

DYNAMIC MATERIALS 2005 ANNUAL REPORT



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."



Consolidated Statement of Operations Highlights

(in thousands except per share amounts)

	Years ended December 31,	
	2005	2004
Net sales	\$ 79,291	\$ 54,165
Gross profit	\$ 23,435	\$ 13,606
Income from operations of continuing operations	\$ 15,768	\$ 6,888
Income before income taxes and discontinued operations	\$ 15,605	\$ 6,364
Income from continuing operations	\$ 10,372	\$ 4,403
Loss from discontinued operations	\$ —	\$ (1,570)
Net income	\$ 10,372	\$ 2,833
Income (loss) per diluted share:		
Continuing operations	\$ 0.86	\$ 0.41
Discontinued operations	\$ —	\$ (0.14)
Net Income	\$ 0.86	\$ 0.27
Weighted average diluted shares outstanding	12,087	10,968
Dividends declared per common share	\$ 0.10	\$ —

Balance Sheet Highlights

(in thousands)

Assets

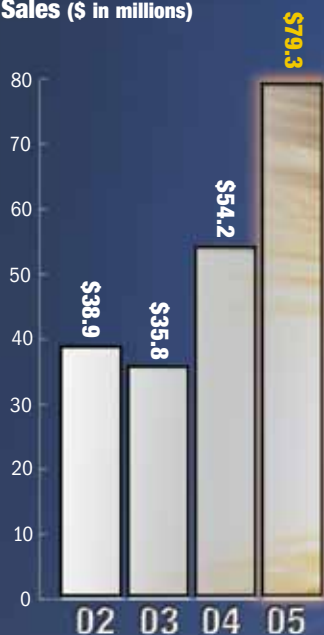
	December 31,	
	2005	2004
Cash and cash equivalents	\$ 5,763	\$ 2,404
Marketable securities	\$ 1,950	\$ —
Accounts receivable, net	\$ 15,576	\$ 13,936
Total current assets	\$ 36,552	\$ 26,246
Total assets	\$ 55,311	\$ 43,753

Liabilities

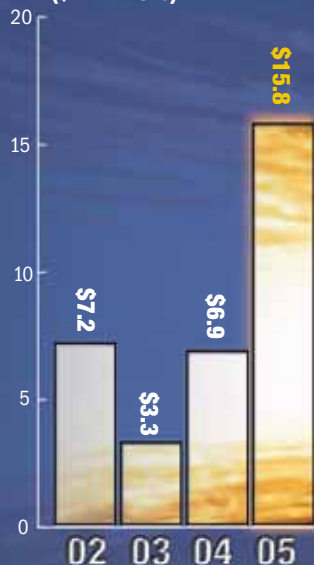
Total current liabilities	\$ 14,838	\$ 16,962
Long-term debt	\$ 2,221	\$ 2,906
Other long-term liabilities	\$ 3,297	\$ 3,815
Stockholders' equity	\$ 34,955	\$ 20,070
Total liabilities and stockholders' equity	\$ 55,311	\$ 43,753

FINANCIAL HIGHLIGHTS

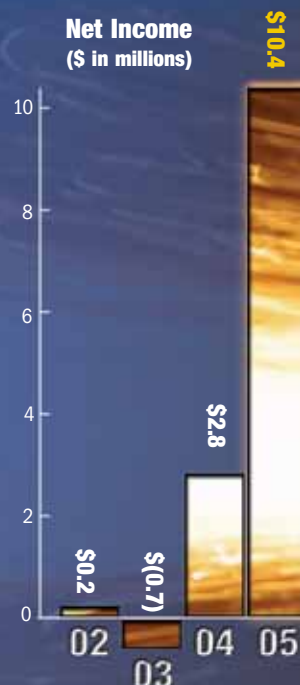
Sales (\$ in millions)



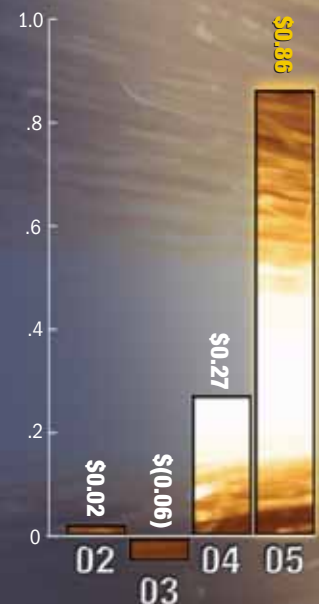
Income From Operations (\$ in millions)



Net Income (\$ in millions)



Diluted Net Income Per Share (\$)



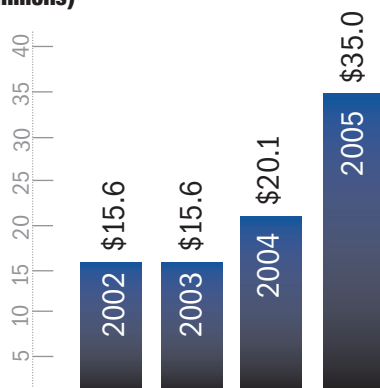
LETTER TO STOCKHOLDERS

Dear Stockholders,

Our Annual Report arrives a bit later than usual, as we delayed our 2005 post-year proceedings in order to complete a significant transaction involving our former majority stockholder. I will provide you with the details of this development in a moment. First, I would like to take you through the performance highlights of a record-breaking year at Dynamic Materials.

The strong financial growth that commenced during the latter part of fiscal 2004 continued unabated through 2005. Sales for the fiscal year increased 46% to an all-time high \$79.3 million compared with sales of \$54.2 million in 2004. Income from operations improved 129% to \$15.8 million from \$6.9 million in the prior year, and net income advanced 266% to \$10.4 million, or \$0.86 per diluted share, versus net income of \$2.8 million, or \$0.27 per diluted share, during 2004.

Stockholders' Equity (in millions)



We completed the year with a strong balance sheet that included cash and cash equivalents of \$5.8 million, current assets of \$36.6 million and working capital of \$21.7 million. We are especially proud of our growth in stockholders' equity, which increased 74% to \$35.0 million from \$20.1 million at the end of 2004.

Concurrent with our improving financial performance has been a steady increase in the order backlog at our Explosive Metalworking business, which generates more than 95% of our overall revenue. By the end of our fiscal year, backlog had reached an all-time high \$42.0 million. This growth has been fueled by strong demand from virtually every industrial sector we serve.

Capital investments within the global energy and petrochemical industries have had an especially significant impact on our sales and production activity. Pent-up demand for oil and gas refining capacity has led to

increased orders from around the globe for our clad metal plates, which are used to build critical components such as heat exchangers and pressure vessels. Other target industries, such as power generation, hydrometallurgy and aluminum smelting, all are making significant expansions in capacity, particularly within growing economies such as Brazil, Russia, India and China.

The additional investments planned within these industries give us confidence that demand for our products will continue to grow. In fact, we ourselves are investing in new production capacity in anticipation of continued

growth. After the close of fiscal 2005, our Board of Directors approved a \$9.6 million investment to double the capacity of our Mt. Braddock, Pennsylvania production facility. We expect this expansion will be largely complete by the second quarter of 2007. The Board also approved a 90% year-over-year increase to our capital investment budget, much of which we are using to upgrade our operations in Europe, and to expand our AMK Welding facilities. We are using our growing cash balances to fund these investments.

The initiation of our expansion program could not have come at a better time. At the mid-point of fiscal 2006, our order backlog has grown to a record \$52.4 million, up 25% from our 2005 year-end figure. Included in our backlog is an \$11 million order associated with an international refinery project. This contract represents the largest order in company history, and is indicative of the robust activity occurring in our target markets.

As I noted earlier, we have completed a large transaction involving our former majority stockholder. Shortly after the close of our fiscal year, we were informed by Groupe SNPE, Inc. that it planned to divest its 5.9 million shares of DMC's common stock as part of a broader strategy to liquidate certain non-core assets. In addition to holding just over 50% of DMC's stock, SNPE controlled four of the seven seats on our Board of Directors. This divestiture is now complete, and we have received the resignations of all Board members representing SNPE. As a result, we have doubled our public float, gained a broad and diverse base of new investors and established more control of our own destiny.

In light of our strong start to fiscal 2006 and the many opportunities on the horizon, we are very optimistic about the future of your company. We have assembled strong management and operational teams that are passionate about our business and the customers we serve. We believe our sales team is the best and most knowledgeable in the industry, and it does not let any opportunity pass without attempting to capture it – which more often than not, it does.

Our AMK Welding segment also is poised for success, as its major customer continues the commercialization process of its ground-based turbine business. Additionally, AMK is beginning to benefit from the improving performance of the aircraft industry.

Our focus on growth is supported by a company-wide commitment to safety, health and quality. We consistently challenge ourselves to improve all aspects of the business through structured systems, while also remaining an agile company that reacts quickly to opportunities.

I want to acknowledge the members of our Board of Directors and our new Chairman for their guidance and expertise, as well as all members of the DMC workforce for their diligence and ongoing commitment to our success. I would also like to thank you, our stockholders, for your continued support of DMC.

Sincerely,


Yvon Cariou,
President and Chief Executive Officer



EXECUTIVE MANAGEMENT AND DIRECTORS

Dynamic Materials Management Team

(from left to right)

Richard A. Santa

Vice President and Chief Financial Officer

Yvon Pierre Cariou

President and Chief Executive Officer

John G. Banker

Vice President, Marketing and Sales, Clad Metal Division



Board of 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. Bernard Hueber

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

Dr. George W. Morgenthaler

Former professor of Aerospace Engineering, University of Colorado

Mr. Gerard Munera

Chairman and CEO, Synergex

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 in Broomfield, Colorado on September 21, 2006, at 9:00 am at the Omni Interlocken Hotel.

Form 10-K

Included herein.

Headquarters & Clad Metal Sales

Dynamic Materials Corporation
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Fax: 303.665.1897
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Offices

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1138 Industrial Park Drive
Mt. Braddock, Pennsylvania 15465
Phone: 724.277.9710

Nobelclad Europe S.A.
Espace Entreprise Mediterranee-
1 allée 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

AMK Welding
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South Windsor, Connecticut 06074
860.289.5634



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