Standex

September 16, 2010

Dear Fellow Shareholders:

Standex successfully navigated a challenging economic environment in fiscal 2010. Global business conditions generally brightened as the year progressed, and we increasingly shifted our attention from cost reduction toward driving organic growth. At the same time, we successfully completed the restructuring activities initiated in fiscal 2009: optimizing our manufacturing footprint, further reducing our cost structure and strengthening our balance sheet. These activities enhanced Standex's operating leverage, and the company's financial performance improved dramatically as a result. Although revenue declined 5% from fiscal 2009, adjusted EBITDA increased 22%, non-GAAP operating income grew nearly 30%, and non-GAAP earnings per share rose 44% to $2.25/diluted share the highest level in 10 years. Meanwhile, our efforts to more efficiently manage our resources have resulted in record-high turns in working capital and inventory. These efforts have enabled us to further improve our liquidity and reduce our net debt during the year providing balance sheet capacity to invest in Standex's future.

Fiscal 2010 was a year of continuing change and transition for Standex. During the first half of the year, we completed the across-the-board restructuring of the Standex's entire cost infrastructure that began in Fiscal 2009. We completed the relocation of the Dallas APW Wyott food service manufacturing operation to our Nogales, Mexico facility as well as a restructuring of our Engraving Group operations in Europe. Both of these actions were already driving significant bottom-line improvement in the latter half of 2010, and we will see their full impact in fiscal 2011.

During the second half of fiscal 2010, we began to turn our attention towards driving organic and acquisitive top line growth initiatives. Our business unit leaders identified and began to drive a number of top line growth initiatives including new product introductions, exploiting new sales channel opportunities, cross-branding and cross-selling of products between business units, and geographic expansion to name just a few. We also added to our portfolio of strategic partnerships, establishing relationships with several strategic customers as preferred suppliers while winning a number of industry awards for product innovation and outstanding customer service.

Also during the second half of fiscal 2010, we reinvigorated our business development activities and once again sought opportunities for strategic, bolt-on acquisitions that will compliment the top and bottom line growth of our existing business platforms.

We believe these organic and acquisitive top-line initiatives position Standex to strongly leverage even a modest level of future economic expansion and outperform the broader markets on both the top and bottom lines as our end user markets recover.

The Standex Food Service Equipment Group performed well in fiscal 2010. The end markets served by our Cooking Solutions Group were the first to decline going into the recession, and our customers in these markets were the first to begin growing their business with Standex this past year. On the refrigeration side of the business, we believe fiscal 2010 may have marked a bottom, and we have held our position as a leader in a highly competitive market. Both the Cooking Solutions and Refrigerated Solutions groups are engaged in a number of exciting new product development launches and new customer initiatives within the convenience store and quick service restaurants market segments that could turn into sizable opportunities for Standex. Sales growth at Procon, our fluid pump and dispensing business, was driven by strength across our global beverage customer base and increasing demand from industrial customers as the economic environment improved.

During the second half of fiscal 2010, our Engraving group began to benefit from improving demand for mold texturizing services from our North American and European automotive customers. Our Innovent business also performed well as they capitalized on our efforts to penetrate applications in emerging markets and from the sale of complete systems. As part of the Engraving Group's emerging markets growth initiative, in July of 2010 we acquired the business operation of Melco Engraving India Private Limited, a leading provider of mold texturizing services, and engraved rolls and plates to the rapidly growing automotive and general industries in India. Operating as Standex Engraving India, we are now strategically located in three locations at the center of India's rapidly-growing automotive manufacturing sector. During the first half of fiscal year 2011, we also plan to open our third Engraving facility in China to complement our two existing Chinese plants.

Fiscal 2010 was also an excellent year for our Engineering Technologies segment supported by strong demand from all of its end user markets including, aerospace, aviation and energy. Although the federal government has reduced its funding for heavy lift launch vehicles, we continue to effectively diversify our business and remain encouraged about its long-term prospects. For example, we are executing two development contracts for unmanned aerial vehicles (UAVs) where we are building fuel tanks for the next generation of large UAVs, which must be capable of remaining airborne for extended periods of time.

Our Electronics and Hydraulics group generated strong year-over-year growth in the second half of fiscal 2010 reflecting a recovery in broad-based demand as well as traction from our growth initiatives, including development of new products, leveraging existing technologies into new applications and customers, and expansion of our business in Europe and the Asia-Pacific region. Electronics experienced strong demand in its aerospace, medical device, automotive and general industrial markets, which were early to accelerate out of the recession. We finished the year on a strong note in Hydraulics, posting a positive book-to-bill ratio during the fourth quarter driven by increased production levels at several of our major North America-based OEM customers. In addition, our efforts to increase penetration in China and the broader Asia Pacific region are beginning to yield results, and we continue to ramp up production in our China facility as fiscal 2011 begins.

Conditions in the home construction market remained depressed in fiscal 2010, and the financial performance of our ADP Group was impacted as a result. Although it may be some time before we see convincing signs of a recovery in housing, conditions appear to have stabilized.

Consequently, while optimizing ADP's cost structure will remain a high priority for us, we are increasingly turning our attention to the unit's growth initiatives. For example, our new facility in Dallas became fully operational late in fiscal 2010, where we are already taking orders, helped by a Texas location that is geographically better situated than our prior base in Mississippi.

Although the peak of the restructuring activity initiated in fiscal 2009 is now behind us, we remain as committed as ever to the search for lower costs and improved productivity. We have institutionalized a continuous improvement culture that now permeates Standex as an enterprise. Key leaders at all of our major facilities bring backgrounds at top companies where powerful lean enterprise methods have been embraced for some time. These individuals now serve Standex as continuous improvement culture champions for the organization, leading initiatives to improve our cost structure and working capital through lean enterprise, low cost manufacturing and low cost sourcing.

As a result of our efforts to drive sales and operational efficiency, we exited fiscal 2010 with solid organic growth momentum and a lower-cost business infrastructure. At the same time, we began to see positive sales momentum in most of our end markets. While remaining cautious in our outlook, we expect this growth to continue into 2011.

The past two fiscal years have not been easy for the employees of Standex. Sacrifices have been made at every level of the company. All of us have friends and colleagues with whom we have worked for years who are no longer part of our organization. We all find ourselves working harder than ever to ensure the company's success in an increasingly demanding global economy, and we thank all of our employees for their support and dedication in helping us make Standex a better performing company.

We also want to thank our Board of Directors for their dedicated involvement and insight in assisting us in guiding Standex through very difficult economic conditions over the past two years.

On behalf of all of us at Standex, we extend our thanks to you, our shareholders, for placing your trust in us this past year. We are committed to rewarding your trust in fiscal 2011 and beyond.

Sincerely,

Roger L. Fix
President and Chief Executive Officer

Edward J. Trainor
Chairman of the Board