

**DETREX CORPORATION**  
**QUARTERLY REPORT**  
**INFORMATION AND DISCLOSURE STATEMENT**

**For Fiscal Quarter ended June 30, 2016**

All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of OTC Markets Group Inc. The captions contained herein correspond to the sequential format as set forth in the disclosure guidelines.

Item 1            The Exact Name of the Issuer and the Address of its Principal Executive Offices.

Detrex Corporation  
24901 Northwestern Highway, Suite 410  
Southfield, MI 48075  
Telephone: (248) 358-5800  
Facsimile: (248) 799-7192  
Website: [www.detrex.com](http://www.detrex.com)

Investor Relations Contact for the Issuer:

Thomas E. Mark  
Detrex Corporation  
24901 Northwestern Highway, Suite 410  
Southfield, MI 48075  
Telephone: (248) 358-5800  
Facsimile: (248) 799-7192

Item 2            Shares Outstanding.

A.      Quarter ended June 30, 2016:

- (i)      Authorized – 4,000,000 common at par value \$2.00 per share and 1,000,000 preferred at par value \$2.00 per share.
- (ii)     Outstanding – 1,698,339 common stock. No preferred stock outstanding.
- (iii)    Free Trading – 1,681,356 common.
- (iv)    Shareholders - 134 beneficial and of record with the Company's transfer agent.

Item 3            Interim Financial Statements

The financial statements below are incorporated by this reference

**DETREX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	UNAUDITED <u>June 30, 2016</u>	AUDITED <u>December 31, 2015</u>
<u><b>ASSETS</b></u>		
Current Assets:		
Cash and cash equivalents	\$ 765,196	\$ 1,531,267
Accounts receivable (net of allowance for uncollectible accounts of \$42,000 in 2016 and \$29,500 in 2015)	4,801,977	4,219,224
Inventories		
Raw materials	2,523,701	1,738,569
Finished goods	2,778,275	3,415,128
Total Inventories	5,301,976	5,153,697
Income taxes receivable	1,378,431	1,256,432
Prepaid expenses and other	225,684	450,536
Deferred income taxes	205,000	205,000
Total Current Assets	12,678,264	12,816,156
Land, buildings, and equipment-net	8,855,500	9,144,362
Deferred income taxes	84,000	84,000
Other assets	96,816	283,212
Total Assets	<u>\$ 21,714,580</u>	<u>\$ 22,327,730</u>
<u><b>LIABILITIES AND STOCKHOLDERS' EQUITY</b></u>		
Current Liabilities:		
Revolving credit facility	\$ 400,000	\$ -
Current portion of long-term debt	1,230,000	1,230,000
Accounts payable	1,772,768	1,677,045
Current portion of environmental reserve	255,000	255,000
Accrued compensation	245,441	355,316
Other accruals	747,974	903,575
Total Current Liabilities	4,651,183	4,420,936
Long-term debt, net of current portion	1,272,500	1,887,500
Environmental reserve	1,647,457	1,501,610
Accrued pension and other	3,778,949	3,723,231
Equity:		
Detrex Corporation Shareholders Equity		
Common capital stock, \$2 par value, authorized 4,000,000 shares, outstanding 1,698,339 shares in 2016 and 1,675,939 in 2015	3,396,678	3,351,878
Additional paid-in capital	714,160	881,730
Retained earnings	17,742,741	18,049,933
Accumulated other comprehensive income (loss)	(11,489,088)	(11,489,088)
Total equity	10,364,491	10,794,453
Total liabilities and equity	<u>\$ 21,714,580</u>	<u>\$ 22,327,730</u>

**DETREX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**UNAUDITED**

	<b>Capital Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total</b>
Balance at December 31, 2015	\$ 3,351,878	\$ 881,730	\$18,049,933	\$(11,489,088)	\$10,794,453
Net Income			541,878		541,878
Stock Options Exercise	44,800	(167,570)			(122,770)
Dividends			(849,070)		(849,070)
Balance at June 30, 2016	\$ 3,396,678	\$ 714,160	\$ 17,742,741	\$(11,489,088)	\$ 10,364,491

# **DETREX CORPORATION**

## **CONSOLIDATED UNAUDITED STATEMENT OF OPERATIONS**

	Three Months Ended June 30		Six Months Ended June 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net sales	\$ 9,375,509	\$ 9,955,021	\$ 18,316,145	\$ 20,896,891
Cost of sales	6,407,266	6,780,482	12,568,795	14,391,141
Selling, general and administrative expenses	2,123,824	1,824,065	4,166,094	3,732,654
Provision for depreciation and amortization	349,308	340,017	694,988	680,034
Other expense	7,506	12,758	22,515	20,509
Interest expense	<u>21,610</u>	<u>24,767</u>	<u>42,732</u>	<u>51,163</u>
Income before income taxes	465,995	972,932	821,021	2,021,390
Provision for income taxes	<u>158,434</u>	<u>311,338</u>	<u>279,143</u>	<u>646,845</u>
Net income	<u>\$ 307,561</u>	<u>\$ 661,594</u>	<u>\$ 541,878</u>	<u>\$ 1,374,545</u>
Basic earnings per share:	\$ 0.18	\$ 0.39	\$ 0.32	\$ 0.82
Fully diluted earnings per share:	\$ 0.18	\$ 0.38	\$ 0.32	\$ 0.80
Weighted average shares outstanding:				
Basic	1,698,339	1,675,939	1,698,339	1,675,939
Effects of dilutive stock options	<u>6,430</u>	<u>50,648</u>	<u>6,430</u>	<u>50,648</u>
Diluted	<u>1,704,769</u>	<u>1,726,587</u>	<u>1,704,769</u>	<u>1,726,587</u>

# DETREX CORPORATION

## CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS UNAUDITED

	Three Months Ended <u>June 30</u>	
	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Net income	\$ 541,878	\$ 1,374,545
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	694,988	680,034
Loss on disposal of assets	25,022	25,002
Uncollectible receivable provision	12,000	12,471
Pension Expense (recovery)	58,832	(16,942)
Changes to operating assets and liabilities that provided (used) cash:		
Accounts receivable	(594,753)	(516,285)
Inventories	(148,279)	325,049
Prepaid expenses and other	224,852	230,023
Other assets	186,397	125,868
Accounts payable	95,723	(370,995)
Environmental Spending	145,847	(174,759)
Pension contributions	(3,114)	(22,114)
Other accruals	(387,476)	250,121
Net cash provided from (used in) operating activities	<u>851,917</u>	<u>1,922,018</u>
Cash Flows from Investing Activities:		
Capital expenditures	(431,148)	(533,019)
Proceeds from sale of fixed assets	-	-
Net cash (used in) total investing activities	<u>(431,178)</u>	<u>(533,019)</u>
Cash Flows from Financing Activities:		
Borrowings (Payment) on credit facilities - net	(215,000)	(615,000)
Excess tax benefits from stock option exercise and stock option redemption	351,730	-
Stock option redemption	(620,700)	-
Proceeds from exercise of stock options	146,200	-
Dividends paid	(849,070)	(837,970)
Net cash (used in) total financing activities	<u>(1,186,840)</u>	<u>(1,452,970)</u>
Net (decrease) in cash and cash equivalents	(766,071)	(63,971)
Cash and cash equivalents at beginning of period	1,531,267	1,778,331
Cash and cash equivalents at end of period	<u>\$ 765,196</u>	<u>\$ 1,714,360</u>

## Item 4

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

Results from continuing operations for the quarter ended June 30, 2016 and 2015 are summarized below: (\$ in charts are in thousands)

	Qtr. ended June 30, 2016		Qtr. ended June 30, 2015	
	\$	%	\$	%
<b>The Elco Corporation</b>				
Net sales	9,376	100.0	9,955	100.0
Gross margin	2,968	31.7	3,175	31.9
Selling, general and admin	1,324	14.1	1,489	15.0
Depreciation and Amortization	348	3.7	339	3.4
Elco pre-tax income	1,296	13.9	1,347	13.5
<b>Detrex Corporation</b>				
Selling, general and admin	783	8.4	335	3.4
Depreciation and amortization	1	-	1	-
Other expense, net	46	0.5	38	0.4
Total pre-tax income	466	5.0	973	9.7

Second quarter 2016 net sales of \$9.3 million improved from the first quarter 2016 level of \$8.9 million and were below the \$9.9 million in the year ago second quarter. The weak sales in the last two quarters reflect weakened industrial demand, specifically from the metalworking and industrial markets, particularly in the Americas. The 2016 quarterly gross profit was adversely impacted by lower sales volume, partially offset by reduced manufacturing costs.

The overall 2016 second quarter selling, general and administrative expenses increased from the prior period a year ago by \$0.3 million principally due to exceptional corporate administrative expenses of \$0.4 million. The other expense amount represents the interest expense recorded on the company's credit facility.

	YTD		YTD	
	June 30, 2016		June 30, 2015	
	\$	%	\$	%
<b>The Elco Corporation</b>				
Net sales	18,316	100.0	20,897	100.0
Gross margin	5,747	31.4	6,506	31.1
Selling, general and admin	2,793	15.2	2,990	14.3
Depreciation and Amortization	693	3.8	678	3.2
Elco pre-tax income	2,261	12.4	2,838	13.6
<b>Detrex Corporation</b>				
Selling, general and admin	1,373	7.5	743	3.6
Depreciation and amortization	2	-	2	-
Environmental provision	-	-	-	-
Other (income) expense, net	65	0.4	72	0.3
Total pre-tax income	821	4.4	2,021	9.7

Year to date, net sales decreased 12.4% to \$18.3 million compared to the same period in 2015. Gross margins decreased by \$0.8 million compared to the prior year period. The decrease is largely the result of lower sales partially offset by reduced manufacturing costs.

Year to date selling, general and administrative increased year-over-year. Elco's selling, general and administrative decrease reflects lower personnel costs. Whereas, the Detrex selling, general and administrative expenses increased by \$0.6 million compared to the period a year ago, largely due to exceptional corporate administrative expenses of \$0.5 million. The other expense amount largely represents the interest expense recorded on the company's credit facility.

#### Liquidity and Financial Condition

Working capital at June 30, 2016 and December 31, 2015 was \$8.0 million and \$8.4 million, respectively. The Company believes that it has adequate cash flow and bank credit availability to fund its operations. Capital spending through the first six months of 2016 totaled \$431,178.

#### Off- Balance Sheet Arrangements

The Company has no off-balance sheet arrangements

#### Item 5 Legal Proceedings

None

#### Item 6 Defaults Upon Senior Securities

None

Item 7      Other Information

None

Item 8      Exhibits

None. The articles of incorporation and bylaws are separately filed and available through the OTC Disclosure and New Service

Item 9      Certifications

See attached



### **CFO AND CEO CERTIFICATIONS**

I, Thomas E. Mark, President and CEO and currently performing the duties of the CFO, certify that:

- a) I have reviewed this quarterly disclosure statement of Detrex Corporation;
- b) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement;
- c) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for the periods presented in this disclosure statement; and

WHEREFORE, the undersigned has executed this Certification on this 11th day of August, 2016.

Certified by: Thomas E. Mark  
Thomas E. Mark  
President and CEO