

Fellow shareholders

Fiscal 1998 was an excellent year for Denali Incorporated. The company generated record earnings and revenues, completed three major acquisitions, and entered the public equity market. Fiscal 1998 was busy and productive – a good beginning for our journey.

Denali Incorporated was formed with a clear vision and underlying values we believe are essential to success. **Our vision is to be a leading provider of solutions for critical fluids handling**, where a critical fluid is a liquid/liquid mixture, or slurry that is economically valuable or potentially hazardous to the environment. **Our values are Care, Trust, Respect, Honesty, and Fun.** It is through these two elements that Denali has grown to its current state, and these elements lay the foundation for our future.

Our Vision. The concepts of critical fluids and critical fluids handling have been around a long time. Thousands of years ago, mankind was looking for ways to contain water, oils, and other critical fluids of that time. These were valuable to him, and he used available materials and technology for containing them, including wood, stone, metal, and eventually glass. As society advanced, the variety and scope of critical fluids and handling technologies has grown to include separation and measurement. Mankind is still very interested in handling something as common as clean water. But we are also dealing with caustic bleaches, fuels, and highly corrosive fluids, where special handling knowledge is required.

At Denali, we take the concepts of critical fluids and critical fluids handling and apply them to process industries, like chemical processing, power, pulp & paper, and mining industries, to name a few. It is in these processes where a critical fluid is involved that specialized knowledge of containment, materials, separation, and measurement are vital. It is along these competencies that Denali has structured its business. Containment is the obvious first step for any process, and Denali approaches this need with products in Containment Solutions, Inc. As the critical fluid becomes more complex in terms of abrasion or corrosion, material engineering grows in importance, and Specialty Solutions, Inc. houses our materials competencies. Two areas that Denali plans to grow into are separation and instrumentation because once a critical fluid is effectively contained, the “valuable” needs to be separated from the “non-valuable.” Basic measurements like flow, level, and temperature generate efficiencies in the entire process through optimization. As we grow in scope and capabilities in these competencies, we will be able to provide more complete solutions addressing our customers’ needs. In doing so, we can create efficiencies in processes, **becoming the leading provider of solutions for critical fluids handling.**

Our Values. People are the fundamental building block to our success, and we have taken great effort to articulate and live by our values. Our values are:

Care. A company full of people with a passion for life will consistently outperform groups simply passing time.

Trust. We believe employees will pursue the best interest of Denali when given the freedom to pursue the vision within the scope of their responsibilities. This trust develops much more creative and committed employees.

Steve is the founding chairman and CEO of Denali. During more than 20 years with Baker Hughes Incorporated, Steve attained the posts of senior vice president of the corporation and president of the EnviroTech operating group. He left Baker Hughes in 1993, founding Denali in late 1994.

