DETREX
CORPORATION

2011 ANNUAL REPORT

Detrex Corporation and Subsidiaries
Contents

Highlights (1)

	2011	2010
Net sales from continuing operations	$48,918,447	$35,289,103
Pre-tax income before environmental provision	6,658,744	3,178,437
Environmental provision	2,711,000	755,000
Pre-tax income from continuing operations	3,947,744	2,423,437
Net income from continuing operations	2,422,677	1,529,087
Net income from discontinued operations	2,209,110	692,739
Net income	4,631,787	2,221,826
Net income attributable to Detrex Corporation (2)	4,277,166	2,088,320
Fully diluted earnings per share attributable to		
Detrex Corporation Shareholders:		
From continuing operations	1.43	0.97
From discontinued operations	1.10	0.34
Total	2.53	1.31
Detrex stockholders' equity per common share	5.55	4.52
Additions to land, buildings, and equipment		
From continuing operations	2,304,475	1,392,192
Current ratio	1.7	1.6
Number of employees (continuing operations)	69	62

(1) This information should be read in conjunction with the Consolidated Financial Statements and Management's Discussion and Analysis
(2) Is after attribution of noncontrolling interest in earnings

DETREX COMPANY PROFILE

Detrex Corporation was incorporated in Michigan in 1925. Detrex Corporation and its subsidiaries (the "Company") manufacture products predominantly for use in the industrial manufacturing and commercial construction markets. On November 30, 2011, the Company agreed to sell its Harvel Plastic's subsidiary. As discussed in various parts of this Annual Report, the sale was effective at the beginning of business on January 1, 2012. The sale has enabled the Company to realize the significant value of Harvel and to use the sale proceeds to support its remaining subsidiary, The Elco Corporation's growth and other strategic opportunities.

• ***The Elco Corporation*** is a manufacturer of high performance specialty chemicals serving three distinct business areas, namely additives for industrial petroleum products, high purity hydrochloric acid for the semiconductor industry, and specialty chemicals. Elco's petroleum additives are used for enhancing the properties of hydraulic oils, metalworking fluids, gear oils, greases and fuels. The Ultramax® hydrochloric acid product line meets the most demanding semiconductor specifications, and Detrex hydrochloric acid is used in various applications such as pharmaceutical manufacturing. Elco's products are manufactured in Cleveland, Ohio and Ashtabula, Ohio and sold domestically through a direct sales force and globally through agents and distributors. Websites: www.elcocorp.com and www.detrexchemicals.com

TO OUR SHAREHOLDERS:

Detrex Corporation achieved excellent results in 2011, highlighted by substantial growth in both our operating units in sales, profitability and positive cash flow, while funding legacy liabilities and capital improvements that position us for the future.

The major news was the sale of Harvel Plastics, Inc., effective January 1, 2012. The Harvel sale enabled us to maximize the Company's value as market conditions change to favor full-scope global suppliers and a piping systems approach over stand-alone pipe suppliers like Harvel. The sale price of $50.5 million netted Detrex after-tax proceeds of approximately $30 million, resulting in an after-tax gain of nearly $17 million recognized in January 2012 and enabled the Company to pay down all outstanding bank debt.

As an outcome of the sale, Harvel is reported as a discontinued operation in the consolidated financial statements. Harvel's 2011 sales were $67.6 million compared to $58.4 million in 2010, and pre-tax earnings grew to $3.5 million from $1.3 million in 2010. Please note that a pro-forma balance sheet is included in the Management's Discussion & Analysis (MD&A) section of this annual report which shows Detrex's consolidated financial position after the Harvel sale closed effective January 1, 2012.

The Harvel transaction places us in a very strong financial position, which allowed us to begin returning value to our shareholders and streamlines our focus into our specialty chemicals company. The Harvel sale made it possible to declare a special $2.00 per share dividend paid in January 2012, and commence paying a quarterly dividend of $0.25 per share. Likewise, we are exploring the many strategic alternatives that are now possible because of our strong financial condition.

As a stand-alone operation, Elco has proven to be a very successful company with a skilled team and an attractive product portfolio. Elco's 2011 sales grew by $13.6 million to $48.9 million over the prior year revenue of $35.3 million. Elco's strong growth was fueled primarily by substantial revenue gains in the export markets. The volume gains, combined with operating efficiencies, resulted in 2011 pre-tax earnings growing 47.8% to $10.2 million versus $6.9 million generated in 2010, and EBITDA of $11.2 million for 2011. We also invested heavily in the Elco business during the year with capital expenditures of $2.3 million to support growth and enhance technical and production capabilities, and expect continued strong performance as customer interest in our products continues to grow.

As a result of the Harvel sale, Detrex sales from continuing operations consist solely of revenue generated by Elco. The year-on-year growth was 38.6%, and the corporation generated net income of $2.42 million inclusive of pre-tax environmental charges of $2.7 million. Overall net income, including Harvel's discontinued operations, generated after-tax income of $4.28 million, or $2.55 per share, compared to $2.09 million, or $1.32 per share, in 2010.

In 2011, we spent $2.5 million on environmental matters compared to $2.1 million in 2010. The current year spending was concentrated on two projects which represented 65% of the total amount spent. Certain areas were cleaned up at the Company-owned Ashtabula site and past EPA oversight costs were paid. The other site is a former solvent distribution center where sampling and evaluation are ongoing. The uncertainties inherent in environmental matters were challenging again in 2011 as new developments and evolving conditions resulted in a $2.7 million charge to increase reserve amounts for several projects. At year end, the reserve was $4.1 million, and we anticipate spending approximately $2.4 million on environmental matters in 2012. However, we believe that the December 31, 2011 environmental reserve of $4.1 million is adequate given what we know today. Of course, it is possible that future costs could exceed the current environmental provisions; however, the amounts are not reasonably determinable based on current conditions. Going forward, the Company plans to replenish the environmental reserve with amounts at least similar to amounts spent until the resolution of the individual environmental sites is more clearly determined.

The underfunded status of the pension plans increased in 2011 due principally to changes in actuarial assumptions. The assumed rate of return on the investment portfolio was reduced from 8.5% to 7.5%. More significantly, the discount rate used in calculating the present value of the liability was reduced to 5.25% from 5.75%. The Harvel pension plan was assumed by the buyer on January 1, 2012 and therefore is not recognized as part of the pension obligation for continuing operations on the year-end 2011 balance sheet. The pension plans included in continuing operations had an underfunded balance of $9.0 million at the end of the year. For the remaining pension plans, we anticipate funding at least $5 million in 2012 while the 2011 funding for those same plans was $1.6 million.

Our bank debt decreased by $1.4 million to $15.3 million during the year as a result of strong cash generation at Elco. The major outlays for the year were capital expenditures of $4.5 million for Elco and Harvel, pension funding of $1.9 million, and environmental spending of $2.5 million. As previously noted, we fully paid down the bank debt in the beginning of January 2012, and the Company has secured a new $5 million term loan and $5 million revolving credit facility with JP Morgan Chase; the Company has not borrowed against its new credit facility.

The achievements in 2011 marked a significant step in our quest to effectively position Detrex to deliver shareholder value. Not only did we achieve strong operational and financial results, but we also succeeded in monetizing the value in Harvel and better focused our business for growth. Moving forward, we will continue to evaluate and embrace strategic opportunities to generate shareholder value, and we look forward to sharing positive progress with you.

Thomas E. Mark
President & CEO

William C. King
Chairman

In Memory of Arbie R. Thalacker

Arbie R. Thalacker, a long-time member of the Detrex Board of Directors, passed away on January 9, 2012 at the age of 76. Arbie served on the Company's board for more than 30 years and served on both the Audit and Compensation Committees.

Arbie was a great friend and advisor, and tirelessly contributed his talents to Detrex for more than three decades. We want to express our gratitude for his leadership and service to our organization, and our condolences go out to his family.

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Independent Auditor's Report

To the Board of Directors
Detrex Corporation and Consolidated Subsidiaries

We have audited the accompanying consolidated balance sheets of Detrex Corporation and its subsidiaries (the "Company") as of December 31, 2011 and 2010 and the related consolidated statements of operations, equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Detrex Corporation and its subsidiaries at December 31, 2011 and 2010 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

March 12, 2012

Detrex Corporation and Subsidiaries
Consolidated Statements of Operations

	Year Ended December 31	
	2011	2010
Net Sales	$ 48,918,447	$ 35,289,103
Cost of sales (exclusive of depreciation)	32,877,601	22,953,034
Selling, general, and administrative expenses	7,868,619	7,341,971
Provision for depreciation and amortization	1,032,540	1,022,184
Provision for corporate environmental reserve	2,711,000	755,000
Other (income) expense - net	(42,810)	10,935
Interest expense	493,232	730,565
Loss from asset disposals	30,521	51,977
Income Before Income Taxes	3,947,744	2,423,437
Provision for income taxes	1,525,067	894,350
Net Income from Continuing Operations	2,422,677	1,529,087
Discontinued Operations		
Income from operation of Harvel Plastics, Inc. - Net of income tax	2,209,110	692,739
Net Income	4,631,787	2,221,826
Net income attributable to noncontrolling interest	(354,621)	(133,506)
Net Income attributable to Detrex Corporation	**$ 4,277,166**	**$ 2,088,320**
Amount Attributable to Detrex Corporation Common Shareholders:		
Income from continuing operations, net of tax	$ 2,422,677	$ 1,529,087
Discontinued operations, net of tax	1,854,489	559,233
Net Income attributable to Detrex Corporation	**$ 4,277,166**	**$ 2,088,320**
Basic Earnings Per Common Share:		
From continuing operations attributable to Detrex Corp. shareholders	$ 1.45	$ 0.97
From discontinued operations attributable to Detrex Corp. shareholders	1.10	0.35
Net earnings per share attributable to Detrex Corp. shareholders	$ 2.55	$ 1.32
Fully Diluted Earnings Per Common Share:		
From continuing operations attributable to Detrex Corp. shareholders	$ 1.43	$ 0.97
From discontinued operations attributable to Detrex Corp. shareholders	1.10	0.34
Net earnings per share attributable to Detrex Corp. shareholders	$ 2.53	$ 1.31
Number of Shares Outstanding, basic	1,675,939	1,583,414
Number of Shares Outstanding, fully diluted	1,692,296	1,595,133

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiaries
Consolidated Balance Sheets

	December 31 2011	December 31 2010
Assets		
Current Assets		
Cash and cash equivalents	$ 800,887	$ 83,305
Accounts receivable - Net of allowance for uncollectible accounts of $38,000 in 2011 and $35,000 in 2010	3,943,577	3,377,820
Inventories	6,429,281	4,537,528
Prepaid expenses and other	878,619	197,722
Deferred income taxes	1,011,000	862,000
Assets held for sale	16,039,226	16,819,706
Total Current Assets	29,102,590	25,878,081
Property and Equipment		
Land	706,139	706,139
Buildings and improvements	9,008,782	8,448,347
Machinery and equipment	16,349,749	15,760,452
Construction in progress	449,489	556,712
	26,514,159	25,471,650
Less allowance for depreciation and amortization	16,741,530	16,937,432
Property and Equipment - Net	9,772,629	8,534,218
Deferred Income Taxes	5,996,847	7,162,111
Other Assets	708,097	630,272
Assets Held for Sale	8,549,437	8,113,507
Total Assets	**$ 54,129,600**	**$ 50,318,189**
Liabilities and Equity		
Current Liabilities		
Revolving credit facility	$ 3,663,088	$ 4,304,899
Current portion of long-term debt	1,250,000	1,000,000
Current portion of capital lease obligation	35,171	33,039
Accounts payable	2,861,103	2,158,780
Current portion of environmental reserve	2,165,000	1,750,000
Accrued compensation	945,354	918,117
Other accruals	1,328,474	1,489,433
Liabilities on assets held for sale	4,797,171	4,661,897
Total Current Liabilities	17,045,361	16,316,165
Long-Term Debt, Net of current portion	10,368,750	11,368,750
Long-Term Portion of Capital Lease Obligation	43,912	79,083
Accounts Payable	-	250,000
Pension Obligations	8,977,115	7,319,939
Environmental Reserve	1,946,142	1,866,004
Liabilities on Assets Held for Sale	3,824,782	2,972,419
Equity:		
Detrex Corporation Shareholders' Equity:		
Common capital stock, $2 par value, authorized 4,000,000 shares, outstanding 1,675,939 shares for 2011 and 1,583,414 shares for 2010	3,351,878	3,166,828
Additional paid-in capital	779,730	536,530
Retained earnings	16,189,846	11,912,680
Accumulated other comprehensive loss	(11,018,616)	(8,451,344)
Total Detrex Corporation Shareholders' Equity	9,302,838	7,164,694
Noncontrolling interest	2,620,700	2,981,135
Total Equity	11,923,538	10,145,829
Total Liabilities and Equity	**$ 54,129,600**	**$ 50,318,189**

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiaries
Consolidated Statements of Equity

	Detrex Corporation Shareholders						Noncontrolling Interest			
	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Controlling Interest	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)	Total Noncontrolling Interest	Total Equity
Balance - January 1, 2010	$ 3,166,828	$ -	$ 536,530	$ 9,824,360	$ (8,859,892)	$ 4,667,826	$ 3,212,723	$ (157,254)	$ 3,055,469	$ 7,723,295
Comprehensive income:										
2010 Net income	-	-	-	2,088,320	-	2,088,320	133,506	-	133,506	2,221,826
Other comprehensive income:										
Defined Benefit Pension plans - Net of income tax (Notes 2 and 9)	-	-	-	-	408,548	408,548	-	2,160	2,160	410,708
Total comprehensive income						2,496,868			135,666	2,632,534
Dividends	-	-	-	-	-	-	(210,000)	-	(210,000)	(210,000)
Balance - December 31, 2010	3,166,828	-	536,530	11,912,680	(8,451,344)	7,164,694	3,136,229	(155,094)	2,981,135	10,145,829
Comprehensive income:										
2011 Net income	-	-	-	4,277,166	-	4,277,166	354,621	-	354,621	4,631,787
Other comprehensive income:										
Defined Benefit Pension plans - Net of income tax (Notes 2 and 9)	-	-	-	-	(2,567,272)	(2,567,272)	-	(100,056)	(100,056)	(2,667,328)
Total comprehensive income						1,709,894			254,565	1,964,459
Stock Option Exercise	185,050	-	243,200	-	-	428,250	-	-	-	428,250
Dividends	-	-	-	-	-	-	(615,000)	-	(615,000)	(615,000)
Balance - December 31, 2011	**$ 3,351,878**	**$ -**	**$ 779,730**	**$ 16,189,846**	**$(11,018,616)**	**$ 9,302,838**	**$ 2,875,850**	**$ (255,150)**	**$ 2,620,700**	**$ 11,923,538**

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended December 31	
	2011	2010
Cash Flows from Operating Activities		
Net income	$ 4,631,787	$ 2,221,826
Adjustments to reconcile net income to net cash from operating activities:		
Income from discontinued operations	(2,209,110)	(692,739)
Depreciation and amortization	1,032,540	1,022,184
Loss on disposal of property and equipment	30,521	51,977
Provision for uncollectible receivables	38,000	15,000
Deferred income taxes	1,399,000	820,720
Environmental reserve provision	2,711,000	755,000
Pension expense	205,189	463,827
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(603,757)	(464,858)
Inventory	(1,891,753)	(288,667)
Prepaid expenses and other assets	(680,897)	69,096
Other assets	(77,824)	66,519
Accounts payable	452,323	(439,452)
Environmental reserves	(2,215,862)	(2,469,989)
Pension obligations	(1,578,749)	(1,381,306)
Accrued and other liabilities	586,961	903,968
Net cash provided by operating activities of continuing operations	1,829,369	653,106
Net cash provided by operating activities of discontinued operations	4,460,166	2,532,647
Net cash provided by operating activities	6,289,535	3,185,753
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,304,475)	(1,392,192)
Proceeds from disposition of property and equipment	3,000	12,000
Net cash used in investing activities of continuing operations	(2,301,475)	(1,380,192)
Net cash used in investing activities of discontinued operations	(2,146,353)	(1,462,954)
Net cash used in investing activities	(4,447,828)	(2,843,146)
Cash Flows from Financing Activities		
Payments on long-term debt	(783,039)	(761,661)
Net change in revolving credit facilities	(641,811)	1,343,138
Proceeds from exercise of stock options	428,250	-
Net cash provided by (used in) financing activities of continuing operations	(996,600)	581,477
Net cash used in financing activities of discontinued operations	(667,500)	(210,000)
Net cash provided by (used in) financing activities	(1,664,100)	371,477
Net Increase in Cash and Cash Equivalents	177,607	714,084
Cash and Cash Equivalents - Beginning of year	1,167,058	452,974
Cash and Cash Equivalents - End of year	**$ 1,344,665**	**$ 1,167,058**
Balance Sheet Presentation of Cash and Cash Equivalents		
Cash and cash equivalents - Continuing operations	$ 800,887	$ 83,305
Assets held for sale - Discontinued operations	543,778	1,083,753
Total	**$ 1,344,665**	**$ 1,167,058**
Supplemental Cash Flow Information - Cash paid during the year for:		
Interest	$ 384,648	$ 751,051
Income taxes	124,000	124,843

See Notes to Consolidated Financial Statements.

Detrex Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Note 1 - Nature of Business and Customer Concentration

Detrex Corporation and its subsidiaries (the "Company") manufacture products predominantly for use in the industrial manufacturing and commercial construction industries. The principal products include specialty chemicals including petroleum additives and high purity hydrochloric acid manufactured by The Elco Corporation ("Elco"), and PVC and CPVC plastic pipe, duct and shapes produced by Harvel Plastics, Inc. ("Harvel").

On November 30, 2011, the Company entered into an agreement to sell all of its shares in its Harvel subsidiary to an unrelated party, effective at the beginning of business on January 1, 2012. The sale was completed on January 6, 2012 resulting in a cash payment to the Company of approximately $43 million for its interest in Harvel, of which $2.55 million was withheld in escrow. As a result of the sale, Harvel's financial position and operating results are being reported as discontinued operations in the Company's 2011 and 2010 consolidated financial statements as disclosed in Note 14. As a result of reporting Harvel's 2010 financial position as discontinued operations, $879,355 was reclassified from an offset to non-current deferred tax assets to non-current liabilities on assets held for sale.

Both of the Company's business units operate in highly competitive markets which are mainly national in scope, although approximately 22 percent of the Company's total net revenue in 2011 (38 percent from continuing operations) and 17 percent in 2010 (23 from continuing operations) was generated outside the United States. Generally, for all products there are numerous competitors, with no one company or a small number of companies being dominant. The Company operates in niche markets and its principal methods of competition in various markets include service, price and quality. Elco sells primarily to petro-chemical and industrial manufacturing companies, while Harvel sells primarily to distributors in the commercial and industrial construction markets.

Sales to Elco's top five customers totaled approximately 33 percent of the Company's consolidated revenues in 2011 and 35 percent in 2010 from continuing operations; the loss of one or more of these significant customers could materially adversely impact operating results. Accounts receivable from those customers were approximately $0.7 million and $1.1 million at December 31, 2011 and 2010, respectively.

Note 2 - Summary of Significant Accounting Policies

Basis of Financial Statements

The consolidated financial statements comprise those of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated.

The Company follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Company follows to ensure consistency in reporting financial condition, results of operations, and cash flows.

The noncontrolling interest represents the interest in Harvel not owned by the Company.

Cash and Cash Equivalents

The Company considers all investments with a maturity at purchase of three months or less to be cash equivalents.

Accounts Receivable

Trade accounts receivable are stated at cost, less an allowance for doubtful accounts. The allowance is established based on a specific assessment of all invoices that remain unpaid following the normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that such determination is made.

Note 2 - Summary of Significant Accounting Policies (Continued)

Inventories and Revenue Recognition

Finished goods inventories are stated at lower of cost or market. Raw materials, including raw materials in work in progress and finished goods inventories, are valued by using the first-in, first-out (FIFO) method. Labor and burden in inventory are determined by using the average cost method, which approximates FIFO.

Revenue and related cost of sales are recognized upon shipment of products.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment charges. Depreciation and amortization are provided over the estimated useful lives of the assets using the straight-line method for financial reporting purposes. Equipment, accounted for as capital leases, is amortized over the estimated useful life of the asset.

	Annual Depreciation Rates
Buildings and improvements	2.5-20%
Machinery and equipments	5-33%

Research and Development

Research and development costs are charged to operations as incurred, and approximated $539,000 for 2011 and $617,000 for 2010.

Earnings Per Common Share

The calculation of basic earnings per common share is based upon the average number of common shares outstanding during the year. Shares subject to in-the-money stock options are the only items impacting diluted earnings per share. At December 31, 2011, 70,000 options were vested and were in-the-money; the potential dilution was 16,357 shares and resulted in a two cents per share dilution of earnings per share for net income attributable to Detrex Corporation. At December 31, 2010, all outstanding options were vested; 42,000 of the options were in-the-money, the potential dilution was 11,719 shares and resulted in less than a one cent per share dilution on earnings per share.

Other Comprehensive Income (Loss)

Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as amounts recognized related to defined benefit pension (gains and losses, prior service costs, and transition assets or obligations), are reported as a direct adjustment to the equity section of the consolidated balance sheet. Such items, along with net income (loss), are considered components of comprehensive income (loss).

Note 2 - Summary of Significant Accounting Policies (Continued)

Changes in the components of accumulated other comprehensive income (loss) for the years 2011 and 2010 are as follows:

	Pension Plan Adjustments	Accumulated OCI Attributed to Noncontrolling Interest
Balance at January 1, 2010	$ (8,859,892)	$ (157,254)
Change for 2010 (1) (2)	408,548	2,160
Balance at December 31, 2010	(8,451,344)	(155,094)
Change for 2011 (1) (2)	(2,567,272)	(100,056)
Balance at December 31, 2011	$ (11,018,616)	$ (255,150)

(1) Change in pension plan related Accumulated Other Comprehensive Income (Loss) is net of tax of $(1,322,534) in 2011 and $210,464 in 2010.

(2) Change in pension plan related Accumulated Other Comprehensive Income (Loss) attributed to noncontrolling interest is net of tax of $(51,544) in 2011 and $1,113 in 2010.

Income Taxes

A current tax liability or asset is recognized for the estimated taxes payable to or refundable from tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

The Company files a consolidated federal income tax return with its subsidiaries. Current and deferred tax obligations or benefits are allocated to the members of the consolidated group as if each were a separate taxpayer. The Company participates in an arrangement with its subsidiaries under which payments are made to, or amounts are received from, the subsidiaries based on the subsidiaries' share of the consolidated group's federal income tax liability. Amounts due to or from the subsidiaries for federal income taxes are reported as income taxes payable or receivable.

The Company has elected to classify interest and penalties related to income tax as income tax expense.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximated fair value due to their short maturities. The carrying value for debt under the Credit Agreement approximated fair value due to interest rates which reflect market rates. See Note 7 for further discussion of fair value measurements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Also see Note 10 concerning environmental matters.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including March 12, 2012, which is the date the consolidated financial statements were available to be issued.

Note 3 - Inventories

Inventories from continuing operations at December 31 consist of the following:

	2011	2010
Raw materials	$ 2,477,266	$ 1,422,686
Finished goods	3,952,015	3,114,842
Total inventory	$ 6,429,281	$ 4,537,528

Note 4 - Capital and Operating Leases

Capitalized leased assets included in machinery and equipment at December 31 are as follows:

	2011	2010
Machinery and equipment	$ 167,581	$ 167,581
Accumulated amortization	(64,494)	(46,212)
Leased assets, net	$ 103,087	$ 121,369

The capital lease obligation of $79,083 at December 31, 2011 represents the present value of the future minimum lease payments ending in 2013.

Rent expense applicable to operating leases from continuing operations, primarily for facility and equipment rental, approximated $130,000 for 2011 and $136,000 for 2010.

Note 5 - Revolving Credit Agreement and Long-Term Debt

The Company had a revolving credit and long-term financing arrangement with its principal lender, JPMorgan Chase Bank, N.A. ("Chase"). The Company retired all outstanding indebtedness in early January 2012 from the proceeds of the Harvel sale. Concurrently, the Company entered into another credit arrangement with Chase that provides a $5 million long-term credit facility and a $5 million revolving credit facility to finance short-term financing needs and to fund several letters of credit issued by the lender. Outstanding letters of credit at December 31, 2011 approximated $744,000 and expire at various dates through August 2012. The credit facilities for the revolver and long-term debt (which amounted to $15,281,838 at December 31, 2011) charged interest at one-half percent below the bank's prime lending rate (actual borrowing rate of 2.75 percent at December 31, 2011). The Company is obligated to pay quarterly principal of $250,000 on the long-term debt facility. The current and non-current portions of long-term debt on the December 31, 2011 consolidated balance sheet represent actual amounts due under the previous lending arrangement. However, as disclosed above, the Company retired all of its indebtedness in early 2012. Future borrowings under the new credit agreement are subject to certain covenants covering minimum required levels of tangible net worth, and minimum fixed interest charge and maximum leverage ratios.

The Company's revolving credit facility at December 31, 2010 provided $12 million to finance short-term financing needs and to fund several letters of credit, totaling approximately $794,000 issued by the lender and charged interest at one-half percent below the bank's prime lending rate (actual borrowing rate of 2.75 percent).

The obligations under the credit facility are collateralized by substantially all Company assets.

The weighted average interest rate for all borrowings for the years ended December 31, 2011 and 2010 was 2.8 percent and 4.1 percent, respectively.

The future principal debt maturities on long-term debt are as follows:

Obligation	2012	2013	Total
Detrex Term Loan	$ 1,250,000	$ 10,368,750	$ 11,618,750

Note 6 - Income Taxes

Income taxes from continuing operations include the following components:

	2011	2010
Current:		
Federal	$ 64,000	$ 12,000
State and local	62,067	61,630
Total current	126,067	73,630
Deferred:		
Federal	1,297,000	783,720
State and local	102,000	37,000
Total deferred	1,399,000	820,720
Total provision for income taxes	$ 1,525,067	$ 894,350

Income taxes from discontinued operations totaled $1,280,691 for 2011 and $634,770 for 2010.

Deferred tax assets (liabilities) at December 31, 2011 and 2010 relate to the following temporary differences and carryforwards:

	2011	2010
Deferred tax assets:		
Net operating loss carryforward	$ 2,516,321	$ 3,629,035
Alternative minimum tax credit carryforward	677,103	613,103
Environmental	1,504,651	1,418,206
Self-insurance reserve	72,326	110,835
Pension benefits	2,812,755	2,392,229
Inventory related	151,001	138,930
Property related impairment	754,398	754,398
Other	345,288	86,124
Gross deferred tax assets	8,833,843	9,142,860
Depreciation	(2,011,281)	(1,235,678)
Other	185,285	116,929
Gross deferred tax liabilities	(1,825,996)	(1,118,749)
Net deferred tax asset	$ 7,007,847	$ 8,024,111

For tax purposes, the Company has net operating loss carryforwards of approximately $7.8 million which generate deferred tax benefits of $2.5 million that expire between 2020 and 2029. The Company will utilize the carryforwards in 2012 as a result of the gain on the disposition of its Harvel subsidiary as disclosed in Note 14.

Note 6 - Income Taxes (Continued)

The principal differences between the actual income tax provision from continuing operations and income taxes computed at the statutory rate of 34 percent are as follows:

	2011	2010
Expected tax provision	$ 1,342,231	$ 823,968
State and local income taxes - Net of federal tax benefit	130,724	65,096
Nondeductible expenses and adjustment to prior year estimate - Net	52,112	5,286
Actual income tax provision	$ 1,525,067	$ 894,350

Under FASB ASC Topic 740, *Income Taxes*, the Company may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The more likely than not threshold must continue to be met in each reporting period to support continued recognition of a tax benefit. Topic 740 also provides guidance on classification, interest and penalties on income taxes, accounting in interim periods and disclosures. The Company files income tax returns in multiple jurisdictions in the United States. The consolidated federal income tax returns have been examined by the Internal Revenue Service through the 2005 tax year. With few exceptions, the Company is no longer subject to income tax examinations before 2008.

Note 7 - Fair Value Measurements

The following section discusses information about the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2011 and 2010 and the techniques used by the Company to determine those fair values in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*. Disclosures also apply to nonfinancial assets and liabilities measured at fair value on a nonrecurring basis. FASB ASC 820 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs; the Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology (Level 1 inputs) applies to an investment account, which consists of exchange-traded funds totaling approximately $284,000 at December 31, 2011 and $232,000 at December 31, 2010, classified as other assets on the consolidated balance sheet. The Company had no financial assets valued using Level 2 or Level 3 inputs during 2011 or 2010.

See Note 9 for discussion of the fair value of the pension plan assets.

Note 8 - Parts Cleaning Technologies Exit

The Company exited its Parts Cleaning Technologies (“PCT”) segment in 2001-2002. Properties relating to this discontinued segment are classified as other noncurrent assets, as they are remediated and prepared for ultimate disposition. At December 31, 2011 and 2010, the net carrying value of the other remaining PCT properties was approximately $250,000.

The Company has reserves for estimated costs associated with the studying, sampling, and cleanup of the former PCT properties, which have varying degrees of chlorinated solvent contamination. See Note 10 regarding Environmental Matters.

Note 9 - Pension and Other Postretirement Benefit Plans

The Company and its subsidiaries sponsor non-contributory, defined benefit pension plans which cover substantially all employees. The Plans were frozen during 2009 and 2010. Benefits for hourly employees were based on years of services prior to the freeze date and the employee's average monthly compensation using the highest five consecutive years preceding retirement. These benefits were generally based on a specified monthly payment for each year of service prior to the freeze date. Accordingly, no benefits accrued to plan participants after the respective freeze dates.

As discussed in Note 1, the Harvel subsidiary is reclassified as a discontinued operation and as assets held for sale in the 2011 and 2010 financial statements. Accordingly, the pension plan disclosures have been adjusted to segregate the impact of Harvel as a discontinued operation.

The Company's funding policy is to contribute amounts sufficient to provide for benefits earned to date and those expected to be payable in the future. The Company's contributions to the plans in 2011 and 2010 were as follows:

	2011	2010
Pension contributions:		
Continuing operations	$ 1,578,749	$ 1,381,306
Discontinued operations	272,000	231,000
Total	$ 1,850,749	$ 1,612,306

The goals of the investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Company, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures payment of retirement benefits.

The Company’s pension plan investment allocation target and actual investment allocation at December 31 by investment category, as a percentage of total investments, is as follows:

		Actual Allocation	
	Target Range	2011	2010
Equity securities	40-70%	43.9 %	50.3 %
Debt securities	30-50%	45.2 %	43.2 %
Cash equivalents	0-10%	10.9 %	6.5 %
Total	100.0 %	100.0 %	100.0 %

Equity securities primarily include investments in large, mid and small cap companies primarily located in the United States, although there are investments in international securities included as well. Fixed income securities include corporate bonds of companies from diversified industries (both U.S. and international), mortgage-backed securities, state and local municipal bonds, and U.S. Treasuries.

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

The following fair value of plan assets information includes only pension assets from continuing operations, because the Harvel pension plan was divested as part of the Harvel sale. The fair value of plan assets by category is as follows:

Fair Value Measurements at December 31, 2011

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Cash and cash equivalents	$ 2,362,231	$ -	$ 2,362,231	$ -
Common stocks (a)	13,934	13,934	-	-
Mutual funds institutional equity (b)	4,490,049	4,490,049	-	-
Mutual funds institutional international equity (c)	214,380	214,380	-	-
Exchange traded funds equity (e)	2,701,544	2,701,544	-	-
Exchange traded funds international equity (f)	683,764	683,764	-	-
Exchange traded funds fixed income (g)	1,177,624	1,177,624	-	-
Mutual funds institutional fixed income (h)	8,338,582	8,338,582	-	-
Annuity contracts	301,440	-	301,440	-
Limited partnership interest (i)	1,415,134	-	-	1,415,134
Total	$ 21,698,682	$ 17,619,877	$ 2,663,671	$ 1,415,134

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

Fair Value Measurements at December 31, 2010

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Cash equivalents	$ 1,457,069	$ -	$ 1,457,069	$ -
Mutual funds institutional equity (b)	2,730,394	2,730,394	-	-
Mutual funds institutional international equity (c)	325,887	325,887	-	-
Closed-end mutual funds (d)	235,929	235,929	-	-
Exchange traded funds equity (e)	3,308,305	3,308,305	-	-
Exchange traded funds international equity (f)	2,551,022	2,551,022	-	-
Exchange traded funds fixed income (g)	853,514	853,514	-	-
Mutual funds institutional fixed income (h)	9,121,973	9,121,973	-	-
Annuity contracts and other fixed income	371,059	-	371,059	-
Limited partnership interest (i)	1,435,392	-	-	1,435,392
Total	$ 22,390,544	$ 19,127,024	$ 1,828,128	$ 1,435,392

(a) Common stocks include mostly large and mid cap domestic equities

(b) Includes large cap issues focused on managed volatility and small and midcap issues

(c) Investment in Chinese-based issues

(d) Investments in small and mid cap funds

(e) Investments consist primarily of ETFs of large cap growth and value issues, small and mid cap issues, and commodity-based issues

(f) Invests in the MCSI Index for emerging markets issues

(g) Invests in indexes; U.S. Treasuries, non-U.S. bonds, and other

(h) Invests primarily in institutional core fixed income, high yield bond fund, short and mid-term bonds, and global corporate bond funds

(i) Opportunistic hedge fund employing multiple strategies including credit hedging, long/short investing, arbitrage, event-driven investing, and other multi-strategy investing

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

The following table sets forth a summary of the changes in the fair value of the pension plans' Level 3 investment assets for the years ended December 31, 2011 and 2010.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2011	2010
Beginning balance	$ 1,435,392	$ 1,430,521
Unrealized gains (losses)	(20,258)	4,871
Ending balance	$ 1,415,134	$ 1,435,392

The Company's pension plans expect to pay the following for pension benefits in the next 10 years:

	Amount
2012	$ 2,157,103
2013	2,128,958
2014	2,104,554
2015	2,142,975
2016	2,132,605
2017-2021	11,083,661

The following tables set forth the information required under FASB ASC 715, Retirement Benefits:

	2011	2010
Change in Projected Benefit Obligation		
Benefit obligation at January 1	$ 29,710,483	$ 37,881,789
Less: Pension benefit obligation from discontinued operations	-	(8,331,597)
Service cost	-	14,563
Interest cost	1,634,134	1,684,293
Actuarial gain	(132,713)	(264,043)
Curtailment	-	(28,949)
Benefits paid in measurement year	(2,073,964)	(2,044,183)
Change in actuarial assumption	1,537,857	798,610
Benefit obligation at December 31	$ 30,675,797	$ 29,710,483
Change in Plan Assets		
Fair value of assets at January 1	$ 22,390,544	$ 27,306,219
Less: Plan assets from discontinued operations	-	(6,593,909)
Actual return on assets	(196,647)	2,341,111
Contributions	1,578,749	1,381,306
Benefits paid in measurement year	(2,073,964)	(2,044,183)
Fair value of assets at December 31	$ 21,698,682	$ 22,390,544
Funded Status as of December 31	$ (8,977,115)	$ (7,319,939)

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

	2011	2010
Items Not Yet Recognized as a Component of Net Periodic Pension Cost - Unrecognized net loss		
Unrecognized net loss from continuing operations	14,504,186	11,473,451
Unrecognized net loss from discontinued operations	2,577,276	1,566,605
Total unrecognized net loss	$ 17,081,462	$ 13,040,056
Net Periodic Pension Cost		
Service cost	$ -	$ 14,563
Interest cost	1,634,133	1,684,293
Expected return on assets	(1,859,022)	(1,699,201)
Net amortization	430,078	464,172
Net periodic pension cost from continuing operations	205,189	463,827
Net periodic pension cost (benefit) from discontinued operations	(95,780)	(56,071)
Net periodic pension cost	$ 109,409	$ 407,756
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income		
Asset investment (gain) loss	$ 2,054,091	$ (641,910)
Curtailment	-	(28,949)
Change in discount rate assumption	1,537,857	798,610
Amortization of net loss	(430,078)	(464,172)
Experience (gain) loss	(132,713)	(264,043)
Total recognized in other comprehensive income from continuing operations	3,029,157	(600,464)
Total recognized in other comprehensive income from discontinued operations	1,012,249	(21,824)
Total recognized in other comprehensive income	$ 4,041,406	$ (622,288)
Total recognized in net period benefit cost and other comprehensive income	$ 4,150,815	$ (214,532)

At December 31, 2011 and 2010, the net unfunded status of the pension plans of continuing operations of of $8,977,115 and $7,319,939, respectively, is presented on the consolidated balance sheet for those dates as a non-current pension liability. The estimated net loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2011 is $574,756.

The actuarial assumptions used to determine the benefit obligations at December 31 and net periodic pension cost for the years ended December 31 are as follows:

	2011	2010
Discount rate	5.25 %	5.75 %
Expected rate of return on plan assets	7.50 %	8.50 %

The overall expected long-term rate of return on plan assets represents a weighted average composite rate based on the historical rates of return of the respective asset classes adjusted for anticipated future market movements and investment trends.

Note 9 - Pension and Other Postretirement Benefit Plans (Continued)

Summary information for pension plans from continuing operations in underfunded status is as follows (amount in millions):

	December 31	
	2011	2010
Projected benefit obligation	$ 30.7	$ 29.7
Accumulated obligation	30.7	29.7
Fair value of plan assets	21.7	22.4

The Company contributed $1,578,749 in 2011 and $1,381,306 in 2010, respectively, to its pension plans from continuing operations. The pension investment portfolios realized net loss of 0.80 percent in 2011 and a net gain of 11 percent in 2010. The mixed investment results coupled with .50 percent reduction in the plans discount rates in 2011 and 2010, and the divestiture of Harvel and its pension plan, were the principal factors in the change in the plans' underfunded status.

The Company estimates, based on preliminary estimates from its actuary, that its 2012 consolidated pension expense from continuing operations will increase to approximately $522,000 from $205,000 in 2011. Exclusive of Harvel's pension plan, the required cash contributions to the pension plans for 2012 are expected to be approximately $2.1 million. However, the Company plans to contribute at least $5 million to the plan in 2012. Assuming a constant discount rate, if actual rates of return on the pension portfolio exceed the expected 7.5% rate of return, contribution levels and expense could decline; if actual investment returns are less than expected, required contributions and expense could increase. Assuming a constant rate of return, if the discount rate rises, future contributions and expense would decline; if the discount rate declines, contributions and expense would rise.

401(k)

The Company sponsors a 401(k) defined contribution plan covering its salaried employees. Employees can contribute up to 100 percent of their salaries. During November 2010, the Company initiated a Safe Harbor Employer Contribution Program by which the Company will contribute a fixed percentage of wages for all employees eligible to participate in the 401(k) plan for 2011. The Company made a one-time contribution of 1.5 percent of all eligible participant 2010 wages. During 2011, Company contributions were made throughout the year at the rate of 3 percent of eligible participant wages. Total contributions approximated $421,000 in 2011 and $181,000 in 2010, including $239,000 in 2011 and $105,000 in 2010 from discontinued operations.

Note 10 - Contingencies and Environmental Matters

The Company maintains financial reserves for anticipated expenditures over the next several years in connection with remedial investigations, feasibility studies, remedial design, and remediation relating to the cleanup of environmental contamination at several sites, including properties owned and properties formerly owned by the Company. Some of these studies have been completed; others are ongoing. In some cases, the methods of remediation remain to be agreed upon. The Company expects to continue to incur significant professional fees, expenses, and capital expenditures in connection with its environmental compliance efforts.

The Company conducts regular reviews of its environmental matters and has made provisions in its financial statements for these matters. It believes that the December 31, 2011 environmental reserve of $4.1 million is adequate given known information. Estimates of the amount and timing of future costs are unpredictable, in part because estimates change as new facts are uncovered and environmental regulatory requirements and technologies continue to change. It is possible that future costs could exceed current environmental provisions; however, the amounts are not reasonably determinable based on current conditions. Going forward the Company may need to replenish the environmental reserve with amounts at least similar to amounts spent. The periodic replenishment of the environmental reserve may continue until the resolution of individual environmental sites is more clearly determined.

Note 10 - Contingencies and Environmental Matters (Continued)

During 2011, the Company spent approximately $2.5 million for environmental matters, including a $250,000 installment payment on a site settled with the U.S. Environmental Protection Agency (EPA) for $1 million (in 2009). The environmental reserves at December 31, 2011 totaled $4.1 million (including the $3.2 million reserved for PCT properties noted below). In addition, the Company has classified the final $250,000 EPA settlement payment as accounts payable at December 31, 2011. For 2012, the Company expects to spend approximately $2.4 million. In 2010, the Company spent approximately $2.07 million for environmental matters. During 2010, provisions totaling $.75 million were recorded to increase the environmental reserves. At December 31, 2010, the environmental reserves totaled $3.6 million ($2.2 million relating to PCT). The Company expected to spend approximately $1.75 million on environmental issues in 2011. Details of the environmental charges and activities in the larger components of the environmental reserves are summarized below.

The remediation of the Fields Brook in Ashtabula, Ohio was completed by the Fields Brook Action Group ("FBAG") in 2002. In 2008 and subsequently, PCB contamination was discovered migrating off of a neighboring property into the Fields Brook. As a result of this contamination, significant excavation work was performed by the neighbor (not the responsibility of the FBAG or the Company). During this excavation, additional contamination was encountered in areas which were not part of the initial cleanup. The FBAG was responsible for some of this contamination and in 2009 the Company spent $152,000 for its share to complete the project, and recorded a pre-tax charge of $85,000 to increase the reserve. In late 2010, the Company was advised that additional contamination was discovered. The Company recorded a pre-tax charge of $170,000 to support its share of the cleanup and routine maintenance costs until the next five-year review. In 2011, the Company spent an additional $40,000 for site maintenance.

A portion of the Company's reserves is to cover the cost of operating and maintaining extraction test wells for source control installed on the Company-owned Ashtabula, Ohio property to accomplish remediation of the site ("test wells"). Historically, the test wells were constructed on the site with some success in extracting contamination; however, significant operational difficulties were encountered. The EPA approved additional extraction well designs and a trenching system to remediate and contain contamination. Additionally, the Company spent $194,000 during 2010 to remediate property where soil contamination was encountered in 2009. In 2011, additional contamination was discovered at the site which required a significant clean-up effort. The Company recorded a clean-up charge of $600,000 and spent $943,000 in 2011. Construction activities are planned to continue through 2012; the Company expects to spend approximately $300,000 to complete the clean-up. At December 31, 2011, the environmental reserve for the site amounted to $366,000.

The Company has established reserves for estimated costs associated with the studying, sampling, and cleanup of the former PCT properties, which have varying degrees of chlorinated solvent contamination. Additional contamination was discovered at three PCT sites in 2010, as a result of sampling performed in accordance with closure protocols. The Company spent approximately $1,081,000 in 2011 and $934,000 in 2010 toward remediation efforts on these sites. Further delineation and characterization sampling plans are being developed and performed in conjunction with input from environmental consultants and regulatory agencies; subsequently, remediation strategies will be negotiated with the regulators. Pre-tax environmental charges of $2,011,000 in 2011 and $480,000 in 2010 were recorded to provide for additional sampling, consulting, remediation and oversight costs for the PCT properties, including $600,000 on one of the sites where significant levels of contamination had been discovered. At December 31, 2011, approximately $3,180,000 remained in the environmental reserve for completion of the closure process for the PCT sites. The 2012 spending related to these PCT sites is projected to approximate $1,640,000. The Company believes, based on current conditions, that its overall reserve levels are sufficient to address its anticipated remediation requirements for these sites. However, should the scope of remediation requirements change significantly from those currently projected, or unanticipated conditions are discovered during the remediation process, the Company may be required to record additional charges to its environmental reserves; these charges could be material.

Note 10 - Contingencies and Environmental Matters (Continued)

The Company is a participant in several sites where contamination was discovered several years ago. The Company spent approximately $188,000 in 2011 and $237,000 in 2010 for its share of cleanup and site maintenance and recorded a pre-tax charge of $100,000 in 2011 and $105,000 in 2010 for site operation and maintenance to cover costs through 2014. At that time, the Company expects that a determination of the site's remediation progress may be available.

In addition to the above, there are several other claims, including product liability claims, and lawsuits pending against the Company and its subsidiaries. The amount of liability to the Company with respect to remediation costs for various sites, and the liability for other claims and lawsuits against the Company, was based on available data. The Company has established its reserves in accordance with U.S. generally accepted accounting principles. In the event that any additional accruals should be required in the future with respect to such matters, the amounts of such additional accruals could have a material impact on the results of operations to be reported for a specific accounting period and could have a material impact on the Company's consolidated financial position.

Note 11 - Preferred Stock

The Company has authorized 1,000,000 shares of $2 par value preferred stock, issuable in series. No shares were issued or outstanding as of December 31, 2011 and 2010.

Note 12 - Stock Purchase Rights

The Company has in place a Shareholder Rights Plan, under which preferred stock purchase rights were distributed to shareholders as a dividend of one Right for each outstanding share of Common Stock. Each Right will entitle shareholders to buy one one-hundredth of a newly issued share of Series A Preferred Stock of the Company at an exercise price of $30, subject to adjustment. The Right will be exercisable only if a person or group acquires beneficial ownership of 40 percent (previously 30 percent) or more of the Company's outstanding Common Stock or commences a tender or exchange offer upon consummation of which a person or group would beneficially own 40 percent or more of the Company's outstanding Common Stock. Until they become exercisable, the Rights will be evidenced by the Common Stock certificates and will be transferred only with such certificates.

If any person or group becomes the beneficial owner of 40 percent or more of the Company's outstanding Common Stock, or if a holder of 40 percent or more of the Company's Common Stock engages in certain self-dealing transactions or a merger transaction in which the Company is the surviving corporation and its Common Stock remains outstanding, then each Right not owned by such person or certain related parties will entitle its holder to purchase, at the Right's then-current exercise price, shares of the Company's Common Stock (or, in certain circumstances, units of the Company's Series A Preferred Stock, cash, property, or other securities of the Company) having a market value equal to twice the then-current exercise price. In addition, if after a person or group becomes the beneficial owner of 40 percent or more of the Company's outstanding Common Stock, the Company is involved in a merger or other business combination transaction with another person after which its Common Stock does not remain outstanding, or sells 50 percent or more of its assets or earning power to another person, each Right will entitle its holder to purchase, at the Right's then-current exercise price, shares of common stock of such other person having a market value equal to twice the then-current exercise price. The Company will generally be entitled to redeem the Rights at $.01 per Right at any time until the tenth business day following a public announcement that a person or group has acquired 40 percent or more of the Company's Common Stock. The Plan was extended in 2010 and will expire on May 4, 2020 unless the Rights are earlier redeemed by the Company.

Note 13 - Stock Options

The Company's shareholders approved the 2006 Stock Option Plan, reserving 200,000 options for future grants for key executive employees and Directors. At December 31, 2011, there were 20,000 options available for future grants under the Plan. There were no options available for future grants under a 1993 Management and Directors' Option Plan.

Note 13 - Stock Options (Continued)

A summary of the fixed stock option grants outstanding under the 2006 Stock Option Plan and the 1993 Management Plan as of December 31, 2011 and 2010 and changes during the years is presented below.

	1993 Management Plan		2006 Plan	
	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price
2010				
Outstanding at beginning of year	17,000	$ 4.00	166,000	$ 5.92
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end of year	17,000	$ 4.00	166,000	$ 5.92
2011				
Granted	-	-	-	-
Exercised	11,000	4.00	90,000	5.08
Forfeited	6,000	4.00	6,000	6.50
Outstanding at end of year	-	$ 4.00	70,000	$ 6.77

At December 31, 2011, there were 70,000 options outstanding that had a weighted average remaining life of 4.3 years. All of the options are exercisable, and all of the options are in-the-money. The range of exercise prices is from $6.50 to $9.00. The aggregate intrinsic value of options exercised during 2011 was approximately $497,000.

The following table summarizes information about stock options outstanding at December 31, 2011:

	Options Outstanding and Exercisable		
	Shares Under Option	Weighted Average Remaining Life	Exercise Price
Exercise Price			
$6.50	62,000	4.21	$ 6.50
$8.00	1,000	4.35	8.00
$9.00	7,000	5.09	9.00
	70,000	4.30	6.77

The aggregate intrinsic values of options outstanding, all of which were exercisable, was approximately $506,000 at December 31, 2011.

Note 14 - Discontinued Operations

As disclosed in Note 1, Harvel's financial position and operating results are being accounted for as discontinued operations. Accordingly, Harvel's operating results for the years ended December 31, 2011 and 2010 have been reclassified as discontinued operations in the consolidated statement of operations and its assets and liabilities are reported as held for sale in the Company's December 31, 2011 consolidated balance sheet.

Included in the financial position and operating results below are liabilities and rental expenses related to Harvel's operating lease of a production and warehouse facility in California. Detrex has guaranteed this lease agreement and is subject to certain covenants. At December 31, 2011, Detrex was not in compliance with the covenants contained in the guarantee agreement. As such, Detrex may be required to escrow up to two years of rent payments of approximately $1.7 million through the term of the lease expiring in 2016. In connection with the Harvel sale, the acquiring company assumed the lease obligation and indemnified Detrex of all future obligations related to the lease.

The following is a summary of Harvel's operating results for 2011 and 2010, which are included in discontinued operations:

	2011	2010
Net sales	$ 67,640,902	$ 58,377,625
Gross profit	9,283,477	6,185,293
Income before income taxes	3,489,801	1,327,509
Net income	2,209,110	692,739

The following is a summary of Harvel's assets and liabilities held for sale as of December 31, 2011 and 2010:

	2011	2010
Assets:		
Cash	$ 543,779	$ 1,083,756
Accounts receivable	5,468,791	5,783,624
Inventories	9,421,767	9,376,764
Other current assets	604,889	575,562
Total current assets	16,039,226	16,819,706
Property and equipment - Net	8,373,088	7,986,007
Other assets	176,349	127,512
Total assets	$ 24,588,663	$ 24,933,225
Liabilities:		
Accounts payable	$ 4,209,932	$ 4,312,828
Accrued and other current liabilities	587,239	349,069
Total current liabilities	4,797,171	4,661,897
Pension obligation	2,071,684	1,428,793
Other liabilities	1,753,098	1,543,626
Total liabilities	$ 8,621,953	$ 7,634,316

During 2011, the Company signed a definitive agreement to sell its Harvel Plastics subsidiary effective at the beginning of business in January 2012. The sale was completed in early January 2012 and resulted in an after-tax gain on sale of approximately $17 million. The Harvel sale represents a significant step in stabilizing and building Detrex's capital base. A comparison of the Company's actual December 31, 2011 summary balance sheet with a pro forma summary balance sheet had the Harvel sale been completed as of December 31, 2011 is as follows:

	December 31, 2011 (in $000s)	
Assets	Actual	Pro Forma
Current assets:		
Cash and cash equivalents	$ 801	$25,227
Accounts receivable, net	3,944	3,944
Inventories	6,429	6,429
Other current assets	1,890	1,217
Assets held for sale	16,039	0
Total current assets	29,103	36,817
Property and equipment, net	9,773	9,773
Other assets	6,705	6,430
Assets held for sale	8,549	0
Total assets	$54,130	$53,020
Liabilities and Equity		
Current liabilities:		
Revolver and current portion of debt	$ 4,948	$ 35
Accounts payable	2,861	2,861
Environmental reserve	2,165	2,165
Other accruals	2,274	10,832
Liabilities on assets held for sale	4,797	0
Total current liabilities	17,045	15,893
Long-term debt	10,413	44
Pension obligation	8,977	8,977
Environmental reserve	1,946	1,946
Liabilities on assets held for sale	3,825	0
Equity	11,924	26,160
Total liabilities and equity	$54,130	$53,020

As a result of the sale, Harvel's 2010 and 2011 financial position and operating results were classified as discontinued operations in the Company's 2011 consolidated financial statements. The accompanying Management's Discussion and Analysis will include the actual operating results for Detrex Corporation and its two operating subsidiaries, The Elco Corporation and Harvel Plastics Inc. The Company earned pre-tax income of $7,437,545, compared to a pre-tax income of $3,750,946 in 2010. The pre-tax operating results included a pre-tax environmental charge of $2,711,000 in 2011 and $755,000 in 2010.

Total Company 2011 revenues increased by $22.9 million (24 percent) compared to 2010, as each of the Company's business units experienced profitable growth. This resulted in significantly improved gross profit for 2011 compared with 2010. Consolidated selling, general and administrative expenses increased by approximately $1,449,000 or 12%, compared to 2010. This resulted in an overall improvement in consolidated net income for 2011.

The Company's 2011 environmental provisions of $2,711,000 were provided for future expenditures of consulting fees, delineation costs and remedial activities for several contaminated sites which have varying levels of contamination. The 2011 environmental provision is higher than the 2011 environmental spending of $2,252,000.

The Detrex Corporation shareholders' share of 2011 net income of $4,277,000 is a $2,189,000 improvement from the 2010 Detrex Corporation shareholders' net income of $2,088,000.

Harvel's 2011 revenue of $67.6 million was an increase of $9.2 million (16 percent) compared to 2010 revenues of $58.4 million. Pipe price increases made during 2011 resulted in improved gross profit margins. Harvel's 2011 margins increased to 13.7 percent from 10.6 percent in 2010 principally from the mix of products sold as well as Harvel's pricing increases to more than offset increased raw material cost increases. Overall, the increased revenues and higher gross margin percentage resulted in a gross margin increase of $3.1 million compared to 2010. Selling, general and administrative expenses increased by 19.3 percent, primarily due to increased volume. The 2011 operating earnings increased to $3.6 million, compared to $1.5 million in 2010.

Elco's 2011 record revenues of $48.9 million represented a $13.6 million (39 percent) increase compared to 2010 revenues of $35.3 million. Elco realized significant growth in the lubricants additives business with significant growth in sales to export customers. Gross margins, expressed as a percentage of sales, were 31 percent in 2011 compared to 32.5 percent in 2010 as the profitable sales volume mix trended slightly lower due to the growth in the lower margin tolling revenues. The 2011 selling, general and administrative (SGA) expenses increased by approximately $411,000. However, the SGA expenses expressed as a percentage of sales decreased to 10 percent in 2011 from 13 percent in 2010. Overall, operating earnings at Elco increased to $10.2 million in 2011 from $6.9 million in 2010.

For continuing operations (after eliminating the discontinued Harvel operations), 2011 revenues were $48.9 million, an increase of $13.6 million (39 percent) compared to 2010, as the Elco business unit's profitable business growth pattern continued from the trend that began in 2010. This resulted in significantly improved gross profit for 2011 compared with 2010. Consolidated selling, general and administrative expenses increased by approximately $527,000 or 7%, compared to 2010 due to higher incentive compensation costs. This resulted in an improvement in 2011 consolidated net income of nearly $2.2 million compared to 2010.

The 2011 provision for depreciation and amortization increased slightly due to the large capital investments made in the Elco business unit near the end of 2012. Significantly higher depreciation and amortization provisions are expected in 2012.

Interest expense for the Company's revolving credit and the term loan facilities decreased by approximately $237,000 in 2011 compared to 2010, due to the lower borrowing rates and lower average amounts borrowed during 2011 required to finance the Company's profitable growth. The Company's effective borrowing rate was 2.8% in 2011 compared to 4.1% in 2010. At December 31, 2011, the outstanding interest-bearing debt balance of $15.3 million was $1.4 million lower than December 31, 2010. In January 2012, the Company retired its outstanding bank debt with the proceeds from its share of the Harvel sale.

The Company's income tax provisions are based on the pre-tax income, adjustments of estimates, and state and local tax expense. The Company's combined federal, state and local 2011 income tax expense from continuing operations increased by $631,000 compared to 2010, due to Elco's significant improved profitability. While the Company will not pay significant federal income taxes for 2011 due to the availability of net operating loss carryforwards, all of the net operating loss carryforwards will be utilized in 2012 and the Company expects to pay substantial federal income taxes on the gain recognized on the Harvel sale and from continuing operations.

Comparative Operating Data

Comparative data includes continuing operations only.

($ in table in thousands)

	2011		2010	
The Elco Corporation	$	%	$	%
Net sales	48,918	100.0	35,289	100.0
Gross margin	16,041	32.8	12,336	35.0
Selling, general and administrative expenses	4,828	9.9	4,444	12.6
Depreciation and amortization	1,029	2.1	1,016	2.9
Elco pre-tax income	10,188	20.8	6,892	19.5
Detrex Corporation				
Selling, general and administrative expenses	3,041	6.2	2,898	8.2
Depreciation and amortization	3	-	6	-
Environmental provision	2,711	5.5	755	2.1
Total pre-tax income	3,948	8.1	2,423	6.9

Liquidity, Financial Condition, and Capital Resources

In December 2010, the Company executed certain amendments to the 2008 credit agreement with its principal lender, JPMorgan Chase Bank that reduced the Company's interest cost to one-half percent below the bank's prime lending rate on all outstanding borrowings. The amendment contains covenants requiring the Company to meet defined levels of tangible net worth, maximum leverage ratios and fixed charge coverage ratios. The Company was in compliance with all bank covenants at December 31, 2011. In connection with the Harvel sale, the Company executed a new credit agreement with Chase which provides up to a $5 million revolving credit line and a $5 million term loan credit line.

The Company utilized internally generated funds from its business units that enabled it to reduce net bank borrowings by $1,392,000 in 2011, yet meet funding obligations for pension plans of $1,851,000, environmental expenditures of $2,466,000, and capital expenditures of approximately $4,483,000.

Management believes that as a result of the Harvel sale, available credit facility and the improving profit outlook at the Elco business subsidiary, the Company's financial condition will have substantial financial liquidity to meet all of its financial obligations and to fund on-going operations.

Outlook

There is continued optimism regarding the economic outlook in the businesses that Elco serves. The trend of Elco's excellent 2011 financial performance is expected to continue. The Company focus on controlling expenses enabled the Company to lower its cost base, and position the Company to continue to sustain and improve profitability. The cash on hand and the existing credit agreement should provide sufficient liquidity to operate the business.

Risks and Uncertainties

The Company has utilized the best available information to estimate its liability with respect to environmental issues. Cost estimates are reviewed periodically throughout the year to assess changed conditions; adjustments to recorded amounts are made if the changed conditions have a significant effect on cost estimates. The Company recorded pre-tax environmental charges of $2,711,000 in 2011. At December 31, 2011, the Company has accrued approximately $4.1 million in environmental reserves. In addition, the final $250,000 installment of an environmental settlement with the U.S. Environmental Protection Agency is included in accounts payable. The Company is committed to aggressively settle environmental matters at various sites as practicable as possible. The estimates supporting the reserve amount were based on both internal company sources and third-party reviews of estimated costs for characterization, closure, remediation, and monitoring for each of the sites. However, such estimates for remediation, as well as other environmental factors including any cost to transfer the environmental risk to a third party, could change significantly in future periods to reflect new laws, regulations or regulatory approaches, advances in remediation technologies, changes in remediation approaches, additional sites requiring remediation, or the discovery of unanticipated conditions. It is not possible to determine whether additional losses, due to such changed circumstances, will occur or to reasonably estimate the amount or range of any potential additional loss. Spending requirements of approximately $2.2 million (excluding the final $250,000 EPA settlement payment) are anticipated for environmental issues in 2012. It is not known if the spending level will continue past 2012. The Company conducts regular reviews of its environmental matters and has made provisions in its financial statements for these matters. It believes that the December 31, 2011 environmental reserve of $4.1 million is adequate given known information. Estimates of the amount and timing of future costs are unpredictable, in part because estimates change as new facts are uncovered and environmental regulatory requirements and technologies continue to change. It is possible that future costs could exceed current environmental provisions; however, the amounts are not reasonably determinable based on current conditions. Going forward, the Company may need to replenish the environmental reserve with amounts at least similar to amounts spent. The periodic replenishment of the environmental reserve may continue until the resolution of individual environmental sites is more clearly determined. For further discussion of these matters, see Note 10 to the 2011 consolidated financial statements.

The Company's pension plans have been underfunded for many years. Pension plans cover current and former employees of Detrex Corporation, Elco and Harvel. The underfunded pension obligations for all plans changed from $10.6 million at December 31, 2009 to $8.7 million at December 31, 2010 and to $11 million at December 31, 2011. The Company recognized 2011 pension expense of $109,000 compared to $408,000 in 2010 and $1.4 million in 2009. As a result of the Harvel sale, the Harvel Plastics Pension Plan obligation was assumed by the buyer (beginning in 2012). On a continuing operations basis, the underfunded status of the plans increased from $7.3 million at December 31, 2010 to $9 million at December 31, 2011; the Company recognized 2011 pension expense of $ 205,000 compared to $464,000 in 2010. Due in large part to the plan freezes prior to 2011, the annual pension expense from continuing operations is currently estimated to be $.5 million to $1 million in future years. Funding of the pension obligation for continuing operations was $1.6 million in 2011 compared to $1.4 million in 2010. While the required Company pension contribution for 2012 is projected to be $2.1 million, the Company plans to contribute at least $5 million in 2012. Depending on actual rates of return on the pension investment portfolio, and changes in discount rates, mortality assumptions and other factors, the recorded expense, obligations and funding requirements could change significantly. (See Note 9 to the consolidated financial statements and "Liquidity, Financial Condition, and Capital Resources.")

The Company's operating strategy in recent years has been to build shareholder value by strategically allocating capital, including opportunistic divestitures, closing unprofitable non-core businesses, and investing in stable and consistently profitable businesses such as Elco. The sale of Harvel represents a recent execution of that strategy. The sale resulted in after-tax cash proceeds to Detrex of nearly $28 million (net of escrowed sale proceeds) that enabled Detrex to retire all of its bank debt (totaling $15.7 million) and hold significant cash reserves. In addition, Detrex executed a new bank credit agreement that will provide borrowing capacity of $10 million. The Company must continue to operate profitably to fund its current operating needs, invest in the businesses via capital expenditures, and allow it to meet its pension, environmental and other legacy obligations and fund dividend payments. However, the recent Harvel sale and available credit facility significantly mitigates the financial risk that will enable the Company to meet its financial obligations and strategic objectives.

Application of Critical Accounting Policies

The management of the Company has evaluated the accounting policies used in the preparation of the accompanying consolidated financial statements and related notes and believes those policies to be reasonable and appropriate. In applying accounting principles in accordance with United States generally accepted accounting principles, the Company is required to make estimates and assumptions about future events that affect the amounts reported in the Company's financial statements and the accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, management must make estimates, which require the exercise of judgment. Actual results could differ from these estimates, and any such differences may be material to the consolidated financial statements.

The Company considers an accounting estimate to be critical if: 1) the accounting estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made; and 2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

Management has discussed the development, selection and disclosure of critical accounting estimates set forth in the following paragraphs with the Audit Committee of the Company's Board of Directors. In addition, there are other items within the financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items have had in the past, and could have in the future, a material impact on our financial statements.

Environmental Reserves

The liability for environmental obligations represents a significant estimate on the Company's consolidated balance sheet, and by its nature is very difficult to estimate. Further, any changes the Company makes to the environmental liability can have a large and adverse effect on its operating results. The Company determines its obligation for environmental matters based on evaluations of site conditions, current law and existing technologies. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technology. In addition, estimates of environmental costs may be affected by the willingness of regulatory authorities to conclude that remediation and/or monitoring performed by the Company is adequate. Management is investigating the possibility of transferring the environmental risk to third parties; the transfer cost could be greater than management's existing environmental reserve estimates. Management meets regularly to review its environmental matters, and makes use of both internal and third-party data to develop a basis for recording environmental related cost estimates in the Company's consolidated financial statements. The recorded liabilities are periodically adjusted as remediation efforts progress or additional technical or legal information becomes available. The Company had a total of $4.1 million accrued for environmental obligations at December 31, 2011 and $3.6 million accrued for these obligations at December 31, 2010. These are the Company's best estimates of the future costs with respect to environmental matters. Based on present knowledge and desire to aggressively gain closure on certain sites, management believes that it is appropriate to reserve additional amounts during 2012 that approximate amounts actually spent; however, it should be noted that the Company has found it necessary to make upward revision to the environmental reserves over the past two years to accommodate changing facts and circumstances. As the large remediation and construction projects the Company has been involved in over the past few years are completed, the uncertainties surrounding these liabilities should decrease. While the uncertainty is expected to decline as the projects are completed, it is during the construction and/or remediation of these projects when further contamination or problems may be encountered. Accordingly, it is during these times when further charges may be required. For further discussion, see Note 10 to the consolidated financial statements and the Risks and Uncertainties section of the Management's Discussion and Analysis of Financial Condition.

Pensions

The amounts recognized in the financial statements related to pensions are determined from actuarial valuations. Inherent in these valuations are principal assumptions, including the expected return on plan assets, discount rates at which the liabilities could be settled at December 31, 2011, and mortality rates. These assumptions are updated annually and are disclosed in Note 9 to the consolidated financial statements. In accordance with generally accepted accounting principles, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, will affect expense recognized, funding requirements and obligations recorded in future periods. The plans are funded in accordance with ERISA and IRS regulations; required funding is determined based upon the funded status of the plans. Prior to 2011, the plans for union and nonunion employees were frozen. Additionally, during 2011 the pension investment portfolio incurred a financial loss (including plan expenses) of $197,000 which was significantly worse than the rate of return assumption, which coupled with the changed actuarial assumptions on the plans' discount rates resulted in a $1.7 million increase in the underfunded position of the plans from continuing operations. Future funding requirements for plans that are sponsored and reported in continuing operations are projected to be in the $2.1 million annual range. However, the Company plans to contribute at least $5 million to the plans in 2012.

The expected long-term rate of return on assets is developed with input from the Company's actuarial firm and independent pension consultants. The Company's historical pension fund asset performance and comparisons to expected returns of other companies are also considered. The long-term rate of return assumption used for determining net periodic pension expense was 7.5% for 2011 and 8.5% for 2010. Actual market investment returns (losses) (net of plan expenses) for plans sponsored from continuing operations were (.8%) in 2011 and 10.9% in 2010. Assuming a constant discount rate, if actual rates of return on the pension portfolio exceed the 2011 expected 7.5% rate of return, contribution and expense levels could decline; if actual returns are less than the expected rate of return, required contributions and expense could be higher.

The Company bases the determination of pension expense or income on a market related valuation of plan assets; this market related valuation recognizes investment gains or losses over a five-year period from the year in which they occur, which reduces year-to-year volatility. Investment gains or losses represent the difference between the expected return calculated using the market related value of plan assets, and the actual return based on the market value of plan assets. Since the market related value of plan assets recognizes gains or losses over a five-year period, the future value of plan assets will be affected when previously deferred gains or losses are recognized. These gains or losses will affect future pension income or expense when they are recognized.

The discount rate used for determining future pension obligations of the pension plans is based on rates on long-term corporate bonds receiving ratings of AA or better by a recognized rating agency. The assumed discount rate was 5.25 and 5.75 percent at December 31, 2011 and 2010, respectively. Assuming a constant rate of return, if the discount rate rises, future contributions and expense would decline; if the discount rate declines, contributions and expense would rise. The long-term interest rates are trending lower which may result in continued reductions of the assumed discount rate used to value the Company's future pension obligations.

The actuarial assumption regarding the long-term rate of annual increases in future compensation levels for the pension plans is no longer relevant due to the 2009 plan freezes.

The Company reviews the actuarial assumptions annually and may change the assumptions in the future.

Deferred Tax Assets

The Company currently has significant net deferred tax assets resulting from net operating losses and other deductible temporary differences, which are available to reduce taxable income in future periods. In accordance with current accounting principles, the Company regularly reviews the realizability of these deferred tax assets. The amount of the deferred tax assets determined to be realizable was based on the tax effect of forecasted future taxable earnings and the possible employment of tax-planning strategies. With the 2012 sale of Harvel, the Company will fully utilize all of its deferred tax assets attributable to existing net operating loss carryforwards. The Company will continue to review its remaining deferred tax asset balances, and if it is determined that it is more likely than not that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets valuation allowance would be charged against income in the period such determination was made.

SUPPLEMENTARY INFORMATION (Unaudited)
Selected Quarterly Data

	2011 Quarters				2010 Quarters			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
	(Thousands of dollars, except per share amounts)							
Net sales – Continuing operations	10,606	14,117	12,674	11,521	$7,785	$11,551	$9,366	$6,587
Gross margin on sales – Continuing operations	3,583	4,485	4,106	3,867	2,580	4,230	3,308	2,218
Pre-tax earnings (loss) – Continuing operations (1)	230	1,457	1,175	1,086	(53)	1,407	956	113
Net income – Continuing operations	307	828	661	627	41	836	579	73
Net income – Discontinued operations	38	686	722	763	85	44	232	332
Net income attributable to Detrex	336	1,405	1,267	1,269	108	866	769	345
Basic earnings per common share attributable to Detrex shareholders:								
From continuing operations	0.18	0.45	0.42	0.40	0.02	0.53	0.37	0.05
From discontinued operations	0.02	0.30	0.38	0.40	0.04	0.01	0.12	0.17
Total basic earnings per share	0.20	0.75	0.80	0.80	0.06	0.54	0.49	0.22

(1) Includes 2011 environmental charges of $500 for each of the first three quarters and $1,211 for the fourth quarter and 2010 environmental charge of $300 in the third quarter and $455 in the fourth quarter.

BUSINESS

Detrex Corporation was incorporated in Michigan in 1925. Detrex Corporation and its subsidiaries (the "Company") manufacture products predominantly for use in the industrial manufacturing and commercial construction markets. Below are detailed descriptions of each subsidiary's product offerings during 2011:

Subsidiaries of Detrex Corporation

- ***The Elco Corporation*** — a manufacturer of high performance specialty chemicals serving three distinct business areas, namely additives for industrial petroleum products, high purity hydrochloric acid for the semiconductor industry, and specialty chemicals. Elco's petroleum additives are used for enhancing the properties of hydraulic oils, metalworking fluids, gear oils, greases and fuels. The Ultramax® hydrochloric acid product line meets the most demanding semiconductor specifications, and Detrex hydrochloric acid is used in various applications such as pharmaceutical manufacturing. Elco's products are manufactured in Cleveland, Ohio and Ashtabula, Ohio and sold domestically through a direct sales force and globally through agents and distributors. Websites: www.elcocorp.com and www.detrexchemicals.com

- ***Harvel Plastics, Inc***. — a leading producer of high-quality corrosion resistant PVC and CPVC thermoplastic extrusions. Products manufactured include industrial piping, duct systems, machining profiles and other custom extrusions. Harvel's products are well known for precise blend formulations, superior dimensional stability and high quality. Examples of product lines include: Harvel® PVC and CPVC industrial pressure pipe in sizes ranging from 1/8" through 24" diameters, Harvel® BlazeMaster® CPVC fire sprinkler pipe, Harvel® FlowGuard Gold® and HydroKing® CTS CPVC plumbing piping, Harvel LXT® ultrapure water piping, Harvel Clear™ PVC piping for use in food processing, sight glass and dual containment applications, Harvel FlameTech™ low flame and smoke containment piping and Harvel EnviroKing™ UV for photobioreactors. Harvel's products are used in a wide variety of applications in various markets including: chemical and industrial processing, high purity, food and beverage, fire protection, micro-electronics, water and waste water, commercial hot and cold water distribution systems, power generation and aquaculture to name a few. With manufacturing and warehouse facilities in Pennsylvania, California, and Texas, Harvel supplies its products through wholesalers across North America and globally through agents and distributors. Website: www.harvel.com.

  Harvel was sold effective at the beginning of business on January 1, 2012. As a result, the remaining continuing operation post 2011 is Detrex and Elco.

Net sales (in thousands) of the Elco business unit for each of the last two years are set forth below:

	2011	2010
The Elco Corporation	$48,918	$35,289

The backlog of orders at any one time is generally not significant to the Company's business. Raw materials essential to the Company's various products are generally commodity materials and are generally available from competitive sources.

The Company owns or has applied for trademarks which aid in maintaining the Company's competitive position; these expire at various times. The expiration of such trademarks should not have a material adverse effect on the Company's operations. No material portion of the Company's business is seasonal or subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Elco's top five customers generated approximately 33 percent of the Company's 2011 consolidated revenues from continuing operations. If business from significant customers is lost, the Company's operating results could be adversely impacted. Elco has significant suppliers who supply a significant percentage of raw materials. The majority of these materials can be sourced from other suppliers. Efforts are made to seek to qualify alternative supply sources for limited sourced materials.

The Company expects to continue to incur significant professional fees and remediation expenses in connection with its environmental compliance efforts. The Company maintains environmental reserves which at December 31, 2011 totaled $4.1 million, of which $2.4 million is estimated to be spent in 2012. A more detailed discussion of environmental matters is included in Note 10 to the 2011 consolidated financial statements.

The Company employed 219 persons as of December 31, 2011, including 150 persons employed by Harvel which was sold in January 2012. Persons employed by continuing operations totaled 69 at December 31, 2011.

The Company is not engaged in manufacturing operations in foreign countries.

PROPERTIES

The Company's administrative offices are located in approximately 3,000 square feet of leased space at 24901 Northwestern Hwy., Suite 410, Southfield, Michigan 48075.

During 2011, Detrex and its subsidiaries conducted manufacturing, research and warehouse operations in numerous locations, of which seven are owned and three are leased.

Manufacturing properties owned at December 31, 2011 and used for continuing operations subsequent to 2011 are as follows:

1) The Elco Corporation ("Elco"), manufactures gear and oil additives in a plant it owns in Cleveland, Ohio on five acres of land and 59,000 square feet of office, research, and plant space. This plant is equipped with chemical reactors, mixing and blending equipment, and storage facilities.

2) Facilities located on 57 acres in Ashtabula, Ohio are used in connection with the manufacture of hydrochloric acid, reagent grade chemicals, and zinc-based lubricant additives. These facilities are owned by Detrex Corporation and managed by Elco.

Manufacturing and warehousing properties owned or leased by Harvel Plastics at December 31, 2011 no longer owned by the Company subsequent to 2011 as the result of the Harvel sale are as follows:

1) Harvel Plastics, Inc. ("Harvel"), manufactures plastic pipe in a plant it owns located on 20 acres of land and 228,500 square feet of office and plant space in Easton, Pennsylvania. This facility is equipped with extruders and special tooling used to manufacture PVC and CPVC pipe from resin and compounds. Production and warehouse facilities have been expanded several times since this subsidiary was acquired in 1968.

2) Harvel leases a 138,000 square foot facility in Bakersfield, California which was built to suit Harvel's warehouse and manufacturing needs. The lease expires in 2016, with options for three five-year extensions.

3) Harvel leases a 50,000 square foot warehouse in 2007 in the Dallas, Texas area to better serve the Gulf States region. The original lease term for the warehouse is for five years.

Other properties owned by Detrex Corporation but not actively used by Detrex Corporation at or after December 31, 2011 are as follows:

1) The Company owns 40 acres of unimproved land in Romulus, Michigan that was formerly utilized by a business that was sold in 2000. The property is classified in land in the 2011 and 2010 consolidated balance sheets.

2) The Company owns a warehouse and sales office facility located in Detroit, Michigan. The building area is approximately 20,000 square feet and is located on approximately one-half acre of land.

3) The Company owns a warehouse and sales office facility located in Charlotte, North Carolina. The building area is approximately 11,000 square feet and is located on one acre of land.

4) The Company owns a warehouse and sales office facility located in Chicago, Illinois. The building area is approximately 10,000 square feet and is located on one acre of land.

5) The Company leases space in an industrial office park in Cinnaminson, New Jersey.

The other properties owned by Detrex relate to businesses that the Company has sold. The properties numbered 2 to 5 are leased to the purchaser of the Parts Cleaning Technologies ("PCT") business segment until they are exited, remediated, and/or disposed of.

FORWARD-LOOKING STATEMENTS

This document, including the letter to shareholders and the 2011 Annual Report, contains statements that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Reform Act"). The words "expect," "plan," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. Additional oral or written forward-looking statements may be made by or on behalf of the Company from time to time and such statements may be included in documents other than this document. Such forward-looking statements involve a number of known and unknown risks and uncertainties. While these statements represent the Company's current judgment with respect to its business, readers of this document are cautioned that forward-looking statements are not guarantees of future performance and that such risks and uncertainties could cause actual results, performance and achievements, or industry results, to differ materially from those suggested herein. The Company undertakes no obligation to release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Forward-looking statements in this document and elsewhere may include, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions, and adequacy of resources. All forward-looking statements in this document and elsewhere are intended to be made pursuant to the safe harbor provisions of the 1995 Reform Act. Factors that could cause results to differ materially from those projected in the forward-looking statements include: geopolitical unrest, market conditions, cooperation of lenders, environmental remediation costs, liquidation value of assets, costs to exit leased facilities, cost and availability of environmental liability insurance, marketability of real estate, availability of buyers, execution of orders in backlog, retention of key personnel, and other factors.

SELECTED FINANCIAL DATA

	2011	2010	2009	2008	2007
	(Dollars in thousands, except per share amounts)				
Net sales from continuing operations	$ 48,918	$ 35,289	$ 24,150	$ 25,497	$ 23,666
Net income (loss) from continuing operations	2,423	1,529	(1,349)	(602)	(67)
Net income (loss)	4,632	2,222	(2,923)	1,339	2,540
Net income (loss) attributable to Detrex	4,277	2,088	(2,963)	888	1,981
Basic earnings (loss) per common share:					
From continuing operations	1.45	0.97	(0.85)	(0.38)	(0.04)
From discontinued operations	1.10	0.35	(1.02)	0.94	1.29
Net earnings (loss) per share attributable to Detrex Corp.	2.55	1.32	(1.87)	0.56	1.25
Total assets	54,130	50,318	47,741	52,144	49,610
Net working capital (1)	12,057	9,562	9,745	12,787	3,275
Total bank debt	15,282	16,674	16,056	14,943	12,688
Capital expenditures – continuing operations	2,304	1,392	560	1,201	1,139
Pension plan contributions – continuing operations	1,579	1,381	706	1,471	2,272
Environmental expenditures – continuing operations	2,216	2,071	4,113	1,409	2,201
Stockholder's equity attributable to Detrex Corporation	9,303	7,165	4,668	4,417	8,703
Stockholder's equity per common share	5.55	4.52	2.95	2.79	5.50
Number of employees – continuing operations	69	62	59	63	59
Percentages to net sales from continuing operations:					
Gross margin	32.8%	34.96%	28.84%	27.82%	28.50%
Net income from continuing operations	4.95%	4.33%	(5.59%)	(2.36%)	(0.28%)
Net income from continuing operations as a percent of:					
Average total assets	4.60%	3.12%	(2.70%)	(1.18%)	(0.26%)
January 1st Detrex stockholders' equity	33.80%	32.76%	(30.54%)	(6.92%)	(0.83%)
Current ratio	1.7	1.6	1.8	2.2	1.2

(1) Working capital increase in 2008 reflects the impact of new lending agreement in which the majority of the revolving facility was replaced with term debt.

DIRECTORS

WILLIAM C. KING
Chairman of the Board

THOMAS E. MARK
President and Chief Executive Officer

BENJAMIN W. McCLEARY
Member, SeaView Capital LLC,
Investment Bankers, Providence, Rhode Island

DAVID R. ZIMMER
Managing Partner, Stonebridge Business Partners LLC,
Financial and Business Advisors, Troy, Michigan

AUDIT COMMITTEE

DAVID R. ZIMMER, Chairman
WILLIAM C. KING
BENJAMIN W. McCLEARY

CORPORATE OFFICERS

T. E. MARK
President and Chief Executive Officer

R. M. CURRIE
Vice President, General Counsel and Secretary - Treasurer

BUSINESS UNIT EXECUTIVE

D. A. CHURCH
President, The Elco Corporation and
General Manager, Chemicals Division
www.elcocorp.com and www.detrexchemicals.com

TRANSFER AGENT AND REGISTRAR

COMPUTERSHARE, N.A.

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PLANTE & MORAN, PLLC

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A COPY OF THE COMPANY'S ANNUAL REPORT FOR THE YEAR 2011 WILL BE FURNISHED WITHOUT CHARGE TO SHAREHOLDERS UPON WRITTEN REQUEST. REQUESTS ARE TO BE SENT TO TREASURER, DETREX CORPORATION, 24901 NORTHWESTERN HWY., SUITE 410, SOUTHFIELD, MICHIGAN 48075.

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