DYNAMIC MATERIALS

ANNUAL REPORT 2008

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 generates the majority of DMC's revenue, uses specialized explosive processes to fuse metal and alloy plates, which are then used 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.

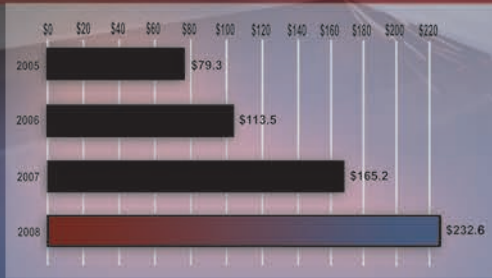
DMC's third business segment, AMK Welding, utilizes various technologies to weld components for use in power-generation turbines, as well as commercial and military jet engines.

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

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

About the Cover:
The upper two and lower left images on the cover depict equipment in the refining, alternative energy and shipbuilding industries – three of the eight primary end markets served by DMC's flagship Explosive Metalworking business. The lower right image shows drilling equipment used in the oil and gas industry, the sector served by DMC's Oilfield Products segment.

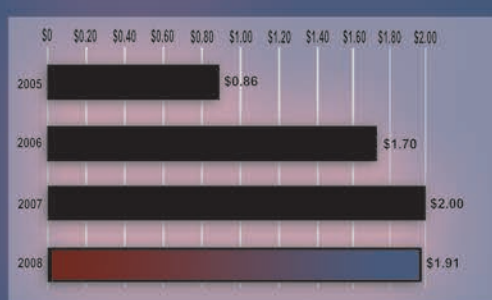
FINANCIAL HIGHLIGHTS



SALES
($ in Millions)

INCOME FROM OPERATIONS
($ in Millions)

NET INCOME
($ in Millions)



DILUTED NET INCOME PER SHARE

CONSOLIDATED STATEMENT OF OPERATIONS HIGHLIGHTS

(Dollars in thousands except per share amounts)

	Years Ended December 31, 2008	2007
Net sales	$ 232,577	$ 165,175
Gross profit	70,845	55,007
Income from operations	38,052	38,892
Income before income taxes	33,274	38,734
Net income	$ 24,068	$ 24,587
Net income per share - diluted:	$ 1.91	$ 2.00
Weighted average number of shares outstanding - diluted	12,579,598	12,293,158
Annual dividends per common share	$ 0.15	$ 0.15

BALANCE SHEETS HIGHLIGHTS

(Dollars in thousands)

ASSETS	December 31, 2008	2007
Cash, cash equivalents and restricted cash	$ 14,360	$ 9,416
Accounts receivable, net	34,719	39,833
Total current assets	90,768	94,730
Total assets	$ 229,219	$ 240,899
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total current liabilities	45,466	58,818
Long-term debt	46,178	61,530
Deferred tax liabilities	16,986	20,604
Other long-term liabilities	2,087	1,668
Stockholders' equity	118,502	98,279
Total liabilities and stockholders' equity	$ 229,219	$ 240,899

Dear Stockholders,

Against the backdrop of a deteriorating global economy, Dynamic Materials has achieved its fifth consecutive year of 40 percent-plus revenue growth. Our 2008 top-line performance resulted in another year of solid profitability, and a 22 percent increase in adjusted EBITDA*.   DMC's financial success was fueled by a variety of operational achievements, including the integration of our DYNAenergetics acquisition, the continued organic expansion of our Explosive Metalworking and AMK Welding businesses, and deeper penetration of several key target markets. We concluded the year by capturing the largest contract in Company history – a $14 million order from the alternative energy sector.

Successful integration

In our 2007 Annual Report I detailed the DYNAenergetics transaction, which provided us with two distinct business units: DYNAplat and DYNAwell. Like our core Explosive Metalworking segment, both of these businesses have deep roots in the world of industrial explosives. During 2008, we successfully integrated the Burbach, Germany-based DYNAplat operations into our European Explosive Metalworking business. This former competitor has provided us with new production capacity and geographic coverage, and has helped expand our European market share. I am very pleased by the cooperative spirit and singular mission our European explosion-welding businesses have achieved during the past year.

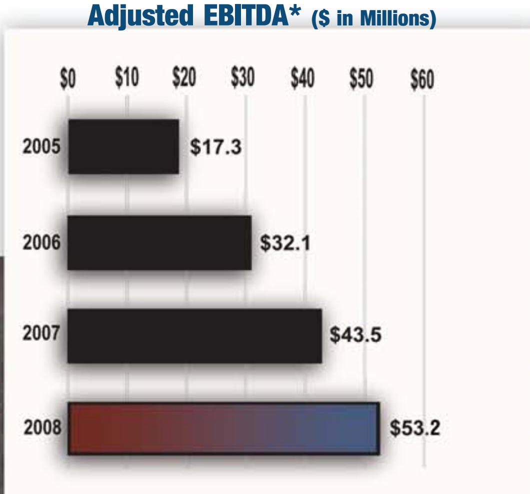
In 2008, we also formally positioned DYNAwell as a stand-alone business. Also known as our "Oilfield Products" segment, DYNAwell manufactures and markets perforating systems for the oil and gas industry, and has provided important diversification to our revenue stream. The talented management team that joined DMC as part of the DYNAenergetics acquisition is now focused exclusively on the operations and global expansion of the DYNAwell business. We are encouraged by the long-term growth opportunities this segment brings to DMC.

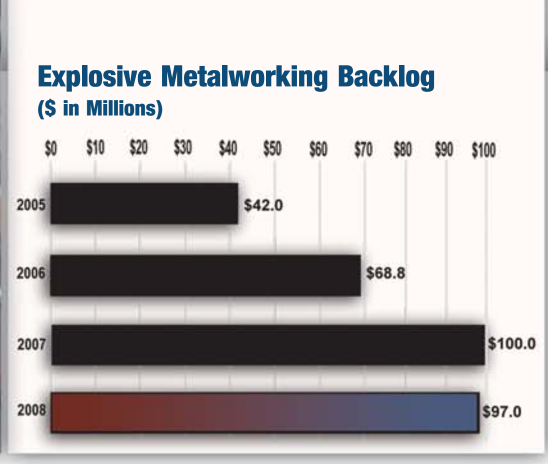
Improvements at the core

We have been reporting for the last couple years that one of the most significant operational challenges at our core Explosive Metalworking business has been a limited supply of specialized "pressure-vessel quality" carbon steel, which serves as the backing component on most of our explosion-welded plates. We have consulted for many months with a number of manufacturers and service centers that we believed could address our stringent quality requirements. During the past year, these efforts have helped expand our global supply network and have given us renewed production flexibility for the future.

At the outset of 2008, we were tracking a series of significant contract opportunities in end markets ranging from hydrometallurgy, to power generation, to alternative energy. We have recently converted several of these opportunities into firm orders, including the record alternative energy contract I mentioned previously. In spite of the difficult economic conditions, we closed the year with an order backlog at our Explosive Metalworking segment of $97 million – down only slightly from the $100 million backlog we reported at the end of fiscal 2007.

Adjusted EBITDA* ($ in Millions)





LETTER TO SHAREHOLDERS

In an effort to extend the global reach of our Explosive Metalworking segment, we opened sales offices in Italy and the Middle East, and replaced outside representatives with our own direct sales personnel.

Looking forward

Despite the global economic downturn, our roster of major contract opportunities remains considerable and spans most of our end markets. While the recession has created some near-term uncertainty and will result in a pullback in our 2009 revenue, we are nevertheless optimistic that many of the major projects we are tracking will ultimately move forward.

There are many reasons for our bullish long-term optimism. In addition to the worldwide demand for new industrial processing capacity, much of the equipment that already exists is rusting away. In the United States, it is not just bridges and roads that are in disrepair; much of our industrial infrastructure is decades old and in need of major capital improvements. As the world leader in the production of corrosion-resistant explosion-welded plates, DMC is ideally positioned to address these opportunities.

To ensure we maintain our global explosion-welding dominance, we intend to establish a more prominent presence within a variety of emerging markets during the coming years. Russia, China and India are all key regions of interest where we already have established important strategic relationships. We also are advancing our research and development efforts, and are pursuing product applications in various new end markets such as transportation, defense and the rejuvenated nuclear power industry.

At DYNAwell, we are expanding our sales presence in key markets such as Eastern Europe, North America and the Middle East. We also are pursuing sales opportunities for a cutting-edge new detonator product that already has generated encouraging customer interest. At AMK Welding, we are focused on broadening both our scope of services and customer base. AMK had a great year in 2008, and we are encouraged by the direction the segment is headed under its new General Manager.

In closing

As we navigate the challenges of the current economic crisis, we will pay special attention to maintaining the overall financial strength of the business. We believe that the long-term prospects for growth at DMC are very promising, and we will not waiver in the pursuit of our strategic objectives. I want to thank the entire DMC team and our Board of Directors for their dedication to the success of the Company. I also want to thank you, our shareholders, for your continued support. We look forward to keeping you apprised of our progress during the year ahead.

Sincerely,

Yvon Cariou

Yvon P. Cariou, President and CEO

EXECUTIVE MANAGEMENT AND DIRECTORS

Yvon Pierre Cariou (L) - Director, President and Chief Executive Officer
Dean K. Allen – Chairman

EXECUTIVE MANAGEMENT

Yvon Pierre Cariou
President and
Chief Executive Officer

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

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

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)

	Years Ended December 31,	
	2008	2007
Net Income	$ 24,068	$ 24,587
Interest expense	5,472	722
Interest income	(689)	(698)
Provision for income taxes	9,206	14,147
Depreciation	4,531	2,156
Amortization of purchased intangible assets	7,382	1,191
EBITDA	49,970	42,105
Stock-based compensation	3,237	1,301
Other expense	269	158
Equity in earnings of joint ventures	(274)	(24)
Adjusted EBITDA	$ 53,202	$ 43,540

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 June 4, 2009, 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 S.A. 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

DYNAenergetics Explosive Metalworking
Dr.-Hermann-Fleck-Allee 8
D-57299 Burbach
Germany

DYNAenergetics Oilfield Products
Kaiserstr. 3
D-53840 Troisdorf
Germany

AMK Welding
283 Sullivan Avenue
South Windsor, Connecticut 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