



* 1999 excludes a nonrecurring compensation expense of \$0.7 million (\$0.09 per diluted share) associated with a salary continuation agreement and an extraordinary loss from the early retirement of debt of \$0.3 million (\$0.06 per diluted share). 1998 excludes a nonrecurring compensation expense of \$2.3 million (\$0.60 per diluted share) and an extraordinary gain from the early retirement of debt of \$0.2 million (\$0.06 per diluted share). See notes to consolidated financial statements.

The power of systems

Since the dawn of time, humankind has made it a priority to find, use, and control water, and as civilizations formed, those who did this best often became the rulers of their people. Yu, the first ruler of China, supposedly began as a “supreme hydraulic functionary,” and king Menes of Egypt was revered for building a dike across the Nile to improve his people’s access to water. The need for water also integrated some societies under a central authority and grew them into dominant powers. Ancient Rome had a sophisticated infrastructure of pipes and aqueducts to provide water to the city’s fountains and carry away sewage, helping to prevent disease. Later, Italian and English cities used aqueducts and canals for transportation and commerce.

Perhaps the best example of a country that owes its success to hydraulic mastery is the Netherlands. From windmills and steam-powered pumps to dikes and drainage systems,

the Netherlands has thrived because of tightly integrated systems for managing water. The careful engineering and building of dikes across the Dutch countryside over the past twelve centuries has not only protected it from the threat of flood, but has actually helped to reclaim vast amounts of land from the sea and improve use of arable land.

As in the Netherlands, Denali Incorporated has sought new, innovative ways to handle fluids. Our broad range of products, components and systems has helped to make critical processes more efficient and effective. With the acquisition of the Dutch company, Welna, it seems especially appropriate to contemplate how such systems will help us to overcome our market’s competitive nature, and lead Denali forward as a strong, self-contained source of products and systems.

About half of the Netherlands and 60 percent of its population lie below sea level. As shown in this photograph, the Dutch system of building dikes and draining water has greatly expanded the amount of dry land in the country, one a little less than twice the size of New Jersey. Hydraulic projects have also lessened the chance that low-lying areas will flood.

