

To our fellow

# shareholders



*Richard Volk has served as chairman of the board since February 1999.*



*Edward de Boer served as president/chief operating officer from January 1998 and became president/ chief executive officer in January 1999.*

Fiscal 1999 was another excellent year for Denali Incorporated. The company generated record earnings and revenues, completed several key acquisitions, and further positioned itself for continued growth. It was an eventful and productive year, presenting us with exciting new

possibilities for growth.

### Some fiscal 1999

#### highlights included:

- Growing revenues by almost 50 percent, net income\* by 99 percent, earnings\* per diluted share by almost 60 percent, and earnings before interest expense, taxes, depreciation and amortization (EBITDA)\* by over 100 percent.
- Completing the key acquisitions of Plasti-Fab and Belco and increasing Denali's capabilities in the water/wastewater market and in the manufacturing of engineered fiberglass reinforced plastic (FRP) products.
- Enjoying a boom year in the underground FRP storage tank market, resulting from EPA regulations and strong new-facility growth.
- Integrating sales capabilities between Ershigs and Fibercast to increase Ershigs' marketing team from 12 independent manufacturers' representatives to more than 120 sales people, employed by a network of 25 distributors and representatives.

- Providing more complete systems with the integration of Fibercast's piping into Ershigs' industrial process systems, adding value to our products and customers' systems.
- Completing the acquisition of Welna N.V. just before the close of the fiscal year – the company's largest acquisition to date and a significant step in our global expansion.\*\*

This year was not, however, without challenge. Worldwide economic turmoil affected Denali in several ways: (1) the key industrial sector of pulp and paper faced sharply increased competition from imports, which delayed capital projects; and (2) much lower prices of the raw materials used by competing technologies (namely, stainless and other high-end steels) made them more price competitive in comparison to FRP, impacting both revenue and margins. In addition, the chemical processing industry faced another year of low growth, limiting opportunities for Denali. But the most difficult challenge of all was the loss of founding chairman and chief executive officer, Stephen T. Harcrow, to cancer. Despite this adversity, the company reacted quickly in resizing and refocusing operations to better capitalize on the opportunities that were present. The results are impressive: Denali had its best year ever.

With the addition of Welna, Denali Incorporated has become the world's largest manufacturer of specialty-engineered, corrosion-resistant FRP products serving the chemical, petrochemical, water/wastewater, power generation, pulp and paper, and other process industries. And we are not finished.