



Dynamic Materials 2006 Annual Report

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Serving Industry Worldwide



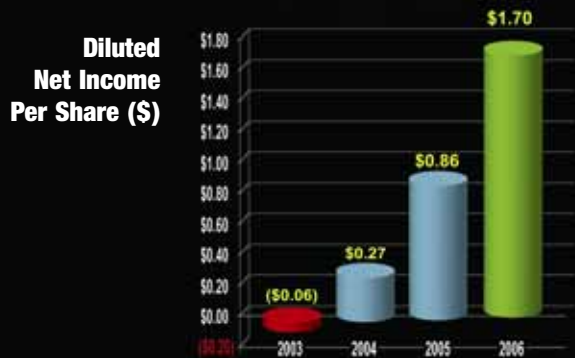
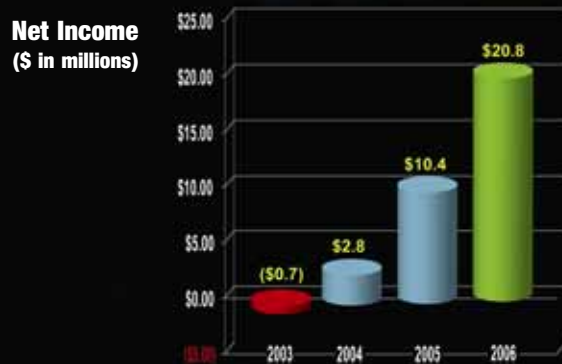
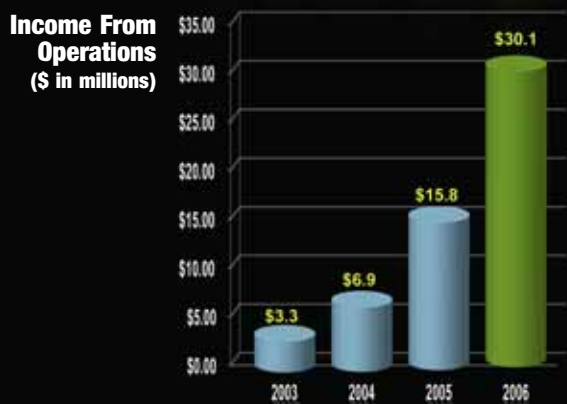
About the Company

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 approximately 95 percent 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 upstream oil and gas, oil refinery, petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation and industrial refrigeration.

DMC also operates AMK Welding, which 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 and South Windsor, Connecticut. The Company's stock trades on Nasdaq under the symbol "BOOM."

Financial Highlights



CONSOLIDATED STATEMENT OF OPERATIONS HIGHLIGHTS

(Amounts in thousands)

	Years Ended December 31,	
	2006	2005
Net sales	\$ 113,472	\$ 79,291
Gross profit	\$ 42,033	\$ 23,435
Income from operations of continuing operations	\$ 30,103	\$ 15,768
Income before income taxes and discontinued operations	\$ 30,608	\$ 15,605
Income from continuing operations	\$ 19,267	\$ 10,372
Income from discontinued operations, net of tax	\$ 1,497	\$ -
Net income	\$ 20,764	\$ 10,372
Income per share - diluted		
Continuing operations	\$ 1.58	\$ 0.86
Discontinued operations	\$ 0.12	\$ -
Net income	\$ 1.70	\$ 0.86
Weighted average diluted shares outstanding	12,213	12,087
Annual dividends declared per common share	\$ 0.15	\$ 0.10

BALANCE SHEETS HIGHLIGHTS

(Dollars in thousands)

	DECEMBER 31,	
	2006	2005
ASSETS		
Cash, cash equivalents and restricted cash	\$ 20,945	\$ 5,763
Marketable securities	\$ -	\$ 1,950
Accounts receivable, net	\$ 21,549	\$ 15,576
Total current assets	\$ 63,847	\$ 36,552
Total assets	\$ 84,973	\$ 55,311

LIABILITIES AND STOCKHOLDERS' EQUITY

Total current liabilities	\$ 25,297	\$ 14,838
Long-term debt	\$ 382	\$ 2,221
Other long-term liabilities	\$ 1,714	\$ 3,297
Stockholders' equity	\$ 57,580	\$ 34,955
Total liabilities and stockholders' equity	\$ 84,973	\$ 55,311

Letter to Stockholders

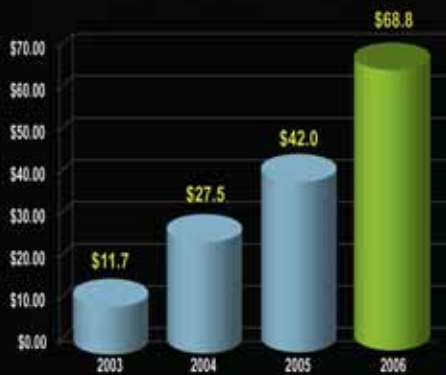


Dear Stockholders,

Fiscal 2006 was a remarkable year at Dynamic Materials. In fact, if the charts in this report spanned 40 years instead of four, you would see that our 2006 performance established new records in every important financial category we track. This achievement is especially noteworthy when you consider the margins by which we surpassed our results in 2005 – our previous record year. Sales increased 43 percent to \$113.5 million, income from operations advanced 91 percent to \$30.1 million, and net income was up 100 percent to \$20.8 million, or \$1.70 per diluted share.

These results are a fitting barometer of the demand we are seeing in the global end markets for explosion welded metals. Whether for heat exchangers in the United States, autoclaves in Madagascar, or refineries in Russia, our DETACLAD® explosion welded plates are in greater demand today than at any time in DMC's history. This fact is reflected in the growth of our order backlog, which reached a record \$68.8 million at the end of 2006.

Backlog
(\$ in millions)



Stockholders' Equity (\$ in millions)



DMC has captured what we estimate is 35 percent to 40 percent of the global market share for explosion welded metals, which positions us as the dominant player in our industry. In the past year, we have initiated a variety of programs to further strengthen our leadership position. These have included our largest-ever capacity expansion effort, which will double the production capabilities of our U.S. explosion welding operations by the middle of 2007. In addition, we have expanded our production team, added specialized new equipment and are investing in the modernization of our cladding operations in both France and Sweden.

Economies around the globe are enjoying sustained economic expansion, and this is fueling significant investments in large industrial infrastructure projects. Explosion welded metals are an increasingly important component within many of these projects. We believe DMC is the sole company in our industry that is aggressively expanding capacity to keep pace with this demand. We also are the only player with globally dispersed operations and the ability to effectively address projects anywhere in the world. These competitive advantages have fostered a high degree of customer loyalty, and have positioned DMC to capture a significant share of the order opportunities emerging on the horizon.

Concurrent with the build out of our explosion welding business has been an effort to significantly expand the operational capacity of our

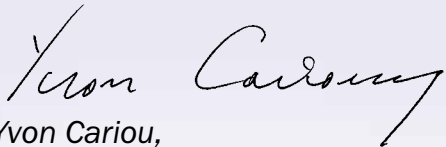
U.S.-based AMK Welding segment. In late 2005, a major manufacturer of ground-based turbines selected AMK as a long-term supplier of specialized welding services. This relationship, combined with growing demand from the aircraft engine market, is improving AMK's financial performance and expanding its workload. Our recent expansion efforts will ensure AMK has the resources and capacity to effectively address these opportunities.

The \$21 million in capital spending we authorized for 2006 and 2007 is being funded entirely with cash on hand, which is indicative of DMC's overall financial strength. At the end of 2006, we had cash, cash equivalents and restricted cash of \$20.9 million, or \$1.71 per diluted share, working capital of \$38.6 million, or \$3.16 per diluted share, and stockholders' equity of \$57.6 million, or \$4.71 per diluted share. In addition, our long-term debt has been reduced to less than \$400,000.

Management is working closely with the Board of Directors to develop a comprehensive strategy designed to maximize our mounting financial resources and enhance our growth prospects in the coming years. You may recall that our Board was restructured following last year's divestiture by our former majority stockholder. I am very appreciative of the support and expertise our directors have provided, and look forward to their continued guidance as we move forward.

DMC's success is only partly attributable to the strong demand for our products. Without the tremendous efforts of our global sales force and our talented production teams in the United States, France and Sweden, our achievements to date would not have been possible. I am very grateful for the dedication and hard work of everyone on the DMC team. I also want to thank you, our stockholders, for your continued support of the company.

Sincerely,



Yvon Cariou,
President and Chief Executive Officer



Members of DMC's Nitro Metall production team gather outside their facilities in Likenas Sweden.

Executive Directors & Management

EXCUTIVE DIRECTORS & MANAGEMENT

Board of Directors

(from left to right)

Mr. Dean K. Allen

Chairman of the Board, Dynamic Materials Corporation, Retired President, Parsons Europe, Middle East and South Africa

Mr. Bernard Hueber

Secretary General, Federation of European Explosives Manufacturers, Former Chairman and CEO, Nobel Explosifs France

Mr. Yvon Pierre Cariou

President and Chief Executive Officer, Dynamic Materials Corporation

Mr. Gerard Munera

Chairman and CEO, Synergex



Management Team

(from left to right)

John G. Banker

Vice President, Marketing and Sales, Clad Metal Division

Yvon Pierre Cariou

President and Chief Executive Officer

Richard A. Santa

Vice President and Chief Financial Officer



Corporate Data

Independent Auditors

Ernst & Young, LLP
Denver, Colorado

Legal Counsel

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
New York, New York

Transfer Agent

Computershare Investor Services
350 Indiana Street
Golden, Colorado 80401
Phone: 303.984.4000

Investor Relations Counsel

Pfeiffer High Investor Relations, Inc.
1125 17th Street, Suite 1210
Denver, Colorado 80202
Phone: 303.393.7044
Fax: 303.393.7122

Annual Meeting

The Annual Meeting of Stockholders will be held at 9:00 a.m. on June 6, 2007, at the St. Julien Hotel in Boulder, Colorado.

Form 10-K

Included herein.

Headquarters & Clad Metal Sales

Dynamic Materials Corporation
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