STANDEX INTERNATIONAL CORP/DE/
Form 10-K
August 27, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2013 Commission File Number 1-7233

STANDEX INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its Charter)

DELAWARE	31-0596149
(State of incorporation)	*(I.R.S. Employer Identification No.)*
11 KEEWAYDIN DRIVE, SALEM, NEW HAMPSHIRE	03079
(Address of principal executive offices)	*(Zip Code)*

(603) 893-9701
(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE

SECURITIES EXCHANGE ACT OF 1934:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value $1.50 Per Share	New York Stock Exchange

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES [ ] **NO** [X]

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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **YES** [X] **NO** [ ]

Indicate 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. [ ]

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 __ Accelerated filer X Non-accelerated filer __ 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 the voting and non-voting common equity held by non-affiliates of the Registrant at the close of business on December 31, 2012 was approximately $656,000,000. Registrant s closing price as reported on the New York Stock Exchange for December 31, 2012 was $51.29 per share.

The number of shares of Registrant's Common Stock outstanding on August 21, 2013 was 12,697,067

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant s 2013 Annual Meeting of Stockholders (the Proxy Statement) are incorporated by reference into Part III of this report.

Forward Looking Statement

Statements contained in this Annual Report on Form 10-K that are not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as should, could, "may," will, expect," "believe "estimate," "anticipate," intends, "continue," or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company s business and the results of its operations and may cause the actual results of operations in future periods to differ materially from those currently expected or desired. These factors include, but are not limited to material adverse or unforeseen legal judgments, fines, penalties or settlements, conditions in the financial and banking markets, including fluctuations in exchange rates and the inability to repatriate foreign cash, general and international recessionary economic conditions, including the impact, length and degree of the current slow growth conditions on the customers and markets we serve and more specifically conditions in the food service equipment, automotive, construction, aerospace, energy, transportation and general industrial markets, lower-cost competition, the relative mix of products which impact margins and operating efficiencies, both domestic and foreign, in certain of our businesses, the impact of higher raw material and component costs, particularly steel, petroleum based products and refrigeration components, an inability to realize the expected cost savings from restructuring activities, effective completion of plant consolidations, cost reduction efforts, restructuring including procurement savings and productivity enhancements, capital management improvements, strategic capital expenditures, and the implementation of lean enterprise manufacturing techniques, the inability to achieve the savings expected from the sourcing of raw materials from and diversification efforts in emerging markets, the inability to attain expected benefits from strategic alliances or acquisitions and the inability to achieve synergies contemplated by the Company. Other factors that could impact the Company include changes to future pension funding requirements. In addition, any forward-looking statements represent management's estimates only as of the day made and should not be relied upon as representing management's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company and management specifically disclaim any obligation to do so, even if management's estimates change.

PART I

Item 1. Business

Standex International Corporation (Standex , the Company" or "we" (1)) was incorporated in 1975 and is the successor of a corporation organized in 1955. We have paid dividends each quarter since Standex became a public corporation in November 1964.

We are a leading manufacturer of a variety of products and services for diverse industrial market segments. We have 11 operating segments, aggregated and organized for reporting purposes into five segments: Food Service Equipment

Group, Engraving Group, Engineering Technologies Group, Electronics Products Group and Hydraulics Products Group. Overall management, strategic development and financial control are maintained by the executive staff from our corporate headquarters located in Salem, New Hampshire.

Our corporate strategy has several primary components.

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It is our objective to grow larger and more profitable business units through both organic initiatives and acquisitions. On an ongoing basis we identify and implement organic growth initiatives such as new product development, geographic expansion, introduction of products and technologies into new markets and applications and leveraging of sales synergies between business units, key accounts and strategic sales channel partners. Also, we utilize strategically aligned or bolt on acquisitions to create both sales and cost synergies with our core business platforms to accelerate their growth and margin improvement. There is a particular focus on identifying and investing in opportunities to increase the global presence and capabilities of our businesses. From time to time we have divested businesses that we felt were not strategic or did not meet our growth and return expectations.

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Our focus is on the growth and development of businesses that provide customer solutions or engineered products that provide higher levels of added value to our customers. These types of businesses generally demonstrate the ability to sustain sales and profit growth over time and provide superior operating margins to enhance shareholder returns.

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We have a focus on operational excellence through the continuous improvement in the cost structure of our businesses and in management of working capital. We recognize that our businesses are competing in a global economy that requires that we constantly strive to improve our competitive position. We have deployed a number of management competencies including lean enterprise, the use of low cost manufacturing facilities in countries such as Mexico, India, and China, the consolidation of manufacturing facilities to achieve economies of scale and leveraging of fixed infrastructure costs, alternate sourcing to achieve procurement cost reductions, and capital improvements to increase shop floor productivity, which drives improvements in the cost structure of our business units. Further, we have made a priority of improving the utilization and efficiency in the investment of working capital in our business units.

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Finally, we have a constant focus on cash flow generation. We recognize that cash flow is fundamental in our ability to invest in organic and acquisitive growth for our business units and return cash to our shareholders in the form of dividend to reflect the measure of quality from the earnings that we generate over time.

(1)

References in this Annual Report on Form 10-K to "Standex" or the "Company" or we, our or us shall mean Standex International Corporation and its subsidiaries.

(2)

Unless otherwise noted, references to years are to fiscal years.

Please visit our web site at www.standex.com to learn more about us or to review our most recent SEC filings. The information on our web site is for informational purposes only and is not incorporated into this Annual Report on Form 10-K.

Description of Segments

Food Service Equipment Group

Our Food Service Equipment businesses are leading, broad-line manufacturers of commercial food service equipment which includes products on the cold or in the refrigerated segment of food service applications and on the hot or in the cooking, warming or holding segment of the market. Our products are used throughout the entire commercial food service process; from storage, to preparation, to cooking and to display. The equipment that we design and manufacture is utilized in restaurants, convenience stores, quick-service restaurants, supermarkets, drug stores and institutions such as hotels, casinos and both corporate and school cafeterias to meet the challenges of providing food and beverages that are fresh and appealing while at the same time providing for food safety, energy efficiency and reliability of the equipment performance. The Food Service Equipment Group also applies technology and product expertise in the health science and medical markets. Customers in this segment include laboratories, health care institutions, and blood banks. Our products are sold direct, through dealer buying groups and through industry representatives. Through innovation and acquisition, we continue to expand this segment. Our brands and products include:

- Master-Bilt® and Kool Star® refrigerated reach-in and under counter refrigerated cabinets, cases, display units, and walk-in coolers and freezers

- Nor-Lake, Incorporated walk-in coolers and freezers and reach-in and under counter refrigerated cabinets to meet food service and scientific needs

- APW Wyott®, American Permanent Ware, Bakers Pride®, Tri-Star and BevLes® commercial ranges, ovens, griddles, char broilers, holding cabinets, toasters and combination steam and convection ovens used in cooking, toasting, warming and merchandising food

- American Foodservice custom-fabricated food service counter systems, buffet tables and cabinets

- Barbecue King® and BKI® commercial cook and hold units, rotisseries, pressure fryers, ovens and baking equipment

- Federal Industries merchandizing display cases

- Procon® rotary vane pumps used in beverage and industrial fluid handling applications

Engraving Group

Our Engraving Group is a world leader in texturizing molds used in the production of plastic components, giving the final product the cosmetic appearance and appeal that consumers require. We provide texturizing services for molds used in produce plastic components, automotive applications, and consumer products including household items made of plastic, toys, computers, and electronic devices. Our worldwide locations enable us to better serve our customers within key geographic areas, including the United States, Canada, Europe, China, India, Southeast Asia, Korea, Australia, South Africa, and South America. In addition to mold texturizing, the Engraving Group also produces embossed and engraved rolls and plates and process tooling and machinery serving a wide variety of industries. Through the development of new digital based process technology, new   green field   facilities particularly focused on expansion in emerging markets, and acquisitions, the Engraving Group continues to build its market leadership position and to expand the breadth of products and services it provides to its customers on a global basis. The companies and products within the Engraving Group include Roehlen®, Eastern Engraving and I R International which engrave and emboss rolls and plates used in manufacturing continuous length materials; Innovent which makes specialized tooling used to manufacture absorbent cores of many consumer and medical products; Mold-Tech® which texturizes molds used in manufacturing plastic injected components; Mullen® Burst Testers; and; Perkins providing customized texturing solutions for every application. Our products are primarily sold direct through our global sales network. The Engraving Group serves a number of industries including the automotive, plastics, building products, synthetic materials, converting, textile and paper industry, computer, housewares, and construction industries.

Engineering Technologies Group

The Company s Engineering Technologies Group consists of the Spincraft unit, with locations in North Billerica, Massachusetts and New Berlin, Wisconsin, and Metal Spinners Group, located in Newcastle, UK. The group provides single-source customized solutions using a wide variety of world-class precision manufacturing capabilities, including metal spinning, heat treating, machining, press forming and other fabrication services for virtually all workable metal alloys. Our components and assemblies can be found in a wide variety of advanced applications and sales are made directly to our customers in the aerospace, aviation, defense, energy, industrial, medical, marine, and oil and gas markets.

Electronics Products Group

Our Electronics Products Group consists of Standex Electronics and Standex Meder Electronics, which manufactures reed switches, electrical connectors, sensors, toroids and relays, fixed and variable inductors and electronic assemblies, fluid sensors, tunable inductors, transformers and magnetic components. Sales are made both directly to customers and through manufacturers representatives, dealers and distributors. End user market segments include automotive, white goods, lighting, HVAC, aerospace, military, medical, security, and general industrial applications.

Our investment in Meder more than doubled the size of our Electronics Products Group, allowed us to complement our existing electronics business with significantly broadened product line offerings, end-user markets, and manufacturing support that will enhanced our global footprint for sales coverage and profitable growth.

Hydraulics Products Group

Our Hydraulics Products Group is a leader in mobile hydraulic cylinders including single or double acting telescopic and piston rod hydraulic cylinders. Custom Hoists Inc. a global supplier and manufacturer of our hydraulic cylinders used in the production of both dump trucks and dump trailers, related to refuse, and other material handling applications. Sales are made directly to OEMs manufacturing dump trucks, trash collection vehicles, lift trucks and other mobile units requiring hydraulic power.

Raw Materials

Raw materials and components necessary for the manufacture of our products are generally available from numerous sources. Generally, we are not dependent on a single source of raw materials and supplies. We do not foresee unavailability of materials or supplies which would have a significant adverse effect on any of our businesses, nor any of our segments, in the near term. The prices of many commodities that we use generally remain at higher levels than in past years. Discussion of the impacts of these materials is included in Management s Discussion and Analysis.

Seasonality

We are a diversified business with generally low levels of seasonality, however our fiscal third quarter is typically the period with the lowest level of sales volume.

Patents and Trademarks

We hold approximately 70 United States patents and patents pending covering processes, methods and devices and approximately 30 United States trademarks. Many counterparts of these patents have also been registered in various foreign countries. In addition, we have various foreign registered and common law trademarks.

While we believe that many of our patents are important, we credit our competitive position in our niche markets to engineering capabilities, manufacturing techniques and skills, marketing and sales promotions, service and the delivery of quality products.

Due to the diversity of our businesses and the markets served, the loss of any single patent or trademark would not, in our opinion, materially affect any individual segment.

Customers

Our business is not dependent upon a single customer or a few large customers, the loss of any one of which would have a material adverse effect on our operations. No customer accounted for more than 5% of our consolidated revenue in fiscal 2013 or any of the years presented.

Working Capital

Our primary source of working capital is the cash generated from continuing operations. No segments require any special working capital needs outside of the normal course of business.

Backlog

Backlog orders believed to be firm at June 30, 2013 and 2012 are as follows (in thousands):

		2013		**2012**
Food Service Equipment	$	$45,371	$	48,782
Engraving		11,116		11,443
Engineering Technologies		55,356		51,756
Electronics		28,671		16,732
Hydraulics		2,688		2,892
Total		143,202		131,605
Net realizable beyond one year		10,322		11,914
Net realizable within one year	$	$132,880	$	119,691

Competition

Standex manufactures and markets products many of which have achieved a unique or leadership position in their market. However, we encounter competition in varying degrees in all product groups and for each product line. Competitors include domestic and foreign producers of the same and similar products. The principal methods of competition are product performance and technology, price, delivery schedule, quality of services, and other terms and conditions.

International Operations

Our International operations are included in Food Service Equipment, Engraving, Engineering Technologies, Electronics Products and Hydraulics Products business segments. International operations are conducted at 40 locations, in Europe, Canada, China, India, Singapore, Korea, Australia, Mexico, Brazil, and South Africa. See the Notes to Consolidated Financial Statements for international operations financial data. Our international operations contributed approximately 26% of operating revenues in 2013 and 23% in 2012. International operations are subject to certain inherent risks in connection with the conduct of business in foreign countries including, exchange controls, price controls, limitations on participation in local enterprises, nationalizations, expropriation and other governmental action and changes in currency exchange rates.

Research and Development

Developing new and improved products, broadening the application of established products, continuing efforts to improve our methods, processes, and equipment continues to driven our success. However, due to the nature of our manufacturing operations and the types of products manufactured, expenditures for research and development are not significant to any individual segment or in the aggregate. Research and development costs are quantified in the Notes to Consolidated Financial Statements. We develop and design new products to meet customer needs or in order to offer enhanced products or to provide customized solutions for customers.

Environmental Matters

To the best of our knowledge, we believe that we are presently in substantial compliance with all existing applicable environmental laws and regulations and do not anticipate any instances of non-compliance that will have a material effect on our future capital expenditures, earnings or competitive position.

Financial Information about Geographic Areas

Information regarding revenues from external customers attributed to the United States, all foreign countries and any individual foreign country, if material, is contained in the Notes to Consolidated Financial Statements for Industry Segment Information.

Number of Employees

As of June 30, 2013, we employed approximately 4,400 employees of which approximately 2,000 were in the United States. About 300 of our U.S. employees were represented by unions. Approximately 38% of our production workforce is situated in low-cost manufacturing regions such as Mexico, Brazil and Asia.

Executive Officers of Standex

The executive officers of the Company as of June 30, 2013 were as follows:

Name	**Age**	**Principal Occupation During the Past Five Years**
Roger L. Fix	60	Chief Executive Officer of the Company since January 2003; President of the Company since December 2001 and Chief Operating Officer of the Company from December 2001 to December 2002.
Thomas D. DeByle	53	Vice President and Chief Financial Officer of the Company since March 2008.
Deborah A. Rosen	58	Chief Legal Officer of the Company since October 2001; Vice President of the Company since July 1999.
John Abbott	54	Group Vice President of the Food Service Group since December 2006.

The executive officers are elected each year at the first meeting of the Board of Directors subsequent to the annual meeting of stockholders, to serve for one-year terms of office. There are no family relationships among any of the directors or executive officers of the Company.

Long-Lived Assets

Long-lived assets are described and discussed in the Notes to Consolidated Financial Statements under the caption Long-Lived Assets.

Available Information

Standex s corporate headquarters are at 11 Keewaydin Drive, Salem, New Hampshire 03079, and our telephone number at that location is (603) 893-9701.

The U.S. Securities and Exchange Commission (the SEC) maintains an internet website at http://www.sec.gov that contains our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements, and all amendments thereto. All reports that we file with the SEC may be read and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Standex s internet website address is www.standex.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements, and all amendments thereto, are available free of charge on our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. In addition, our code of business conduct, our code of ethics for senior financial management, our corporate governance guidelines, and the charters of each of the committees of our Board of Directors (which are not deemed filed by this reference), are available on our website and are available in print to any Standex shareholder, without charge, upon request in writing to Chief Legal Officer, Standex International Corporation, 11 Keewaydin Drive, Salem, New Hampshire, 03079.

The certifications of Standex s Chief Executive Officer and Chief Financial Officer, as required by the rules adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, are filed as exhibits to this Form 10-K.

Item 1A. Risk Factors

An investment in the Company s common shares involves various risks, including those mentioned below and those that are discussed from time to time in our other periodic filings with the SEC. Investors should carefully consider these risks, along with the other information filed in this report, before making an investment decision regarding our common shares. All of these risks could have a material adverse effect on our financial condition, results of operations and/or value of our common shares.

A continuation of the deterioration in the economic environment could adversely affect our operating results and financial condition.

Recessionary economic conditions coupled with a tightening of credit could continue to adversely impact major markets served by our businesses, including cyclical markets such as automotive, heavy construction vehicle, general industrial and food service. A continuation of the economic recession could adversely affect our business by:

reducing demand for our products and services, particularly in markets where demand for our products and services is cyclical;

causing delays or cancellations of orders for our products or services;

reducing capital spending by our customers;

increasing price competition in our markets;

increasing difficulty in collecting accounts receivable;

increasing the risk of excess or obsolete inventories;

increasing the risk of impairment to long-lived assets due to reduced use of manufacturing facilities;

increasing the risk of supply interruptions that would be disruptive to our manufacturing processes; and

reducing the availability of credit for our customers.

We rely on our credit facility to provide us with sufficient capital to operate our businesses.

We rely on our revolving credit facility to provide us with sufficient capital to operate our businesses. The availability of borrowings under our revolving credit facility is dependent upon our compliance with the covenants set forth in the facility, including the maintenance of certain financial ratios. Our ability to comply with these covenants is dependent upon our future performance, which is subject to economic conditions in our markets along with factors that are beyond our control. Violation of those covenants could result in our lenders restricting or terminating our borrowing ability under our credit facility, cause us to be liable for covenant waiver fees or other obligations, or trigger an event of default under the terms of our credit facility, which could result in acceleration of the debt under the facility and require prepayment of the debt before its due date. Even if new financing is available in the event of a default under our current credit facility, the interest rate charged on any new borrowing could be substantially higher than under the current credit facility, thus adversely affecting our overall financial condition. If our lenders reduce or terminate our access to amounts under our credit facility, we may not have sufficient capital to fund our working capital needs or we may need to secure additional capital or financing to fund our working capital requirements or to repay outstanding debt under our credit facility.

Our credit facility contains covenants that restrict our activities.

Our revolving credit facility contains covenants that restrict our activities, including our ability to:

incur additional indebtedness;

make investments;

create liens;

pay cash dividends to shareholders unless we are in compliance with the financial covenants set forth in the credit facility; and

sell material assets.

Our global operations subject us to international business risks.

We operate in 40 locations outside of the United States in Europe, Canada, China, India, Singapore, Korea, Australia, Mexico, Brazil, and South Africa. If we are unable to successfully manage the risks inherent to the operation and expansion of our global businesses, those risks could have a material adverse effect on our business, results of operations or financial condition. Those international business risks include:

fluctuations in currency exchange rates;

restrictions on repatriation of earnings;

import and export controls;

political, social and economic instability or disruptions;

potential adverse tax consequences;

difficulties in staffing and managing multi-national operations;

difficulties in our ability to enforce legal rights and remedies; and

changes in regulatory requirements.

Failure to achieve expected savings and synergies could adversely impact our operating profits and cash flows.

We focus on improving profitability through lean enterprise, low cost sourcing and manufacturing initiatives, improving working capital management, developing new and enhanced products, consolidating factories where appropriate, automating manufacturing processes, diversification efforts and completing acquisitions which deliver synergies to supplement sales and growth. If we were unable to successfully execute these programs, this failure could adversely affect our operating profits and cash flows. In addition, actions we may take to consolidate manufacturing operations to achieve cost savings or adjust to market developments may result in restructuring charges that adversely affect our profits.

Violation of anti-bribery or similar laws by our employees, business partners or agents could result in fines, penalties, damage to our reputation or other adverse consequences.

We cannot assure that our internal controls, code of conduct and training of our employees will provide complete protection from reckless or criminal acts of our employees, business partners or agents that might violate US or international laws relating to anti-bribery or similar topics. An action resulting in a violation of these laws could subject us to civil or criminal investigations that could result in substantial civil or criminal fines and penalties and which could damage our reputation.

We face significant competition in our markets and, if we are not able to respond to competition in our markets, our net sales, profits and cash flows could decline.

Our businesses operate in highly competitive markets. In order to effectively compete, we must retain long standing relationships with significant customers, offer attractive pricing, develop enhancements to products that offer performance features that are superior to our competitors and which maintain our brand recognition, continue to automate our manufacturing capabilities, continue to grow our business by establishing relationships with new customers, diversify into emerging markets and penetrate new markets. If we are unable to compete effectively, our net sales, profitability and cash flows could decline. Pricing pressures resulting from competition may adversely affect our net sales and profitability.

If we are unable to successfully introduce new products and product enhancements, our future growth could be impaired.

Our ability to develop new products and innovations to satisfy customer needs or demands in the markets we serve can affect our competitive position and often requires significant investment of resources. Difficulties or delays in research, development or production of new products and services or failure to gain market acceptance of new products and technologies may significantly reduce future net sales and adversely affect our competitive position.

Increased prices or significant shortages of the commodities that we use in our businesses could result in lower net sales, profits and cash flows.

We purchase large quantities of steel, refrigeration components, freight services, foam insulation and other metal commodities for the manufacture of our products. Historically, prices for commodities have fluctuated, and we are unable to enter into long term contracts or other arrangements to hedge the risk of price increases in many of these commodities. Significant price increases for these commodities could adversely affect our operating profits if we cannot timely mitigate the price increases by successfully sourcing lower cost commodities or by passing the increased costs on to customers. Shortages or other disruptions in the supply of these commodities could delay sales or increase costs.

An inability to identify or complete future acquisitions could adversely affect our future growth.

As part of our growth strategy, we intend to pursue acquisitions that provide opportunities for profitable growth for our businesses and which enable us to leverage our competitive strengths. While we continue to evaluate potential acquisitions, we may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms, obtain regulatory approval for certain acquisitions or otherwise complete acquisitions in the future. An inability to identify or complete future acquisitions could limit our future growth.

We may experience difficulties in integrating acquisitions.

Integration of acquired companies involves a number of risks, including:

inability to operate acquired businesses profitably;

failure to accomplish strategic objectives for those acquisitions;

unanticipated costs relating to acquisitions or to the integration of the acquired businesses;

difficulties in achieving planned cost savings and synergies; and

possible future impairment charges for goodwill and non-amortizable intangible assets that are recorded as a result of acquisitions.

Additionally, our level of indebtedness may increase in the future if we finance acquisitions with debt, which would cause us to incur additional interest expense and could increase our vulnerability to general adverse economic and industry conditions and limit our ability to service our debt or obtain additional financing. We cannot assure that future acquisitions will not have a material adverse effect on our financial condition, results of operations and cash flows.

Impairment charges could reduce our profitability.

We test goodwill and our other intangible assets with indefinite useful lives for impairment on an annual basis or on an interim basis if an event occurs that might reduce the fair value of the reporting unit below its carrying value. Various uncertainties, including continued adverse conditions in the capital markets or changes in general economic conditions, could impact the future operating performance at one or more of our businesses which could significantly affect our valuations and could result in additional future impairments. The recognition of an impairment of a significant portion of goodwill would negatively affect our results of operations and could be a material effect to us.

Material adverse or unforeseen legal judgments, fines, penalties or settlements could have an adverse impact on our profits and cash flows.

We are and may, from time to time, become a party to legal proceedings incidental to our businesses, including, but not limited to, alleged claims relating to product liability, environmental compliance, patent infringement, commercial disputes and employment matters. In accordance with United States generally accepted accounting principles, we have established reserves based on our assessment of contingencies. Subsequent developments in legal proceedings may affect our assessment and estimates of loss contingencies recorded as reserves which could require us to record additional reserves or make material payments which could adversely affect our profits and cash flows. Even the successful defense of legal proceedings may cause us to incur substantial legal costs and may divert management's time and resources away from our businesses.

The costs of complying with existing or future environmental regulations, and of correcting any violations of these regulations, could increase our expenses and reduce our profitability.

We are subject to a variety of environmental laws relating to the storage, discharge, handling, emission, generation, use and disposal of chemicals, hazardous waste and other toxic and hazardous materials used to manufacture, or resulting from the process of manufacturing, our products. We cannot predict the nature, scope or effect of regulatory requirements to which our operations might be subject or the manner in which existing or future laws will be administered or interpreted. We are also exposed to potential legacy environmental risks relating to businesses we no longer own or operate. Future regulations could be applied to materials, products or activities that have not been subject to regulation previously. The costs of complying with new or more stringent regulations, or with more vigorous enforcement of these or existing regulations, could be significant.

In addition, properly permitted waste disposal facilities used by us as a legal and legitimate repository for hazardous waste may in the future become mismanaged or abandoned without our knowledge or involvement. In such event, legacy landfill liability could attach to or be imposed upon us in proportion to the waste deposited at any disposal facility.

Environmental laws require us to maintain and comply with a number of permits, authorizations and approvals and to maintain and update training programs and safety data regarding materials used in our processes. Violations of these requirements could result in financial penalties and other enforcement actions. We could be required to halt one or more portions of our operations until a violation is cured. Although we attempt to operate in compliance with these environmental laws, we may not succeed in this effort at all times. The costs of curing violations or resolving enforcement actions that might be initiated by government authorities could be substantial.

Contingent liabilities from businesses that we have sold could adversely affect our results of operations and financial condition.

We have retained responsibility for some of the known and unknown contingent liabilities related to a number of businesses we have sold, such as lawsuits, tax liabilities, product liability claims, multiemployer plan withdrawal liabilities and environmental matters and have agreed to indemnify purchasers of these businesses for certain of those contingent liabilities.

The trading price of our common stock has been volatile, and investors in our common stock may experience substantial losses.

The trading price of our common stock has been volatile and may become volatile again in the future. The trading price of our common stock could decline or fluctuate in response to a variety of factors, including:

our failure to meet the performance estimates of securities analysts;

changes in financial estimates of our net sales and operating results or buy/sell recommendations by securities analysts;

fluctuations in our quarterly operating results;

substantial sales of our common stock;

changes in the amount or frequency of our payment of dividends or repurchases of our common stock;

general stock market conditions; or

other economic or external factors.

Decreases in discount rates and actual rates of return could require future pension contributions to our pension plans which could limit our flexibility in managing our company.

Key assumptions inherent in our actuarially calculated pension plan obligations and pension plan expense are the discount rate and the expected rate of return on plan assets. If discount rates and actual rates of return on invested plan assets were to decrease significantly, our pension plan obligations could increase materially. The size of future required pension contributions could require us to dedicate a greater portion of our cash flow from operations to making contributions, which could negatively impact our financial flexibility.

Various restrictions in our charter documents, Delaware law and our credit agreement could prevent or delay a change in control of us that is not supported by our board of directors.

We are subject to a number of provisions in our charter documents, Delaware law and our credit facility that may discourage, delay or prevent a merger, acquisition or change of control that a stockholder may consider favorable. These anti-takeover provisions include:

maintaining a classified board and imposing advance notice procedures for nominations of candidates for election as directors and for stockholder proposals to be considered at stockholders' meetings;

a provision in our certificate of incorporation that requires the approval of the holders of 80% of the outstanding shares of our common stock to adopt any agreement of merger, the sale of substantially all of the assets of Standex to a third party or the issuance or transfer by Standex of voting securities having a fair market value of $1 million or more to a third party, if in any such case such third party is the beneficial owner of 10% or more of the outstanding shares of our common stock, unless the transaction has been approved prior to its consummation by all of our directors;

requiring the affirmative vote of the holders of at least 80% of the outstanding shares of our common stock for stockholders to amend our amended and restated by-laws;

covenants in our credit facility restricting mergers, asset sales and similar transactions; and the Delaware anti-takeover statute contained in Section 203 of the Delaware General Corporation Law.

Section 203 of the Delaware General Corporation Law prohibits a merger, consolidation, asset sale or other similar business combination between Standex and any stockholder of 15% or more of our voting stock for a period of three years after the stockholder acquires 15% or more of our voting stock, unless (1) the transaction is approved by our board of directors before the stockholder acquires 15% or more of our voting stock, (2) upon completing the transaction the stockholder owns at least 85% of our voting stock outstanding at the commencement of the transaction, or (3) the transaction is approved by our board of directors and the holders of 66 2/3% of our voting stock, excluding shares of our voting stock owned by the stockholder.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We operate a total of 72 manufacturing plants and warehouses located throughout the United States, Europe, Canada, Australia, Singapore, Korea, China, India, Brazil, South Africa, and Mexico. The Company owns 26 of the facilities and the balance are leased. The approximate building space utilized by each product group is as follows (in thousands):

	Area in Square Feet	
	Owned	**Leased**
Food Service Equipment	1,195	286
Engraving	268	371
Engineering Technologies	171	145
Electronics	120	157
Hydraulics	101	40
Corporate and other	43	12
Total	1,898	1,011

In general, the buildings are in sound operating condition and are considered to be adequate for their intended purposes and current uses.

We own substantially all of the machinery and equipment utilized in our businesses.

Item 3. Legal Proceedings

In March, 2013, the Company entered into a settlement agreement to terminate the redhibition action that had been pending in Lafayette, Louisiana since August, 2008. The plaintiff, Ultra Pure Water Technologies, Inc. (Ultra Pure) had filed a suit against the Company seeking lost profit damages for alleged defects in Master-Bilt ice merchandisers that were sold to Master-Bilt s customer, which then sold them to Ultra Pure. A settlement was reached during trial. The terms of the settlement provide that all claims against the Company are dismissed with prejudice, in exchange for a payment of $6.0 million, of which the Company contributed $2.6 million, net of $3.4 million paid directly by insurers in the matter. The Company has recorded the $2.6 million payment during the third quarter as a component of selling, general, and administrative expenses, and paid such amount during the fourth quarter of 2013. No fault or liability on the part of the Company is admitted under the terms of the settlement. The court has approved the terms of the settlement.

Discussion of other legal matters is incorporated by reference to Part II, Item 8, Note 12, CONTINGENCIES, in the Notes to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Standex Common Stock

Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market in which the Common Stock of Standex is traded is the New York Stock Exchange under the ticker symbol SXI . The high and low sales prices for the Common Stock on the New York Stock Exchange and the dividends paid per Common Share for each quarter in the last two fiscal years are as follows:

	Common Stock Price Range				Dividends Per Share	
	2013		2012			
Year Ended June 30	High	Low	High	Low	2013	2012
First quarter	$47.34	$41.29	$36.68	$25.11	$0.07	$0.06
Second quarter	52.14	43.00	40.43	28.95	0.08	0.07
Third quarter	57.64	51.28	43.92	34.88	0.08	0.07
Fourth quarter	55.18	49.18	46.05	38.27	0.08	0.07

The approximate number of stockholders of record on August 21, 2013 was 1,883.

Additional information regarding our equity compensation plans is presented in the Notes to Consolidated Financial Statements under the caption Stock-Based Compensation and Purchase Plans and Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Issuer Purchases of Equity Securities (1)

Quarter Ended June 30, 2013

Period	(a) Total Number of Shares (or units) Purchased	(b) Average Price Paid per Share (or unit)	(c) Total Number of Shares (or units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Appropriate Dollar Value) of Shares (or units) that May Yet Be Purchased Under the Plans or Programs
April 1, 2013 - April 30, 2013	150	$55.58	150	123,485
May 1, 2013 - May 31, 2013	2,471	$52.01	2,471	121,014
June 1, 2013 - June 30, 2013	1,801	$53.72	1,801	119,213
TOTAL	4,422	$52.83	4,422	119,213

[1] The Company has a Stock Buyback Program (the Program) which was originally announced on January 30, 1985. Under the Program, the Company may repurchase its shares from time to time, either in the open market or through private transactions, whenever it appears prudent to do so. On December 15, 2003, the Company authorized an additional 1 million shares for repurchase pursuant to its Program. The Program has no expiration date, and the Company from time to time may authorize additional increases for buyback authority so as to maintain the Program.

The following graph compares the cumulative total stockholder return on the Company s Common Stock as of the end of each of the last five fiscal years, with the cumulative total stockholder return on the Standard & Poor s Small Cap 600 (Industrial Segment) Index and on the Russell 2000 Index, assuming an investment of $100 in each at their closing prices on June 30, 2008 and the reinvestment of all dividends.

12

Item 6. Selected Consolidated Financial Data

Selected financial data for the five years ended June 30, 2013 is as follows:

See Item 7 for discussions on comparability of the below.

	2013	2012	2011	2010	2009
SUMMARY OF OPERATIONS (in thousands)					
Net sales					
Food Service Equipment	$394,878	$388,813	$365,523	$337,578	$350,358

Engraving	93,380	93,611	85,258	77,372	77,311
Engineering Technologies	74,838	74,088	61,063	58,732	51,693
Electronics Products Group	108,085	48,206	46,600	37,201	37,933
Hydraulics Products Group	30,079	29,922	22,925	16,598	23,257
Total	$701,260	$634,640	$581,369	$527,481	$540,552
Gross profit	$226,096	$208,484	$191,538	$174,976	$161,621
Operating income (loss)					
Food Service Equipment (a)	$39,467	$39,613	$37,915	$39,682	$9,900
Engraving	15,596	17,896	14,182	9,395	7,028
Engineering Technologies	13,241	14,305	12,606	13,843	8,667

Electronics Products Group	16,147	8,715	7,551	4,074	2,875
Hydraulics Products Group	4,968	4,403	2,436	963	747
Restructuring (b)	(2,666)	(1,685)	(1,843)	(3,494)	(2,872)
Gain on sale of real estate	-	4,776	3,368	1,405	-
Corporate and Other	(22,924)	(23,443)	(20,959)	(20,137)	(16,070)
Total	$63,829	$64,580	$55,256	$45,731	$10,275
Interest expense	(2,469)	(2,280)	(2,107)	(3,624)	(6,532)
Other non-operating (loss) income	(128)	519	(201)	749	205
Provision for income taxes	(15,910)	(15,912)	(14,922)	(12,504)	(2,946)
Income from continuing operations	45,322	46,907	38,026	30,352	1,002
Income/(loss) from discontinued operations	(474)	(16,002)	(2,659)	(1,653)	(6,407)
Net income	$44,848	$30,905	$35,367	$28,699	($5,405)

(a)

Includes $21.3 million of impairment of goodwill and intangible assets during 2009.

(b)

See discussion of restructuring activities in Note 16 of the consolidated financial statements.

	2013	**2012**	**2011**	**2010**	**2009**
PER SHARE DATA					
Basic					
Income from continuing operations	$3.61	$3.75	$3.05	$2.44	$0.08
Income/(loss) from discontinued operations	(0.04)	(1.28)	(0.22)	(0.13)	(0.52)
Total	$3.57	$2.47	$2.83	$2.31	($0.44)
Diluted					
Income from continuing operations	$3.55	$3.67	$2.98	$2.39	$0.08
Income/(loss) from discontinued operations	(0.04)	(1.25)	(0.21)	(0.13)	(0.52)
Total	$3.51	$2.42	$2.77	$2.26	($0.44)
Dividends paid	$0.31	$0.27	$0.23	$0.20	$0.68

	2013	2012	2011	2010	2009
BALANCE SHEET (in thousands)					
Total assets	$510,573	$479,811	$474,905	$446,279	$433,709
Accounts receivable	102,268	99,432	95,716	86,475	76,083
Inventories	84,956	73,076	74,805	58,298	61,277
Accounts payable	69,854	62,113	68,205	50,237	48,977
Goodwill (a)	111,905	100,633	102,439	87,870	86,789
Short-term debt	$ -	$ -	$ 5,100	$ -	$ -
Long-term debt	50,072	50,000	46,500	93,300	94,300
Total debt	50,072	50,000	51,600	93,300	94,300
Less cash	51,064	54,749	14,407	33,630	8,984
Net debt	(992)	(4,749)	37,193	59,670	85,316
Stockholders' equity	290,988	242,907	245,613	192,063	176,286

KEY STATISTICS	**2013**	**2012**	**2011**	**2010**	**2009**
Gross profit margin	32.2%	32.9%	32.9%	33.2%	29.9%
Operating income margin (a)	9.1%	10.2%	9.5%	8.7%	1.9%

(a) Includes $21.3 million of impairment of goodwill and intangible assets during 2009.

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

Overview

We are a leading manufacturer of a variety of products and services for diverse commercial and industrial market segments. We have five reportable segments: Food Service Equipment Group, Engraving Group, Engineering Technologies Group, Electronics Products Group, and the Hydraulics Products Group. Our business objective is to provide value-added, technology-driven solutions to our customers. Our strategic objective, which we refer to as Focused Diversity, are to 1) identify those businesses which are best able to meet our objectives, and invest in them by taking advantage of both organic growth and acquisition opportunities and 2) pursue operational excellence in order to improve operating margins and working capital management.

Over the past 18 months, we have taken two major steps in the implementation of our strategy. The first was the divestiture at the end of the third quarter of fiscal 2012 of our Air Distribution Products (ADP) business segment. We determined that the low-margin, commodity orientation of that segment s products no longer suited our ongoing business objectives. The second major step was the acquisition in the first quarter of fiscal 2013 of Meder electronic AG. The acquisition, which more than doubled the size of our Electronics Products Group allowed us to complement our existing electronics business with significantly broadened product line offerings, end-user markets, and manufacturing support that will enhance our global footprint for sales coverage and profitable growth.

In addition to the continued implementation of our business strategy, we have successfully taken substantial measures over a period of more than four years to reduce our cost structure. We have achieved this through company-wide and targeted headcount reductions, low cost manufacturing and value-added engineering initiatives, plant consolidations, procurement savings, and improved productivity in all aspects of our operations. These measures have been the principal factors in allowing the Company to significantly improve margins and profitability, even though sales have only recently returned to the levels existing before the onset of the 2008 macroeconomic recession. In addition to the focus on improving our cost structure, we have improved the Company s liquidity through better working capital management, and the sale of excess land and buildings. This additional liquidity has enabled us to expand through acquisitions as evidenced by the completion of four strategic acquisitions in fiscal 2011 and the acquisition of Meder in 2013. Our net debt to capital ratio at June 30, 2013 was (0.3%), even after spending nearly $40 million to acquire Meder in the first quarter of this fiscal year.

Our business strategy emphasizes organic growth initiatives in addition to the completion of strategic acquisitions. The development and execution of top line initiatives that provide opportunities for market share gains is a top priority for each of our businesses. Our business units are actively engaged in initiating new product introductions, expansion of product offerings through private labeling and sourcing agreements, geographic expansion of sales coverage, the development of new sales channels, leveraging strategic customer relationships, development of energy efficient products, new applications for existing products and technology, and next generation products and services for our end-user markets.

During 2013 we encountered headwinds, including a soft European economy, negative year over year foreign exchange comparisons, and increased expense associated with our legacy defined benefit pension plan in the U.S. The impact of the latter two items during 2013 was a $2.8 million decrease in sales due to foreign exchange and a $2.6 million reduction to income from operations as a result of the pension expense increases. In addition, we recorded a charge of $2.8 million during the third quarter relating to the settlement of litigation brought against the Company. This charge was substantially offset by the realization of a $2.3 million gain resulting from the discontinuance of a retiree life insurance benefit. During the third and fourth quarters, we saw some adverse effects from renewed uncertainty in the global economy, as overall organic sales growth slowed from the rate experienced earlier in the year.

Because of the diversity of the Company s businesses, end user markets and geographic locations, management does not use specific external indices to predict the future performance of the Company, other than general information about broad macroeconomic trends. Each of our individual business units serves niche markets and attempts to identify trends other than

15

general business and economic conditions which are specific to their businesses and which could impact their performance. Those units report pertinent information to senior management, which uses it to the extent relevant to assess the future performance of the Company. A description of any such material trends is described below in the applicable segment analysis.

We monitor a number of key performance indicators (KPIs) including net sales, income from operations, backlog, effective income tax rate, and gross profit margin. A discussion of these KPIs is included within the discussion below. We may also supplement the discussion of these KPIs by identifying the impact of foreign exchange rates, acquisitions, and other significant items when they have a material impact on the discussed KPI. We believe that the discussion of these items provides enhanced information to investors by disclosing their consequence on the overall trend in order to provide a clearer comparative view of the KPI where applicable. For discussion of the impact of foreign exchange rates on KPIs, the Company calculates the impact as the difference between the current period KPI calculated at the current period exchange rate as compared to the KPI calculated at the historical exchange rate for the prior period. For discussion of the impact of acquisitions, we isolate the effect to the KPI amount that would have existed regardless of our acquisition. Sales resulting from synergies between the acquisition and existing operations of the Company are considered organic growth for the purposes of our discussion.

Unless otherwise noted, references to years are to fiscal years.

Consolidated Results from Continuing Operations (in thousands):

		2013		**2012**		**2011**
Net sales	$	701,260	$	634,640	$	581,369
Gross profit margin		32.2%		32.9%		32.9%
Restructuring costs		2,666		1,685		1,843
Gain on sale of real estate		-		4,776		3,368
Income from operations		63,829		64,580		55,256
Backlog (realizable within 1 year)	$	132,880	$	119,691	$	103,692

		2013	**2012**	**2011**
Components of change in sales:				
Effect of acquisitions	$	55,129	14,117	9,852
Effect of exchange rates		(2,807)	(888)	1,602
Organic sales growth		14,298	40,042	42,434

Net sales in 2013 increased $66.6 million, or 10.5%, from 2012 levels. Of the increase, $55.1 million, or 8.7% was attributable to the acquisition related to Electronics and $14.3 million, or 2.3% of organic growth, as organic sales increased across substantially all of our segments as a result of both improvements in end-user markets and the success of our top-line growth efforts. Sales growth was partially offset by unfavorable foreign exchange of $2.8 million.

Net sales in 2012 increased $53.3 million, or 9.2%, from 2011 levels. Of the increase, $40.0 million, or 6.9% was attributable to organic growth, as organic sales increased across all of our segments as a result of both improvements in end-user markets and the success of our top-line growth efforts. Also factoring in our growth was an increase of $14.1 million, or 2.4%, resulting from our four acquisitions completed during 2011. Unfavorable foreign exchange accounted for $0.9 million against our year-over-year gains.

Gross Profit Margin

During 2013, gross margin decreased to 32.2% as compared to 32.9% in 2012. This decrease is primarily a result of $1.5 million in our Meder purchase accounting expenses primarily related to a one time step up of acquired inventory to fair value, and a gross margin decline at Engineering Technologies offset by the improvement in Food Service Equipment Group and Hydraulics.

During 2012, gross margin was flat at 32.9% as compared to 2011, as lower gross margin in the Food Service Equipment Group offset increases across our other segments.

Income from Operations

Income from operations during 2013 decreased $0.1 million, or 1.2% compared to 2012. The decrease was primarily the result of 2012 gain on sale of real-estate of $4.8 million associated with the sales of real-estate in Brazil and $1.5 million of purchase accounting expense associated with the Meder Acquisition during 2013.

Income from operations during 2012 increased $9.3 million, or 16.9% compared to 2011. This increase was driven by $4.8 million associated with the sale of real-estate in Brazil, strong performances from Engraving, Electronics Products, and Hydraulics Products Groups. The Engraving Group benefitted from a second consecutive record year of automotive platform work, while the Electronics Products and Hydraulics Products Groups continue to demonstrate the impact of prior cost reductions combined with end-user market recovery and entry into new markets and applications. Additionally, the Engineering Technologies Group was bolstered by the acquisition of Metal Spinners impacting the full year of 2012 as compared to only three months of 2011.

Discussion of the performance of all of our Groups is more fully explained in the segment analysis that follows.

Income Taxes

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2013 was $15.9 million, or an effective rate of 26.0%, compared to $15.9 million, or an effective rate of 25.3% for the year ended June 30, 2012, and $14.9 million, or an effective rate of 28.2% for the year ended June 30, 2011. Changes in the effective tax rates from period to period may be significant as they depend on many factors including, but not limited to, the amount of the Company's income or loss, the mix of income earned in the US versus outside the US, the effective tax rate in each of the countries in which we earn income, and any one time tax issues which occur during the period. In 2014, we expect to return to a more normal tax rate in the range of 28.0% to 30.0% based on an anticipated increase in US-based taxable income within our overall business mix.

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2013 was impacted by the following items: (i) a benefit of $0.4 million related to the retroactive extension of the R&D credit recorded during the third quarter, (ii) a benefit of $0.3 million related to a decrease in the statutory tax rate in the United Kingdom on prior period deferred tax liabilities recorded during the first and fourth quarters, (iii) a benefit of $1.0 million from the reversal of a deferred tax liability that was determined to be no longer required during the third quarter and (iv) a benefit of $2.8 million due to the mix of income earned in jurisdictions with beneficial tax rates.

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2012 was impacted by the following items: (i) a benefit of $1.3 million from the reversal of income tax contingency reserves that were determined to be no longer needed due to the lapsing of the statute of limitations and re-measurement of existing tax contingency reserves based on recently completed tax examinations, (ii) a benefit of $0.4 million related to a decrease in the statutory tax rate in the United Kingdom on prior period deferred tax liabilities recorded during the first quarter, and (iii) a benefit of $4.5 million due to the mix of income earned in jurisdictions with beneficial tax rates.

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2011 was impacted by the following items: (i) a benefit of $0.3 million from the reversal of income tax contingency reserves that were determined to be no longer needed due to the expiration of applicable limitation statutes, (ii) a benefit of $0.2 million related primarily to the retroactive extension of the R&D credit recorded during the second quarter, and (iii) a benefit totaling $0.3 million as part of the deferred tax provision related to a change in the estimated state rate used to calculate the deferred balances.

Capital Expenditures

In general, our capital expenditures over the longer term are expected to be approximately equivalent to our annual depreciation costs. In 2013, capital expenditures of $14.4 million began shifting back to our historical trend as we made strategic investments which supported productivity improvements, geographic expansion, and development of new product offerings.

Backlog

Total backlog includes amounts realizable beyond one year. At June 30, 2013 total backlog increased $13.2 million or 11.0%

from $119.7 million to $132.9 million when compared to fiscal 2012. The increase was driven by Electronics where the backlog increased 71.4% primarily due to backlog associated with the acquired Meder business and Engineering Technologies where the backlog increased 7.0% offset by decrease in Food Service Equipment, Hydraulics Products Group, and Engraving Groups.

Segment Analysis (in thousands)

Food Service Equipment

	2013 compared to 2012			2012 compared to 2011		
	2013	2012	% Change	2012	2011	% Change
Net sales	$394,878	$388,813	1.6%	$388,813	$365,523	6.4%
Income from operations	39,467	39,613	-0.4%	39,613	37,915	4.5%
Operating income margin	10.0%	10.2%		10.2%	10.4%	

Net sales for fiscal 2013 increased $6.1 million, or 1.6%, when compared to the prior year. The top line growth includes the negative effect of foreign exchange rates of $0.6 million in sales. The Refrigerated Solutions (walk-in coolers and freezers and refrigerated cabinets) and Specialty Solutions groups grew approximately 4.0% and 5.1% year over year, respectively, while the Cooking Solutions Group net sales declined by 5.7% year over year. The Refrigeration business continues to see strong sales to our quick-service restaurant chain customers, and we are seeing continued traction in the dollar store segment. This strength is offset by weakness in the Drug Retail segment as new store construction is at reduced levels. The Specialty Solutions Group growth was driven by double digit growth in the specialty merchandising and custom fabrication businesses through market share gains. This growth was partially offset by a 7% decline in the global beverage pump business due to soft demand, particularly in the European markets. The sales decline in the Cooking Solutions group was driven by the BKI division which experienced weakness in the US and UK which were negatively impacted by reduced capital spending in the supermarket segments, and a difficult year over year comparison due to a significant roll-out to a major US supermarket chain in fiscal 2012. This decline was partially offset by 3.6% growth in the Cooking Group which primarily serves the restaurant and convenience store markets. The new Standex Food Service Culinary Development Center was opened in the Dallas area in the 3rd quarter to be used for training, product development and key customer sales visits. The new facility also serves as the new Cooking Group headquarters.

Income from operations for fiscal 2013 declined $0.1 million, or 0.4%, when compared to the prior year. This includes the negative effect of foreign exchange rates of $0.1 million. The Group s return on sales decreased from 10.2% to 10.0% in the current year. The positive impact of the year over year volume increase was partially offset by a combination of adverse product and customer mix changes, marketing cost increases and increased warranty costs in the beverage business. The beverage business warranty issues have been largely resolved in Q4 and are not expected to have a significant impact on future results. In response to these margin challenges, the Group has implemented multiple productivity improvement actions, including cost reductions through product redesign, metal cost reductions, and staff reductions, coupled with selective price increases.

Net sales for the year ended June 30, 2012 increased $23.3 million, or 6.4%, from the same period one year earlier. This includes a minor negative effect of foreign exchange rates of $0.1 million in sales. The Refrigerated Solutions (walk-in coolers and freezers and refrigerated cabinets) and Cooking Solutions groups grew approximately 6.3% and 4.1% year over year, respectively, while the other Food Service Equipment businesses grew net sales by 9.1%. The Refrigeration business continues to see strong sales across the board to our quick-service restaurant chain customers, and we are seeing continued traction in the dollar store segment where we are growing market share and the customer base. From a product standpoint, we continue to see double-digit growth in our value line products and rack refrigeration systems. Sales in Cooking Solutions were driven by US business at BKI, whereas AAI was negatively impacted by lower sales to major quick service chains and lower sales to UK retail accounts due to the macroeconomic conditions impacting that market. Our equity investment and distribution agreement with Giorik SpA, an Italian manufacturer of combi ovens, has been well received by both the US and UK customers.

Income from operations for fiscal 2012 increased $1.7 million, or 4.5%, when compared to the same period one year earlier. The Group s return on sales decreased from 10.4% to 10.2% in the prior year. The positive impact of the year over year volume increase was partially offset by a combination of reduced volume, adverse product and channel mix changes, coupled with higher commodity prices earlier in the year and increased warranty costs at Cooking Solutions. Additionally, productivity was negatively impacted by the integration of Kool Star product lines into our Master-Bilt facility in Mississippi, and the integration of Tri-Star manufacturing operations into our Nogales, Mexico facility. However, these issues were largely corrected at the end of the fourth quarter. In response to these margin challenges, the Group has implemented price increases and multiple productivity improvement actions, including freight and metal cost reduction efforts.

Engraving

	2013 compared to 2012			2012 compared to 2011		
	2013	**2012**	**% Change**	**2012**	**2011**	**% Change**
Net sales	$93,380	$93,611	-0.2%	$93,611	$85,258	9.8%
Income from operations	15,596	17,896	-12.9%	17,896	14,182	26.2%
Operating income margin	16.7%	19.1%		19.1%	16.6%	

Net sales for the fiscal year 2013 remained flat, when compared to the prior year. During the fourth quarter sales to automotive OEM s in the mold texturing market softened as compared to the very strong sales level achieved in the prior year quarter. The decline in mold texturizing sales occurred primarily in North America mold texturizing while both the Europe and China markets showed year over year growth. During the fourth quarter sales in the Innovent core forming tool and rolls, plates and machinery businesses also declined. We do expect strengthening in North American mold texturizing sales in fiscal 2014 as we have reasonable visibility of new launch awards at our global automotive customers.

Income from operations in fiscal year 2013 decreased by $2.3 million, or 12.9%, when compared to the prior year. Unfavorable performance was primarily driven by one-time costs related to moving our Brazilian operations, start-up of our MT Korea operation and lower fourth quarter demand in North America.

Net sales for the fiscal year 2012 increased $8.4 million, or 9.8%, from 2011 levels at $93.6 million compared to $85.3 million in the prior year. Foreign exchange had an unfavorable impact on sales of $0.9 million in fiscal year 2012. Our mold texturizing businesses continued to demonstrate strong top line growth on a global basis due to the release of new automotive programs, which also created an improved product mix due to their generally higher margins.

Income from operations in 2012 increased by $3.7 million, or 26.2%, when compared to 2011. During 2012, we demonstrated our ability to favorably leverage sales growth as we expand the use of lean enterprise techniques. We also continued to develop and globalize market leading technology in order to further improve profitability.

Engineering Technologies

	2013 compared to 2012			2012 compared to 2011		
			%			%

	2013	2012	Change	2012	2011	Change
Net sales	$74,838	$74,088	1.0%	$74,088	$61,063	21.3%
Income from operations	13,241	14,305	-7.4%	14,305	12,606	13.5%
Operating income margin	17.7%	19.3%		19.3%	20.6%	

Net sales in the fiscal year 2013 increased $0.8 million, or 1.0%, when compared to the prior year. Sale growth in the aerospace and energy markets was offset by declines in the oil and gas segment. The aerospace segment increased from prior year levels due to strong demand for unmanned space launch vehicles. The land based gas turbine business improved significantly year-over-year due to strong demand from several of our OEM customers. Sales to the oil and gas segment were down as the prior year benefited from several very large offshore platform projects which did not repeat in the current year. The aviation market was down from prior year due to order phasing and the defense market was up slightly over the prior year.

Income from operations in the fiscal year 2013 decreased $1.1 million, or 7.4%, when compared to the prior year. This decrease is primarily due to the impact of reduced sales in the higher margin oil and gas markets.

Net sales in the fiscal year 2012 increased $13.0 million or 21.3%, when compared to the prior year. The increase is a result of the full year impact of the acquisition of Metal Spinners Group. Negative organic growth of 11.3% occurred in our legacy businesses as increases in the Aerospace segment at Spincraft were more than offset by declines in the energy, aviation and the defense markets. As expected, the Energy business was down significantly year-over-year as one of our major customers implemented an inventory correction program.

For the fiscal year ending June 30, 2012, income from operations increased $1.7 million, or 13.5%, when compared to the prior year. This increase was driven by full year impact of the acquisition of Metal Spinners. The improvement from Metal Spinners was offset by the impact of reduced sales volume at Spincraft.

Electronics Products

	2013 compared to 2012			2012 compared to 2011		
	2013	**2012**	**% Change**	**2012**	**2011**	**% Change**
Net sales	$108,085	$48,206	124.2%	$48,206	$46,600	3.4%
Income from operations	16,147	8,715	85.3%	8,715	7,551	15.4%
Operating income margin	14.9%	18.1%		18.1%	16.2%	

Net sales in the fiscal year 2013 increased $59.9 million, or 124.2%, when compared to the prior year. This increase includes the impact of $55.1 million from the acquisition of Meder and $4.8 million of organic growth driven by increased sales from the new sensor programs launched over the past 18 months partially offset by lower sales in magnetic products.

Income from operations in the fiscal year 2013 increased $7.4 million, or 85.3%, when compared to the prior year. This increase was primarily driven by the Meder acquisition. The integration of the Meder acquisition continued successfully throughout the year with a focus on identifying and implementing both sales and cost synergies. Thus far, we identified and had substantially implemented by the end of the fiscal year approximately $4.0 million of cost synergies. These cost synergies were primarily the result of procurement savings and the consolidation of our sales and production facilities in China into a single facility. Income from the Meder acquisition was accretive to earnings inclusive of $1.5 million in purchase accounting expenses primarily related to a one time step up of inventory to fair value.

Electronics net sales increased $1.6 million, or 3.4% in 2012 when compared to the prior year. Sales growth was negatively impacted during the first three quarters of 2012 as we experienced soft demand for reed switches, particularly in the Asia Pacific region, and soft demand from a number of larger OEM accounts for sensors and magnetic products. However, sales strengthened significantly in the fourth quarter as we benefited from a number of new products and customer project launches within the automotive, appliance, medical, and HVAC sensor and magnetic markets and strengthening demand for reed switches.

Income from operations in 2012 increased $1.2 million, or 15.4%, compared to 2011. The year over year improvement was the result of the sales increase as well as the impact of various material and labor cost savings particularly within the North American businesses. The higher sales level and the various cost reduction initiatives drove operating income margin from 16.2 % in 2011 to 18.1% for 2012.

Hydraulics Products

	2013 compared to 2012			2012 compared to 2011		
	2013	**2012**	**% Change**	**2012**	**2011**	**% Change**
Net sales	$30,079	$29,922	0.5%	$29,922	$22,925	30.5%
Income from operations	4,968	4,403	12.8%	4,403	2,436	80.7%
Operating income margin	16.5%	14.7%		14.7%	10.6%	

Net sales in the fiscal year 2013 increased $0.2 million, or 0.5%, when compared to the prior year. Continued market share gains in the North American refuse market coupled with growth in the aftermarket segment was offset by softness in the traditional North American dump truck and trailer and export markets. In many cases end users continue to hold off in making capital investments until absolutely necessary. We have successfully penetrated several large roll off container refuse vehicle OEM s by leveraging our engineering expertise and low cost manufacturing position provided by our factory in Tianjin, China. We also have recently launched a new telescopic cylinder product line for the garbage truck refuse markets that two large OEM customers are now utilizing. We are currently expanding the capacity of our Chinese facility as we expect to continue to drive sales growth by utilizing our low cost position to further penetrate both rod and telescopic cylinder product applications for our global customer base. This expansion geographically includes Australia, South America, Germany, and Central America.

Income from operations in the fiscal year 2013 increased $0.6 million or 12.8% when compared to the prior year. This increase in annual income from operations can be attributed to cost containment and improvements in both process and productivity during the year in both North America and China.

Net sales in 2012 for the Hydraulics Products Group increased $7.0 million, or 30.5% when compared to 2011. Diversification into other markets in 2012 was a major contributor to the growth, as demonstrated by market share gains at several North American refuse market OEMs. The manufacturing facility in Tianjin, China was also a factor in our top line growth, as this facility began producing both rod and telescopic cylinders for global customers. The ability to offer our engineering expertise on a global basis combined with manufacturing locations in the United States and a low cost operation in China allowed us to penetrate markets where we previously could not be competitive. Expansion of business geographically into areas such as Southeast Asia, Australia, Central America and South America contributed to the increase outside of our historical focus on the North American market.

Income from operations for 2012 increased $2.0 million or 80.7% when compared to 2011. This increase in annual income from operations can be attributed to leveraging the top line growth, cost containment and process and productivity improvements.

Corporate, Restructuring and Other

	2013 compared to 2012			**2012 compared to 2011**		
	2013	**2012**	**% Change**	**2012**	**2011**	**% Change**
Income (loss) from operations:						
Corporate	$(22,924)	$(23,443)	-2.2%	$(23,443)	$(20,959)	11.9%
Gain on sale of real estate	-	4,776	-100.0%	4,776	3,368	41.8%
Restructuring	(2,666)	(1,685)	58.2%	(1,685)	(1,843)	-8.6%

Corporate expenses in the fiscal year 2013 decreased $0.5 million, or 2.2% when compared to the prior year. The decrease is primarily driven by a gain of $2.3 million resulting from the termination of the retiree life insurance benefit and lower incentive compensation expense of $2.3 million partially offset by an increase of $1.3 million in pension expense and $2.8 million of legal settlement costs, presented in Item 3. Legal Proceedings .

Corporate expenses in 2012 increased $2.5 million, or 11.9% as compared to 2011, driven primarily by increased management bonus and stock compensation expense related to exceeding performance targets for the year.

The Company recorded a gain of $4.8 million during 2012 related to the sale of an Engraving Group facility in Sao Paolo, Brazil.

Restructuring expenses reflect costs associated with the Company s efforts to continuously improve operational efficiency and expand globally in order to remain competitive in the end-user markets we serve. Each year the Company incurs costs for actions to size its businesses to a level appropriate for current economic conditions and to improve its cost structure to improve our competitive posture and operating margins. Restructuring expenses result from numerous individual actions implemented across the Company s various operating divisions on an ongoing basis which include costs for moving facilities to low-cost locations, starting up plants after relocation, curtailing/downsizing operations because of changing economic conditions, and other costs resulting from asset redeployment decisions. Shutdown costs include severance, benefits, stay bonuses, lease and contract terminations, and asset write-downs. In addition to the costs of moving fixed assets, start-up and moving costs include employee training and relocation. Vacant facility costs include maintenance, utilities, property taxes, and other costs.

Restructuring expense of $2.7 million in the fiscal year 2013 is primarily composed of $2.0 million in the Engraving Group for ongoing headcount reductions in our European operations and the relocation of our Brazil facility, and $0.4 million in Electronics, where we are eliminating redundant positions due to the Meder acquisition.

During 2012 the Company incurred restructuring expense of $1.7 million. These expenses primarily related to the relocation of Tri-Star manufacturing operations to Nogales, Mexico, the consolidation of Kool Star into our Master-Bilt operations in Mississippi, and ongoing headcount reductions in our European Engraving operations.

The Company currently expects to incur between $8.0 and $9.0 million of restructuring expense in 2014, including the cost to complete actions initiated before the end of 2013 and actions anticipated to be approved and initiated during 2014.

Discontinued Operations

In December 2011, we decided to divest the ADP business unit. In connection with this decision, the Company adjusted the carrying value of ADP s assets to their net realizable value based on a range of expected sale prices. As a result, the Company recorded goodwill impairment charges of $14.9 million and impairment charges of $5.0 million to fixed assets.

On March 30, 2012, we completed the sale of ADP to a private equity buyer for consideration of $16.1 million consisting of $13.1 million in cash and a $3.0 million note secured by first mortgages on three ADP facilities. During the quarter ended March 31, 2012, additional pre-tax charges of $2.6 million were taken in connection with the sale. These charges related primarily to the impairment of a non-cancellable lease liability that the buyer elected not to assume as part of the purchase.

During the fourth quarter of 2012, we sold the two ADP facilities retained by us in the transaction for a gain of $0.8 million.

The following table summarizes the Company s discontinued operations activity, by operation, for the years ended June 30, 2013, 2012 and 2011 (in thousands):

	Year Disposed		**2013**		**2012**		**2011**
Sales:							
Air Distribution Products Group	2012	$	-	$	43,537	$	52,384
Income (loss) before taxes:							
Air Distribution Products Group	2012		(451)		(24,871)		(2,841)
Berean Christian Bookstores	2007		(12)		(184)		(635)
Other loss from discontinued operations			(195)		(269)		(490)
Income (loss) before taxes from discontinued operations			(658)		(25,324)		(3,966)
(Provision) benefit for tax			184		9,322		1,307
Net income (loss) from discontinued operations		$	(474)	$	(16,002)	$	(2,659)

Liquidity and Capital Resources

Cash Flow

Net cash provided by operating activities from continuing operations for the year ended June 30, 2013 was $63.5 million, compared to $47.4 million for the same period in 2012. The Company s working capital reduction efforts during 2013 generated $6.6 million in cash during the year as compared to a working capital build in 2012 which used $5.9 million in cash during the year. The 2012 working capital use of cash was primarily in accounts receivable and was associated with increased sales volume in the year. Additionally, the Company made $4.5 million of contributions to its defined benefit pension plans in 2013 as compared to $7.3 million of contributions in 2012.

Net cash used in investing activities from continuing operations for the year ended June 30, 2013 was $52.7 million, consisting primarily of $39.6 million for the acquisition of Meder, $14.1 million for capital expenditures, offset by $1.0 million of insurance proceeds related to corporate owned life insurance policies.

Net cash used in financing activities for continuing operations for the year ended June 30, 2013, was $10.9 million consisting primarily of dividends paid of $3.9 million, and repurchased treasury stock of $8.5 million.

Capital Structure

On January 5, 2012, the Company entered into a five-year $225 million unsecured Revolving Credit Facility (Credit Agreement , or new facility), which can be increased by the Company by an amount of up to $100 million, in accordance with specified conditions contained in the agreement. The new facility also includes a $10 million sublimit for swing line loans and a $30 million sublimit for letters of credit. The new credit facility replaced the 2007 credit agreement, which was scheduled to mature in September 2012.

Under the terms of the Credit Agreement, we will pay a variable rate of interest and a commitment fee on available, but unused, amounts under the new facility. The amount of the commitment fee will depend upon both the undrawn amount remaining available under the new facility and the Company s funded debt to EBITDA (as defined in the agreement) ratio at particular points in time. As our funded debt to EBITDA ratio increases, the commitment fee will increase. Amounts borrowed under the new facility may be in the form of either Base Rate or Eurodollar Rate loans. The rate of interest on Base Rate loans shall be the higher of (i) the Federal Funds rate plus ½ of 1%, (ii) the prime rate announced by RBS Citizens, N. A. or (iii) the London interbank offered rate (LIBOR) plus ½ of 1% (the rate in effect shall be referred to as the Base Rate), plus an additional amount based upon the Company s debt to EBITDA ratio. The rate of interest on Eurodollar Rate loans shall be the LIBOR rate which corresponds to the interest period (either one, two, three or six months) selected by the Company, plus an additional amount based upon the Company s funded debt to EBITDA ratio. Swing Line loans shall bear interest at the Base Rate, plus an additional amount based upon the Company s funded debt to EBITDA ratio. As the Company s funded debt to EBITDA ratio increases, the additional amount will also increase.

The new facility expires in January 2017, and contains customary representations, warranties and restrictive covenants, as well as specific financial covenants. The Company s current financial covenants under the facility are as follows:

Interest Coverage Ratio - The Company is required to maintain a ratio of Earnings Before Interest and Taxes, as Adjusted (Adjusted EBIT per the Credit Agreement), to interest expense for the trailing twelve months of at least 3:1. Adjusted EBIT per the Credit Agreement specifically excludes extraordinary and certain other defined items such as non-cash restructuring and acquisition-related charges up to $2.0 million, and goodwill impairment. At June 30, 2013, the Company s Interest Coverage Ratio was 27.5:1.

Leverage Ratio - The Company s ratio of funded debt to trailing twelve month Adjusted EBITDA per the credit agreement, calculated as Adjusted EBIT per the Credit Agreement plus Depreciation and Amortization, may not exceed 3.5:1. At June 30, 2013, the Company s Leverage Ratio was 0.73:1.

As of June 30, 2013, we had borrowings under the new facility of $50.0 million. As of June 30, 2013, the effective rate of interest for outstanding borrowings under the new facility was 3.65%.

Funds borrowed under the new facility may be used for the repayment of debt, working capital, capital expenditures, acquisitions (so long as certain conditions, including a specified funded debt to EBITDA leverage ratio is maintained), and other general corporate purposes.

Our primary cash requirements in addition to day-to-day operating needs include interest payments, capital expenditures, and dividends. Our primary sources of cash for these requirements are cash flows from continuing operations and borrowings under the new facility. We expect to spend between $17.0 and $19.0 million on capital expenditures during 2014, and expect that depreciation and amortization expense will be between $13.0 and $14.0 million and $2.0 and $3.0 million, respectively.

In order to manage our interest rate exposure, we are party to $50.0 million of floating to fixed rate swaps. These swaps convert our interest payments from LIBOR to a weighted average rate of 2.29%.

The following table sets forth our capitalization at June 30, (in thousands):

	2013	**2012**
Long-term debt	$ 50,072	$ 50,000
Less cash	51,064	54,749

Net (cash) debt		(992)		(4,749)
Stockholders equity		290,988		242,907
Total capitalization	$	289,996	$	238,158

Stockholders equity increased year over year primarily as a result of changes in unrealized pension gains of $13.3 million. Also affecting equity were net income of $45.4 million, dividends of $4.0 million, unfavorable foreign currency movements of $4.0 million, and favorable changes in the fair value of derivative instruments of $0.5 million. The remaining changes are attributable to treasury stock activity, offset by the additional paid in capital increases associated with stock-based compensation in the current year. The Company's net (cash) debt to capital percentage decreased from -2.0% to -0.3% in 2013 due to $39.6 million paid for the Meder acquisition, the contribution of current year net income to retained earnings, and the aforementioned changes to accumulated other comprehensive income resulting from unrealized pension gains.

We sponsor a number of defined benefit and defined contribution retirement plans. The fair value of the Company's U.S. pension plan assets was $200.2 million at June 30, 2013 and the projected benefit obligation in the U.S. was $227.9 million at that time. In June 2012, the Moving Ahead for Progress in the 21st Century (MAP 21) bill was signed into law by Congress. Based on changes in pension funding provisions under MAP 21, we made a $3.25 million contribution during July 2012 due to its favorable treatment under the bill and retroactive treatment under the Pension Protection Act (PPA). As a result of this contribution and an additional $6 million contribution made in June 2012, the plan is 100% funded under PPA rules at June 30, 2013, and we do not expect to make mandatory contributions to the plan until 2017. We do not expect contributions to our other defined benefit plans to be material in 2014.

The Company s pension plan for U.S. salaried employees was frozen as of December 31, 2007, and participants in the plan ceased accruing future benefits. The Company s pension plan for U.S. hourly employees was frozen for substantially all participants as of July 31, 2013, and replaced with a defined contribution benefit plan. Based on changes to the plan in 2014, the Company expects to record a reduction in U.S. non-cash pension plan expense of $2.6 million as compared to 2013, which will be partially offset by increased expenses associated with the implementation of the defined contribution benefit program.

We have evaluated the current and long-term cash requirements of our defined benefit and defined contribution plans as of June 30, 2013 and determined our operating cash flows from continuing operations and available liquidity are expected to be sufficient to cover the required contributions under ERISA and other governing regulations.

We have an insurance program for certain retired key executives that have underlying policies with a cash surrender value at June 30, 2013 of $16.9 million and are reported net of loans of $9.5 million for which we have the legal right of offset. These policies have been purchased to fund supplemental retirement income benefits.

Contractual obligations of the Company as of June 30, 2013 are as follows (in thousands):

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations	$ 50,072	$ -	$ -	$ 50,072	$ -
Operating lease obligations	21,359	5,390	8,290	4,188	3,491
Estimated interest payments [1]	4,222	1,603	2,271	348	-
Post-retirement benefit payments [2]	210	36	66	40	68
Total	$ 75,863	$ 7,029	$ 10,627	$ 54,648	$ 3,559

1 Estimated interest payments are based upon effective interest rates as of June 30, 2013, and include the impact of interest rate swaps. See Item 7A for further discussions surrounding interest rate exposure on our variable rate borrowings.

2 Post-retirement benefit payments are based upon current benefit payment levels.

At June 30, 2013, we had $0.8 million of non-current liabilities for uncertain tax positions. We are not able to provide a reasonable estimate of the timing of future payments related to these obligations.

Off Balance Sheet Items

In March 2012, the Company sold substantially all of the assets of the ADP business. In connection with the divestiture, the Company remained the lessee of ADP s Philadelphia, PA facility and administrative offices, with the purchaser subleasing a fractional portion of the building at current market rates. In connection with the transaction, the Company recognized a lease impairment charge of $2.3 million for the remaining rental expense. The Company s aggregate obligation with respect to the lease is $2.4 million, of which $1.7 million was recorded as a liability at June 30, 2013. Additionally, the Company remained an obligor on an additional facility lease that was assumed in full by the buyer, for which our aggregate obligation in the event of default by the buyer is $1.0 million. With the exception of the impaired portion of the Philadelphia lease, the Company does not expect to make any payments with respect to these obligations. The buyer s obligations under the respective sublease and assumed lease are secured by a cross-default provision in the purchaser s promissory note for a portion of the purchase price which is secured by mortgages on the ADP real estate sold in the transaction.

In connection with the sale of the Berean Christian Bookstores completed in August 2006, we assigned all but one lease to the buyers. During June 2009, the Berean business filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The Berean assets were subsequently resold under section 363 of the Code. The new owners of the Berean business have negotiated lower lease rates and extended lease terms at certain of the leased locations. We remain an obligor on these leases, but at the renegotiated rates and to the original term of the leases. The aggregate amount of our obligations in the event of default is $0.8 million at June 30, 2013, of which $.08 million is not recorded on our balance sheet as a liability based on management s assessment of the likelihood of loss.

We had no other material off balance sheet items at June 30, 2013, other than the operating leases summarized above.

Other Matters

Inflation Certain of our expenses, such as wages and benefits, occupancy costs and equipment repair and replacement, are subject to normal inflationary pressures. Inflation for medical costs can impact both our reserves for self-insured medical plans as well as our reserves for workers' compensation claims. We monitor the inflationary rate and make adjustments to reserves whenever it is deemed necessary. Our ability to manage medical costs inflation is dependent upon our ability to manage claims and purchase insurance coverage to limit the maximum exposure for us.

Foreign Currency Translation Our primary functional currencies used by our non-U.S. subsidiaries are the Euro, British Pound Sterling (Pound), Mexican (Peso), and Chinese (Yuan). During the current year, the Euro, Yuan, and Peso have experienced increases but the Pound decreased in value relative to the U.S. Dollar, our reporting currency. Since June 30, 2012 the Euro has appreciated by 2.8%, the Yuan has appreciated by 2.6%, the Peso has appreciated by 4.9% and the Pound has depreciated by 3.1% (all relative to the U.S. Dollar). These exchange values were used in translating the appropriate non-U.S. subsidiaries balance sheets into U.S. Dollars at the end of the current year.

Defined Benefit Pension Plans We record expenses related to these plans based upon various actuarial assumptions such as discount rates and assumed rates of returns. Based on actions taken to freeze benefits for substantially all participants in the plan and current assumptions, we are projecting a decrease of $2.6 million, or $0.13 per diluted share, of reduced expense related to our legacy U.S. plan in 2014 compared to 2013.

Environmental Matters To the best of our knowledge, we believe that we are presently in substantial compliance with all existing applicable environmental laws and regulations and do not anticipate any instances of non-compliance that will have a material effect on our future capital expenditures, earnings or competitive position.

Seasonality We are a diversified business with generally low levels of seasonality, however our fiscal third quarter is typically the period with the lowest level of activity.

Employee Relations The Company has labor agreements with a number of union locals in the United States and a number of European employees belong to European trade unions. There are two union contracts expiring during fiscal year 2014. One has already been successfully renegotiated.

Critical Accounting Policies

The Consolidated Financial Statements include accounts of the Company and all of our subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements. Although, we believe that materially different amounts would not be reported due to the accounting policies described below, the application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We have listed a number of accounting policies which we believe to be the most critical.

Collectability of Accounts Receivable Accounts Receivable are reduced by an allowance for amounts that may become uncollectible in the future. Our estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where we have information that the customer may have an inability to meet its financial obligation together with a general provision for unknown but existing doubtful accounts.

Realizability of Inventories Inventories are valued at the lower of cost or market. The Company regularly reviews inventory values on hand using specific aging categories, and records a provision for obsolete and excess inventory based on historical usage and estimated future usage. As actual future demand or market conditions may vary from those projected by management, adjustments to inventory valuations may be required.

Realization of Goodwill - Goodwill and certain indefinite-lived intangible assets are not amortized, but instead are tested for impairment at least annually and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than its carrying amount of the asset. The Company s annual test for impairment is performed using a May 31st measurement date.

We have identified our reporting units for impairment testing as our twelve operating segments, which are aggregated into our five reporting segments as disclosed in Note 18 Industry Segment Information.

The test for impairment is a two step process. The first step compares the carrying amount of the reporting unit to its estimated fair value (Step 1). To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a second step is performed, wherein the reporting unit s carrying value is compared to the implied fair value (Step 2). To the extent that the carrying value exceeds the implied fair value, impairment exists and must be recognized.

As quoted market prices are not available for the Company s reporting units, the fair value of the reporting units is determined using a discounted cash flow model (income approach). This method uses various assumptions that are specific to each individual reporting unit in order to determine the fair value. In addition, the Company compares the estimated aggregate fair value of its reporting units to its overall market capitalization.

Our annual impairment testing at each reporting unit relied on assumptions surrounding general market conditions, short-term growth rates, a terminal growth rate of 2.5%, and detailed management forecasts of future cash flows prepared by the relevant reporting unit. Fair values were determined primarily by discounting estimated future cash flows at a weighted average cost of capital of 9.89%. An increase in the weighted average cost of capital of approximately 350 basis points in the analysis would not result in the identification of any impairments.

While we believe that our estimates of future cash flows are reasonable, changes in assumptions could significantly affect our valuations and result in impairments in the future. The most significant assumption involved in the Company s determination of fair value is the cash flow projections of each reporting unit. Certain reporting units have been significantly impacted by the current global economic downturn and if the effects of the current global economic environment are protracted or the recovery is slower than we have projected estimates of future cash flows for each reporting unit may be insufficient to support the carrying value of the reporting units, requiring the Company to re-assess its conclusions related to fair value and the recoverability of goodwill.

As a result of our annual assessment, the Company determined that the fair value of the reporting units and indefinite-lived intangible assets exceeded their respective carrying values. Therefore, no impairment charges were recorded in connection with our assessments during 2013.

In connection with the divestiture of ADP, the Company determined that based on the net realizable value of the business in the transaction, the goodwill of the ADP reporting unit was impaired. As such, the Company recognized $14.9 million in impairment charges in discontinued operations during the second quarter of 2012.

Cost of Employee Benefit Plans We provide a range of benefits to our employees, including pensions and some postretirement benefits. We record expenses relating to these plans based upon various actuarial assumptions such as discount rates, assumed rates of return, compensation increases, turnover rates, and health care cost trends. The expected return on plan assets assumption of 7.25% in the U.S. is based on our expectation of the long-term average rate of return on assets in the pension funds and is reflective of the current and projected asset mix of the funds and considers the historical returns earned on the funds. We have analyzed the rates of return on assets used and determined that these rates are reasonable based on the plans historical performance relative to the overall markets as well as our current expectations for long-term rates of returns for our pension assets. The U.S. discount rate of 5.1% reflects the current rate at which pension liabilities could be effectively settled at the end of the year. The discount rate is determined by matching our expected benefit payments from a stream of AA- or higher bonds available in the marketplace, adjusted to eliminate the effects of call provisions. We review our actuarial assumptions, including discount rate and expected long-term rate of return on plan assets, on at least an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. Based on information provided by our actuaries and other relevant sources, we believe that our assumptions are reasonable.

The cost of employee benefit plans includes the selection of assumptions noted above. A twenty-five basis point change in the expected return on plan assets assumptions, holding our discount rate and other assumptions constant, would increase or decrease pension expense by approximately $0.5 million per year. A twenty-five basis point change in our discount rate, holding all other assumptions constant, would increase or decrease pension expense by approximately $0.3 million annually. See the Notes to the Consolidated Financial Statements for further information regarding pension plans.

Business Combinations - The accounting for business combinations requires estimates and judgments as to expectations for future cash flows of the acquired business and the allocation of those cash flows to identifiable intangible assets in determining the estimated fair values for assets acquired and liabilities assumed. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, are based on management s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the consolidated financial statements could result in a possible impairment of the intangible assets and goodwill, or require acceleration of the amortization expense of finite-lived intangible assets.

Allocations of the purchase price for acquisitions are based on estimates of the fair value of the net assets acquired and are subject to adjustment upon finalization of the purchase price allocation. During this measurement period, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. All changes that do not qualify as measurement period adjustments are included in current period earnings.

Recently Issued Accounting Pronouncements

In January 2013, the FASB issued ASU 2013-01, "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities", which clarifies the scope of the offsetting disclosures of ASU 2011-11. This amendment requires disclosing and reconciling gross and net amounts for financial instruments that are offset in the balance sheet, and amounts for financial instruments that are subject to master netting arrangements and other similar clearing and repurchase arrangements. We adopted ASU 2013-01 effective January 1, 2013, which did not have a material impact on our disclosures

In February 2013, the FASB issued guidance on disclosure requirements for items reclassified out of accumulated other comprehensive income (AOCI). This new guidance requires entities to present (either on the face of the income statement or in the notes) the effects on the line items of the income statement for amounts reclassified out of AOCI. The new guidance will be effective for us beginning July 1, 2013. Other than requiring additional disclosures, we do not anticipate material impacts on our financial statements upon adoption.

In March 2013, the FASB issued guidance on a parent s accounting for the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. This new guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The new guidance will be effective for us beginning July 1, 2014. We do not anticipate material impacts on our financial statements upon adoption.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We are exposed to market risks from changes in interest rates, commodity prices and changes in foreign currency exchange. To reduce these risks, we selectively use, from time to time, financial instruments and other proactive management techniques. We have internal policies and procedures that place financial instruments under the direction of the Treasurer and restrict all derivative transactions to those intended for hedging purposes only. The use of financial instruments for trading purposes (except for certain investments in connection with the non-qualified defined contribution plan) or speculation is strictly prohibited. The Company has no majority-owned subsidiaries that are excluded from the consolidated financial statements. Further, we have no interests in or relationships with any special purpose entities.

Exchange Risk

We are exposed to both transactional risk and translation risk associated with exchange rates. The transactional risk is mitigated, in large part, by natural hedges developed with locally denominated debt service on intercompany accounts. We also mitigate certain of our foreign currency exchange rate risks by entering into forward foreign currency contracts from time to time. The contracts are used as a hedge against anticipated foreign cash flows, such as dividend payments, loan payments, and materials purchases, and are not used for trading or speculative purposes. The fair values of the forward foreign currency exchange contracts are sensitive to changes in foreign currency exchange rates, as an adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts. However, any such losses or gains would generally be offset by corresponding gains and losses, respectively, on the related hedged asset or liability. At June 30, 2013 and 2012, the fair value, in the aggregate, of the Company s open foreign exchange was $1.4 million and $0.3 million respectively.

Our primary translation risk is with the Euro, British Pound Sterling, and Chinese Yuan. A hypothetical 10% appreciation or depreciation of the value of any these foreign currencies to the U.S. Dollar at June 30, 2013, would not result in a material change in our operations, financial position, or cash flows. We do not hedge our translation risk. As a result, fluctuations in currency exchange rates can affect our stockholders equity.

Interest Rate

The Company s effective rate on variable-rate borrowings under the revolving credit agreement is 3.65% and 3.67% at June 30, 2013 and 2012, respectively. Our interest rate exposure is limited primarily to interest rate changes on our variable rate borrowings. From time to time, we will use interest rate swap agreements to modify our exposure to interest rate movements. We currently have a $50.0 million of floating to fixed rate swaps with terms ranging from two to five years. These swaps convert our interest payments from LIBOR to a weighted average rate of 2.29%. Due to the impact of the swaps, an increase in interest rates would not materially impact our annual interest expense at June 30, 2013.

Concentration of Credit Risk

We have a diversified customer base. As such, the risk associated with concentration of credit risk is inherently minimized. As of June 30, 2013, no one customer accounted for more than 5% of our consolidated outstanding receivables or of our sales.

Commodity Prices

The Company is exposed to fluctuating market prices for all commodities used in its manufacturing processes. Each of our segments is subject to the effects of changing raw material costs caused by the underlying commodity price movements. In general, we do not enter into purchase contracts that extend beyond one operating cycle. While Standex considers our relationship with our suppliers to be good, there can be no assurances that we will not experience any supply shortage.

The Engineering Technologies, Food Service Equipment and Electronics and Hydraulics Groups are all sensitive to price increases for steel products, other metal commodities and petroleum based products. In the past year, we have experienced price fluctuations for a number of materials including steel, copper wire, other metal commodities, refrigeration components and foam insulation. These materials are some of the key elements in the products manufactured in these segments. Wherever possible, we will implement price increases to offset the impact of changing prices. The ultimate acceptance of these price increases, if implemented, will be impacted by our affected divisions respective competitors and the timing of their price increases.

Item 8. Financial Statements and Supplementary Data

Consolidated Balance Sheets

Standex International Corporation and Subsidiaries

As of June 30 (*in thousands, except share data*)		**2013**		**2012**
ASSETS				
Current assets:				
Cash and cash equivalents	$	51,064	$	54,749
Accounts receivable, net		102,268		99,432
Inventories		84,956		73,076
Prepaid expenses and other current assets		7,776		6,255
Income taxes receivable		-		3,568
Deferred tax asset		12,237		12,190
Total current assets		258,301		249,270
Property, plant, equipment, net		95,020		82,563

Intangible assets, net		25,837		19,818
Goodwill		111,905		100,633
Deferred tax asset		-		6,618
Other non-current assets		19,510		20,909
Total non-current assets		252,272		230,541
Total assets	$	510,573	$	479,811
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	69,854	$	62,113
Accrued liabilities		46,981		51,124
Income taxes payable		1,638		3,548
Total current liabilities		118,473		116,785
Long-term debt		50,072		50,000
Deferred income taxes		7,838		4,644
Pension obligations		33,538		53,550
Other non-current liabilities		9,664		11,925
Total non-current liabilities		101,112		120,119
Commitments and Contingencies (Notes 11 and 12)				
Stockholders' equity:				
Common stock, par value $1.50 per share - 60,000,000 shares authorized, 27,984,278 issued, 12,549,806 and 12,523,866 shares outstanding in 2013 and 2012		41,976		41,976
Additional paid-in capital		37,199		34,928
Retained earnings		546,031		505,163
Accumulated other comprehensive loss		(65,280)		(75,125)
Treasury shares (15,434,472 shares in 2013 and 15,460,412 shares in 2012)		(268,938)		(264,035)
Total stockholders' equity		290,988		242,907
Total liabilities and stockholders' equity	$	510,573	$	479,811

See notes to consolidated financial statements.

Consolidated Statements of Operations

Standex International Corporation and Subsidiaries

For the Years Ended June 30 (in thousands, except per share data)	**2013**	**2012**	**2011**
Net sales	$ 701,260	$ 634,640	$ 581,369
Cost of sales	475,164	426,156	389,831
Gross profit	226,096	208,484	191,538
Selling, general and administrative	159,601	146,995	137,807
Gain on sale of real estate	-	(4,776)	(3,368)
Restructuring costs	2,666	1,685	1,843

Income from operations		63,829		64,580		55,256
Interest expense		2,469		2,280		2,107
Other, net		128		(519)		201
Total		2,597		1,761		2,308
Income from continuing operations before income taxes		61,232		62,819		52,948
Provision for income taxes		15,910		15,912		14,922
Income from continuing operations		45,322		46,907		38,026
Income (loss) from discontinued operations, net of tax		(474)		(16,002)		(2,659)
Net income	$	44,848	$	30,905	$	35,367
Basic earnings per share:						
Income (loss) from continuing operations	$	3.61	$	3.75	$	3.05
Income (loss) from discontinued operations		(0.04)		(1.28)		(0.22)
Total	$	3.57	$	2.47	$	2.83
Diluted earnings per share:						
Income (loss) from continuing operations	$	3.55	$	3.67	$	2.98
Income (loss) from discontinued operations		(0.04)		(1.25)		(0.21)
Total	$	3.51	$	2.42	$	2.77

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Standex International Corporation and Subsidiaries

For the Years Ended June 30, 2013 (in thousands)		**2013**		**2012**		**2011**
Net income (loss)	$	44,848	$	30,905	$	35,367
Other comprehensive income (loss):						

Defined benefit pension plans:						
Actuarial gains (losses) and other changes in unrecognized costs	$	12,640	$	(38,283)	$	14,971
Amortization of unrecognized costs		8,701		5,603		5,193
Derivative instruments:						
Change in unrealized gains and losses		(195)		(1,987)		(1,295)
Amortization of unrealized gains and losses into interest expense		1,050		820		780
Foreign currency translation adjustments		(4,025)		(7,847)		9,075
Other comprehensive income (loss) before tax	$	18,171	$	(34,667)	$	28,724

Income tax provision (benefit):

Defined benefit pension plans: