

DETREX CORPORATION
QUARTERLY REPORT
INFORMATION AND DISCLOSURE STATEMENT
For Fiscal Quarter ended September 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
1000 Belt Line
Cleveland, Ohio 44109
Telephone: (216) 749-2605
Facsimile: (216) 749-7462
Website: www.detrex.com

Investor Relations Contact for the Issuer:

Thomas E. Mark
Detrex Corporation
1000 Belt Line
Cleveland, Ohio 44109
Telephone: (216) 749-2605
Facsimile: (216) 749-7462
Website: www.detrex.com

Item 2 Shares Outstanding.

A. Quarter ended September 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 - 129 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 September 30, 2016	AUDITED December 31, 2015
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,177,361	\$ 1,531,267
Accounts receivable (net of allowance for uncollectible accounts of \$42,000 in 2016 and \$29,500 in 2015)	5,007,861	4,219,224
Inventories		
Raw materials	2,457,683	1,738,569
Finished goods	2,658,902	3,415,128
Total Inventories	5,116,585	5,153,697
Income taxes receivable	788,717	1,256,432
Prepaid expenses and other	556,298	450,536
Deferred income taxes	205,000	205,000
Total Current Assets	12,851,822	12,816,156
Land, buildings, and equipment-net	8,732,745	9,144,362
Deferred income taxes	84,000	84,000
Other assets	106,887	283,212
Total Assets	<u>\$ 21,775,454</u>	<u>\$ 22,327,730</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Revolving credit facility	\$ 400,000	\$ -
Current portion of long-term debt	1,230,000	1,230,000
Accounts payable	1,750,794	1,677,045
Current portion of environmental reserve	255,000	255,000
Accrued compensation	271,267	355,316
Other accruals	1,264,876	903,575
Total Current Liabilities	5,171,937	4,420,936
Long-term debt, net of current portion	965,000	1,887,500
Environmental reserve	1,551,089	1,501,610
Accrued pension and other	3,786,038	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	17,679,640	18,049,933
Accumulated other comprehensive income (loss)	(11,489,088)	(11,489,088)
Total equity	10,301,390	10,794,453
Total liabilities and equity	<u>\$ 21,775,454</u>	<u>\$ 22,327,730</u>

DETREX CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
UNAUDITED

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2015	\$ 3,351,878	\$ 881,730	\$18,049,933	\$(11,489,088)	\$10,794,453
Net Income			903,361		903,361
Stock Options Exercise	44,800	(167,570)			(122,770)
Dividends			(1,273,654)		(1,273,654)
Balance at September 30, 2016	\$ 3,396,678	\$ 714,160	\$ 17,679,640	\$(11,489,088)	\$ 10,301,390

DETREX CORPORATION

CONSOLIDATED UNAUDITED STATEMENT OF OPERATIONS

	Three Months Ended September 30		Nine Months Ended September 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net sales	\$ 9,762,188	\$ 9,716,755	\$ 28,078,333	\$ 30,613,646
Cost of sales	6,610,632	6,768,159	19,179,427	21,159,300
Selling, general and administrative expenses	1,800,770	1,729,366	5,687,262	5,462,020
Restructuring costs	422,000	-	701,602	-
Provision for depreciation and amortization	348,520	340,017	1,043,508	1,020,051
Other expense	12,786	15,565	35,301	36,074
Interest expense	<u>19,779</u>	<u>23,635</u>	<u>62,511</u>	<u>74,799</u>
Income before income taxes	547,701	840,013	1,368,722	2,861,402
Provision for income taxes	<u>186,218</u>	<u>326,032</u>	<u>465,361</u>	<u>972,877</u>
Net income	<u>\$ 361,483</u>	<u>\$ 513,981</u>	<u>\$ 903,361</u>	<u>\$ 1,888,525</u>
Basic earnings per share:	\$ 0.21	\$ 0.31	\$ 0.53	\$ 1.13
Fully diluted earnings per share:	\$ 0.21	\$ 0.30	\$ 0.53	\$ 1.09
Weighted average shares outstanding:				
Basic	1,698,339	1,675,939	1,698,339	1,675,939
Effects of dilutive stock options	<u>6,117</u>	<u>50,163</u>	<u>6,117</u>	<u>50,163</u>
Diluted	<u>1,704,456</u>	<u>1,726,102</u>	<u>1,704,456</u>	<u>1,726,102</u>

DETREX CORPORATION

CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS UNAUDITED

	Nine Months Ended September 30	
	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Net income	\$ 903,361	\$ 1,888,525
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	1,043,508	1,020,051
Loss on disposal of assets	37,808	38,253
Uncollectible receivable provision	18,000	18,000
Pension Expense (recovery)	67,478	(25,411)
Changes to operating assets and liabilities that provided (used) cash:		
Accounts receivable	(806,637)	(255,531)
Inventories	37,112	262,515
Prepaid expenses and other	(105,762)	73,589
Other assets	176,325	(30,371)
Accounts payable	73,749	(484,073)
Environmental Spending	49,479	(234,478)
Pension contributions	(4,671)	(23,671)
Other accruals	744,967	526,733
Net cash provided from (used in) operating activities	<u>2,234,717</u>	<u>2,774,131</u>
Cash Flows from Investing Activities:		
Capital expenditures	(669,699)	(795,121)
Net cash (used in) total investing activities	<u>(669,699)</u>	<u>(795,121)</u>
Cash Flows from Financing Activities:		
Borrowings (Payment) on credit facilities - net	(522,500)	(922,500)
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	(1,273,654)	(1,256,955)
Net cash (used in) total financing activities	<u>(1,918,924)</u>	<u>(2,179,455)</u>
Net (decrease) in cash and cash equivalents	(353,906)	(200,445)
Cash and cash equivalents at beginning of period	1,531,267	1,778,331
Cash and cash equivalents at end of period	<u>\$ 1,177,361</u>	<u>\$ 1,577,886</u>

Item 4

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

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

	Qtr. ended Sept. 30, 2016		Qtr. ended Sept. 30, 2015	
	\$	%	\$	%
The Elco Corporation				
Net sales	9,762	100.0	9,717	100.0
Gross margin	3,152	32.3	2,949	30.3
Selling, general and admin	1,443	14.8	1,316	13.5
Depreciation and Amortization	349	3.6	339	3.5
Elco pre-tax income	1,360	13.9	1,294	13.3
Detrex Corporation				
Selling, general and admin	358	3.7	413	4.3
Restructuring costs	422	4.3	-	-
Depreciation and amortization	-	-	1	-
Other expense, net	32	0.3	40	0.4
Total pre-tax income	548	5.6	840	8.6

Third quarter 2016 net sales of \$9.8 million improved from the second quarter 2016 level of \$9.4 million and were essentially unchanged from a year ago third quarter. Domestic demand in the metalworking and industrial markets continues to be below year ago levels, while international performance was relatively strong in spite of the impact of the strong dollar.

The overall 2016 third quarter selling, general and administrative expenses were essentially unchanged from the prior period a year ago. The third quarter 2016 net income includes pre-tax restructuring charges of \$0.4 million principally for separation compensation paid to corporate staff in connection with the relocation of the corporate headquarters from Southfield, Michigan to Elco's offices in Cleveland, Ohio.

	YTD		YTD	
	Sept. 30, 2016		Sept. 30, 2015	
	\$	%	\$	%
The Elco Corporation				
Net sales	28,078	100.0	30,614	100.0
Gross margin	8,899	31.7	9,454	30.9
Selling, general and admin	4,235	15.1	4,306	14.1
Depreciation and Amortization	1,042	3.7	1,017	3.3
Elco pre-tax income	3,622	12.9	4,131	13.5
Detrex Corporation				
Selling, general and admin	1,451	5.2	1,156	3.8
Restructuring costs	702	2.5	-	-
Depreciation and amortization	2	-	3	-
Environmental provision	-	-	-	-
Other expense, net	98	0.3	111	0.4
Total pre-tax income	1,369	4.9	2,861	9.3

Year to date, net sales decreased 8.3% to \$28.1 million compared to the same period in 2015. Gross margins decreased by \$0.6 million compared to the prior year period. The decrease is largely the result of soft conditions in the first two quarters of 2016.

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 \$0.3 million compared to the period a year ago, largely due to exceptional corporate administrative expenses of \$0.3 million. The 2016 restructuring costs of \$0.7 million are principally for separation compensation paid to corporate staff and recruiting costs for replacement staff incurred in connection with the relocation of the corporate headquarters from Southfield, Michigan to Elco's offices in Cleveland, Ohio. The other expense amount largely represents the interest expense recorded on the company's credit facility.

Liquidity and Financial Condition

Working capital at September 30, 2016 and December 31, 2015 was \$7.7 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 nine months of 2016 totaled \$0.7 million.

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 November, 2016.

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