

NORDSON CORP
Form DEF 14A
January 20, 2006

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SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant Rule 14a-12

NORDSON CORPORATION
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
Not Applicable
- (2) Aggregate number of securities to which transaction applies:
Not Applicable
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
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- (5) Total fee paid:
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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- (1) Amount Previously Paid:
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NORDSON CORPORATION

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Edward P. Campbell
*Chairman and
Chief Executive Officer*

January 20, 2006

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders to be held at the Spitzer Conference Center, 1005 North Abbe Road, Elyria, Ohio, at 9:30 a.m. on Tuesday, February 21, 2006. We hope that you will be able to attend.

The Notice of Annual Meeting of Shareholders and the Proxy Statement, which are included in this booklet, describe the matters to be acted upon at the meeting. Regardless of the number of shares you own, your vote on these matters is important. Whether or not you plan to attend the meeting, I urge you to mark your choices on the enclosed proxy card and to sign and return it in the envelope provided. If you later decide to vote in person at the meeting, you will have an opportunity to revoke your proxy and vote by ballot.

I look forward to seeing you at the meeting.

Sincerely,
EDWARD P. CAMPBELL
Chairman and
Chief Executive Officer

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**NORDSON CORPORATION
NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS**

The Annual Meeting of Shareholders of Nordson Corporation will be held at the Spitzer Conference Center, 1005 North Abbe Road, Elyria, Ohio, at 9:30 a.m. on Tuesday, February 21, 2006. The purposes of the meeting are:

1. To elect four directors to the class whose term expires in 2009;
2. To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on December 30, 2005 are entitled to notice of and to vote at the meeting.

For the Board of Directors

ROBERT E. VEILLETTE

Secretary

January 20, 2006

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**NORDSON CORPORATION
PROXY STATEMENT**

The Board of Directors of Nordson Corporation requests your proxy for use at the Annual Meeting of Shareholders to be held on February 21, 2006, and at any adjournments of that meeting. This Proxy Statement is to inform you about the matters to be acted upon at the meeting.

If you attend the meeting, you can vote your shares by ballot. If you do not attend, your shares can still be voted at the meeting if you sign and return the enclosed proxy card. Shares represented by a properly signed card will be voted in accordance with the choices marked on the card. If no choices are marked, the shares will be voted to elect the nominees listed below. You may revoke your proxy before it is voted by giving notice to Nordson in writing or orally at the meeting. However, your presence at the Annual Meeting, without any further action on your part, will not revoke your previously granted proxy.

This Proxy Statement and the enclosed proxy card are being mailed to shareholders on or about January 20, 2006. Nordson's executive offices are located at 28601 Clemens Road, Westlake, Ohio 44145, telephone number (440) 892-1580.

ELECTION OF DIRECTORS

Nordson's Board of Directors is composed of eleven directors, divided into two classes of four members and one class of three members. The terms of these classes as of the 2006 Annual Meeting will expire in 2007, 2008 and 2009. Each of the directors serves for a term of three years and until a successor is elected. The Board of Directors met five times during the last fiscal year.

The name and age of each of the four nominees for election as directors for terms expiring in 2009, as well as present directors whose terms will continue after the meeting, appear below together with his or her principal occupation for at least the past five years, the year each became a director of the Company and certain other information. The information is as of January 20, 2006.

Nominees For Terms Expiring in 2009

Name	Age	Present Principal Employment and Prior Business Experience	Director Since
William P. Madar	66	Mr. Madar served as Chairman of the Board of Nordson from October 1997 through March 2004 and was Vice Chairman and Chief Executive Officer from August 1996 to October 1997. Mr. Madar is a director of Brush Engineered Materials, Inc., a producer and supplier of beryllium and related products, specialty metal systems and precious metal products, and The Lubrizol Corp., a manufacturer of specialty chemicals.	1985
William W. Colville	71	Mr. Colville was Senior Vice President Law, General Counsel and Secretary of Owens-Corning Fiberglas Corp. from 1984 until December 1994 and served as a legal consultant to Owens-Corning from January 1995 until October 2000. Owens-Corning manufactures glass fiber products and related materials. Mr. Colville is a director of Owens-Corning.	1988

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Name	Age	Present Principal Employment and Prior Business Experience	Director Since
Edward P. Campbell	56	Mr. Campbell has served as Chairman and Chief Executive Officer of Nordson since March 12, 2004. He served as President and Chief Executive Officer of Nordson from November 1997 to March 2004 and as President and Chief Operating Officer of Nordson from August 1996 to October 1997. He is a director of KeyCorp, a financial services company, and OMNOVA Solutions, Inc., a manufacturer of specialty chemicals, emulsion polymers and decorative and building products.	1996
Dr. David W. Ignat	64	Dr. Ignat was the Scientific Editor and General Manager of Nuclear Fusion, a research journal published by the International Atomic Energy Agency, from 1996 through 2002. From 2000 through 2001, he was a consultant to the Princeton Plasma Physics Laboratory, Princeton University.	2002

Present Directors Whose Terms Expire in 2007

Name	Age	Present Principal Employment and Prior Business Experience	Director Since
William D. Ginn	82	Mr. Ginn is a retired former partner with the law firm of Thompson Hine LLP. As a retired former partner of Thompson Hine LLP, Mr. Ginn does not receive any compensation from nor does he render any services to or on behalf of the firm. At the time the Board of Directors adopted the mandatory retirement age for directors, Mr. Ginn had already reached age 75 and was exempted from this requirement.	1959
Stephen R. Hardis	70	Mr. Hardis served as Chairman and Chief Executive Officer of Eaton Corporation from January 1996 through July 2000. Eaton produces automation systems and equipment, capital and consumer goods components, aerospace and defense systems, and automotive components. Mr. Hardis is a director of Lexmark International, Inc., a manufacturer and seller of computer printer products; Marsh & McLennan Cos., a provider of insurance and reinsurance, consulting, and investment advisory and management services; American Greetings Corporation, a creator, manufacturer and distributor of greeting cards and special occasion products; The Progressive Corporation, an insurance holding company; STERIS Corporation, a maker of technologies to control infection and contamination; and Axcelis Technologies, Inc., a producer of ion implantation equipment used in the semiconductor manufacturing industry.	1984
William L. Robinson	64	For the last six years, Mr. Robinson has been a professor of law at the University of the District of Columbia's David A. Clarke School of Law. In 2000, Mr. Robinson was a visiting professor of law at the University of Maryland School of Law.	1995

Benedict P. Rosen	69	Mr. Rosen has served as Chairman of AVX Corporation since July 1997 and was Chief Executive Officer of AVX Corporation from July 1997 through July 2001. AVX is an international producer of electronic components.	1999
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Table of Contents**Present Directors Whose Terms Expire in 2008**

Name	Age	Present Principal Employment and Prior Business Experience	Director Since
Peter S. Hellman	56	Mr. Hellman was elected President and Chief Financial and Administrative Officer of Nordson on March 12, 2004. Mr. Hellman served as Executive Vice President and Chief Financial and Administrative Officer of Nordson from February 2000 to March 2004. From 1995 through February 1999, Mr. Hellman was President and Chief Operating Officer of TRW Inc., where he also served on its board of directors and as a member of the management committee. TRW was a provider of advanced technology products and services for the automotive, aerospace and information systems markets. Mr. Hellman serves as a director of Qwest Communications International Inc., a leading provider of voice, video and data services, and Baxter International Inc., a global medical products and services company.	2001
Mary G. Puma	48	Ms. Puma is Chairman of the Board and Chief Executive Officer of Axcelis Technologies, Inc., a producer of ion implantation equipment used in the semiconductor manufacturing industry. Previous to her election as President and Chief Executive Officer of Axcelis in January 2002, Ms. Puma served as Axcelis President and Chief Operating Officer from May 2000 to January 2002 and as Vice President of Semiconductor Equipment Operations of Eaton Corporation from January 1999 to May 2000.	2001
Joseph P. Keithley	57	Mr. Keithley is Chairman of the Board, President and Chief Executive Officer of Keithley Instruments, Inc., a provider of measurement solutions to the semiconductor, fiber optics, telecommunications and electronics industries. He has served as Chairman of the Board of Keithley Instruments since 1991, as CEO since 1993 and as President since 1994. Mr. Keithley is also a director of Brush Engineered Materials, Inc., a producer and supplier of beryllium and related products, specialty metal systems and precious metal products.	2001

In accordance with the Company's Governance Guidelines regarding retirement of a director, Dr. Glenn R. Brown retired from Nordson's Board of Directors on May 24, 2005. Dr. Brown served as a director of the Company from 1986 until his retirement in May 2005. With Dr. Brown's retirement, the Board of Directors now has eleven members.

No shareholder or group that beneficially owns 5% or more of Nordson's outstanding Common Shares has recommended a candidate for election as a director at the 2006 Annual Meeting of the Shareholders.

Corporate Governance, Committees of the Board of Directors, and Attendance

The Board of Directors has adopted the Nordson Corporation Governance Guidelines (the Guidelines). The Guidelines were amended by action of the Board of Directors on December 7, 2005, pursuant to a recommendation from the Governance and Nominating Committee, to provide for share ownership guidelines for directors and executive officers. The amended Guidelines (found at Appendix A to this Proxy Statement) as well as the committee charters referenced therein are available for review in the Corporate Governance section of the Company's website: www.nordson.com.

The Company has a Code of Business and Ethical Conduct (the Code) that addresses the Company s commitment to honesty, integrity and the ethical behavior of the Company s directors, officers and

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employees with current and potential customers, consumers, fellow employees, competitors, government and self-regulatory agencies, investors, the public, the media and anyone else with whom the Company has or may have contact. Violations of any of the standards of the Code will be met with appropriate disciplinary action, up to and including termination of employment. Retaliation against any director, officer or employee who files a report concerning what he or she reasonably believes to be conduct that violates the Code is strictly prohibited. The Code is posted in the Corporate Governance section of the Company's website: www.nordson.com.

Independent Directors

The Board of Directors has affirmatively determined that each director, except for Messrs. Campbell and Hellman, is an independent director within the meaning of the independence standards of the National Association of Securities Dealers (NASD). The Guidelines provide that the Board of Directors will be comprised of a majority of independent directors and that only those directors or nominees who meet the listing standards of the NASD will be considered independent. The Guidelines also provide that the independent directors of the Board will meet in executive session no less than two times a year. The independent directors met two times during the last fiscal year.

Committees and Meetings of the Board of Directors

Meetings of the Board. The Company's Board of Directors has five regularly scheduled meetings each year. Special meetings are held as necessary. In addition, management and the directors communicate informally on a variety of topics, including suggestions for Board or Committee agenda items, recent developments and other matters of interest to the directors. The Board monitors overall corporate performance and the integrity of the Company's financial controls and legal compliance procedures. The Board of Directors considers it important to continually evaluate and improve the effectiveness of the Board and its committees. The Board and each of its standing committees conduct an annual self-evaluation. The Governance and Nominating Committee oversees the Board's self-evaluation process.

Audit Committee. The Audit Committee presently consists of five members, Messrs. Colville, Ginn, Madar, Dr. Ignat and Ms. Puma. The Company's securities are quoted on the National Association of Securities Dealers Automated Quotations National Market System. All members of the Audit Committee meet the independence standards of the NASD. The Board of Directors has designated William P. Madar and Mary G. Puma as audit committee financial experts pursuant to the SEC's final rules implementing Section 407 of the Sarbanes-Oxley Act. The Audit Committee is responsible for:

reviewing the proposed audit programs (including both independent and internal audits) for each fiscal year, the results of these audits, and the adequacy of the Company's systems of internal accounting control;

the appointment, compensation, and oversight of the independent auditors for each fiscal year;

the approval of all permissible audit and non-audit services to be performed by the independent auditors;

the establishment of procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

the approval of all related-party transactions.

A more detailed discussion of the purposes, duties, and responsibilities of the Audit Committee is found in the Committee's charter included in this Proxy Statement as Attachment 1 to the Guidelines. The Committee has discussed with the independent auditors the auditors' independence from management and the Company, including the matters in written disclosures required by the Independence Standards Board, and considered the compatibility of non-audit services with the auditors' independence. The Audit Committee Report to the Board of Directors is attached to this Proxy Statement as Appendix B. The Audit Committee met six times during the last fiscal year.

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Compensation Committee. The present members of the Compensation Committee are Messrs. Hardis, Keithley, Robinson and Rosen. All members of the Compensation Committee meet the NASD independence standards. The Compensation Committee is responsible for approving executive officer compensation and for administering the incentive and equity participation plans which make up the variable compensation paid to executive officers including Nordson's 2004 Long-Term Performance Plan (the Performance Plan), 2004 Management Incentive Compensation Plan, Deferred Compensation Plan, and Long-Term Incentive Plan. The Committee also administers employee stock plans and other benefit plans, including the Company's Excess Defined Benefit Pension Plan and Excess Defined Contribution Retirement Plan. During the last fiscal year, the Compensation Committee met seven times.

Governance and Nominating Committee. The present members of the Governance and Nominating Committee are Messrs. Colville, Ginn, Hardis and Rosen. All members of the Governance and Nominating Committee meet the NASD independence standards. The purpose of the Governance and Nominating Committee is to ensure that the Board of Directors and its committees are appropriately constituted so that the Board and directors may effectively meet their fiduciary obligations to shareholders and the Company. A more detailed discussion of the purposes, duties, and responsibilities of the Governance and Nominating Committee is found in the Committee's charter which is available for review in the Corporate Governance section of the Company's website: www.nordson.com. The Governance and Nominating Committee met three times during the last fiscal year.

Pension and Finance Committee. The present members of the Pension and Finance Committee are Messrs. Keithley, Madar, Robinson, Dr. Ignat and Ms. Puma. The purpose of the Pension and Finance Committee is to provide oversight of the named fiduciaries (the Company and the Company's Administrative Committee for Qualified Retirement Plans) administration of the Nordson Corporation Salaried and Hourly-Rated Employees Savings Trust (NEST) and Salaried and Hourly-Rated Employees Pension Plans (the Plans), including oversight of the Company's and Administrative Committee's selection and evaluation of the performance of investment managers that have investment management authority over assets of the NEST and the Plans. During the last fiscal year, the Pension and Finance Committee met two times. Directors are expected to attend the Annual Meeting of Shareholders and all Board of Directors meetings and meetings of committees on which a director serves. During the last fiscal year each director attended at least seventy-five percent of the meetings of the Board of Directors and of the committees on which he or she served. All directors except Mr. Keithley attended the 2005 Annual Meeting of the Shareholders.

Compensation of Directors

Nordson pays non-employee directors a fee of \$7,500 per quarter and \$1,500 for each Board meeting attended. Each non-employee director is also paid \$1,000 for each committee meeting attended. The Chairperson of the Audit Committee receives an additional \$1,250 per quarter. The Chairperson of the Compensation Committee receives an additional \$1,000 per quarter with Chairpersons of other committees receiving an additional \$750 per quarter.

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The following table sets forth the actual total compensation paid to each director for services provided as a director, including any amounts payable for committee participation for the last fiscal year and fiscal year 2004.

Director	2004 (\$)	2005 (\$)
Dr. Glenn R. Brown (1)	42,000	39,500
Edward P. Campbell (2)	n/a	n/a
William W. Colville	45,000	44,000
William D. Ginn	44,000	48,500
Stephen R. Hardis	46,000	53,500
Peter S. Hellman (2)	n/a	n/a
Dr. David W. Ignat	45,000	46,500
Joseph P. Keithley	45,000	48,000
William P. Madar (3)	68,000	47,500
Mary G. Puma	48,000	50,500
William L. Robinson	45,000	48,500
Benedict P. Rosen	45,000	51,500

(1) Dr. Brown was paid for only a portion of fiscal year 2005 due to his retirement from Nordson's Board of Directors on May 24, 2005.

(2) As employees of the Company, Messrs. Campbell and Hellman do not receive directors' fees.

(3) Includes fees paid to Mr. Madar in 2004 as Chairman of the Board.

Non-employee directors may defer all or part of their fees until retirement under the Performance Plan. The fees may be deferred as cash and credited with interest at a U.S. Treasury rate, or they may be translated into stock equivalents based on the market price of Nordson Common Shares when the fees are earned and credited with additional stock equivalents when dividends are paid.

Non-employee directors annually are granted an option to purchase 2,500 Nordson Common Shares and receive 500 restricted Nordson Common Shares. The option vests six months from the date of grant and must be exercised no later than ten years from the date of grant. Restrictions on transfer of Nordson Common Shares expire six months from the date of grant.

Effective December 7, 2005, the Company established stock ownership guidelines for directors and executive officers as a way to align more closely the interests of the directors and executive officers with those of the Company's shareholders. Directors and executive officers are now required to own the following amount of Nordson Common Shares:

Directors	5 times annual retainer
Chief Executive Officer	5 times base salary
President	3 times base salary
Other Executive Officers	2 times base salary

The foregoing ownership targets are to be achieved within five years of joining the Board or, for executive officers, within five years after being hired or promoted to an executive officer position. Current directors and executive officers are to achieve the target stock ownership within five years after December 7, 2005, the date the ownership

guidelines were adopted by the Board.

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The following table shows the number and percent of Nordson Common Shares beneficially owned on December 30, 2005 by each of the directors, including nominees; each of the executive officers named in the Summary Compensation Table set forth on page 14; any persons known to Nordson to be the beneficial owner of more than 5% of Nordson Common Shares; and by all directors and executive officers as a group.

Name	Number of Shares (1)	Percent
Edward P. Campbell (2)	926,519	2.7
William W. Colville	42,892	0.1
William D. Ginn (3)(4)(5)	529,796	1.6
Stephen R. Hardis	94,173	0.3
Peter S. Hellman (2)	324,904	1.0
Dr. David W. Ignat	1,611,198	4.8
Joseph P. Keithley	19,215	0.1
William P. Madar	216,466	0.7
Mary G. Puma	14,415	*
William L. Robinson	35,480	0.1
Benedict P. Rosen	36,980	0.1
Donald J. McLane (2)	350,488	1.0
Michael Groos (2)	18,538	0.1
Robert A. Dunn, Jr. (2)	110,079	0.3
Eric T. Nord (6)	2,849,146	8.6
Columbia Wanger Asset Management LP (7)	2,579,700	7.7
Barclays Global Investors, N.A. (8)	1,931,505	5.8
All directors and executive officers as a group (17 people) (9)	4,472,773	12.8

* Less than 0.1%.

- (1) Except as otherwise stated in notes (2) through (6) below, beneficial ownership of the shares held by each of the directors, executive officers and affiliates consists of sole voting power and sole investment power, or of voting power and investment power that is shared with the spouse of the director, executive officer or affiliate. Beneficial ownership of the shares held by the non-employee directors includes the right to acquire shares on or before February 28, 2006 under the Stock Option provisions of the Performance Plan and the Directors Deferred Compensation provisions of the Performance Plan in the following amounts: Mr. Colville, 36,947 shares; Mr. Ginn, 0 shares; Mr. Hardis, 66,860 shares; Dr. Ignat, 11,360 shares; Mr. Keithley, 17,215 shares; Mr. Madar, 28,144 shares; Ms. Puma, 12,415 shares; Mr. Robinson, 33,234 shares; and Mr. Rosen, 33,068 shares.
- (2) These include the right to acquire shares on or before February 28, 2006 in amounts as follows: Mr. Campbell, 723,676 shares; Mr. Hellman, 279,113 shares; Mr. McLane, 268,113 shares; Mr. Groos, 6,938 shares; and Mr. Dunn, 90,638 shares. With respect to Mr. Campbell, the number of shares include 21,164 stock equivalent units held by Mr. Campbell under the Nordson Corporation Deferred Compensation Plan.
- (3) These include 130,910 shares held by Mr. Ginn as trustee of various trusts for the grandchildren of Eric Nord.
- (4)

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These include 349,145 shares held by the Eric and Jane Nord Foundation. As a trustee of this foundation, Mr. Ginn has shared voting power and shared investment power with respect to these shares.

(5) These include 12,000 shares held by the Ginn Family Fund. As a trustee of this fund, Mr. Ginn has shared voting power and shared investment power with respect to these shares.

(6) On November 9, 2004, the Board of Directors named Mr. Nord to the honorary position of Chairman Emeritus of Nordson. Mr. Nord has sole voting power and sole investment power with respect to

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1,846,162 of these shares, has shared voting power and shared investment power with respect to 981,261 of these shares, and has the right to acquire 21,723 shares on or before February 28, 2006. Mr. Nord's business address is c/o Nordson Corporation, 28601 Clemens Road, Westlake, Ohio 44145.

(7) Based on most recent 13F filings; Columbia Wanger Asset Management LP is a registered investment advisor and is located at 227 West Monroe Street, Suite 3000, Chicago, Illinois 60606.

(8) Based on most recent 13F filings; Barclays Global Investors, N.A., is a registered investment advisor and is located at 45 Fremont Street, San Francisco, California 94105.

(9) Beneficial ownership of the shares held by each of the directors and executive officers as a group consists of sole voting power with respect to 143,150 shares, sole voting and sole investment power with respect to 2,252,125 shares, shared voting power and shared investment power with respect to 361,145 shares, and the right to acquire 1,716,353 shares on or before February 28, 2006.

As of December 30, 2005, present and former directors, officers and employees of Nordson and their families beneficially owned over 12 million Nordson Common Shares, representing 36.2% of the outstanding shares. Nordson is party to an agreement that, with some exceptions, gives Nordson a right of first refusal with respect to proposed sales of Nordson Common Shares by Eric Nord, individually or as testamentary trustee, Mr. Ginn, as trustee, and The Nord Family Foundation.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires directors and executive officers of Nordson and persons who own more than ten percent of Nordson's Common Shares to file reports of ownership and changes in ownership of Nordson Common Shares held by them with the Securities and Exchange Commission. Copies of these reports must also be provided to the Company.

Based on its review of these reports, the Company believes that, during the fiscal year ended October 30, 2005, all reports were filed on a timely basis by reporting persons.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Committee Report on Executive Compensation

The Compensation Committee (the Committee) of the Board of Directors, each member of which satisfies the independence standards of the NASD, is responsible for approving executive management compensation and for administering the incentive and equity participation plans which make up the variable compensation paid to executive officers (Officers). The Committee also administers employee stock plans and certain other benefit plans.

The Committee and the Board of Directors believe that the executive management compensation program should support the goals and objectives of the Company. These goals and objectives should balance the importance of annual financial performance with the equally important creation and protection of long-term fundamentals, which support long-term growth and profitability.

Nordson's executive management compensation program:

establishes compensation performance objectives that are directly linked to corporate goals;

provides a high degree of leverage between compensation and corporate performance;

creates long-term incentives directly linked to shareholder returns; and

is designed to attract, retain and motivate key executives.

The Company's executive compensation program consists of base salary, annual cash bonuses, stock awards, and long-term incentive awards. All of these components are designed with the objective of attracting and retaining executives and motivating management to meet and exceed Company growth and profitability goals. In determining the total amount and mix of the compensation package for each Officer,

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the Committee utilizes external competitive information provided by independent executive compensation consultants. The Committee also considers the overall value to the Company of each Officer based upon individual performance and past and expected contribution by each Officer towards the achievement of the Company's performance goals.

Total Cash Compensation

The cash compensation program is designed to provide each Officer with varying amounts of total cash compensation depending upon both the individual performance of the Officer and the financial performance of Nordson compared to the financial performance of similar industrial companies. The intent is to establish a direct correlation between Nordson's financial performance and Officer compensation such that the percentile ranking of Officer total cash compensation will generally correlate with the percentile ranking of Nordson's performance.

This correlation is established by setting Officer base salaries at approximately the median of similarly sized industrial company base salaries, and varying the annual cash bonus awards according to Nordson's financial performance and each Officer's individual performance. Although the annual cash bonus awards are generally set based upon the degree to which Nordson met its financial targets and individual Officers met their performance goals, these targets and goals and the corresponding bonus payments are periodically calibrated so as to have Officer total cash compensation at various levels of performance generally correlate with external market compensation and performance.

Base Salary

Officer base salaries are targeted at approximately the 50th percentile salary for similar positions within similarly sized industrial companies. The Committee reviews the competitiveness of the base salary of each Officer annually and, if appropriate, salaries are changed based upon individual performance and competitive position.

Annual Cash Bonus

Officer annual bonuses are funded primarily based upon corporate and individual performance with payment amounts determined by reference to one or more of the performance factors set forth in the Management Incentive Compensation Plan. For fiscal year 2005, the Board of Directors and the Committee set two quantitative performance measures: (1) earnings per share growth and (2) after-tax return on capital. Threshold, target and maximum performance levels are established for each measure. No bonus is earned if the actual performance is less than threshold; a bonus of increasing amount is earned as actual performance exceeds threshold; and a maximum bonus is earned if actual performance equals or exceeds the maximum level. In addition to performance against these corporate measures, the Committee evaluates the performance of each Officer against established individual performance measures. Over time, actual bonus awards can vary from no bonus being paid to the maximum bonus being paid, but will generally average around target levels. During fiscal year 2005 earnings per share grew 24%, which exceeded the maximum performance level for this measure. After-tax return on capital, using the Committee methodology that applies a capital charge for unamortized goodwill, was 31%, which exceeded the maximum performance level for this measure. After considering management's very strong performance against corporate and individual measures, the Committee approved cash bonus awards for Mr. Campbell and the four other most highly compensated Officers as indicated in the Summary Compensation Table on page 14.

Though payment of annual bonuses are based primarily on pre-established performance measures, the Committee may, however, choose to modify measures, change payment levels or otherwise exercise discretion to reflect the external economic environment and individual Officer or Company performance.

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Long-Term Incentives

Long-term incentives consist of stock options, restricted stock and performance-based cash or stock awards granted under the Long-Term Incentive Plan. The Committee believes that through the use of stock and performance-based cash or stock awards, Officer interests are directly tied with those of the Company's shareholders.

Officers are granted stock options annually with an exercise price equal to the average of the high and low price quoted for Nordson Common Shares on the date of grant. These options are not fully exercisable until four years following the date of grant, expire in ten years, and, at the Committee's sole discretion, are subject to (i) a clawback (profit disgorgement) where an Officer acts inconsistent with the non-compete provision of his or her employee agreement following termination of employment or (ii) forfeiture in the event an Officer's employment is terminated due to a criminal act, fraud or other such behavior inconsistent with the Company's Code of Business and Ethical Conduct. The stock option award is designed to reinforce a long-term perspective and to help retain key executives. Officers receive cash or stock awards under the Long-Term Incentive Plan based solely on corporate performance over three-year performance periods. Awards vary based on the degree to which corporate performance exceeds predetermined threshold, target and maximum performance levels at the end of a performance period. No award will occur unless the Company achieves certain threshold performance objectives. The Committee may, however, choose to modify measures, change payment levels or otherwise exercise discretion to reflect the external economic environment and individual or Company performance.

For awards granted pursuant to the Long-Term Incentive Plan, the Committee chooses specific measures for each successive three-year performance period. In fiscal year 2002, the Committee established performance measures for the 2003-2005 performance period applicable to all Officers based on cumulative earnings per share and a reduction in day sales of inventory during the three-year period. For the 2003-2005 performance period, performance exceeded the maximum performance levels for both cumulative earnings per share and inventory reduction during the three-year period. Cumulative earnings per share for the three-year period were \$4.91, representing an average compound annual rate of growth of 43%. Day sales of inventory were reduced by 19% during the three-year period. This reduction was achieved despite a 30% increase in sales and the continuing effect of strengthening foreign currencies over the period to inflate the stated value of inventory held at international locations. Also, the award granted under the Long-Term Incentive Plan was adjusted to reflect the performance of Nordson's share price during the three-year performance period. The Company's share price grew 42% from fiscal year end 2002 to fiscal year end 2005. Awards granted for the 2003-2005 performance period are presented in the Summary Compensation Table on page 14.

The Committee has established performance measures for the 2004-2006, 2005-2007 and 2006-2008 performance periods applicable to all Officers based on cumulative earnings per share and cumulative revenue. The 2004-2006 and 2005-2007 awards, if any, will be granted in the form of cash. The 2006-2008 award, if any, will be granted in the form of Nordson Common Shares.

Deferred Compensation Plan

The Deferred Compensation Plan provides Officers and key employees of Nordson with an opportunity to defer receipt of cash compensation (base salary and incentive compensation). Participants may elect to defer all or part of their cash compensation (base salary and incentive compensation) for a period of years or until retirement. Participants can select from seven investment funds from which the earnings on their deferred cash compensation account will be determined.

Chief Executive Officer Compensation

The fiscal year 2005 compensation for Mr. Campbell was earned pursuant to the arrangements described above. The Committee approved a fiscal year 2005 base salary increase for Mr. Campbell after considering both his overall performance in this key strategic leadership role and the competitiveness of his base salary in comparison to the marketplace.

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In determining the annual bonus to be paid to Mr. Campbell, the Committee considered the Company's excellent performance against the corporate financial measures of earnings per share growth and after-tax return on capital and other performance measures. His bonus payment reflects that corporate financial performance exceeded the maximum performance levels against the earnings per share growth and after-tax return on capital measures. In addition, the Company had a number of significant financial, commercial and operational achievements including:

1. Sales growth to a record \$839 million;
2. Expansion of operating margins to 14.5% of sales to a record \$122 million;
3. Continuing excellent cash flow management resulting in over \$80 million of free cash flow after investments in working capital and capital expenditures and the payment of dividends; and
4. Significant progress in driving revenue growth through the development of new applications and new markets for Nordson technology.

Mr. Campbell was granted stock options and long-term incentive performance units based upon the factors described in earlier sections of this Report. As described above, for the 2003-2005 performance period under the Long-Term Incentive Plan, performance exceeded the maximum performance levels for both cumulative earnings per share and a reduction in day sales of inventory during the three-year period. Cumulative earnings per share for the three-year period were \$4.91, representing an average compound annual rate of growth of 43%. Day sales of inventory were reduced by 19% during the three-year period. This reduction was achieved despite a 30% increase in sales and the continuing effect of strengthening foreign currencies over the period to inflate the stated value of inventory held at international locations. Also, the award granted under the Long-Term Incentive Plan was adjusted to reflect the performance of Nordson's share price during the three-year performance period. The Company's share price grew 42% from fiscal year end 2002 to fiscal year end 2005. An award was granted to Mr. Campbell under the Long-Term Incentive Plan and is presented in the Summary Compensation Table on page 14.

The Compensation Committee's philosophy with respect to the award of incentive compensation to all Officers, including the chief executive officer, is to link incentive compensation to achievement of established performance measures. This philosophy has been consistently followed during Mr. Campbell's tenure as chief executive officer of the Company. While the cash bonuses paid to Mr. Campbell for fiscal years 2003-2005 have been at maximum due to exceptional performance during these years, cash bonuses paid to Mr. Campbell over the eight years he has been chief executive officer have been consistent with those paid to chief executive officers of similarly performing industrial companies over that same period.

Deduction Limitation on Executive Compensation

Under Section 162(m) of the Internal Revenue Code, the Company may not deduct annual compensation in excess of \$1 million paid to certain employees, generally its Chief Executive Officer and its four other most highly compensated executive officers, unless that compensation qualifies as performance-based compensation. Compensation that is considered qualified performance-based compensation generally does not count toward Section 162(m)'s \$1 million deduction limit.

In general, the Company's policy is to preserve the federal income tax deductibility of compensation it pays to its executives. Accordingly, the Committee has taken appropriate actions, to the extent it believes feasible, to preserve the deductibility of annual incentive, long-term performance, and stock awards. The Committee believes that the Management Incentive Compensation Plan is a performance driven compensation plan and therefore satisfies the requirements for exemption under Internal Revenue Code Section 162(m). However, notwithstanding this general policy, the Committee will continue to retain the discretion to authorize payments that may not be deductible if it believes that they are in the best interests of both the Company and its shareholders.

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The annual incentive payments the Committee awarded to Officers in fiscal year 2005 were subject to, and made in accordance with performance-based provisions of the Management Incentive Compensation Plan. In addition and pursuant to the Committee's expectation, Mr. Campbell and Mr. Hellman voluntarily elected to defer the awards granted for the 2003-2005 performance period pursuant to the Deferred Compensation Plan.

The Committee will continue to monitor its compensation policy for deductibility under Section 162(m), including encouraging deferrals of otherwise non-deductible payments.

Compensation Committee of the Board of Directors:

Stephen R. Hardis, Chairman

Joseph P. Keithley

William L. Robinson

Benedict P. Rosen

January 20, 2006

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Summary Compensation Table

The following table sets forth individual compensation information for Edward P. Campbell and the four other most highly compensated Officers whose total annual salary and bonus for the fiscal year ended October 30, 2005 exceeded \$100,000:

Name And Principal Position	Year	Annual Compensation			Long-Term Compensation Awards			
		Salary (\$)	Bonus (\$) (1)	Other Annual Compensation (\$) (2)	Restricted Stock	Securities Underlying Options/ Payouts	L-TIP Payouts	All Other Compensation