

1. Traditional facilities that typically began as C-stores and later added fueling services.
2. Petroleum marketers operating primarily as fueling stations that later added C-stores.
3. "Super C-stores," or centers including one or more fast food outlets and fuel stations at the same site (e.g. major marketers in alliance with a fast food chain to jointly operate in a single location).
4. "Hypermarkets," or grocery stores, warehouse clubs and mass merchandisers with fuel centers in their parking lots.
5. Major petroleum marketers that are expanding and gaining market share due to the closure of many small "mom and pop" stations.

Pulp and paper market

In 1997, the EPA enacted Cluster Rules, which establish restrictions on both air and water pollution from pulp and paper manufacturers. This legislation is expected to produce strong demand for the type of engineered products manufactured by Denali, including piping, tanks, vessels, scrubbers and stacks used in systems that reduce emissions of chlorinated waste streams and other hazardous residuals. Management estimates that the current market for engineered FRP products in the pulp and paper industry is approximately \$40 million per year.

Chemical and petrochemical market

Denali perceives a growing need for high-end chemical storage and transmission systems, including premium tanks and piping systems for containing highly corrosive and caustic substances. Fiberglass tanks and piping systems offer chemical storage solutions that are stronger, more abrasion-resistant, more durable, and capable of withstanding higher temperatures when compared to thermoplastic products. And when compared to metallic tanks and piping systems, fiberglass weighs considerably less, has lower shipping and installation costs, and provides greater

corrosion resistance in most applications. The company's current addressable market for its FRP products in the domestic chemical process industry is approximately \$100 million per year. Growth in this area will be driven by the need for higher purity requirements, greater efficiency in production processes, and more stringent environmental regulations targeted at chemical effluents.

Power generation market

The Clean Air Act, deregulation, and the need for replacement equipment in the aging power grid are expected to drive the demand for Denali's products in this industry. Increased competition within the electric utility market, caused by deregulation, has resulted in a decrease in new construction as utilities are increasingly averse to assuming the risks and costs of building large, new generation facilities. It is believed that by the year 2000, approximately 30 percent of generating capacity will come from equipment that is over 30 years old, as most utilities opt to repower older, existing plants. Market research indicates that repowering may potentially account for one-half of all new capacity additions brought online through 2005.

Capital expenditures to fund repowering and compliance with NO_x and SO₂ emission regulations are expected to provide strong growth for the company's products, including scrubbers, stacks, wet electrostatic precipitators, tanks, and abrasion-resistant piping systems. The company's estimated addressable domestic market is currently \$80 million per year and growing at a moderate rate. In addition,



Fibercast's CL 2030 vinyl ester pipe and flanged fitting system, delivered to Gould Electronics. These components are used in their printed circuit board/electro-formed foil division.

The interior of a horizontal scrubber, delivered to a Thermoselect JGC plant in Karlsruhe, Germany. Also pictured is the scrubber's distribution pipe, part of the complete spraying system. This scrubber is designed to clean the gases SO₂ and HCl.

