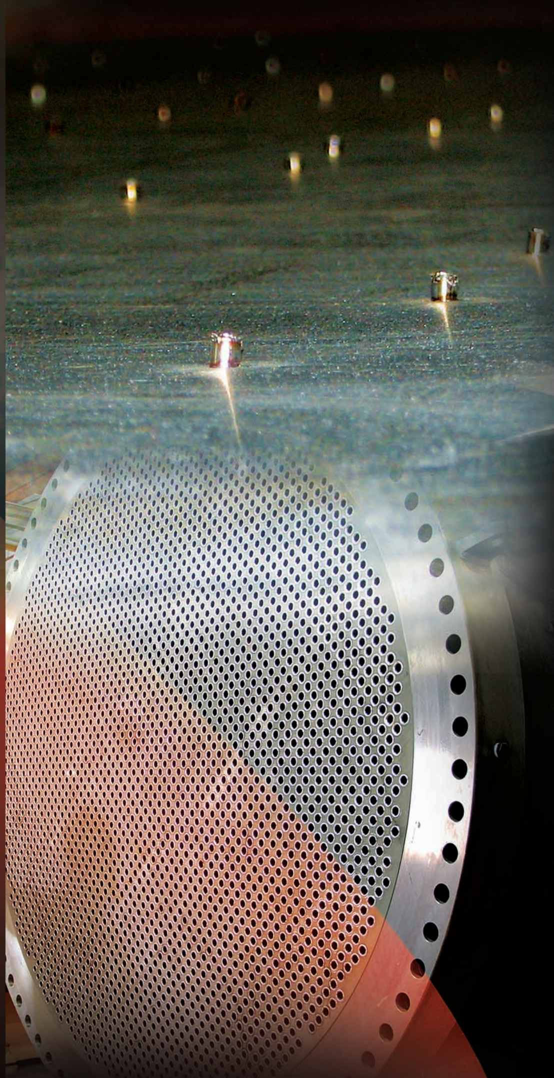
DYNAMIC MATERIALS
ANNUAL REPORT 2009



ABOUT THE COMPANY

Dynamic Materials Corporation (DMC) is an international metalworking company and the world's leading provider of explosion-welded clad metal plates. The Company's Explosive Metalworking business, which generated approximately 80 percent of DMC's fiscal 2009 revenue, uses specialized explosive processes to clad metal and alloy plates, which are then utilized in a broad spectrum of industrial capital projects.

The Explosive Metalworking segment serves a variety of industries, including oil and gas refining, petrochemicals and chemicals, alternative energy, power generation, aluminum production, hydrometallurgy, shipbuilding and industrial refrigeration.

DMC also operates an Oilfield Products segment, which manufactures, markets and sells specialized explosive components and systems used to perforate oil and gas wells. The segment also distributes a line of explosive-related seismic products that support oil and gas exploration activities.

DMC's third business segment, AMK Welding, utilizes various technologies to weld components for use in power-generation turbines, as well as commercial and military jet engines.

Based in Boulder, Colorado, DMC has production facilities in Mt. Braddock, Pennsylvania; Rivesaltes, France; Likenas, Sweden; Burbach, Germany; Troisdorf, Germany; Edmonton, Alberta Canada and South Windsor, Connecticut.

The Company's stock trades on Nasdaq under the symbol "**BOOM.**"

ABOUT THE COVER

This year's Annual Report cover features images of various DMC products during the fabrication process, as well as pictures of end-market applications for which DMC's products are used. The top image features a carbon steel plate prior to being explosion welded with a corrosion-resistant cladder plate. The small spacers on the surface of the plate provide a standoff gap between the two metals prior to the explosion. The second picture features a tube sheet that has been fabricated from an explosion-welded plate. The tube sheet will be used in an industrial heat exchanger. Oil wells, like the one depicted in the third image, are where equipment from DMC's Oilfield Products business is used. The shaped charges shown in the bottom image, and in the picture on this page, are used in conjunction with sophisticated gun systems to perforate oil wells.

FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF OPERATIONS HIGHLIGHTS

(Dollars in thousands, except per share amounts)

	Years Ended December 31,	
	2009	2008
Net sales	$ 164,898	$ 232,577
Gross profit	$ 43,119	$ 70,845
Income from operations	$ 16,238	$ 38,052
Income before income taxes	$ 12,927	$ 33,274
Net income	$ 8,549	$ 24,068
Net income per share - diluted	$ 0.66	$ 1.87
Weighted average number of shares outstanding - diluted	12,662,440	12,554,402
Dividends declared per common share	$ 0.12	$ 0.15

BALANCE SHEETS HIGHLIGHTS

(Dollars in thousands)

	December 31,	
ASSETS	2009	2008
Cash and cash equivalents	$ 22,411	$ 14,360
Accounts receivable, net	$ 25,807	$ 34,719
Total current assets	$ 87,974	$ 91,049
Total assets	$ 225,176	$ 229,586

LIABILITIES AND STOCKHOLDERS' EQUITY

	2009	2008
Total current liabilities	$ 42,135	$ 45,747
Long-term debt	$ 34,556	$ 46,514
Deferred tax liabilities	$ 15,217	$ 16,833
Other long-term liabilities	$ 1,157	$ 1,990
Stockholders' equity	$ 132,111	$ 118,502
Total liabilities and stockholders' equity	$ 225,176	$ 229,586

"Our lean operational structure and srong balance sheet positioned us to effectively weather the downturn."

SHAREHOLDER LETTER

Dear Stockholders,

I remarked in last year's Annual Report that the global recession would likely result in a pullback in DMC's revenue during fiscal 2009. As economic uncertainty permeated many of our end markets, order volume indeed slowed, and this led to a 29 percent year-over-year decrease in our top-line results. Fortunately, our lean operational structure and strong balance sheet positioned us to effectively weather the downturn.

The effect of the recession was only one of the story lines during an otherwise strategically important year for Dynamic Materials. Among our accomplishments was a successful effort to establish applications for our explosion-welded plates within the upstream oil and gas industry – an achievement that resulted in the largest order in DMC's history. We also advanced our push into new explosion-welding end markets, embarked on an aggressive program to expand our Oilfield Products business, and reduced expenses within an already efficient business model.

Financial Review

After five consecutive years of reporting revenue growth in excess of 40 percent, our 2009 sales declined to $164.9 million from $232.6 million in 2008. We nevertheless remained solidly profitable, delivering operating income of $16.2 million, net income of $8.5 million, or $0.66 per diluted share, and adjusted EBITDA* of $29.8 million. We also reported operating cash flow of $29.5 million.

In light of the economic uncertainties, we remained especially focused on maintaining our financial strength. During the year, we reduced our net indebtedness by $19.3 million and increased our cash position to $22.4 million from $14.4 million at the end of 2008. We ended fiscal 2009 with working capital of $45.8 million, slightly above the figure we reported at the end of 2008.

Explosion Welding Market Overview

Petroleum refining has been one of the clad metal industry's most active end markets during recent years. However, the collapse in demand and weak profit margins for refined petroleum resulted in a significant decline in capital spending in this sector during 2009. While we expect the refining industry will re-emerge as a large market for DMC, we recently set our sights on new prospects within the energy industry.

New opportunities in upstream oil and gas spurred us to commence development work on specialized explosion-welded plates for use in the fabrication of advanced clad pipe. Our efforts resulted in a $14.8 million third quarter order for plates that will be used in upstream equipment at the Gorgon Natural Gas Project in Australia. We believe our achievements associated with clad pipe may ultimately give us exposure within midstream and downstream energy markets as well, and could result in a significant long-term revenue source to DMC.

Oil refining was not alone among our end markets that curtailed capital spending during 2009. Demand from the chemical and petrochemical, hydrometallurgy and industrial refrigeration industries also has been relatively tepid. There were, however, areas of sustained order volume. We have seen healthy demand from the aluminum production industry, where we continue to expand our share of the market for electrical transition joints. Demand from smaller end markets such as shipbuilding and power generation also has remained steady.

I noted in last year's report that we were working to establish several new end markets for our explosion-welded plates. In early 2010, our Explosive Metalworking segment received its first order from the rail transportation sector, where our plates will be used by a leading rail

Yvon Cariou
President & CEO

systems manufacturer to fabricate transition joints for next-generation rail cars. The international rail industry is evolving rapidly, and we believe DMC is well positioned to benefit from the resurgence of this market. The other end markets I discussed – next-generation nuclear and military armoring – will take more time to develop, but we are encouraged by the progress we are making.

Oilfield Products and AMK Welding

Our Oilfield Products and AMK Welding segments were not immune to the downturn, but our teams at each business maintained their focus on the operational and growth objectives we have established. At our Oilfield Products business, we have been aggressively expanding the geographic reach of our distribution and production network. In the fourth quarter, we purchased Alberta-based LRI Oil Tools, a Canadian perforating gun manufacturer and distributor of our shaped charges. Then, in this year's first quarter, we signed a definitive agreement to acquire Texas-based Austin Explosives, another strategic partner. Although 2010 has just begun, we are seeing early indications that activity is indeed picking up in certain of our Oilfield Products target markets.

At AMK Welding, we have assembled a first-rate management team, workforce and production facility, and during 2010 we intend to leverage these assets as we work to expand AMK's service offering and customer base.

Looking Forward

Despite recent soft order volume at our flagship Explosive Metalworking business, quoting activity has remained active. Our "hot list" of prospective contracts remains relatively healthy, and we are optimistic that sales activity will begin to accelerate during the latter half of 2010. We believe emerging economies such as Brazil, Russia, India and China will continue the aggressive build out of their industrial infrastructures, and we view this as a bullish long-term sign for DMC.

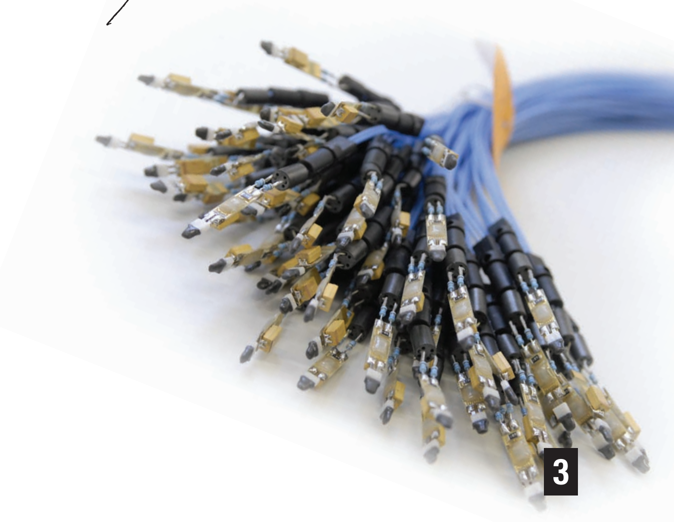
We took a number of steps to realign our cost structure during 2009, and in doing so, made a very efficient organization even more so. We will continue to closely manage our spending, but do not foresee making significant additional reductions to our expenses. We have worked very hard to assemble our highly specialized sales and production teams and unique infrastructure, and believe it is imperative that we protect these assets as we prepare for the anticipated rebound in worldwide economic activity.

I want to thank the entire DMC family for their determination within a challenging environment, as well as our Board of Directors for their valuable guidance and wisdom. I also want to thank you, our shareholders, for your continued support of the Company. I look forward to reporting on our progress during the coming year.

Sincerely,

Yvon Cariou

Yvon Cariou



MANAGEMENT AND DIRECTORS

EXECUTIVE MANAGEMENT

Yvon Pierre Cariou
President and Chief Executive Officer

Richard A. Santa
Sr. Vice President and Chief Financial Officer

John G. Banker
Sr. Vice President, Customers and Technology

Mr. Rolf Rospek
CEO, DYNAenergetics; President, DYNAenergetics Oilfield Products

DIRECTORS

Mr. Dean K. Allen
Chairman of the Board, Dynamic Materials Corporation; Retired President, Parsons Europe, Middle East and South Africa

Mr. Yvon Pierre Cariou
President and Chief Executive Officer, Dynamic Materials Corporation

Mr. Richard P. Graff
Retired Partner, PricewaterhouseCoopers

Mr. Bernard Hueber
Former Secretary General, Federation of European Explosives Manufacturers; Former Chairman and CEO, Nobel Explosifs France

Mr. Gerard Munera
General Manager, Synergex

Mr. Rolf Rospek
CEO, DYNAenergetics; President, DYNAenergetics Oilfield Products

*Use of Non-GAAP Financial Measures

Non-GAAP results used in this Annual Report are provided only as a supplement to the financial statements based on U.S. generally accepted accounting principles (GAAP). The non-GAAP financial information is provided to enhance the reader's understanding of DMC's financial performance, but no non-GAAP measure should be considered in isolation or as a substitute for financial measures calculated in accordance with GAAP. Reconciliations of the most directly comparable GAAP measures to non-GAAP measures are provided within the schedules included in this report.

EBITDA is defined as net income plus or minus net interest plus taxes, depreciation and amortization. Adjusted EBITDA excludes stock-based compensation and, when appropriate, other items that management does not utilize in assessing DMC's operating performance (as further described in the attached financial schedules). None of these non-GAAP financial measures are recognized terms under GAAP and do not purport to be an alternative to net income as an indicator of operating performance or any other GAAP measure.

Management uses these non-GAAP measures in its operational and financial decision-making, believing that it is useful to eliminate certain items in order to focus on what it deems to be a more reliable indicator of ongoing operating performance and the company's ability to generate cash flow from operations. As a result, internal management reports used during monthly operating reviews feature the adjusted EBITDA. Management also believes that investors may find non-GAAP financial measures useful for the same reasons, although investors are cautioned that non-GAAP financial measures are not a substitute for GAAP disclosures. EBITDA and adjusted EBITDA are also used by research analysts, investment bankers, and lenders to assess operating performance. For example, a measure similar to EBITDA is required by the lenders under DMC's credit facility.

Because not all companies use identical calculations, DMC's presentation of non-GAAP financial measures may not be comparable to other similarly-titled measures of other companies. However, these measures can still be useful in evaluating the company's performance against its peer companies because management believes the measures provide users with valuable insight into key components of GAAP financial disclosures. For example, a company with greater GAAP net income may not be as appealing to investors if its net income is more heavily comprised of gains on asset sales. Likewise, eliminating the effects of interest income and expense moderates the impact of a company's capital structure on its performance.

All of the items included in the reconciliation from net income to EBITDA and adjusted EBITDA are either (i) non-cash items (e.g., depreciation, amortization of purchased intangibles and stock-based compensation) or (ii) items that management does not consider to be useful in assessing DMC's operating performance (e.g., income taxes and gain on sale of assets). In the case of the non-cash items, management believes that investors can better assess the company's operating performance if the measures are presented without such items because, unlike cash expenses, these adjustments do not affect DMC's ability to generate free cash flow or invest in its business. For example, by adjusting for depreciation and amortization in computing EBITDA, users can compare operating performance without regard to different accounting determinations such as useful life. In the case of the other items, management believes that investors can better assess operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

*RECONCILIATION OF NON-GAAP FINANCIAL MEASUREMENTS TO MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASUREMENTS

(Dollars in thousands - unaudited)	12 Months Ended December 31, 2009	2008
Net Income	$ 8,549	$ 24,068
Interest expense	3,473	5,472
Interest income	(216)	(689)
Provision for income taxes	4,378	9,206
Depreciation	5,042	4,531
Amortization of purchased intangible assets	5,064	7,382
EBITDA	26,290	49,970
Stock-based compensation	3,425	3,237
Other expense	275	269
Equity in earnings of joint ventures	(221)	(274)
Adjusted EBITDA	$ 29,769	$ 53,202

CORPORATE DATA

Independent Auditors
Ernst & Young, LLP
Denver, Colorado

Legal Counsel
Holme Roberts & Owen LLP
Denver, Colorado

Transfer Agent
Computershare Investor Services
350 Indiana Street
Golden, Colorado 80401
Phone: 303.262.0600

Investor Relations Counsel
Pfeiffer High Investor Relations, Inc.
1125 17th Street, Suite 1805
Denver, Colorado 80202
Phone: 303.393.7044

Annual Meeting
The Annual Meeting of Stockholders will be held in Boulder, Colorado on May 26, 2010, at 8:30am at the St. Julien Hotel.

Form 10-K
Included herein.

Headquarters & Clad Metal Sales
Dynamic Materials Corporation
5405 Spine Road
Boulder, Colorado USA 80301
Phone: 303.665.5700
Fax: 303.665.1897
www.dynamicmaterials.com

Offices

Dynamic Materials Corporation
Mt. Braddock Facility
P.O. Box 317
1138 Industrial Park Drive
Mt. Braddock, Pennsylvania 15465
Phone: 724.277.9710

Nobelclad Europe
Espace Entreprise Mediterranee–
1 allee Alfred Nobel
66600 Rivesaltes - France
Phone: 33 4 68 64 56 56

Nitro Metall
Box 14
S-680 63
Likenas Sweden
Phone: 46 56 435 001

Dynaplat
Dr.-Hermann-Fleck-Allee 8
DE-57299 Burbach
Germany
Phone: 49 2736 50978 0

DYNAenergetics Oilfield Products
Bernd-Rosemeyer-Str. 7
D-30880 Laatzen
Germany
Phone: 49 5102 6757 0

DYNAenergetics Canada
5911 56 Ave.
Edmonton, Alberta
Canada T6B 3E2
Phone: 780.490.0939

AMK Welding
283 Sullivan Avenue
South Windsor, CT 06074
Phone: 860.289.5634

Headquarters & Clad Metal Sales
Dynamic Materials Corporation
5405 Spine Road • Boulder, CO USA 80301
PH: 303.665.5700 • FAX: 303.665.1897
www.dynamicmaterials.com