up 21.0 percent from 2011. The increase compared to 2011 is primarily due to increased sales volume. Gross margin, expressed as a percentage of sales, decreased to 58.4 percent in 2012 from 60.7 percent in 2011. Gross profit in 2012 was negatively impacted by higher charges for short-term inventory purchase accounting valuation adjustments related to acquisitions and costs associated with the transfer of production and start-up activities

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related to our United States Adhesive Dispensing Systems plant consolidation initiative. The costs associated with the transfer of production and start-up activities were classified as Cost of goods sold restructuring in the Consolidated Statement of Income. Other decreases in gross margin in 2012 were due primarily to the dilutive effect of acquired product lines and currency effects.

Selling and administrative expenses, excluding severance and restructuring costs, were $485,285 in 2012, an increase of $55,796, or 13.0 percent, from 2011. The increase was largely due to the addition of acquired businesses, acquisition transaction costs and higher compensation expenses related to increased employment levels, partially offset by currency effects that reduced expenses. Selling and administrative expenses for 2011 included $3,120 related to a fee paid to withdraw from a multiemployer employee pension fund in Japan.

Selling and administrative expenses as a percentage of sales decreased to 34.4 percent in 2012 from 34.8 percent in 2011, due to the higher level of sales and the favorable effects of restructuring activities.

Within Advanced Technology Systems operations, a restructuring initiative in 2012 will result in the consolidation of a facility in Florida with a facility in California. Severance costs associated with this initiative will be approximately $530. Of that amount, $12 was recorded in 2012, with the remainder to be recorded in 2013. Another restructuring initiative in 2012 within Industrial Coating Systems operations in Ohio resulted in $690 of severance costs. In 2011, restructuring initiatives within the Adhesive Dispensing Systems segment resulted in severance, moving costs and other termination fees of $1,822 in 2012 and $1,589 in 2011.

Operating profit as a percent of sales was 23.8 percent in 2012 compared to 25.6 percent in 2011. The decrease was primarily due to a lower gross margin, as noted above.

Segment operating margins in 2012 and 2011 were as follows:

Segment	2012	2011
Adhesive Dispensing Systems	30.9%	34.4%
Advanced Technology Systems	26.0%	26.2%
Industrial Coating Systems	12.4%	14.8%

Operating capacity for each of our segments can support fluctuations in order activity without significant changes in operating costs. Also, currency translation affects reported operating margins. Operating margins for each segment were unfavorably impacted by a stronger dollar during 2012 as compared to 2011.

Operating profit as a percent of sales for the Adhesive Dispensing Systems segment decreased to 30.9 percent in 2012 from 34.4 percent in 2011. The decrease was primarily due to lower gross margin related to charges for short-term purchase accounting and sales mix primarily related to acquired product lines. Operating profit in 2012 was also impacted by $2,040 of additional cost of sales related to a plant consolidation initiative completed in the second quarter and severance and moving costs of $1,822. Operating profit for 2011 included impairment losses of $1,811 on three facilities that were written down to their fair value and severance costs and other termination fees of $1,589.

Operating profit as a percent of sales for the Advanced Technology Systems segment was 26.0 percent in 2012 compared to 26.2 percent in 2011. Operating profit included charges for short-term purchase accounting of $2,213 in 2012 and $3,003 in 2011.

Operating profit as a percent of sales for the Industrial Coating Systems segment was 12.4 percent in 2012 compared to 14.8 percent in 2011. The decrease was primarily due to a lower gross margin related to large, engineered systems and charges of $1,367 for short-term purchase accounting.

Interest and other income (expense) Interest expense in 2012 was $11,153, an increase of $6,084, or 120.0 percent, from 2011. The increase was due to higher borrowing levels resulting primarily from acquisitions in 2012 and the fourth quarter of 2011 and share repurchases.

Other income in 2012 was $1,463 compared to $3,518 in 2011. Included in these amounts were foreign currency losses of $1,016 in 2012 and gains of $2,200 in 2011. The 2012 amount also included a net gain of $713 on the sale of three facilities within the Adhesive Dispensing Systems segment.

Income taxes Income tax expense in 2012 was $101,424, or 31.1 percent of pre-tax income, as compared to $92,197, or 29.3 percent of pre-tax income in 2011.

The 2012 tax rate was impacted by a favorable adjustment related to our 2011 tax provision that reduced income taxes by $400, a favorable adjustment to deferred taxes related to a tax rate reduction in the United Kingdom that reduced income taxes by $175, and additional tax expense of $325 related to an adjustment of deferred taxes resulting from a tax rate reduction in Japan.

Income tax expense for 2011 includes a benefit of $2,027 from a reduction in unrecognized tax benefits, primarily related to settlements with tax authorities. In December 2010, the U.S. Congress passed and the President signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which provided retroactive reinstatement of a research credit. As a result, income tax expense for 2011 includes a tax benefit of $1,580 related to research credit generated in 2010.

Net income (loss) Net income was $224,829, or $3.45 per diluted share, in 2012, compared to net income of $222,364, or $3.25 per diluted share in 2011. This represented a 1.1 percent increase in net income and a 6.2 percent increase in diluted earnings per share. The percentage increase in earnings per share is higher than the percentage change in net income due to a lower number of shares outstanding in the current year as a result of share purchases.

Recently issued accounting standards In December 2010, the Financial Accounting Standards Board (FASB) issued guidance that provides requirements for pro forma revenue and earnings disclosures related to business combinations. This guidance requires disclosure of revenue and earnings of the combined business as if the combination occurred at the start of the prior annual reporting period only. We adopted this standard on November 1, 2011, and required disclosures are included in Note 13.

In May 2011, the FASB clarified the guidance concerning fair value measurements and disclosures. The guidance requires the disclosure of quantitative information about unobservable inputs used, a description of the valuation processes used, and a qualitative discussion around the sensitivity of the measurements. We adopted this guidance on February 1, 2012, and there was no material impact on our consolidated financial statements.

In June 2011, the FASB issued an Accounting Standards Update (ASU) that amends current comprehensive income guidance. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of shareholders equity. Instead, comprehensive income must be reported in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. We adopted this guidance in 2012, and it did not impact our consolidated financial statements, as it only resulted in a change in the format of presentation.

In September 2011, the FASB issued guidance amending the way companies test for goodwill impairment. Companies will have the option to first assess qualitative factors to determine the existence of events or circumstances that lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, companies determine that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing the two-step impairment test is unnecessary. This guidance is effective for us beginning in 2013, with early adoption permitted. Adoption of this guidance could change our annual process for goodwill impairment testing, but will not impact the financial statements.

2011 compared to 2010

Sales Worldwide sales for 2011 were $1,233,159, an increase of 18.4 percent from 2010 sales of $1,041,551. Sales volume increased 15.2 percent, and favorable currency effects caused by the weaker U.S. dollar increased sales by 3.2 percent. Three acquisitions were made during 2011; Micromedics, Inc. (Micromedics) and Value Plastics, which were included within the Advanced Technology Systems segment, and Constructiewerkhuizen G. Verbruggen NV (Verbruggen), which was included within the Adhesive Dispensing Systems segment. The effect on sales volume of these acquisitions, less sales associated with UV graphic arts and lamps product lines divested in 2010, was less than one percent.

Sales of the Adhesive Dispensing Systems segment were $611,911 in 2011, an increase of $86,621, or 16.5 percent, from 2010 sales of $525,290. The increase was the result of a sales volume increase of 12.1 percent and favorable currency effects that increased sales by 4.4 percent. The sales volume increase generated by the Verbruggen acquisition was less than one percent. Sales volume increased in all geographic regions and was particularly strong in the Americas region. Sales increased in both consumer non-durable and consumer durable end markets.

Sales of the Advanced Technology Systems segment were $437,232 in 2011, an increase of $69,332, or 18.8 percent, from 2010 sales of $367,900. The increase was the result of a sales volume increase of 17.1 percent and favorable currency effects that increased sales by 1.7 percent. Within the segment, volume increases occurred in all geographic regions and were most pronounced in the United States. The sales volume increase generated by the Micromedics and Value Plastics acquisitions was three percent; however, this was offset by two percent resulting from the UV graphic arts and lamps product lines divested in 2010. Higher demand for consumer electronics drove the sales increase within this segment.

In 2011, sales of the Industrial Coating Systems segment were $184,016, an increase of $35,655, or 24.0 percent, from 2010 sales of $148,361. The increase was the result of a sales volume increase of 21.0 percent and favorable currency effects that increased sales by 3.0 percent. Sales volume increased in all geographic regions and was most pronounced in the Asia Pacific and Americas regions. Within this segment, sales increased across all product lines.

Sales outside the United States accounted for 74.7 percent of our sales in 2011, versus 73.7 percent in 2010. Sales increased in all five geographic regions in which we operate. In the United States, sales were $312,328 in 2011, an increase of 14.1 percent from 2010. In the Americas, sales were $102,077, up 30.8 percent from 2010. Sales volume increased 27.0 percent, and favorable currency effects increased sales by 3.8 percent. In Europe, sales were $390,319 in 2011, an increase of 16.1 percent from 2010. Sales volume increased 12.0 percent, and favorable currency effects increased sales by 4.1 percent. In Japan, sales were $111,003, up 19.0 percent from 2010. Sales volume increased 9.2 percent, and favorable currency effects added 9.8 percent. In Asia Pacific, sales were $317,432 in 2011, an increase of 21.9 percent from 2010. Sales volume increased 19.0 percent, and favorable currency effects added 2.9 percent.

It is estimated that the effect of pricing on total revenue was neutral relative to 2010.

Operating profit Cost of sales in 2011 were $484,727, up 15.4 percent from 2010. The increase compared to 2010 is due to increased sales volume. Gross margin increased to 60.7 percent in 2011 from 59.7 percent in 2010. The gross margin increase in 2011 was due to higher absorption of fixed overhead costs, low-cost sourcing, more profitable product line mix and favorable currency effects.

Selling and administrative expenses, excluding severance and restructuring costs, were $429,489 in 2011, an increase of $44,737, or 11.6 percent, from 2010. The increase was largely due to the effects of acquisitions, a $3,120 fee paid to withdraw from a multiemployer employee pension fund in Japan, and higher incentive compensation expenses resulting from a higher level of business activity in 2011. In addition, currency translation effects increased selling and administrative expenses by 2.6 percent. Selling and administrative expenses as a percentage of sales decreased to 34.8 percent in 2011 from 36.9 percent in 2010, due to the higher level of sales and the favorable effects of restructuring activities.

In 2011, restructuring initiatives were announced in the Adhesive Dispensing Systems segment that resulted in severance costs and other termination fees of $1,589. In 2008, a cost reduction program that involved a combination of non-workforce related efficiencies and workforce reductions primarily in the United States and Europe was announced. Total severance and related costs of these actions were $2,029 in 2010, which were recorded in the Corporate segment.

As a result of the 2011 Adhesive Dispensing Systems segment restructuring initiatives, three facilities were written down to their fair value based on third-party appraisals. Total impairment charges for the three facilities were $1,811.

Operating profit as a percent of sales was 25.6 percent in 2011 compared to 22.5 percent in 2010. The increase was primarily due to higher sales volume supported by a more efficient cost structure.

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Segment operating margins in 2011 and 2010 were as follows:

Segment	2011	2010
Adhesive Dispensing Systems	34.4%	31.7%
Advanced Technology Systems	26.2%	22.9%
Industrial Coating Systems	14.8%	9.8%

Operating capacity for each of our segments can support fluctuations in order activity without significant changes in operating costs. Also, currency translation affects reported operating margins. Operating margins for each segment were favorably impacted by a weaker dollar during 2011 as compared to 2010.

Operating profit as a percent of sales for the Adhesive Dispensing Systems segment increased to 34.4 percent in 2011 from 31.7 percent in 2010. The increase was primarily due to higher sales volume supported by a more efficient cost structure. Operating profit for 2011 included impairment losses of $1,811 on three facilities that were written down to their fair value and severance costs and other termination fees of $1,589.

Operating profit as a percent of sales for the Advanced Technology Systems segment was 26.2 percent in 2011 compared to 22.9 percent in 2010. The current year included charges of $3,003 related to short-term inventory purchase accounting adjustments. The operating profit increase was primarily due to higher sales volume supported by a more efficient cost structure.

Operating profit as a percent of sales for the Industrial Coating Systems segment was 14.8 percent in 2011 compared to 9.8 percent of sales in 2010. The increase was primarily due to higher sales volume supported by a more efficient cost structure.

Interest and other income (expense) Interest expense in 2011 was $5,069, a decrease of $1,194, or 19.1 percent, from 2010. The decrease was primarily due to lower borrowing levels and lower interest rates in 2011. Other income in 2011 was $3,518 compared to $1,930 in 2010. Included in these amounts were foreign currency gains of $2,200 in 2011 and $1,221 in 2010.

Income taxes Income tax expense in 2011 was $92,197, or 29.3 percent of pre-tax income, as compared to $63,271, or 27.4 percent of pre-tax income in 2010.

Income tax expense for 2011 includes a benefit of $2,027 from a reduction in unrecognized tax benefits, primarily related to settlements with tax authorities. In December 2010, the U.S. Congress passed and the President signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which provided retroactive reinstatement of a research credit. As a result, income tax expense for 2011 includes a tax benefit of $1,580 related to research credit generated in 2010.

The 2010 effective tax rate was positively impacted by a tax benefit of $10,243 from the write-off of the tax basis in our UV graphics arts and lamps product lines. The 2010 tax rate was also positively impacted by the consolidation of certain operations and legal entities, resulting in a $3,616 tax benefit, and by the utilization of foreign operating tax loss carryforwards.

The 2010 effective rate was negatively impacted by an additional tax charge of $5,249 resulting from the enactment of the Patient Protection and Affordable Care Act and the subsequent enactment of the Health Care and Education Reconciliation Act of 2010. This charge was due to a reduction in the value of a deferred tax asset as a result of a change to the tax treatment associated with Medicare Part D subsidies.

Net income (loss) Net income was $222,364, or $3.25 per diluted share, in 2011, compared to net income of $168,048, or $2.46 per diluted share in 2010.

Liquidity and Capital Resources

Cash provided by operating activities was $274,398 in 2012, up from $246,727 in 2011. The primary sources were net income, non-cash items and the tax benefit from the exercise of stock options, the sum of which is $275,373 in 2012, compared to $251,299 in 2011. Operating assets and liabilities used $975 of cash in 2012 compared to $4,572 in 2011. The primary reasons for the reduction in the use of cash for operating assets and liabilities were lower inventory investment and higher accrued obligations, partially offset by higher accounts receivable.

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Cash used by investing activities was $466,769 in 2012, as compared to $305,506 in 2011. Capital expenditures were $30,959 in 2012, up from $20,239 in the prior year. Significant expenditures in the current year include the previously announced expansion of our Adhesive Dispensing Systems segment facility in Duluth, Georgia and production equipment for our new facility in Swainsboro, Georgia, improvements at other facilities and continued investment in our information system platform. Cash proceeds of $6,120 from the sale of property, plant and equipment in 2012 were generated primarily from the sale of real estate in Norcross, Georgia. Cash of $2,213 was received in 2012 related to the sale of our UV Curing graphic arts and lamps product lines that occurred in June 2010. The acquisitions of EDI, Xaloy and SEE in 2012 used cash of $443,864, and the acquisitions of Micromedics, Verbruggen and Value Plastics used cash of $292,980 in 2011. Cash proceeds of $7,552 were received in 2011 from the maturity of bank certificates of deposit that had been purchased in 2010 and classified as short-term marketable securities.

Cash of $196,817 was provided by financing activities in 2012, compared to $50,703 in 2011. Included in 2012 were net short and long-term borrowings of $314,554, compared to $206,692 in the prior year. The increase was primarily due to higher expenditures for acquisitions of businesses in 2012. Issuance of common shares related to employee benefit plans generated $4,934 of cash in 2012, down from $9,652 in 2011, and the tax benefit from stock option exercises was $4,792 in the current year, down from $6,924 in the prior year. These decreases were the result of fewer stock option exercises. In 2012, cash of $88,455 was used for the purchase of treasury shares, down from $137,989 in 2011. Dividend payments were $33,805 in 2012, up from $29,838 in 2011 due to an increase in the annual dividend to $0.525 per share from $0.44 per share.

The following is a summary of significant changes by balance sheet caption from October 31, 2011 to October 31, 2012. Receivables increased $70,253 primarily due to higher sales in the fourth quarter of 2012, including acquisitions, compared to the fourth quarter of 2011. The increase of $27,673 in inventories is primarily due to inventory held by three acquisitions completed in 2012. Net property, plant and equipment increased $44,048 primarily due to acquisitions, our previously announced expansion of our Duluth, Georgia facility and production equipment and a capital lease asset related to a new leased facility in Swainsboro, Georgia. Goodwill increased $264,991, primarily due to three acquisitions completed in 2012 that added $266,677 of goodwill, partially offset by the effects currency translation and a reduction to goodwill of $96 related to a 2011 acquisition. The increase in net other intangibles of $107,192 was due to $122,596 of intangibles added as a result of the 2012 acquisitions, partially offset by $14,521 of amortization.

The increase in notes payable of $49,968 was related to borrowings under a short-term credit facility with PNC Bank. The increase of $16,488 in accounts payable was primarily due to 2012 acquisitions and a higher level of business activity in the fourth quarter of 2012 compared to the fourth quarter of 2011. The increase in income taxes payable of $12,071 was largely due to the timing of domestic income earned. The increase of $20,656 in accrued liabilities was primarily due to acquired businesses and increases in customer rebates and sales commissions related to higher sales. The $11,519 increase in customer advanced payments was mostly due to acquired businesses. Current maturities of long-term debt increased as a result of the reclassification from long-term to current of our $50,000 Prudential Senior note due in February 2013. The long-term debt increase of $214,582 reflects $200,000 of borrowings under a senior note purchase agreement in July 2012 and additional borrowings under our revolving credit agreement, partially offset by the reclassification mentioned above. Long-term obligations under capital leases increased $5,743 primarily due to a leased facility in Swainsboro, Georgia. The $38,341 increase in long-term pension obligations was primarily the result of a decrease in the discount rate for U.S. plans and plans of an acquired company. Long-term deferred tax liabilities increased $8,744, primarily as a result of amortization of goodwill for tax purposes, utilization of a tax loss carryforward and 2012 acquisitions, partially offset by the tax effect of pension and postretirement amounts recorded in other comprehensive income.

In September 2011, the board of directors approved a stock repurchase program of up to $100,000. This program was completed in April 2012, and the board of directors approved an additional repurchase program of up to $100,000. Uses for repurchased shares include the funding of benefit programs including stock options, nonvested 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 2012, we repurchased 1,831 shares within these programs for a total amount of $86,022.

As of October 31, 2012, approximately 73 percent of our consolidated cash and cash equivalents were held at various foreign subsidiaries. Deferred income taxes are not provided on undistributed earnings of international subsidiaries that are intended to be permanently invested in those operations. These undistributed earnings aggregated approximately $400,487 and $391,679 at October 31, 2012 and 2011, respectively. Should these earnings be distributed, applicable foreign tax credits would substantially offset United States taxes due upon the distribution.

Contractual Obligations

The following table summarizes contractual obligations as of October 31, 2012:

Obligations	**Payments Due by Period**				
	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt[1]	$ 583,709	$ 55,668	$ 21,346	$ 311,211	$ 195,484
Interest payments on long-term debt[1]	58,743	8,563	14,347	13,220	22,613
Capital lease obligations[2]	21,093	6,714	7,771	1,424	5,184
Operating leases[2]	44,767	12,408	13,435	7,459	11,465
Notes payable[3]	50,001	50,001			
Contributions related to pension and postretirement benefits[4]	28,800	28,800			
Purchase obligations[5]	45,684	45,595	89		
Total obligations	$ 832,797	$ 207,749	$ 56,988	$ 333,314	$ 234,746

(1) We have a $500,000 unsecured, multicurrency credit facility with a group of banks that expires in 2017 and may be increased to $750,000 under certain conditions. This facility replaced our previous facility that was scheduled to expire in 2012. At October 31, 2012, $262,450 was outstanding under this facility, compared to $192,200 outstanding at October 31, 2011 under the prior credit facility. There are two primary financial covenants that must be met under this facility. The first covenant limits the amount of total indebtedness that can be incurred to 3.5 times consolidated trailing EBITDA (both indebtedness and EBITDA as defined in the credit agreement). The second covenant requires consolidated trailing EBITDA to be at least three times consolidated trailing interest expense (both as defined in the credit agreement). At October 31, 2012, we were in compliance with all debt covenants, and the amount we could borrow under the credit facility would not have been limited by any debt covenants.

In 2008, we entered into a Note Purchase and Private Shelf Agreement (the Agreement) with Prudential Investment Management, Inc. The Agreement consists of a $50,000 Senior Note and a $100,000 Private Shelf Facility. The Private Shelf Facility expired in February 2011 and was not drawn upon. The Senior Note bears interest at a rate of 4.98 percent and matures on February 22, 2013 and is unsecured. The 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 October 31, 2012.

In 2011, we entered into a $150,000 three-year Private Shelf Note agreement with New York Life Investment Management LLC. Borrowings under the agreement may be up to 12 years, with an average life of up to 10 years and are unsecured. The interest rate on each borrowing can be fixed or floating and is based upon the market rate at the borrowing date. This agreement contains customary events of default and covenants related to limitations on indebtedness and the maintenance of certain financial ratios. At October 31, 2012, $69,445 was outstanding under this facility at a fixed rate of 2.21 percent per annum. We were in compliance with all covenants at October 31, 2012, 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 October 31, 2012.

See Note 8 for additional information.

(2) See Note 6 for additional information.

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(3) In 2012, we entered into a $250,000 Credit Agreement with PNC Bank. The agreement provides for a delayed draw term loan facility that matures 364 days after the date of the agreement. We borrowed $250,000 under this agreement for the EDI and Xaloy acquisitions and repaid $200,000 using proceeds of the Senior Notes described above, leaving a balance of $50,000 outstanding at October 31, 2012. No additional borrowings can be made under this agreement, and any future repayments will reduce the maximum amount by the amount of the repayment. We were in compliance with all covenants at October 31, 2012. In addition, we have various lines of credit with foreign banks totaling $40,260 of which $40,259 was unused at October 31, 2012.

See Note 7 for additional information.

(4) Pension and postretirement plan funding amounts after 2013 will be determined based on the future funded status of the plans and therefore cannot be estimated at this time. See Note 3 for additional information.

(5) Purchase obligations primarily represent commitments for materials used in our manufacturing processes that are not recorded in our Consolidated Balance Sheet.

We believe that the combination of present capital resources, internally generated funds and unused financing sources are more than adequate to meet cash requirements for 2013. There are no significant restrictions limiting the transfer of funds from international subsidiaries to the parent company.

Outlook

Our operating performance, balance sheet position, and financial ratios for 2012 remained strong relative to 2011 and recent years, while uncertainties persisted in global financial markets and the general economic environment. Going forward, we are well-positioned to manage our liquidity needs that arise from working capital requirements, capital expenditures, contributions related to pension and postretirement obligations, and principal and interest payments on indebtedness. Primary sources of capital to meet these needs, as well as other opportunistic investments, are cash provided by operations and borrowings under our loan agreements. In 2012, cash from operations was 20 percent of revenue. With respect to borrowing under existing loan agreements, as of October 31, 2012, we had $237,550 available capacity under our five-year term, $500,000 unsecured, multicurrency credit facility. In addition, we had $75,000 borrowing capacity remaining on our $150,000 three-year Private Shelf agreement with New York Life Investment Management LLC. While these facilities provide the contractual terms for any borrowing, we cannot be assured that these facilities would be available in the event that these financial institutions failed to remain sufficiently capitalized.

Other loan agreements exist with no remaining borrowing capacity, but factor into debt covenant calculations that affect future borrowing capacity. As of October 31, 2012, we have a balance of $50,000 due on our $250,000 credit agreement with PNC Bank. No additional amount can be re-borrowed under this agreement. On July 26, 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. And since 2008, we have had a $50,000 senior note with Prudential Investment Management, Inc. that will mature in 2013.

Respective to all of these loans are two primary covenants, the leverage ratio that restricts indebtedness (net of cash) to a maximum 3.5 times consolidated four-quarter trailing EBITDA and the interest coverage ratio that requires four-quarter trailing EBITDA to be at minimum three times four-quarter trailing interest expense. (Debt, EBITDA, and interest expense are as defined in respective credit agreements.) With respect to these two primary covenants as of October 31, 2012, we were approximately 41 percent of the most restrictive leverage ratio and approximately seven times the most restrictive interest coverage ratio. Unused borrowing capacity under existing loan agreements would amount to an additional 22 percent of the most restrictive leverage ratio for four-quarter trailing EBITDA as of October 31, 2012.

We move forward with caution in our approach to 2013, given persistent uncertainties related primarily to European sovereign debt issues, US deficit reduction issues, and prospects for slowing growth in Asian markets. Though the near-term global macroeconomic outlook remains somewhat unclear, our growth potential has been demonstrated over time from our capacity to build and enhance our core 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 continued operational

improvements by employing continuous improvement methodologies to 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 and pursue strategic acquisition opportunities. For fiscal years 2009 2012, excluding voluntary contributions to US defined benefit plans in 2010, cash from operations have been 19 to 21 percent of revenues, resulting in more than sufficient cash for our ordinary business requirements. Our available borrowing capacity primarily will enable us to make opportunistic investments in our own common shares and strategic business combinations.

With respect to contractual spending, the table above presents our financial obligations as $832,797 of which $207,749 is payable in 2013. As of March 1, 2012, we have in place a stock repurchase program approved by the board of directors and authorizing management at its discretion to repurchase shares up to $100,000. As of October 31, 2012, we have $84,883 remaining under this authorization. The repurchase program is being funded using cash from operations and proceeds from borrowings under our credit facilities. Timing and actual number of shares subject to repurchase are contingent on a number of factors including levels of cash generation from operations, cash requirements for acquisitions, repayment of debt and our share price. Capital expenditures for 2013 will be focused primarily upon our continued efforts to leverage our information systems platform and invest in projects that improve manufacturing and distribution operations.

Effects of Foreign Currency

The impact of changes in foreign currency exchange rates on sales and operating results cannot be precisely measured due to fluctuating selling prices, sales volume, product mix and cost structures in each country where we operate. As a general rule, a weakening of the United States dollar relative to foreign currencies has a favorable effect on sales and net income, while a strengthening of the dollar has a detrimental effect.

In 2012, as compared with 2011, the United States dollar was generally stronger against foreign currencies. If 2011 exchange rates had been in effect during 2012, sales would have been approximately $26,386 higher and third-party costs would have been approximately $16,015 higher. In 2011, as compared with 2010, the United States dollar was generally weaker against foreign currencies. If 2010 exchange rates had been in effect during 2011, sales would have been approximately $33,499 lower and third-party costs would have been approximately $17,872 lower. These effects on reported sales do not include the impact of local price adjustments made in response to changes in currency exchange rates.

Inflation

Inflation affects profit margins as the ability to pass cost increases on to customers is restricted by the need for competitive pricing. Although inflation has been modest in recent years and has had no material effect on the years covered by these financial statements, we continue to seek ways to minimize the impact of inflation through focused efforts to increase productivity.

Trends

The Five-Year Summary in Item 6 documents our historical financial trends. Over this period, the world s economic conditions fluctuated significantly. Our solid performance is attributed to our participation in diverse geographic and industrial markets and our long-term commitment to develop and provide quality products and worldwide service to meet our customers changing needs.

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

This Form 10-K, 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 United States and global economies. Statements in this 10-K that are not historical are hereby identified as forward-looking statements and may be indicated by words or phrases such as anticipates, supports, plans, projects, expects, believes, should, would forecast, management is of the opinion, use of the future tense and similar words or phrases.

In light of these risks and uncertainties, actual events and results may vary significantly from those included in or contemplated or implied by such statements. Readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Factors that could cause our actual results to differ materially from the expected results are discussed in Item 1A, Risk Factors.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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 exchange contracts to reduce our risks related to most of these transactions. These contracts, primarily associated with the euro, yen and pound sterling, typically have maturities of 90 days or less, and generally require the exchange of foreign currencies for United States dollars at rates stated in the contracts. Gains and losses from changes in the market value of these contracts offset foreign exchange losses and gains, respectively, on the underlying transactions. Other transactions denominated in foreign currencies are designated as hedges of our net investments in foreign subsidiaries or are intercompany transactions of a long-term investment nature. As a result of the use of foreign exchange contracts on a routine basis to reduce the risks related to most of our transactions denominated in foreign currencies, as of October 31, 2012, we did not have material foreign currency exposure.

Note 9 to the financial statements contains additional information about our foreign currency transactions and the methods and assumptions used to record these transactions.

A portion of our operations is financed with short-term and long-term borrowings and is subject to market risk arising from changes in interest rates.

The tables that follow present principal repayments and weighted-average interest rates on outstanding borrowings of fixed-rate debt.

At October 31, 2012

	2013	2014	2015	2016	2017	Thereafter	Total Value	Fair Value
Annual repayments of long-term debt	**$ 55,668**	**$ 10,671**	**$ 10,675**	**$ 10,679**	**$ 38,082**	**$ 195,484**	**$ 321,259**	**$ 322,174**
Average interest rate on total borrowings outstanding during the year	**3.1%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.9%**	**3.1%**	

At October 31, 2011

	2012	2013	2014	2015	2016	Thereafter	Total Value	Fair Value
Annual repayments of long-term debt	$ 5,664	$55,668	$ 10,671	$ 10,675	$ 10,679	$ 33,566	$ 126,923	$ 121,650
Average interest rate on total borrowings outstanding during the year	3.3%	3.4%	2.2%	2.2%	2.2%	2.3%	3.3%	

We also have variable-rate notes payable and long-term debt. The weighted average interest rate of this debt was 1.1 percent at October 31, 2012 and 0.5 percent at October 31, 2011. A one percent increase in interest rates would have resulted in additional interest expense of approximately $2,951 on the variable rate notes payable and long-term debt in 2012.

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Item 8. Financial Statements and Supplementary Data

Consolidated Statements of Income

Years ended October 31, 2012, 2011 and 2010	2012	2011	2010
(In thousands except for per-share amounts)			
Sales	**$ 1,409,578**	$ 1,233,159	$ 1,041,551
Operating costs and expenses:			
Cost of sales	**584,249**	484,727	419,937
Cost of sales restructuring	**2,040**		
Selling and administrative expenses	**485,285**	429,489	384,752
Severance and restructuring costs	**2,524**	1,589	2,029
Long-lived asset impairments		1,811	
	1,074,098	917,616	806,718
Operating profit	**335,480**	315,543	234,833
Other income (expense):			
Interest expense	**(11,153)**	(5,069)	(6,263)
Interest and investment income	**463**	569	819
Other net	**1,463**	3,518	1,930
	(9,227)	(982)	(3,514)
Income before income taxes	**326,253**	314,561	231,319
Income tax provision:			
Current	**91,596**	91,481	36,441
Deferred	**9,828**	716	26,830
	101,424	92,197	63,271
Net income	**$ 224,829**	$ 222,364	$ 168,048
Average common shares	**64,407**	67,616	67,610
Incremental common shares attributable to outstanding stock options, nonvested stock and deferred stock-based compensation	**696**	809	832
Average common shares and common share equivalents	**65,103**	68,425	68,442
Basic earnings per share	**$ 3.49**	$ 3.29	$ 2.49
Diluted earnings per share	**$ 3.45**	$ 3.25	$ 2.46
Dividends declared per common share	**$ 0.525**	$ 0.44	$ 0.39

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

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Consolidated Statements of Comprehensive Income

Years ended October 31, 2012, 2011 and 2010 *(In thousands)*	**2012**	**2011**	**2010**
Net income	**$ 224,829**	$ 222,364	$ 168,048
Components of other comprehensive income (loss), net of tax:			
Cumulative translation adjustments	**(10,806)**	562	(4,361)
Pension and postretirement benefit plans:			
Prior service credit arising during the year	**2,142**	714	1,138
Net actuarial loss arising during the year	**(23,829)**	(20,966)	(15,466)
Amortization of prior service cost	**(183)**	(300)	(1,120)
Amortization of actuarial loss	**7,899**	6,284	6,593
Remeasurement of supplemental pension liability			(2,746)
Settlement loss recognized	**563**		5,126
Total pension and postretirement benefit plans	**(13,408)**	(14,268)	(6,475)
Total other comprehensive loss	**(24,214)**	(13,706)	(10,836)
Total comprehensive income	**$ 200,615**	$ 208,658	$ 157,212

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

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Consolidated Balance Sheets

October 31, 2012 and 2011 *(In thousands)*	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	**$ 41,239**	$ 37,408
Marketable securities	**279**	
Receivables net	**324,563**	254,310
Inventories net	**169,585**	141,912
Deferred income taxes	**29,929**	25,378
Prepaid expenses	**21,028**	17,949
Total current assets	**586,623**	476,957
Property, plant and equipment net	**174,931**	130,883
Goodwill	**812,817**	547,826
Intangible assets net	**227,891**	120,699
Other assets	**27,253**	28,085
	$ 1,829,515	$ 1,304,450
Liabilities and shareholders equity		
Current liabilities:		
Notes payable	**$ 50,001**	$ 33
Accounts payable	**62,869**	46,381
Income taxes payable	**27,354**	15,283
Accrued liabilities	**121,950**	101,294
Customer advance payments	**20,894**	9,375
Current maturities of long-term debt	**55,668**	5,664
Current obligations under capital leases	**4,948**	4,131
Total current liabilities	**343,684**	182,161
Long-term debt	**528,041**	313,459
Obligations under capital leases	**10,945**	5,202
Pension obligations	**161,399**	123,058
Postretirement obligations	**69,851**	71,943
Deferred income taxes	**26,159**	17,415
Other liabilities	**19,666**	19,889
Shareholders equity:		
Preferred shares, no par value; 10,000 shares authorized; none issued		
Common shares, no par value; 160,000 shares authorized; 98,023 shares issued at October 31, 2012 and 2011	**12,253**	12,253
Capital in excess of stated value	**287,581**	272,928
Retained earnings	**1,181,245**	990,221
Accumulated other comprehensive loss	**(104,226)**	(80,012)
Common shares in treasury, at cost	**(707,083)**	(624,067)
Total shareholders equity	**669,770**	571,323
	$ 1,829,515	$ 1,304,450

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

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Consolidated Statements of Shareholders Equity

Years ended October 31, 2012, 2011 and 2010 *(In thousands)*	2012	2011	2010
Number of common shares in treasury			
Balance at beginning of year	**32,422**	30,152	30,667
Shares issued under company stock and employee benefit plans	**(571)**	(936)	(1,448)
Purchase of treasury shares	**1,915**	3,206	933
Balance at end of year	**33,766**	32,422	30,152
Common shares			
Balance at beginning and ending of year	**$ 12,253**	$ 12,253	$ 12,253
Capital in excess of stated value			
Balance at beginning of year	**$ 272,928**	$ 255,595	$ 241,494
Shares issued under company stock and employee benefit plans	**(504)**	1,564	(1,330)
Tax benefit from stock option and restricted stock transactions	**4,792**	6,924	7,798
Stock-based compensation	**10,365**	8,845	7,633
Balance at end of year	**$ 287,581**	$ 272,928	$ 255,595
Retained earnings			
Balance at beginning of year	**$ 990,221**	$ 797,695	$ 656,086
Net income	**224,829**	222,364	168,048
Dividends paid ($.525 per share in 2012, $.44 per share in 2011, and $.39 per share in 2010)	**(33,805)**	(29,838)	(26,439)
Balance at end of year	**$ 1,181,245**	$ 990,221	$ 797,695
Accumulated other comprehensive income (loss)			
Balance at beginning of year	**$ (80,012)**	$ (66,306)	$ (55,470)
Translation adjustments	**(10,806)**	562	(4,361)
Remeasurement of supplemental pension liability, net of tax of $1,648			(2,746)
Settlement loss recognized, net of tax of $(331) in 2012 and $(3,085) in 2010	**563**		5,126
Net prior service cost arising during the year, net of tax of $(1,078) in 2012, $(315) in 2011 and $3 in 2010	**1,959**	414	18
Net actuarial loss arising during the year, net of tax of $7,791 in 2012, $9,002 in 2011 and $4,756 in 2010	**(15,930)**	(14,682)	(8,873)
Balance at end of year	**$ (104,226)**	$ (80,012)	$ (66,306)
Common shares in treasury, at cost			
Balance at beginning of year	**$ (624,067)**	$ (494,165)	$ (484,387)
Shares issued under company stock and employee benefit plans	**7,762**	13,315	20,309
Purchase of treasury shares	**(90,778)**	(143,217)	(30,087)
Balance at end of year	**$ (707,083)**	$ (624,067)	$ (494,165)
Total shareholders equity	**$ 669,770**	$ 571,323	$ 505,072

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

Consolidated Statements of Cash Flows

Years ended October 31, 2012, 2011 and 2010 *(In thousands)*	2012	2011	2010
Cash flows from operating activities:			
Net income	**$ 224,829**	$ 222,364	$ 168,048
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**24,469**	20,758	22,625
Amortization	**14,521**	8,018	6,263
Long-lived asset impairments		1,811	
Provision for losses on receivables	**710**	977	607
Deferred income taxes	**9,828**	716	26,830
Tax benefit from the exercise of stock options	**(4,792)**	(6,924)	(7,798)
Non-cash stock compensation	**10,365**	8,845	7,633
(Gain)/loss on sale of property, plant and equipment	**(638)**	362	(18)
Loss on divestiture			357
Other	**(3,919)**	(5,628)	(10,791)
Changes in operating assets and liabilities:			
Receivables	**(49,595)**	(4,474)	(50,732)
Inventories	**171**	(14,666)	(15,004)
Other current assets	**(1,201)**	(1,619)	222
Other noncurrent assets	**(1,290)**	875	(2,837)
Accounts payable	**4,882**	4,389	7,046
Income taxes payable	**18,855**	(1,993)	18,170
Accrued liabilities	**12,923**	3,263	5,466
Customer advance payments	**2,124**	(2,382)	2,614
Other noncurrent liabilities	**12,156**	12,035	(38,515)
Net cash provided by operating activities	**274,398**	246,727	140,186
Cash flows from investing activities:			
Additions to property, plant and equipment	**(30,959)**	(20,239)	(14,317)
Proceeds from sale of property, plant and equipment	**6,120**	161	354
Proceeds from sale of product lines	**2,213**		(990)
Acquisition of businesses, net of cash acquired	**(443,864)**	(292,980)	(18,576)
Proceeds from sale of (purchases of) marketable securities	**(279)**	7,552	(7,795)
Net cash used in investing activities	**(466,769)**	(305,506)	(41,324)
Cash flows from financing activities:			
Proceeds from short-term borrowings	**250,001**	190	12,566
Repayment of short-term borrowings	**(200,033)**	(2,361)	(11,411)
Proceeds from long-term debt	**401,175**	1,039,800	116,000
Repayment of long-term debt	**(136,589)**	(830,937)	(162,290)
Repayment of capital lease obligations	**(5,203)**	(4,738)	(4,392)
Issuance of common shares	**4,934**	9,652	13,828
Purchase of treasury shares	**(88,455)**	(137,989)	(24,935)
Tax benefit from the exercise of stock options	**4,792**	6,924	7,798
Dividends paid	**(33,805)**	(29,838)	(26,439)
Net cash provided by (used in) financing activities	**196,817**	50,703	(79,275)
Effect of exchange rate changes on cash	**(615)**	3,155	3,961
Increase (decrease) in cash and cash equivalents	**3,831**	(4,921)	23,548
Cash and cash equivalents at beginning of year	**37,408**	42,329	18,781

Cash and cash equivalents at end of year	**$ 41,239**	$ 37,408	$ 42,329