STANDEX INTERNATIONAL CORP/DE/
Form 10-K
August 25, 2016

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, 2016 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 [X] **NO** [ ]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES [ ] **NO** [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 website, 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 X Accelerated filer ___ 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, 2015 was approximately $1,038,609,853. Registrant s closing price as reported on the New York Stock Exchange for December 31, 2015 was $83.15 per share.

The number of shares of Registrant's Common Stock outstanding on August 22, 2016 was 12,777,502

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant s 2016 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, estimate, anticipate, intends, continue, or similar terms or variations of those terms or the negative of those te 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 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 the impact of cybersecurity, and 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 was incorporated in 1975 and is the successor of a corporation organized in 1955. As used in this report, the terms we, us, our, the Company and Standex mean Standex International Corporati its subsidiaries. We have paid dividends each quarter since Standex became a public corporation in November 1964.

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

We are a leading manufacturer of a variety of products and services for diverse commercial and industrial markets. We have 11 operating segments, aggregated and organized for reporting purposes into five segments: Food Service Equipment, Engraving, Engineering Technologies, Electronics and Hydraulics. Overall management, strategic development and financial control are maintained by the executive staff from our corporate headquarters located in Salem, New Hampshire.

Our corporate long term strategy has several primary components to build larger industrial platforms through a value creation system that assists management in meeting specific corporate and business unit financial and strategic performance goals in order to create and sustain shareholder value. The Balanced Performance Plan process aligns annual goals throughout the business and provides a standard reporting, management and review process. It is focused on setting and meeting annual and quarterly targets that support our short term and long term goals. The Standex Growth Disciplines use a set of tools and processes including market maps, growth lane ways, and market tests to identify opportunities to expand the business organically and through acquisitions. Standex Operational Excellence employs a standard playbook and processes, including LEAN, to eliminate waste and improve profitability, cash flow and customer satisfaction. Finally, the Standex Talent Management is an organizational development process that provides training, development, and succession planning for our employees throughout our

worldwide organization. The Standex Value Creation System provides standard tools and processes throughout Standex to deliver our business objectives:

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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, key accounts and strategic sales channel partners. Also, we have a long-term objective to create sizable business platforms by adding strategically aligned or bolt on acquisitions to strengthen the individual businesses, create both sales and cost synergies with our core business platforms, and accelerate their growth and margin improvement. We have a particular focus on identifying and investing in opportunities that complement our products and will increase the global presence and capabilities of our businesses. From time to time we have divested and likely will continue to divest businesses that we feel are not strategic or do not meet our growth and return expectations.

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We create Customer Intimacy by utilizing the Standex Growth Disciplines to partner with our customers in order to develop and deliver custom solutions or engineered components that solve problems for our customers or otherwise meet their needs. This relationship generally provides us with the ability to improve sales and profit growth over time and provide operating margins that enhance shareholder returns. Further, we have made a priority of developing new sales channels and leveraging strategic customer relationships.

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Standex Operational Excellence drives continuous improvement in the efficiency of our businesses. We recognize that our businesses are competing in a global economy that requires us to improve our competitive position. We have deployed a number of management competencies to drive improvements in the cost structure of our business units including operational excellence through lean enterprise, the use of low cost manufacturing facilities in countries such as Mexico, 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.

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The Company s strong historical cash flow has been a cornerstone for funding our capital allocation strategy. We use cash flow generated from operations to fund the strategic growth programs described above, (including acquisitions and investments for organic growth), and to return cash to our shareholders through payment of dividends and stock buybacks.

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

Description of Segments

Food Service Equipment

The Food Service Equipment business is comprised of three groups. The Refrigeration Solutions group manufactures walk-in and cabinet coolers and freezers used in commercial food facilities and some industrial, life science and scientific applications. The Cooking Solutions group manufacturers cooking equipment such as ovens, fryers, warmers and grills used in commercial food preparation and service. The Specialty Solutions group consists of a specialty pump used in beverage applications and custom display merchandising.

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, hospitals, 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. In the scientific markets, our product portfolio is used for research, testing and storage of pharmaceuticals, reagents, enzymes, plasma, whole blood, bone marrow, viruses, stem cells DNA and plant samples.

Food Service Equipment products are manufactured in Hudson, WI; New Albany, MS; Nogales, Mexico; Simpsonville, SC; San Antonio, TX; Belleville, WI; and Mountmellick, Ireland. In addition, we have our culinary demonstration center in Allen, TX. Our products are sold predominantly in North America directly, through dealers, and through industry representatives in the Americas, Europe, Asia and Middle East.

Our product brands include:

- NorLake® walk-in coolers and freezers and reach-in and under counter refrigerated cabinets to meet food service and scientific needs;

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

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APW Wyott®, Bakers Pride®, and Tri-Star ovens, char broilers, commercial ranges, griddles, toasters, warmers, roller grills and countertop merchandisers used in cooking, toasting, warming and merchandising food;

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

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Ultrafryer® commercial deep fryers for restaurant and commercial installations;

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Federal merchandizing display cases for bakery, deli and confectionary products; and

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Procon® pump systems used in beverage and industrial fluid handling applications.

We continue to expand this segment through new product introductions and acquisitions.

Engraving

The Engraving segment consists of three product lines. Mold-Tech is a world-wide leader in applying textures to molds on which manufacturers produce a final product with the desired surface textures on molded plastic parts, slush-molded and in-mold grained parts. Mold-Tech serves the global auto industry as well as consumer goods. Innovent is a specialized supplier of tools and machines used to produce diapers and products which contain absorbent materials between layers of non-woven fabric.

We simplify the supply chain for global Original Equipment Manufacturers, OEM , as a single source texture solutions supplier. We provide texturizing services for the production of automotive components, particularly for interior dashboards and upholstery, textiles for paper towels and hygiene products, consumer products and cosmetic appearances, construction applications, various synthetic flooring products, and surfaces in electronics such as computers, cell phones and printers.

Our worldwide Mold-Tech locations enable us to better serve our customers within key geographic areas on 6 continents including in the United States, Canada, Europe, China, India, Southeast Asia, Korea, Australia, South Africa, and South America. Our products are primarily sold directly through our global sales network. The Engraving segment serves a number of industries including automotive, plastics, building products, synthetic

materials, converting, textile and paper, computer, housewares, hygiene product tooling and aerospace industries.

Subsequent to our fiscal 2016 year-end, we sold our U.S. Roll Plate and Machinery business as it was not strategic, and did not meet our growth and return expectations. This divestiture also allows our Engraving management to focus on higher growth and better return businesses within the segment.

The Engraving segment brands include:

- Mold-Tech® which provides design and program management services texturizes molds used in the production of plastic parts and manufactures nickel shell slush mold tooling.

- Mullen® Burst Testers.

- Innovent is an engineering and manufacturing company delivering innovative product and service solutions to hygiene, aerospace and other industrial clients around the world.

We are particularly focused on growth through the establishment of new greenfield facilities in emerging markets and development of proprietary digital based process technology. Our extensive worldwide network of 38 manufacturing and design centers provides uniform engravings to satisfy the needs of our global customers. We expect to continue to strengthen our market leadership position through continuously expanding the breadth of products and services we provide customers globally.

Engineering Technologies

The Engineering Technologies segment, ETG , provides critical engineered parts in all workable metal alloys using various forming processes combined with the essential value added processes for innovative cost effective solutions. Our competitive advantage is to deliver components or assemblies that can be inserted directly into the production line with no or little surface finishing required. Our precision manufacturing capabilities include metal spinning, metal forming, press forming, stretch forming, hydroforming, heat treating and brazing, computer numerical control and electrical discharge machining, high speed milling, and other fabrication services in all thickness and size ranges for all workable metal alloys.

ETG solutions are in a wide variety of advanced applications, where the utilization of our broad metal forming capabilities with vertically integrated operations are used to reduce part count, decrease input material, and/or optimize the manufacturing process. These solutions are found in the aviation, defense, energy, industrial, medical, marine, oil and gas, and manned and unmanned space markets. Our components and assemblies have been present on major commercial aviation aircraft engines and nacelles as well as defense and navy nuclear programs. We provide complex assemblies and formed solutions for the energy and oil and gas OEM s, MRI machine formed components, and single piece formed and machined fuel and liquid oxygen tanks and tank domes for commercial and government space programs.

The segment includes our Spincraft units, with locations in North Billerica, MA, New Berlin, WI, and Newcastle upon Tyne in the U.K, along with, Enginetics, which has plants in Huber Heights and Eastlake, OH. Our sales are direct with the OEM s and the Tier One s in the particular markets, throughout the world, with the majority of our sales in North America and Europe.

Electronics

The Electronics segment is a manufacturer of custom magnetic sensing and power conversion components and assemblies. The magnetic sensing products employ technologies such as reed switches, hall effect, and magneto-resistive to produce reed relays, fluid level sensors, flow, pressure differential, proximity, as well as custom electronics assemblies containing these devices. The power conversion products include custom wound transformers and inductors for low and high frequency applications, value added assemblies and mechanical packaging and advanced planar transformers technology.

The Electronics segment is a global components solutions provider which designs and manufactures innovative engineered components and assemblies to solve our customers application needs with a Partner/Solve/Deliver® approach. Our mission and vision is to be a strategic partner with customers, utilize our innovative capabilities and solutions to solve customer problems and deliver quality products that meet or exceed customer expectations. The products are vital to a diverse array of markets to provide safe and efficient power transformation, monitoring and isolation, as well as critical feedback to control systems for function and safety. The end user is typically an OEM industrial equipment manufacturer. End-user markets include, but are not limited to transportation, smart-grid, alternative energy, appliances, HVAC, security, military, medical, aerospace, test and measurement, power distribution, and general industrial applications.

Components are manufactured in plants located in the USA, Mexico, the U.K., Germany and China. The business sells globally through a direct sales force, regional sales managers, field applications engineers, commissioned agents, representative groups, and distribution channels. The products are sold globally with approximately fifty percent of sales within North America, forty percent within Europe and the balance in Asia.

The brand names are Standex Electronics, Standex-Meder Electronics, and Northlake Engineering. The Company continues to expand the business through organic growth with current customers, new customers, developing new products and technologies, geographic expansion, and strategic acquisitions.

Hydraulics

The Hydraulics segment is a global manufacturer of mobile hydraulic cylinders including single or double acting telescopic and piston rod hydraulic cylinders. Additionally we manufacture a specialty pneumatic cylinder and promote complete wet line kits, which are complete hydraulic systems that include a pump, valves, hoses and fittings.

Industries that use our products are construction equipment, refuse, airline support, mining, oil and gas, and other material handling applications. Our products are utilized by OEMs on vehicles such as dump trucks, dump trailers, bottom dumps, garbage trucks, container roll off vehicles, hook lift trucks, liquid waste handlers, compactors, balers, airport catering vehicles, container handling equipment for airlines, lift trucks, yard tractors, and underground mining vehicles.

We manufacture our cylinders in Hayesville, OH and Tianjin, China. Our products are sold directly to OEMs, as well as distributors, dealers, and aftermarket repair outlets primarily in North America with some sales in South America and Asia.

We provide Custom Hoists® branded single and double acting telescopic hydraulic cylinders and single stage, welded type piston rod hydraulic cylinders for use in the mobile hydraulics industry.

Responsiveness to new opportunities drives continuous top line growth. We leverage our full line of products for the dump truck and trailer market and deep expertise in their application to expand into new markets, targeting challenging custom applications. Our flexible design capability and global supply chain enable us to be successful in our expansion efforts. Our team is dedicated to superior customer service through our technical engineering support and on-time delivery.

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.

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 39 United States patents and patents pending covering processes, methods and devices and approximately 43 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.

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.

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

Customers

Our business is not dependent upon a single customer or a few large customers, the loss of any one of which would not have a material adverse effect on our operations. No customer accounted for more than 5% of our consolidated revenue in fiscal 2016 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 includes all active or open orders for goods and services that have a firm fixed customer purchase order with defined delivery dates. Backlog also includes any future deliveries based on executed customer contracts, so long as such deliveries are based on agreed upon delivery schedules. Backlog is not generally a significant factor in the Company s businesses because of our relatively short delivery periods and rapid inventory turnover with the exception of Engineering Technologies. Due to the nature of long term agreements in the Engineering Technologies segment, the timing of orders and delivery dates can vary considerably resulting in significant backlog changes from one period to another.

Backlog orders in place at June 30, 2016 and 2015 are as follows (in thousands):

		2016		**2015**
Food Service Equipment	$	37,202	$	46,147
Engraving		19,046		18,992
Engineering Technologies		90,241		93,012
Electronics		44,713		38,445
Hydraulics		4,951		4,776
Total		196,153		201,372
Net realizable beyond one year		33,257		33,215
Net realizable within one year	$	162,896	$	168,157

Backlog realizable within one year decreased $5.3 million, or 3.1%, to $162.9 million at June 30, 2016 from $168.2 million at June 30, 2015. The backlog decrease of $8.9 million in Food Service Equipment resulted primarily from lower demand in the refrigeration markets. The increase in Electronics backlog of $6.3 million is primarily a result of the recently acquired Northlake business.

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

We have international operations in all of our business segments. International operations are conducted at 60 locations, in Europe, Canada, China, India, Southeast Asia, Korea, Australia, Mexico, Brazil, and South Africa. See the Notes to Consolidated Financial Statements for international operations financial data. Our international operations contributed approximately 27% of operating revenues in 2016 and 2015. 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, restrictions of repatriation of earnings, 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 drive 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 in order to offer enhanced products or to provide customized solutions for customers.

Environmental Matters

Based on our knowledge and current known facts, 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, 2016, we employed approximately 5,300 employees of which approximately 2,100 were in the United States. About 300 of our U.S. employees were represented by unions. Approximately 44% 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, 2016 were as follows:

Name	Age	Principal Occupation During the Past Five Years
David Dunbar	54	President and Chief Executive Officer of the Company since January 2014. President of the Valves and Controls global business unit of Pentair Ltd from 2009 through 2013.
Thomas D. DeByle	56	Vice President and Chief Financial Officer of the Company since March 2008.
Alan J. Glass	52	Vice President, Chief Legal Officer and Secretary of the Company since April 2016. Vice President, General Counsel and Secretary of CIRCOR International, Inc. from 2000 through 2016.
Ross McGovern	38	Vice President of Human Resources of the Company since August 2015. Director of Human Resources of Keurig Green Mountain 2015, Vice President of Human Resources of Datacolor from 2012 through 2015, and Global Human Resources Manager of R&D GE Healthcare, Medical Diagnostics, a subsidiary of General Electric from 2009 through 2011.
Sean Valashinas	44	Chief Accounting Officer and Assistant Treasurer of the Company since October 2007.
Anne De Greef-Safft	54	Segment President of Food Service Equipment since January 2015; President of Danaher s Gems, Setra, Sonix and Anderson Companies, where she directed the worldwide operations, marketing and sales, engineering, accounting and human resources functions of these businesses from 2009 through 2014.
Paul Burns	43	Vice President of Strategy and Business Development since July 2015, Director of Corporate Development and Global Mergers & Acquisitions at General Motors from 2013 through 2015, Director of Strategy and Business Development at Tyco Flow Control from 2011 through 2013.

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 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 deterioration in the domestic and international economic environment could adversely affect our operating results and financial condition.

Recessionary economic conditions coupled with a tightening of credit could adversely impact major markets served by our businesses, including cyclical markets such as automotive, heavy construction vehicle, general industrial and food service. An 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 54 locations outside of the United States in Europe, Canada, China, India, Singapore, Korea, Australia, Mexico, Brazil, Turkey, Malaysia, 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:

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fluctuations in currency exchange rates;

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changes in government regulations;

restrictions on repatriation of earnings;

import and export controls;

political, social and economic instability;

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 synergies and growth opportunities; 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.

Strategic divestitures could negatively affect our results and 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, 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. Although our pension plans have been frozen, 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.

Our business could be negatively impacted by cybersecurity threats, information systems and network interruptions, and other security threats or disruptions.

Our information technology networks and related systems are critical to the operation of our business and essential to our ability to successfully perform day-to-day operations. Cybersecurity threats in particular, are persistent, evolve quickly, and include, but are not limited to, computer viruses, attempts to access information, denial of service and other electronic security breaches. These events could disrupt our operations or customers and other third party IT systems in which we are involved and could negatively impact our reputation among our customers and the public which could have a negative impact on our financial conditions, results of operations, or liquidity.

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 have a total of 96 facilities, of which we operate 83 manufacturing plants and warehouses located throughout the United States, Europe, Canada, Australia, Southeast Asia, Korea, China, India, Brazil, South Africa, and Mexico. The Company owns 24 of the facilities and the balance are leased. For the year ended June 30, 2016 the approximate building space utilized by each segment is as follows:

		Area in Square Feet (in thousands)		
Segment location	**Number of Facilities**	**Leased**	**Owned**	**Total**
EMEA[1]	3	24	10	34
Other Americas	3	32	185	217

United States	15	354	789	1,143
Food Service Equipment	21	410	984	1,394
Asia Pacific	13	244	-	244
EMEA[(1)]	14	141	56	197
Other Americas	5	65	-	65
United States	6	56	105	161
Engraving	38	506	161	667
EMEA[(1)]	3	80	-	80
United States	7	273	171	444
Engineering Technologies	10	353	171	524
Asia Pacific	2	37	-	37
EMEA[(1)]	5	8	89	97
Other Americas	3	17	56	73
United States	5	31	61	92
Electronics	15	93	206	299
Asia Pacific	2	65	-	65
Other Americas	1	1	-	1
United States	6	20	101	121
Hydraulics	9	86	101	187
United States	3	150	22	172
Corporate & Other	3	150	22	172
Total	**96**	**1,598**	**1,645**	**3,243**

[(1)] EMEA consists primarily of Europe, Middle East and S. Africa.

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

Discussion of 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	
	2016		2015			
Year Ended June 30	**High**	**Low**	**High**	**Low**	**2016**	**2015**
First quarter	$ 83.20	$ 66.98	$ 76.99	$ 65.01	$ 0.12	$ 0.10
Second quarter	93.10	72.94	87.05	70.25	0.14	0.12
Third quarter	82.45	65.53	83.98	66.72	0.14	0.12
Fourth quarter	89.29	75.59	84.47	77.62	0.14	0.12

The approximate number of stockholders of record on July 31, 2016 was 1,641.

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, 2016

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 - April 30, 2016	2,167	$ 78.77	2,167	$ 99,829,305
May 1 - May 31, 2016	25,615	$ 79.76	27,782	$ 97,786,253
June 1 - June 30, 2016	2,916	$ 87.21	30,698	$ 97,531,949
TOTAL	30,698	$ 80.40	30,698	$ 97,531,949

[1] The Company has a Stock Buyback Program (the Program) which was originally announced on January 30, 1985 and most recently amended on April 26, 2016. Under the Program, the Company was authorized to repurchase up to an aggregate of $100 million of its shares. Under the program, purchases may be made from time to time on the open market, including through 10b5-1 trading plans, or through privately negotiated transactions, block transactions, or other techniques in accordance with prevailing market conditions and the requirements of the Securities and Exchange Commission. The Board s authorization is open-ended and does not establish a timeframe for the purchases. The Company is not obligated to acquire a particular number of shares, and the program may be discontinued at any time at the Company s discretion.

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, 2011 and the reinvestment of all dividends.

Item 6. Selected Consolidated Financial Data

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

See Item 7 for discussions on comparability of the below.

	2016	2015	2014	2013	2012
SUMMARY OF OPERATIONS (in thousands)					
Net sales					
Food Service Equipment	$ 381,867	$ 408,706	$ 377,848	$ 367,008	$ 364,759
Engraving	124,120	110,781	109,271	93,380	93,611
Engineering Technologies	82,235	97,018	79,642	74,838	74,088
Electronics	118,319	114,196	114,881	108,085	48,206
Hydraulics	45,045	41,441	34,538	30,079	29,922
Total	$ 751,586	$ 772,142	$ 716,180	$ 673,390	$ 610,586
Gross profit	$ 252,253	$ 247,486	$ 238,269	$ 218,191	$ 201,736
Operating income (loss)					
Food Service Equipment	$ 40,142	$ 37,456	$ 38,203	$ 37,533	$ 38,389
Engraving	29,579	24,250	22,145	15,596	17,896
Engineering Technologies	8,258	13,097	12,676	13,241	14,305
Electronics	21,104	20,884	19,732	16,147	8,715
Hydraulics	7,947	7,013	5,781	4,968	4,403
Restructuring [1]	(4,232)	(3,443)	(10,077)	(2,666)	(1,685)
Gain on sale of real estate	-	-	-	-	4,776
	(7,458)				

Other operating income (expense), net		438	3,462	-	-
Corporate and Other	(24,996)	(21,051)	(26,054)	(22,924)	(23,443)
Total	$ 70,344	$ 78,644	$ 65,868	$ 61,895	$ 63,356
Interest expense	(2,871)	(3,161)	(2,249)	(2,469)	(2,280)
Other non-operating (loss) income	1,052	634	4,184	(128)	519
Provision for income taxes	(16,295)	(20,874)	(18,054)	(15,244)	(15,699)
Income from continuing operations	52,230	55,243	49,749	44,054	45,896
Income/(loss) from discontinued operations	(174)	(500)	(6,883)	794	(14,991)
Net income	$ 52,056	$ 54,743	$ 42,866	$ 44,848	$ 30,905

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

	2016	2015	2014	2013	2012
PER SHARE DATA					
Basic					
Income from continuing operations	$ 4.12	$ 4.37	$ 3.94	$ 3.51	$ 3.67
Income/(loss) from discontinued operations	(0.01)	(0.04)	(0.55)	0.06	(1.20)
Total	$ 4.11	$ 4.33	$ 3.39	$ 3.57	$ 2.47
Diluted					
Income from continuing operations	$ 4.09	$ 4.31	$ 3.89	$ 3.45	$ 3.59
Income/(loss) from discontinued operations	(0.01)	(0.04)	(0.54)	0.06	(1.17)
Total	$ 4.08	$ 4.27	$ 3.35	$ 3.51	$ 2.42
Dividends declared	$ 0.54	$ 0.46	$ 0.38	$ 0.31	$ 0.27

	2016	2015	2014	2013	2012
BALANCE SHEET (in thousands)					
Total assets	$ 690,457	$ 659,063	$ 577,785	$ 509,947	$ 478,935
Accounts receivable	103,974	110,478	107,674	97,995	96,493
Inventories	105,402	108,305	97,065	81,811	70,802
Accounts payable	77,099	80,764	85,206	67,552	60,229
Goodwill	157,354	154,732	125,965	111,905	100,633
Long-term debt	$ 92,114	$ 101,753	$ 44,681	$ 49,446	$ 49,124
Total debt	92,114	101,753	44,681	49,446	49,124
Less cash	121,988	96,128	74,260	51,064	54,749
Net debt (cash)	(29,874)	5,625	(29,579)	(1,618)	(5,625)
Stockholders' equity	369,959	348,570	340,726	290,988	242,907
KEY STATISTICS	**2016**	**2015**	**2014**	**2013**	**2012**
Gross profit margin	33.6%	32.1%	33.3%	32.4%	33.0%
Operating income margin	9.4%	10.2%	9.2%	9.2%	10.4%

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 markets. We have five reportable segments: Food Service Equipment, Engraving, Engineering Technologies, Electronics, and the Hydraulics.

Our long term strategy is to build larger industrial platforms through a value creation system that assists management in meeting specific corporate and business unit financial and strategic performance goals in order to create, improve, and enhance shareholder value. The Standex Value Creation System is a standard methodology which provides consistent tools used throughout the company in order to achieve our organization s goals. The value creation system has four components. The Balanced Performance Plan process aligns annual goals throughout the business and provides a standard reporting, management and review process. It is focused on setting and meeting annual and quarterly targets that support our short term and long term goals. The Standex Growth Disciplines use a set of tools and processes including market maps, growth lane ways, and market tests to identify opportunities to expand the business organically and through acquisitions. Standex Operational Excellence employs a standard playbook and processes, including LEAN, to eliminate waste and improve profitability, cash flow and customer satisfaction. Finally, the Standex Talent Management process is an organizational development process that provides training, development, and succession planning for our employees throughout our worldwide organization. The Standex Value Creation System ties all disciplines in the organization together under a common umbrella by providing standard tools and processes to deliver our business objectives:

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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, key accounts and strategic sales channel partners. Also, we have a long-term objective to create sizable business platforms by adding strategically aligned or bolt on acquisitions to strengthen the individual businesses, create both sales and cost synergies with our core business platforms, and accelerate their growth and margin improvement. We have a particular focus on identifying and investing in opportunities that complement our products and will increase the global presence and capabilities of our businesses. From time to time we have divested and likely will continue to divest businesses that we feel are not strategic or do not meet our growth and return expectations.

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As part of this ongoing strategy, during fiscal year 2016, we acquired Northlake Engineering, Inc., a designer, manufacturer and distributor of high reliability magnetics serving the North American power distribution and medical equipment markets. This investment complements our Electronics segment and allows us to provide broader solutions to our customers. Subsequent to our fiscal 2016 year-end, we sold our U.S. Roll Plate and Machinery business as it was not strategic, and did not meet our growth and return expectations. This divestiture also allows our Engraving management to focus on higher growth and better return businesses within the segment.

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We create Customer Intimacy by utilizing the Standex Growth Disciplines to partner with our customers in order to develop and deliver custom solutions or engineered components that provide technology-driven solutions to our customers. This relationship generally provides us with the ability to improve sales and profit growth over time and provide operating margins that enhance shareholder returns. Further, we have made a priority of developing new sales channels and leveraging strategic customer relationships.

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Standex Operational Excellence drives continuous improvement in the efficiency of our businesses. We recognize that our businesses are competing in a global economy that requires us to improve our competitive position. We have deployed a number of management competencies to drive improvements in cost structure of our business units including operational excellence through lean enterprise, the use of low cost manufacturing facilities in countries such as Mexico, 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.

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The Company s strong historical cash flow has been a cornerstone for funding our capital allocation strategy. We use cash flow generated from operations to fund the strategic growth programs described above, (including acquisitions and investments for organic growth), and to return cash to our shareholders through payment of dividends and stock buybacks.

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 technologies, and next generation products and services for our end-user markets.

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 enhance our competitive position and operating margins. Such expenses include costs for moving facilities to low-cost locations, starting up plants after relocation, or 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, asset write-downs, costs of moving fixed assets, moving, and relocation costs. Vacant facility costs include maintenance, utilities, property taxes, and other costs.

We continue to focus on our efforts to reduce cost and improve productivity across our businesses. Our refrigeration division and businesses that serve the oil and gas industry have both been negatively impacted by reduced customer spending and customer consolidation. Due to these changing market conditions and consolidations we have and will continue to implement appropriate cost reductions to align our costs to appropriate sales levels. We continue to evaluate our products and production processes and expect to execute similar cost reductions and restructuring

programs on an ongoing basis.

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 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, gross profit margin, and operating cash flow. A discussion of these KPIs is included in 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):

		2016		**2015**		**2014**
Net sales	$	751,586	$	772,142	$	716,180
Gross profit margin		33.6%		32.1%		33.3%
Restructuring costs		4,232		3,443		10,077
Other income/(expense) operating		(7,458)		438		3,462
Income from operations		70,344		78,644		65,868
Backlog (realizable within 1 year)	$	162,896	$	168,157	$	143,132

		2016		**2015**		**2014**
Net sales	$	751,586	$	772,142	$	716,180
Components of change in sales:						

Effect of acquisitions	11,672	38,155	297
Effect of exchange rates	(15,011)	(16,423)	3,954
Organic sales growth	(17,217)	34,230	38,539

Net sales for the fiscal year 2016 decreased by $20.6 million, or 2.7%, when compared to the prior year. The decrease is driven by $17.2 million, or 2.3% of organic sales declines and $15.0 million, or 1.9%, of unfavorable foreign exchange partially offset by $11.7 million, or 1.5% from the Northlake and Enginetics acquisitions. The organic sales decrease was primarily driven by lower sales to the refrigeration and oil and gas markets, partially offset by higher sales to the automotive and other markets. We anticipate continued soft demand in the refrigeration and oil and gas markets during the first half of fiscal year 2017. We expect unfavorable foreign exchange sales impacts in 2017 primarily associated with declines in the British Pound due to the Brexit vote. During fiscal year 2016, 3.0% of our consolidated revenue was recorded in the U.K.

Net sales for the fiscal year 2015 increased by $56.0 million, or 7.8%, when compared to the prior year. The increase was driven by $34.2 million or 4.8% of organic sales growth from three of our segments, $38.2 million or 5.3% of acquisitions from Enginetics, Ultrafryer, and Planar partially offset by unfavorable foreign exchange of $16.4 million or 2.3% primarily from the strength of the U.S. dollar as compared to the Euro and Pound. Sales growth was a result of success of our top-line growth initiatives and improvements in end-user markets.

Gross Profit Margin

During 2016, gross margin increased to 33.6% as compared to 32.1% in 2015. The increase is a result of higher sales in the Engraving segment which typically carry higher margins than sales in our other segments and operational improvements in our Food Service Equipment segment as our Operational Excellence initiatives continue to generate positive gross margin results. We also experienced gross margin improvements due to reduced purchase accounting charges of $1.3 million. During fiscal year 2016 we incurred $0.4 million of purchase accounting charges related to the Northlake acquisition as compared to charges of $1.7 million in the prior year for the Enginetics and Ultrafryer acquisitions.

During 2015, gross margin decreased to 32.1% as compared to 33.3% in 2014. This decrease is primarily a result of exchange rate declines, an unfavorable sales mix as compared to the prior year, coupled with $1.7 million of purchase accounting charges associated with the Enginetics and Ultrafryer acquisitions.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses, (SG&A) for the fiscal year 2016 were $170.2 million or 22.6% of sales compared to $165.8 million or 21.5% of sales during the prior year. The increase in SG&A is due to higher health care expenses, compensation, along with SG&A embedded in the Northlake business partially offset by declines in

distribution expense.

Selling, general, and administrative expenses, (SG&A) for the fiscal year 2015 were $165.8 million or 21.5% of sales compared to $165.8 million or 23.1% of sales during the prior year. The decline in SG&A as a percentage of sales relates to three primary items: the absence of $3.9 million of management transition costs in 2014; increased selling and distribution expense in the then current year associated with a 4.8% increase in organic sales during the year; and $6.6 million of incremental expenses as a result of the Ultrafryer and Enginetics acquisitions.

Income from Operations

Income from operations for the fiscal year 2016 decreased by $8.3 million or 10.6%, when compared to the prior year. The decrease is a result of a $7.3 million non-cash loss incurred to adjust the net realizable value of the Roll Plate and Machinery business, increases in health care and compensation expenses, partially offset by gross profit improvements as a result of business segment mix. Discussion of the performance of all of our reportable segments is more fully explained in the segment analysis that follows.

Income from operations for the fiscal year 2015 increased by $12.8 million or 19.4%, when compared to the prior year. The increase was primarily driven by $56.0 million of sales increases, increasing gross profit by $9.2 million, along with a $6.6 million decline in restructuring expenses, and a reduction in net gain from insurance proceeds of $3.0 million.

Interest Expense

Interest expense for the fiscal year 2016 was $2.9 million, a decrease of $0.3 million as compared to the prior year. The decrease is primarily due to lower average borrowings outstanding during the year.

Interest expense for the fiscal year 2015 was $3.2 million, an increase of $0.9 million as compared to the prior year. The increase is primarily due to higher average borrowings outstanding during the year as a result of the Enginetics acquisition and increased capital spending to support strategic growth programs.

Income Taxes

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2016 was $16.3 million, or an effective rate of 23.8%, compared to $20.9 million, or an effective rate of 27.4% for the year ended June 30, 2015. 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. We anticipate our tax rate will be approximately 28% in the coming fiscal year due to mix of income earned in jurisdictions with higher tax rates.

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2016 was impacted by the following items: (i) a benefit of $4.9 million due to the mix of income earned in jurisdictions with beneficial tax rates, (ii) a net benefit of $0.9 million related to a bargain-sale of idle property to a charitable organization, and (iii) a benefit of $0.7 million related to the R&D tax credit.

The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2015 was $20.9 million, an effective rate of 27.4%, compared to $18.1 million, an effective rate of 26.6% for the year ended June 30, 2014. The Company's income tax provision from continuing operations for the fiscal year ended June 30, 2015 was impacted by the following items: (i) a benefit of $0.5 million related to the R&D tax credit that expired during the fiscal year on December 31, 2014 (ii) a benefit of $4.0 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, 2014 was impacted by the following items: (i) a benefit of $0.5 million related to the R&D tax credit that expired during the fiscal year on December 31, (ii) a benefit of $0.5 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 during the fiscal year, (iii) a benefit of $1.1 million due to non-taxable life insurance proceeds received in the third quarter and (iv) a benefit of $3.8 million due to the mix of income earned in jurisdictions with beneficial tax rates.

Capital Expenditures

In general, our capital expenditures over the long term are expected to be approximately 2% to 3% of net sales. During 2016, capital expenditures decreased to $17.9 million or 2.4% of net sales as compared to $22.6 million or 2.9% of net sales in the prior year. We anticipated 2016 capital spending to be approximately $24 million, however due to project delays, spending was $8 million below our target. We anticipate capital expenditures in the range of $26.0 million to $28.0 million in 2017, which includes amounts not spent in 2016. The 2017 capital spending will be focused on completion of the new Engineering Technologies facility in Wisconsin along with growth, cost reduction, and typical maintenance capital programs.

Backlog

Backlog includes all active or open orders for goods and services that have a firm fixed customer purchase order with defined delivery dates. Backlog also includes any future deliveries based on executed customer contracts, so long as such deliveries are based on agreed upon delivery schedules. Backlog is not generally a significant factor in the Company s businesses because of our relatively short delivery periods and rapid inventory turnover with the exception of Engineering Technologies. Due to the nature of long term agreements in the Engineering Technologies segment, the timing of orders and delivery dates can vary considerably resulting in significant backlog changes from one period to another.

Backlog orders in place at June 30, 2016 and 2015 are as follows (in thousands):

		2016		2015
Food Service Equipment	$	$37,202	$	46,147
Engraving		19,046		18,992
Engineering Technologies		90,241		93,012
Electronics		44,713		38,445
Hydraulics		4,951		4,776
Total		196,153		201,372
Net realizable beyond one year		33,257		33,215
Net realizable within one year	$	$162,896	$	168,157

Backlog realizable within one year decreased $5.3 million, or 3.1%, to $162.9 million at June 30, 2016 from $168.2 million at June 30, 2015. The backlog decrease of $8.9 million in the Food Service Equipment segment resulted primarily from lower demand in the refrigeration markets. The increase in Electronics backlog of $6.3 million is primarily a result of the recently acquired Northlake business.

Segment Analysis (in thousands)

Food Service Equipment

	2016 compared to 2015			2015 compared to 2014		
(in thousands except percentages)	2016	2015	% Change	2015	2014	% Change
Net sales	$ 381,867	$ 408,706	-6.6%	$ 408,706	$ 377,848	8.2%
Income from operations	40,142	37,456	7.2%	37,456	38,203	-2.0%
Operating income margin	10.5%	9.2%		9.2%	10.1%	

Net sales for fiscal year 2016 decreased $26.8 million, or 6.6% when compared to the prior year. The reduction was primarily in the Refrigeration Solutions group where sales decreased by 12.2%. Three factors contributed to the Refrigeration sales decline: (i) loss of market share into the dollar store market, (ii) reduced sales to major chains due to reduced capital spending, and (iii) reduced sales in Canada due to the strength of the U.S. dollar. We anticipate that capital spending by our major chain customers will remain soft into the first half of fiscal year 2017 but will begin to increase in the second half of fiscal year 2017. Sales from the Cooking Solutions group increased, by 0.5% year over year due to growth in sales to retail supermarkets. Specialty Solutions sales decreased 1.1% as our European pump business was impacted by a weak Euro early in the year.

Net sales for fiscal year 2015 increased $30.9 million, or 8.2%, when compared to the prior year. The sales growth was driven by organic sales increases of 4.9%, sales increases of 3.9% due to our acquisition of Ultrafyer, partially offset by foreign exchange declines. The Refrigerated Solutions group sales increased 4.7% as the group saw a return of the drug retail business in 2015 and strong sales into the dollar store market. This strength was partially offset by weakness in national food service chains. Sales from the Cooking Solutions group increased, by 22.2% year over year. Excluding the Ultrafryer acquisition, Cooking Solutions group sales grew at 4.2% as compared to 2014. Growth was driven by increased spending by U.S. retail supermarket customers. Specialty Solutions sales increased 1.1% as our European pump business was impacted by the weakening of the Euro during the year. Foreign exchange losses in the group were offset by sales growth in our specialty merchandising business as several new chains have signed on for development of customized solutions.

Income from operations for fiscal year 2016 increased $2.7 million, or 7.2%, when compared to the prior year, and operating income margin grew from 9.2% to 10.5%, up 130 basis points. Operating efficiencies, portfolio focus, paring of low-margin products and expense controls have increased our leverage and have positively impacted income from operations for the segment. Our focus in fiscal year 2017 is to generate positive operating income growth through product rationalization, sales volume increases and margin improvement through future deployment of Standex Operational Excellence.

Income from operations for fiscal year 2015 decreased $0.7 million, or 2.0%, when compared to the prior year, and operating income margin declined from 10.1% to 9.2%. The positive impact of the year-over-year volume increase was offset by a combination of adverse market channel, product and customer mix changes; negative foreign exchange impacts and disruptions resulting from a factory closure.

Engraving

	2016 compared to 2015			**2015 compared to 2014**		
(in thousands except percentages)	**2016**	**2015**	**% Change**	**2015**	**2014**	**% Change**
Net sales	$ 124,120	$ 110,781	12.0%	$ 110,781	$ 109,271	1.4%
Income from operations	29,579	24,250	22.0%	24,250	22,145	9.5%
Operating income margin	23.8%	21.9%		21.9%	20.3%	

Net sales for fiscal year 2016 increased by $13.3 million or 12.0%, compared to the prior year. Sales growth excluding foreign exchange losses of $8.7 million is driven by sales gains at Mold-Tech for new automotive model introductions along with market share gains throughout the world. The Engraving segment also experienced sales gains in its Roll Plate and Machinery business and core forming tooling business. We expect moderate Mold-Tech sales growth in 2017 as new automotive model launches occur in the coming year.

Subsequent to our fiscal 2016 year-end, the Company sold its U.S. Roll Plate and Machinery business as it was not strategic and did not meet our growth and return expectations. This divestiture also allows the Company s management to focus on higher growth and better return businesses within the Engraving segment. In preparation of this sale, during the fourth quarter of 2016, we recorded a $7.3 million non-cash loss to adjust the net assets of this business to their net realizable value. This expense is recorded as a component of Other Operating Income (Expense), net.

The Roll Plate and Machinery business sales increased in fiscal 2016 by $2.8 million up to $17.4 million. The sales (in millions) for the Roll Plate and Machinery business from the first to the fourth quarter of fiscal year 2016 were $4.2, $4.9, $4.0, and $4.3, respectively.

Net sales for fiscal year 2015 increased by $1.5 million or 1.4%, compared to the prior year. Unfavorable foreign exchange impacted sales $7.2 million. Sales growth excluding foreign exchange losses were primarily driven by continued expansion of our Asia Pacific Mold-Tech business as a result of increased market share. North American sales volumes were down for the year due to lower new automotive model activity and some automotive projects that were pushed out from the fourth quarter to the first half of 2016. Sales of core forming tooling grew 25% or $2.4 million as compared to prior year.

Income from operations in fiscal year 2016 increased by $5.3 million, or 22%, when compared to the prior year. The operating income improvement is driven by increased volume in all regions, partially offset by unfavorable foreign exchange and market declines in South America.

The Roll Plate and Machinery business operating income increased in fiscal 2016 by $1.1 million up to $1.2 million. The operating income (in thousands) for the Roll Plate and Machinery business from the first to the fourth quarter of fiscal year 2016 were $89, $242, $378, and $493, respectively.

Income from operations in fiscal year 2015 increased by $2.1 million, or 9.5%, when compared to the prior year. The increase is driven by increased volume in Asia Pacific partially offset by unfavorable foreign exchange and fewer new model launches which impeded margin growth in the mold texturing business.

Engineering Technologies

	2016 compared to 2015			2015 compared to 2014		
(in thousands except percentages)	**2016**	**2015**	**% Change**	**2015**	**2014**	**% Change**
Net sales	$ 82,235	$ 97,018	-15.2%	$ 97,018	$ 79,642	21.8%
Income from operations	8,258	13,097	-36.9%	13,097	12,676	3.3%
Operating income margin	10.0%	13.5%		13.5%	15.9%	

Net sales in the fiscal year 2016 decreased $14.8 million or 15.2% when compared to the prior year. Sales distribution by market in 2016 was as follows: 46% aviation, 27% space, 10% oil and gas, 8% medical, 9% other markets. Sales in the land based gas turbine and oil and gas markets were down over 60% from the prior year level. The decline was a result of reduced demand in the oil and gas industry due to lower oil prices. We expect this market to remain soft for an extended period of time and have and will continue to reduce costs to align with demand. Total space sales decreased by 20.5% due to the completion of project based contracts in the manned space market. Sales in the unmanned space market were up 18.0% compared to the prior year. Aviation sales increased 29.7% from the prior year due to strong customer demand and recent contract awards. We anticipate that aviation sales will continue to increase during 2017 and will be approximately 50% of the segment s sales for the year.

Net sales in the fiscal year 2015 increased $17.4 million, or 21.8%, when compared to the prior year. Acquisitions contributed $22.5 million or 28.3%, partially offset by organic sales declines of $4.6 million, or 5.8%. Sales in the land based gas turbine and oil and gas markets were down 24.9% from the prior year level. The decline was a result of reduced demand due to lower oil prices. Space market sales increased 26.3% from the prior year driven by higher sales in both the launch vehicle and the manned space market currently in the development phase. Legacy sales in the aviation market were up 24% compared to the prior year due to recent contract awards. Defense related sales were down 41.2% due to the timing of project based contracts. Sales in the medical market were down 14.4% primarily due to a shift in product mix.

Income from operations in the fiscal year 2016 decreased $4.8 million or 36.9% when compared to the prior year. Operating income results were negatively impacted by the significant sales declines in both the energy and oil and gas related markets. This impact was partially offset by improved margins in the aviation market along with cost reduction programs implemented as a result of lower volume. We expect that our new Aluminum Center of Excellence facility will be fully operational beginning in the first quarter of 2017.

Income from operations in the fiscal year 2015 increased $0.4 million, or 3.3%, when compared to the prior year. Operating income was negatively impacted by $1.1 million of purchase accounting expenses associated with the Enginetics acquisition and lower volume from oil and gas customers.

Electronics

	2016 compared to 2015			2015 compared to 2014		
(in thousands except percentages)	**2016**	**2015**	**% Change**	**2015**	**2014**	**% Change**
Net sales	$ 118,319	$ 114,196	3.6%	$ 114,196	$ 114,881	-0.6%
Income from operations	21,104	20,884	1.1%	20,884	19,732	5.8%
Operating income margin	17.8%	18.3%		18.3%	17.2%	

Net sales in the fiscal year 2016 increased $4.1 million, 3.6%, when compared to the prior year. Organic sales growth was $0.7 million, or 0.6%, while the Northlake acquisition contributed $7.5 million. Foreign exchange rates adversely affected sales by $4.1 million. Sales growth in local currency was particularly strong in Europe driven by volume increases in the sensor components. We experienced sales declines in both Asia and North America due to general market softness, particularly earlier in the fiscal year. We expect North American and European sales to increase in fiscal year 2017 which will be partially offset by continued weakness in Asia.

Net sales in the fiscal year 2015 decreased $0.7 million, 0.6%, when compared to the prior year. Organic sales growth of $4.8 million or 4.2% were more than offset by exchange rate declines of $6.2 million. Almost all of the growth came from the sensor, relay and planar product lines across all major geographic areas. Sales growth in local currency was particularly strong in Europe and Asia.

Income from operations in the fiscal year 2016 increased $0.2 million, or 1.1%, when compared to the prior year. The operating improvements were a result of a facility consolidation into our Northlake site partially offset by $0.4 million of purchase accounting charges associated with the Northlake acquisition.

Income from operations in the fiscal year 2015 increased $1.2 million, or 5.8%, when compared to the prior year. The improvement were driven by the organic sales growth; operational improvements; material and labor cost savings; favorable product mix due to increased sensor and relay sales; facility consolidations; and improved efficiencies in our new Mexico facility partially offset by a negative impact due to foreign exchange rates.

Hydraulics

	2016 compared to 2015			2015 compared to 2014		
(in thousands except percentages)	**2016**	**2015**	**% Change**	**2015**	**2014**	**% Change**
Net sales	$ 45,045	$ 41,441	8.7%	$ 41,441	$ 34,538	20.0%
Income from operations	7,947	7,013	13.3%	7,013	5,781	21.3%
Operating income margin	17.6%	16.9%		16.9%	16.7%	

Net sales in fiscal year 2016 increased $3.6 million, or 8.7% compared to the prior year. Sales distribution by market in 2016 was as follows: 40% dump trailer and truck, 22% refuse, 22% after market, 6% export, and 10% other markets. Strong demand in the traditional North American dump trailer and truck markets was the largest contributor for the net sales increase in addition to market share gains experienced in the refuse market. In the first quarter of fiscal year 2017 we will complete the expansion of our Tianjin, China facility in order to support continued global market growth.

Net sales in the fiscal year 2015 increased $6.9 million, or 20.0% when compared to the prior year. Diversification of our OEM business into refuse and construction equipment along with strong demand for cylinder requirements in the traditional North American dump truck and trailer markets drove the increase in net sales. The business has focused on delivering custom engineered cylinder solutions to OEM customers, including single and double acting telescopic hydraulic cylinders, hydraulic rod cylinders, and most recently pneumatic cylinders. New applications for these products are being utilized on roll off container handlers, garbage trucks, airline support equipment, lift trucks, and specialty loading equipment.

Income from operations in the fiscal year 2016 increased $0.9 million or 13.3% when compared to the prior year due to market growth, increased sales volume and cost containment efforts.

Income from operations in the fiscal year 2015 increased $1.2 million or 21.3% when compared to the prior year due to increased sales volume and better facility utilization.

Corporate, Restructuring and Other

	2016 compared to 2015			**2015 compared to 2014**		
(in thousands except percentages)	**2016**	**2015**	**% Change**	**2015**	**2014**	**% Change**
Corporate	$ (24,996)	$ (21,051)	18.7%	$ (21,051)	$ (26,054)	-19.2%
Restructuring	(4,232)	(3,443)	22.9%	(3,443)	(10,077)	-65.8%
Other operating income (expense), net	(7,458)	438	-1,802.7%	438	3,462	-87.3%

Corporate expenses in fiscal year 2016 increased $3.9 million or 18.7% when compared to the prior year. The increase is due to increased health care expenses, compensation, and professional services.

Corporate expenses in fiscal year 2015 decreased $5.0 million or 19.2% when compared to the prior year. The decrease is primarily due to the absence of management transition cost of $3.9 million incurred in 2014.

Restructuring expenses during fiscal year 2016 were $4.2 million primarily related to a $1.7 million non-cash charge from the sale of a vacant property and a $0.7 million non-cash charge to discontinue a product line at our Refrigeration Solutions group. We also have taken restructuring actions to downsize a Canadian facility in connection with the Northlake acquisition and have reduced personnel in those of our locations impacted by the slowdown in the oil and gas market.

Restructuring expense during fiscal year 2015 was $3.4 million compared to $10.1 million the prior year. Restructuring expense consisted of $2.6 million related to facility closures and consolidations in the Food Service Equipment.

The Company anticipates further restructuring charges in 2017 based upon market conditions and cost reduction activities to improve our competitive advantage.

During fiscal year 2016, other operating income (expense), net was primarily due to a non-cash loss of $7.3 million incurred to adjust the net realizable value of the U.S. Roll Plate and Machinery business in preparation for its sale on July 1, 2016.

During fiscal year 2015, other operating income (expense), net decreased by $3.0 million from the prior year. The decrease was primarily a reduction of insurance proceeds received related to the catastrophic failure of a large vertical machining center located at our Engineering Technologies facility in Massachusetts.

Discontinued Operations

In pursuing our business strategy, we have divested certain businesses and recorded activities of these businesses as discontinued operations.

In June 2014, the Company divested the American Foodservice Company, (AFS) a manufacturer of custom design and fabrication of counter systems and cabinets, in our Food Service Equipment segment. In connection with this sale, the Company received proceeds of $3.1 million and recorded a net loss on disposal of $3.2 million.

On March 30, 2012, the Air Distribution Products Group, (ADP) was sold to a private equity buyer for consideration of $16.1 million consisting of $13.1 million in cash and a $3.0 million promissory note from the buyer. The note was secured by a mortgage on the ADP real estate sold in the transaction in Detroit Lakes, MN, Medina, NY, and Powder Springs, GA. During the first quarter 2016, the private equity buyer of ADP sold one of the facilities securing the note. The Company released all mortgages on the properties and accepted an advanced payment of $2.8 million during October 2015 in order to reduce repayment risk and settle all obligations under the note. The Company recorded a $0.2 million loss in discontinued operations during the first quarter 2016 related to this transaction.

The Company remained the obligor of ADP s Philadelphia, PA facility and administrative offices. We have entered into a renewable sublease agreement with a third party for this space. Our total obligation with respect to the lease is $0.7 million, of which $0.3 million was recorded as a liability at June 30, 2016. We do not expect to record additional charges related to these obligations.

During 2014, the Company received notice that its obligations under a guarantee provided to the buyers of ADP were triggered as a result of its withdrawal from both of the multi-employer pension plans in which ADP previously participated. The last of these obligations were settled in July of fiscal year 2016 by a $0.5 million payment to the final multi-employer plan.

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

	Year Disposed		**2016**		**2015**		**2014**
Sales:							
American Foodservice Company	2014	$	-	$	-	$	20,556
Income (loss) before taxes:							
American Foodservice Company *(1)*	2014		3		(492)		(8,339)
Air Distribution Products Group	2012		(225)		(137)		(1,849)
Other loss from discontinued operations			(7)		(130)		(387)
Income (loss) before taxes from discontinued operations			(229)		(759)		10,575
(Provision) benefit for tax			55		259		3,692
Net income (loss) from discontinued operations		$	(174)	$	(500)	$	(6,883)

(1) American Foodservice Company incurred a pretax operational loss of $3.5 million and pretax loss on sale of $4.8 million in 2014.

Liquidity and Capital Resources

At June 30, 2016, our total cash balance was $122.0 million, of which $111.5 million was held by foreign subsidiaries. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to capital controls; however, those balances are generally available without legal restrictions to fund ordinary business operations. Our current plans are not expected to require a repatriation of cash to fund our U.S. operations and as a result, we intend to indefinitely reinvest our foreign earnings to fund our overseas growth. If the undistributed earnings of our foreign subsidiaries are needed for operations in the United States, we would be required to accrue and pay U.S. taxes upon repatriation.

Cash Flow

Net cash provided by operating activities from continuing operations for the year ended June 30, 2016 was $81.2 million, compared to $66.2 million for the same period in 2015. Changes to net cash provided by operating activities of $15.1 million primarily related to net working capital changes of $17.8 million between periods. Net cash used in investing activities from continuing operations for the year ended June 30, 2016 was $31.6 million, consisting primarily of $17.9 million for capital expenditure and $13.7 million to acquire Northlake Engineering, Inc. Net cash used by financing activities for continuing operations for the year ended June 30, 2016, was $20.7 million consisting of debt repayments of $10.0 million, cash dividends of $6.8 million, and repurchased treasury stock of $5.6 million.

Net cash provided by operating activities from continuing operations for the year ended June 30, 2015 was $66.2 million, compared to $72.0 million for the same period in 2014. Changes to net cash provided by operating activities of $5.8 million primarily related to increases to net income of $5.5 million and $2.9 million of decreases to non-cash stock compensation expenses which were more than offset by the use of cash for net working capital needs during the year. Net cash used in investing activities from continuing operations for the year ended June 30, 2015 was $78.5 million, consisting primarily of $57.1 million for the acquisitions and $22.6 million for capital expenditures. Net cash provided by financing activities for continuing operations for the year ended June 30, 2015, was $44.6 million consisting of net borrowings of $58.0 million primarily related to acquisitions during the year, partially offset by dividends paid of $5.8 million, and repurchased treasury stock of $10.4million.

Capital Structure

During fiscal year 2015, the Company entered into an Amended and Restated Credit Agreement (Credit Facility , or facility). This five-year Credit Facility expires in December 2019 and has a borrowing limit of $400 million, which can be increased by an amount of up to $100 million, in accordance with specified conditions contained in the agreement. The facility also includes a $10 million sublimit for swing line loans and a $30 million sublimit for letters of credit.

Under the terms of the Credit Facility, we will pay a variable rate of interest and a commitment fee on borrowed amounts as well as a commitment fee on unused amounts under the facility. The amount of the commitment fee will depend upon both the undrawn amount remaining available under the facility and the Company s funded debt to EBITDA (as defined in the agreement) ratio at the last day of each quarter. As our funded debt to EBITDA ratio increases, the commitment fee will increase.

Funds borrowed under the 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. As of June 30, 2016, the Company has used $7.7 million against the letter of credit sub-facility and had the ability to borrow $254.4 million under the facility based on our current EBITDA. The facility 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 Facility), to interest expense for the trailing twelve months of at least 3.0:1. Adjusted EBIT per the Credit Facility specifically excludes extraordinary and certain other defined items such as cash restructuring and acquisition-related charges up to $7.5 million, and unlimited non-cash charges including gains or losses on sale of property and goodwill adjustments. At June 30, 2016, the Company s Interest Coverage Ratio was 28.76:1.

Leverage Ratio - The Company s ratio of funded debt to trailing twelve month Adjusted EBITDA per the facility, calculated as Adjusted EBIT per the Credit Facility plus depreciation and amortization, may not exceed 3.5:1. At June 30, 2016, the Company s Leverage Ratio was 1.01:1.

As of June 30, 2016, we had borrowings under our facility of $93.0 million and the effective rate of interest for outstanding borrowings under the facility was 1.76%. Our primary cash requirements in addition to day-to-day operating needs include interest payments, capital expenditures, acquisitions, share repurchases, and dividends. Our primary sources of cash for these requirements are cash flows from continuing operations and borrowings under the facility. We expect to spend between $26.0 and $28.0 million on capital expenditures during 2017, and expect that depreciation and amortization expense will be between $18.0 and $19.0 million and $3.0 and $4.0 million, respectively.

In order to manage our interest rate exposure, at June 30, 2016 we are party to $50.0 million of active floating to fixed rate swaps. These swaps convert our interest payments from LIBOR to a weighted average rate of 1.43%.

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

	2016	2015
Long-term debt, net of issuance cost	$ 92,114	$ 101,753
Less cash and cash equivalents	121,988	96,128
Net (cash) debt	(29,874)	5,625
Stockholders equity	369,959	348,570
Total capitalization	$ 340,085	$ 354,195

Stockholders equity increased year over year by $21.4 million, primarily as a result of current year net income of $52.1 million partially offset by $11.3 million of unfavorable foreign currency translation, $6.8 million dividends paid, $13.4 million of unrealized pension loss. The Company's net (cash) debt to capital percentage changed to (8.8%) net cash to capital for the year ended June 30, 2016 from 1.6% net debt to capital for the year ended June 30, 2015. The change in net debt to capital is primarily driven by a reduction in borrowings and cash generated through operations.

We sponsor five defined benefit plans including two in the U.S. and one in Germany, U.K. and Ireland. The Company s pension plan is frozen for U.S. employees and participants in the plan ceased accruing future benefits. The fair value of the Company's U.S. pension plan assets was $197.9 million at June 30, 2016 and the projected benefit obligation in the U.S. was $269.2 million at that time. As a result of past contributions, the plan is not expected to be 100% funded under ERISA rules at June 30, 2016, but we do not expect to make mandatory contributions to the plan until 2018. We expect to pay $1.4 million in prescribed contributions to our U.K. defined benefit plan and other unfunded defined benefit plans in both the U.S. and Europe during fiscal year 2017.

We have evaluated the current and long-term cash requirements of our defined benefit and defined contribution plans as of June 30, 2016 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 in place to fund supplemental retirement income benefits for six retired executives. Current executives and new hires are not eligible for this program. At June 30, 2016 the underlying policies had a cash surrender value of $19.5 million and are reported net of loans of $10.2 million for which we have the legal right of offset.

Contractual obligations of the Company as of June 30, 2016 are as follows (in thousands):

	Payments Due by Period			
	Less than 1	1-3	3-5	More than 5

Contractual Obligations	Total	Year	Years	Years	Years
Long-term debt obligations	$ 93,018	$ 12	$ 6	$ 93,000	$ -
Operating lease obligations	36,399	7,442	9,954	5,394	13,609
Estimated interest payments *(1)*	6,596	1,987	3,705	904	-
Post-retirement benefit payments *(2)*	44,546	1,402	16,519	22,577	4,048
Total	$ 180,559	$ 10,843	$ 30,184	$ 121,875	$ 17,657

(1)

Estimated interest payments are based upon effective interest rates as of June 30, 2016, 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 benefits and pension plan contribution payments represents future pension payments to comply with local funding requirements. Our policy is to fund domestic pension liabilities in accordance with the minimum and maximum limits imposed by the Employee Retirement Income Security Act of 1974 (ERISA), federal income tax laws and the funding requirements of the Pension Protection Act of 2006.

At June 30, 2016, we had $2.5 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 obligor of ADP s Philadelphia, PA facility and administrative offices. On February 4, 2015 we entered into a one year renewable, sublease agreement for this building. Our total obligation with respect to the remaining Philadelphia leases is $0.7 million, of which $0.3 million was recorded as a liability at June 30, 2016. We do not expect to record additional charges related to these obligations.

At June 30, 2016, and 2015, the Company had standby letters of credit outstanding, primarily for insurance and trade financing purposes, of $7.7 million and $7.2 million, respectively.

We had no other material off balance sheet items at June 30, 2016, other than the operating leases summarized above in the Contractual obligations table.

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. 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.

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 Pound, Euro, Peso and Yuan all decreased in value related to the U.S. Dollar, our reporting currency. Since June 30, 2015 the Pound, Euro, Peso, and Yuan have depreciated by 15.3%, 0.3%, 17.6%, and 6.5% respectively (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. The Company s pension plan was frozen for substantially all remaining eligible U.S. employees in 2015 and participants in the plan ceased accruing future benefits.

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 in the U.S. expiring during fiscal year 2017. The first has been successfully negotiated in July of 2016 and the second will not expire until October 2016.

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.

The Company s product sales are recorded when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collectability is reasonably assured. For products that include installation, and if the installation meets the criteria to be considered a separate element, product revenue is recognized upon delivery, and installation revenue is recognized when the installation is complete. Revenues under certain fixed price contracts are generally recorded when deliveries are made.

Sales and estimated profits under certain long-term contracts are recognized under the percentage-of-completion methods of accounting, whereby profits are recorded pro rata, based upon current estimates of costs to complete such contracts. Losses on contracts are provided for in the period in which the losses become determinable. Revisions in profit estimates are reflected on a cumulative basis in the period in which the basis for such revision becomes known. Any excess of the billings over cost and estimated earnings on long-term contracts is included in deferred revenue.

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 eleven 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 10.31%. An increase in the weighted average cost of capital of approximately 200 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 exceeded their respective carrying values. Therefore, no impairment charges were recorded in connection with our annual assessment during 2016. Subsequent to our annual impairment test, we disposed of $273 thousand of goodwill recorded in the Engraving segment in connection with our sale of the Roll, Plate, and Machinery business.

Cost of Employee Benefit Plans We provide a range of benefits to certain retirees, 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 and turnover rates. The expected return on plan assets assumption of 7.10% 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 4.0% 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 $0.6 million per year. A twenty-five basis point change in our discount rate, holding all other assumptions constant, would have no impact on 2016 pension expense as changes to amortization of net losses would be offset by changes to interest cost. In future years the impact of discount rate changes could yield different sensitivities. 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

See "Item 8. Financial Statements and Supplementary Data, Note 1. Summary of Accounting Policies for information regarding the effect of recently issued accounting pronouncements on our consolidated statements of operations, comprehensive income, stockholders equity, cash flows, and notes for the year ended June 30, 2016.

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, 2016 and 2015, the fair value, in the aggregate, of the Company s open foreign exchange contracts was $0.1 million and an asset of $0.7 million, respectively.

Our primary translation risk is with the Euro, British Pound Sterling, Peso, 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, 2016, 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 1.76% and 1.46% at June 30, 2016 and 2015, 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 $50.0 million of active floating to fixed rate swaps with terms ranging

from one to three years. These swaps convert our interest payments from LIBOR to a weighted average rate of 1.43%. At June 30, 2016 and 2015, the fair value, in the aggregate, of the Company s interest rate swaps was $1.0 million and $0.6 million, respectively. Due to the impact of the swaps, an increase in interest rates would not materially impact our annual interest expense at June 30, 2016.

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, 2016, 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, Electronics, and Hydraulics segments 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*)	**2016**	**2015**

ASSETS				
Current assets:				
Cash and cash equivalents	$	121,988	$	96,128
Accounts receivable, net		103,974		110,478
Inventories		105,402		108,305
Prepaid expenses and other current assets		4,784		7,070
Income taxes receivable		1,325		747
Deferred tax asset		16,013		12,674
Assets held for sale		2,363		-
Total current assets		355,849		335,402
Property, plant and equipment, net		106,686		108,536
Intangible assets, net		40,412		38,048
Goodwill		157,354		154,732
Deferred tax asset		11,361		917
Other non-current assets		18,795		21,428
Total non-current assets		334,608		323,661
Total assets	$	690,457	$	659,063
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	77,099	$	80,764
Accrued liabilities		50,785		47,742
Income taxes payable		4,695		10,285
Liabilities held for sale		1,528		-
Total current liabilities		134,107		138,791
Long-term debt		92,114		101,753
Deferred income taxes		5,941		7,368
Pension obligations		78,013		53,422
Other non-current liabilities		10,323		9,159
Total non-current liabilities		186,391		171,702
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, 12,674,458 and 12,651,488 shares outstanding in 2016 and 2015		41,976		41,976
Additional paid-in capital		52,374		47,254
Retained earnings		678,002		632,864
Accumulated other comprehensive loss		(117,975)		(93,017)
Treasury shares (15,309,820 shares in 2016 and 15,332,790 shares in 2015)		(284,418)		(280,507)
Total stockholders' equity		369,959		348,570

Total liabilities and stockholders' equity	$ 690,457	$ 659,063

See notes to consolidated financial statements.

Consolidated Statements of Operations

Standex International Corporation and Subsidiaries **For the Years Ended June 30**	**2016**	**2015**	**2014**
(in thousands, except per share data)			
Net sales	$ 751,586	$ 772,142	$ 716,180
Cost of sales	499,333	524,656	477,911
Gross profit	252,253	247,486	238,269
Selling, general and administrative	170,219	165,837	165,786
Restructuring costs	4,232	3,443	10,077
Other operating (income) expense, net	7,458	(438)	(3,462)
Income from operations	70,344	78,644	65,868
Interest expense	2,871	3,161	2,249
Other non-operating (income) expense, net	(1,052)	(634)	(4,184)
Total	1,819	2,527	(1,935)
Income from continuing operations before income taxes	68,525	76,117	67,803
Provision for income taxes	16,295	20,874	18,054
Income from continuing operations	52,230	55,243	49,749
Income (loss) from discontinued operations, net of tax	(174)	(500)	(6,883)
Net income	$ 52,056	$ 54,743	$ 42,866
Basic earnings per share:			
Income (loss) from continuing operations	$ 4.12	$ 4.37	$ 3.94
Income (loss) from discontinued operations	(0.01)	(0.04)	(0.55)
Total	$ 4.11	$ 4.33	$ 3.39
Diluted earnings per share:			
Income (loss) from continuing operations	$ 4.09	$ 4.31	$ 3.89
Income (loss) from discontinued operations	(0.01)	(0.04)	(0.54)
Total	$ 4.08	$ 4.27	$ 3.35

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Standex International Corporation and Subsidiaries

For the Years Ended June 30 (in thousands)	**2016**	**2015**	**2014**
Net income (loss)	$ 52,056	$ 54,743	$ 42,866

Other comprehensive income (loss):						
Defined benefit pension plans:						
Actuarial gains (losses) and other changes in unrecognized costs	$	(26,619)	$	(27,344)	$	(604)
Amortization of unrecognized costs		4,779		4,690		4,855
Derivative instruments:						
Change in unrealized gains and (losses)		(1,010)		(687)		(194)
Amortization of unrealized gains and (losses) into interest expense		567		1,034		1,031
Amortization of unrealized gains and (losses) into cost of goods sold		112		-		-
Foreign currency translation gains (losses)		(11,303)		(23,133)		6,055
Other comprehensive income (loss) before tax	$	(33,474)	$	(45,440)	$	11,143
Income tax (provision) benefit:						
Defined benefit pension plans:						
Actuarial gains (losses) and other changes in unrecognized costs	$	10,075	$	10,045	$	362
Amortization of unrecognized costs		(1,685)		(1,671)		(1,724)
Derivative instruments:						
Change in unrealized gains and (losses)		384		262		74
Amortization of unrealized gains and (losses) into interest expense		(216)		(394)		(394)
Amortization of unrealized gains and (losses) into cost of goods sold		(42)		-		-
Income tax (provision) benefit to other comprehensive income (loss)	$	8,516	$	8,242	$	(1,682)
Other comprehensive income (loss), net of tax		(24,958)		(37,198)		9,461
Comprehensive income (loss)	$	27,098	$	17,545	$	52,327

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Standex International Corporation and Subsidiaries

For the Years Ended June 30 (in thousands, except as specified)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasure Stock**		**Total Stockholders Equity**
					Shares	**Amount**	
Balance, June 30, 2013	$ 41,976	$ 37,199	$ 546,031	$ (65,280)	15,435	$ (268,938)	$290,988
Stock issued for employee stock option and purchase plans,							

including related income tax benefit and other		(441)			(222)	3,895	3,454
Stock-based compensation		6,630					6,630
Treasury stock acquired					132	(7,790)	(7,790)
Comprehensive income:							
Net Income			42,866				42,866
Foreign currency translation adjustment				6,055			6,055
Pension and OPEB adjustments, net of tax of ($1.3) million				2,889			2,889
Change in fair value of derivatives, net of tax of ($0.3) million				517			517
Dividends declared ($.38 per share)			(4,883)				(4,883)
Balance, June 30, 2014	$ 41,976	$ 43,388	$ 584,014	$ (55,819)	5,345	$ (272,833)	$340,726
Stock issued for employee stock option and purchase plans, including related income tax benefit and other		102			(150)	2,682	2,784
Stock-based compensation		3,764					3,764
Treasury stock acquired					138	(10,356)	(10,356)
Comprehensive income:							
Net Income			54,743				54,743
Foreign currency translation adjustment				(23,133)			(23,133)
Pension and OPEB adjustments, net of tax of $8.4				(14,280)			(14,280)

million							
Change in fair value of derivatives, net of tax of ($0.2) million				215			215
Dividends declared ($.46 per share)			(5,893)				(5,893)
Balance, June 30, 2015	$ 41,976	$ 47,254	$ 632,864	$ (93,017)	15,333	$ (280,507)	$348,570
Stock issued for employee stock option and purchase plans, including related income tax benefit and other		31			(94)	1,725	1,756
Stock-based compensation		5,089					5,089
Treasury stock acquired					71	(5,636)	(5,636)
Comprehensive income:							
Net Income			52,056				52,056
Foreign currency translation adjustment				(11,303)			(11,303)
Pension and OPEB adjustments, net of tax of $8.4 million				(13,450)			(13,450)
Change in fair value of derivatives, net of tax of $0.2 million				(205)			(205)
Dividends declared ($.54 per share)			(6,918)				(6,918)
Balance, June 30, 2016	$ 41,976	$ 52,374	$ 678,002	$ (117,975)	15,310	$ (284,418)	$369,959

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Standex International Corporation and Subsidiaries

For the Years Ended June 30 *(in thousands)*	**2016**	**2015**	**2014**
Cash Flows from Operating Activities			