

DETREX CORPORATION

State of Incorporation:

Michigan

Company Information:

1000 Belt Line Street
Cleveland, Ohio 44109
Telephone: (216) 749-2605
Website: www.detrex.com

SIC Codes:

2992 Lubricating Oils and Greases (NAICS 324191)
2819 Industrial Inorganic Chemicals (Hydrochloric Acid)

**Quarterly Report
For the period ending September 30, 2017**

The number of shares outstanding of our common stock was 1,698,339 as of September 30, 2017.

The number of shares outstanding of our common stock was 1,698,339 as of December 31, 2016.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes: No:

DETREX CORPORATION

QUARTERLY INFORMATION AND DISCLOSURE STATEMENT

For Fiscal Quarter ended September 30, 2017

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 Street
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 Street
Cleveland, Ohio 44109

Telephone: (216) 742-2605
Facsimile: (216) 742-7462

Item 2 Shares Outstanding.

A. Quarter ended September 30, 2017:

- (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 - 126 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>September 30, 2017</u>	AUDITED <u>December 31, 2016</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 693,949	\$ 2,405,274
Accounts receivable (net of allowance for uncollectible accounts of \$48,000 in 2017 and \$30,000 in 2016)	4,659,983	4,367,576
Inventories		
Raw materials	2,037,124	1,751,131
Finished goods	3,667,692	3,734,003
Total Inventories	5,704,816	5,485,134
Income taxes receivable	258,578	-
Prepaid expenses and other	363,856	433,230
Total Current Assets	11,681,182	12,691,214
Land, buildings, and equipment-net	8,441,888	8,686,760
Deferred income taxes	1,081,000	1,081,000
Other assets	110,857	65,913
Total Assets	<u>\$ 21,314,927</u>	<u>\$ 22,524,887</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Revolving credit facility	\$ 1,665,000	\$ 1,665,000
Current portion of long-term debt	965,000	1,230,000
Accounts payable	2,066,231	1,291,329
Current portion of environmental reserve	259,000	259,000
Accrued compensation	351,276	615,292
Federal Income Tax Payable	-	360,127
Other accruals	1,432,468	1,733,420
Total Current Liabilities	6,738,975	7,154,168
Long-term debt, net of current portion	-	657,500
Environmental reserve, net of current portion	1,465,061	1,506,192
Accrued pension and other	2,235,518	2,143,147
Equity:		
Detrex Corporation Shareholders Equity		
Common capital stock, \$2 par value, authorized 4,000,000 shares, outstanding 1,698,339 shares in 2017 and 2016	3,396,678	3,396,678
Additional paid-in capital	654,337	654,337
Retained earnings	16,661,661	16,850,168
Accumulated other comprehensive income (loss)	(9,837,303)	(9,837,303)
Total equity	10,875,373	11,063,880
Total liabilities and equity	<u>\$ 21,314,927</u>	<u>\$ 22,524,887</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, 2016	\$ 3,396,678	\$ 654,337	\$16,850,168	\$ (9,837,303)	\$11,063,880
Net Income			1,085,248		1,085,248
Dividends			(1,273,755)		(1,273,755)
Balance at September 30, 2017	\$ 3,396,678	\$ 654,337	\$ 16,661,661	\$ (9,837,303)	\$ 10,875,373

DETREX CORPORATION

CONSOLIDATED UNAUDITED STATEMENT OF OPERATIONS

	Three Months Ended September 30		Nine Months Ended September 30	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net sales	\$ 8,909,904	\$ 9,762,188	\$ 29,455,519	\$ 28,078,333
Cost of sales	6,401,284	6,610,632	20,102,006	19,179,427
Selling, general and administrative expenses	2,333,113	2,222,770	6,626,140	6,388,864
Provision for depreciation and amortization	325,861	348,520	969,583	1,043,508
Other expense	12,501	12,786	27,444	35,301
Interest expense	<u>26,187</u>	<u>19,779</u>	<u>86,029</u>	<u>62,511</u>
Income (loss) before income taxes	(189,042)	547,701	1,644,317	1,368,722
Provision for income tax expense (recovery)	<u>(64,273)</u>	<u>186,218</u>	<u>559,069</u>	<u>465,361</u>
Net income (loss)	<u>\$ (124,769)</u>	<u>\$ 361,483</u>	<u>\$ 1,085,248</u>	<u>\$ 903,361</u>
Basic earnings (loss) per share:	\$ (0.07)	\$ 0.21	\$ 0.64	\$ 0.53
Fully diluted earnings (loss) per share:	\$ (0.07)	\$ 0.21	\$ 0.64	\$ 0.53
Weighted average shares outstanding:				
Basic	1,698,339	1,698,339	1,698,339	1,698,339
Effects of dilutive stock options	<u>5,328</u>	<u>6,117</u>	<u>5,328</u>	<u>6,117</u>
Fully diluted	<u>1,703,667</u>	<u>1,704,456</u>	<u>1,703,667</u>	<u>1,704,456</u>

DETREX CORPORATION

CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS UNAUDITED

	Nine Months Ended <u>September 30</u>	
	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Net income	\$ 1,085,248	\$ 903,361
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	969,583	1,043,508
Loss on disposal of assets	27,502	37,808
Uncollectible receivable provision	18,000	18,000
Pension expense	97,042	67,478
Changes to operating assets and liabilities that provided (used) cash:		
Accounts receivable	(310,407)	(806,637)
Inventories	(219,682)	37,112
Prepaid expenses and other	24,430	70,563
Accounts payable	774,902	73,749
Environmental spending, net of recoveries	(41,131)	49,479
Pension contributions	(4,671)	(4,671)
Other accruals	(1,183,673)	744,967
Net cash provided from operating activities	<u>1,237,143</u>	<u>2,234,717</u>
Cash Flows from (used in) Investing Activities:		
Capital expenditures	(762,213)	(669,699)
Proceeds from sale of fixed assets	10,000	-
Net cash (used in) investing activities	<u>(752,213)</u>	<u>(669,699)</u>
Cash Flows from (used in) Financing Activities:		
Payment on credit facilities - net	(922,500)	(522,500)
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	(1,273,755)	(1,273,654)
Net cash (used in) total financing activities	<u>(2,196,255)</u>	<u>(1,918,924)</u>
Net (decrease) in cash and cash equivalents	(1,711,325)	(353,906)
Cash and cash equivalents at beginning of period	2,405,274	1,531,267
Cash and cash equivalents at end of period	<u>\$ 693,949</u>	<u>\$ 1,177,361</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, 2017 and 2016 are summarized below: (\$ in charts are in thousands)

	Qtr. ended		Qtr. ended	
	Sept. 30, 2017		Sept. 30, 2016	
	\$	%	\$	%
The Elco Corporation				
Net sales	8,910	100.0	9,762	100.0
Gross margin	2,509	28.2	3,152	32.3
Selling, general and admin	1,688	18.9	1,443	14.8
Depreciation and amortization	326	3.7	349	3.6
Elco pre-tax income	495	5.6	1,360	13.9
Detrex Corporation				
Selling, general and admin	645	7.2	780	8.0
Depreciation and amortization	-	-	-	-
Other expense, net	39	0.5	32	0.3
Total pre-tax income	(189)	(2.1)	548	5.6

Third quarter revenues of \$8.9 million were below the prior two quarters and the third quarter revenue of \$9.8 million in 2016. A slowdown in domestic orders coupled with a seasonable drop in exports in September led to the reduced sales.

The overall 2017 third quarter selling, general and administrative expenses increased from the prior period a year ago by \$0.1 million principally due to Elco's and Detrex's higher legal expense and Elco's higher personnel costs, which were partially offset by lower costs for Detrex due to the relocation of the corporate headquarters from Southfield, Michigan to Elco's offices in Cleveland, Ohio. The majority of the legal expenses relate to a dispute between the Company and Environmental Liability Transfer Inc. and related parties (ELT) which was resolved amicably with no adverse impact to the Company's long term financial condition. The other expense amount represents the interest expense recorded on the Company's credit facility.

	Nine Months Ended			
	Sept .30, 2017		Sept. 30, 2016	
	\$	%	\$	%
The Elco Corporation				
Net sales	29,456	100.0	28,078	100.0
Gross margin	9,354	31.8	8,899	31.7
Selling, general and admin	5,085	17.3	4,235	15.1
Depreciation and amortization	970	3.3	1,042	3.7
Elco pre-tax income	3,299	11.2	3,622	12.9
Detrex Corporation				
Selling, general and admin	1,541	5.2	2,153	7.7
Depreciation and amortization	-	-	2	-
Environmental provision	-	-	-	-
Other (income) expense, net	114	0.4	98	0.3
Total pre-tax income	1,644	5.6	1,369	4.9

Year to date, net sales increased 4.9% to \$29.5 million compared to \$28.1 million for the same period in 2016. Gross margins increased by \$0.5 million compared to the prior year period. The sales improvement is due to strong sales growth in the first two quarters of 2017. Sales activity has improved in the early fourth quarter as successes in product development and product approvals continue to generate results. With the exception of the third quarter slowdown, sales have increased across most of the Company's product lines with significant increases in lubricant additive exports and domestic hydrochloric acid.

Year-to-date selling, general and administrative increased year-over-year by \$0.2 million. Elco's selling, general and administrative increase reflects higher personnel and legal costs. Whereas, the Detrex selling, general and administrative expenses decreased by \$0.6 million compared to the period a year ago, largely due to the downsizing of the corporate office, offset some by higher legal fees. 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, 2017 and December 31, 2016 was \$4.9 million and \$5.5 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 2017 totaled \$0.8 million.

Off- Balance Sheet Arrangements

The Company has no off-balance sheet arrangements

Item 5 Legal Proceedings

ENVIRONMENTAL LIABILITY TRANSFER, INC, et. al. v DETREX CORP - Oakland Circuit Case No 17-158771-CK: Detrex Corporation (“Detrex”) and Environmental Liability Transfer, Inc. (“ELT”) and ELT’s affiliate Trex Properties, LLC (“Trex”), along with related guarantors, are parties to an Environmental Liability Transfer Agreement (“ELTA”), pursuant to which, generally, ELT and Trex assumed responsibility for the environmental conditions related to properties formerly owned and/or operated by Detrex. ELT and Trex further agreed to indemnify Detrex against any such environmental liabilities related to the properties. On May 15, 2017, ELT, Trex and the related guarantors filed suit in a Michigan state court alleging, among other things, that Detrex had fraudulently induced them to enter into the ELTA and that, as a result, ELT and Trex were rescinding the agreement and abandoning all activities at the properties. In response to the lawsuit, Detrex filed a motion requesting injunctive relief. On July 25, 2017, the Court granted Detrex’s motion and ordered that ELT, Trex and the related guarantors must resume and/or continue their ongoing environmental and other obligations under the ELTA until further order of the Court. Following entry of the injunction order, the lawsuit was settled on confidential terms mutually agreeable to all parties, pursuant to which ELT, Trex and Commercial Development Company Inc., will continue to perform under the ELTA. The terms of the parties’ settlement have no material effect on the business, financial condition or operation of Detrex or the Elco Corporation. A Stipulated Order of Dismissal with Prejudice was entered by the Court on October 9, 2017.

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 16th day of November, 2017.

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