

Respect. We respect all people's rights, opinions and integrity, allowing us to disagree on many topics while constructively working together to achieve our vision.

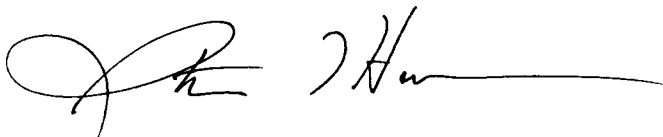
Honesty. Honesty requires us to constructively offer our opinion without concern for the political correctness of the opinion, while acknowledging our strengths and weaknesses.

Fun. Fun is the glue to the company. As individuals, we spend a significant part of our lives at work and we believe life is too short for it not to be fun. A significant by-product of a fun workplace is that it fosters a relaxed, creative environment.

Our values provide a framework for us to constructively work together and form the Denali culture, and our company becomes stronger as we assimilate new companies and people into our culture. Our culture allows us to hire and retain the best and most creative people in our industry, capitalizing on a broad range of skills and experiences.

Our Future. The value-based pursuit of our vision has translated into exceptional financial performance. Denali's revenues showed tremendous growth, increasing 40 percent from \$71,100,000 to \$99,900,000, and our earnings* significantly outpaced our revenue growth, jumping from \$.09 to \$.62 per diluted share. Also making impressive gains were our gross margin, which increased from 19.5 to 22.6 percent of revenues, and operating income*, which grew from 2.8 to 4.8 percent of revenues. These increases stemmed from internal growth, acquisitions, and operating efficiencies. Additionally, the fragmented nature of the critical fluids handling industry, comprised of many companies with limited product ranges or serving limited geographic areas, should continue to provide growth opportunities.

I believe we are in position to deliver similar growth and improved returns in fiscal 1999 as we have the resources, the vision, and the culture to continue to build value for all constituents of Denali. Our extraordinary performance last year was a direct result of hard work and dedication by everyone associated with Denali. I am grateful to each of you. I also want to thank our customers who ultimately made this year possible. We look forward to the future as we continue to build Denali into the leading provider of solutions for critical fluids handling. Our journey continues.



Stephen T. Harcrow

* 1998 excludes a nonrecurring compensation expense of \$2.3 million (\$.60 per diluted share) and an extraordinary gain from the early retirement of debt of \$0.2 million (\$.06 per diluted share). See notes to consolidated financial statements.

Alabaster, polished and translucent, made valued containers first produced in Egypt in the second millennia B.C. The critical fluids? Cosmetics, of course! Unguentaria, pots for ointments and salves, were made in shapes specific to their contents; labels require literacy. Today, we would trademark such shapes, as Coca-Cola™ has its bottle.

