

2004 Annual Report

Dynamic Materials 2004 Annual Report



DMC Dynamic Materials
CORPORATION
GROUPE SNPE

About the Cover

DMC's explosion-bonded clad metal plates are used around the world by companies in a broad range of industries. The images on the cover show a variety of clad metal production processes and end-use applications.

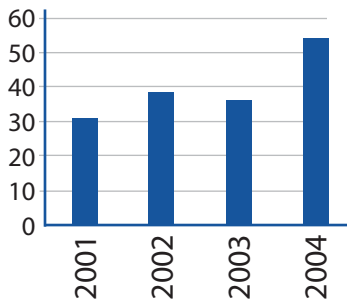
About the Company

Dynamic Materials Corporation (DMC) is the world's leading provider of explosion-bonded clad metals and associated services. The Company utilizes specialized explosive processes to fuse dissimilar metals and alloys, which are then used by customers in a broad range of industries, including petrochemicals, refining, hydrometallurgy, aluminum smelting and ship-building. With more than 30 years of international experience, DMC has captured a commanding share of the worldwide market for explosion-bonded clad metals.

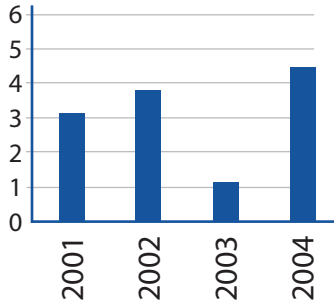
Headquartered in Boulder, Colorado, DMC operates two business units: the Explosion Metalworking Group and AMK Welding. The Explosion Metalworking Group, which performs the explosion cladding services described above, has operations in the United States and Europe, and is responsible for the majority of DMC's revenue. AMK Welding is a leading provider of precision welding services to the jet engine and ground-based turbine sectors, and is based in Connecticut – the domestic hub of the aircraft engine market.

2004 Financial Highlights

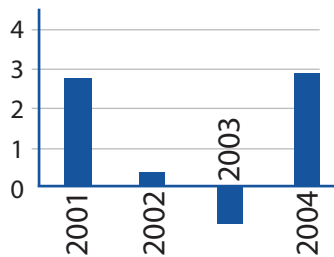
Sales (\$ in millions)



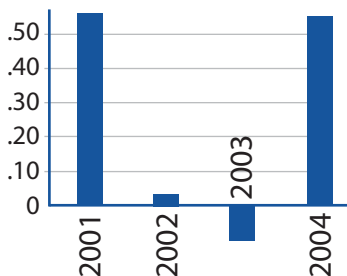
Income From Continuing Operations (\$ in millions)



Net Income (\$ in millions)



Diluted Net Income Per Share (\$)



Consolidated Statements of Operations Highlights

(in thousands except per share amounts):

	Years ended December 31,	
	2004	2003
Net sales	\$ 54,165	\$ 35,779
Gross profit	\$ 13,605	\$ 8,977
Income from operations of continuing operations	\$ 6,888	\$ 3,316
Income before income taxes and discontinued operations	\$ 6,364	\$ 2,788
Income from continuing operations	\$ 4,403	\$ 1,284
Loss from discontinued operations	\$ (1,570)	\$ (1,993)
Net income (loss)	\$ 2,833	\$ (709)
Income (loss) per diluted share:		
Continuing operations	\$ 0.81	\$ 0.25
Discontinued operations	\$ (0.28)	\$ (0.37)
Net income	\$ 0.53	\$ (0.12)
Weighted average diluted shares outstanding	5,484	5,311

Balance Sheet Highlights

(in thousands):

	December 31,	
	2004	2003
Assets		
Cash and cash equivalents	\$ 2,404	\$ 522
Accounts receivable, net of allowance	\$ 13,936	\$ 6,923
Total current assets	\$ 26,245	\$ 14,911
Total assets	\$ 43,753	\$ 35,261
Liabilities		
Total current liabilities	\$ 16,962	\$ 10,113
Long-term debt	\$ 2,906	\$ 6,022
Total liabilities	\$ 23,683	\$ 19,677
Total stockholders' equity	\$ 20,070	\$ 15,584
Total liabilities and stockholders' equity	\$ 43,753	\$ 35,261

The results of our efforts during the past year to enhance the strength of the Company and capitalize on worldwide clad metal market opportunities are evident in our 2004 financial performance.

Financial results

Revenue in 2004 was \$54.2 million, a 51% increase versus \$35.8 million posted in 2003. Income from continuing operations was up 243% to \$4.4 million, or \$0.81 per diluted share, from \$1.3 million, or \$0.25 per diluted share, in the prior year. We reported net income of \$2.8 million, or \$0.53 per diluted share, versus a net loss of \$0.7 million, or \$0.12 per diluted share, in 2003.

Net income in 2004 reflects the impact of our September sale of Spin Forge, while net income in 2003 was affected by the combined operating losses of Spin Forge and our former Precision Machined Products division, which was sold in October 2003. While this restructuring process has been challenging, it was gratifying to complete the sale of Spin Forge to the division's primary customer, which allowed us to preserve both jobs and the future operations of the business.

Operations

Our restructuring efforts have sharpened our focus on DMC's core explosion-bonded clad metal business. As the world's dominant provider of clad metal plate, we compete successfully for a significant share of the global market for this specialized material. We also execute some of the world's largest and most sophisticated explosion metal cladding projects.

The Australian Ravensthorpe nickel contract, which had a sales value to DMC of more than

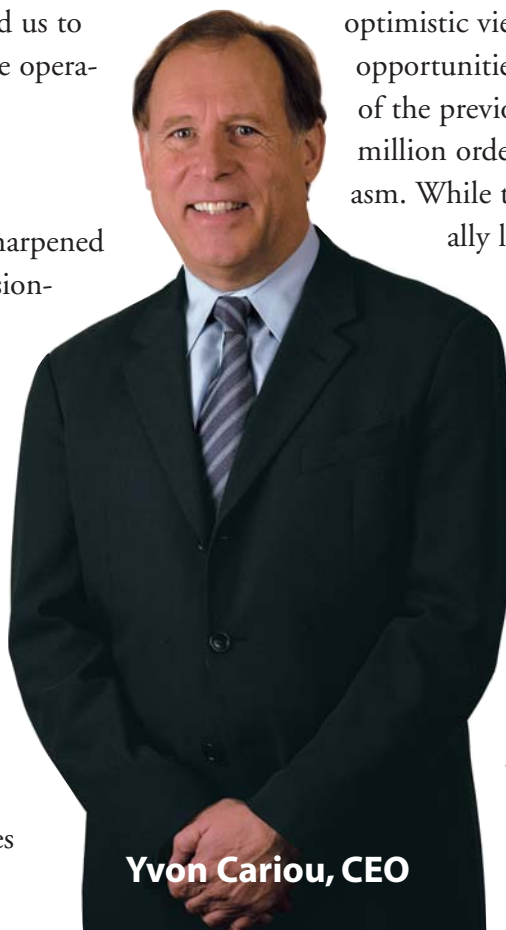
\$5 million, was one of the single largest projects we had ever executed, and despite a tight worldwide metals market and challenging delivery schedule, we successfully met the customer's objectives. Subsequent to the close of fiscal 2004, we were awarded the largest contract in our Company's history – a \$5.3 million order for work on another nickel hydrometallurgy project, this time in New Caledonia.

Our ability to deliver on these large and complex projects is due to a lean and efficient organization focused on quality and safety. Each of our divisions is ISO 9001-2000 certified (or aerospace equivalent). It is in this structured environment that we perform continuous improvement efforts, and we carry that culture to the financial side of the business to enhance our reporting and internal control procedures as called for by Sarbanes-Oxley.

Looking Forward

In spite of the record shipments delivered during the fourth quarter, we started 2005 with a record-high order backlog and an optimistic view of our near-term growth opportunities. Our first-quarter receipt of the previously mentioned \$5.3 million order reinforced this enthusiasm. While this type of order is unusually large and will not likely be a regular occurrence, we believe it is indicative of an increasing level of activity in the markets we serve.

In the United States, we are witnessing increased spending on maintenance and retrofit projects at existing chemical, petrochemical and oil refining facilities. Concurrently, our European operations are responding to large



Yvon Cariou, CEO

“We are encouraged by the growing global demand for our products, and we intend to make every effort to capitalize on it.”

international opportunities, such as construction of purified terephthalic acid plants in China and demand for electrical transition joints for use in the aluminum smelting industry. Our AMK Welding division, which played a key role in development of a new product line for a major gas turbine producer, will be ready to perform production work on the same line when it enters the commercial market.

In an effort to more effectively address this growing demand, DMC’s board of directors has approved a significant increase in our capital-spending budget for 2005, which will allow us to further enhance our production efficiencies. We also continue to work on development of new products, and I hope to share the results of these efforts with you as we bring them to the market place.

Conclusion

We are encouraged by the growing global demand for our products, and we intend to make every effort to capitalize on it. We are thankful we have had the involvement and support of our board of directors and the dedication of our talented workforce. We also appreciate the support of our expanding customer base, and you, our stockholders.

We look forward to keeping you apprised of our efforts during the coming year.

Sincerely,



Yvon Cariou



Executive Management

Mr. Yvon Pierre Cariou—*President and Chief Executive Officer*

Mr. Richard A. Santa—*Vice President, Chief Financial Officer and Secretary*

Mr. John G. Banker—*Vice President, Marketing and Sales, Clad Metal Division*

Directors

Mr. Michel Nicolas

Chairman of the Board, Dynamic Materials Corporation

Executive Vice President, Chemicals, Groupe SNPE

Chairman and CEO, Nobel Explosifs France, a Groupe SNPE subsidiary

Mr. Michel Rieusset

In House General Counsel, Groupe SNPE

Mr. Bernard Hueber

Secretary General, Federation of European Explosives Manufacturers

Former Chairman and CEO, Nobel Explosifs France, a subsidiary of Groupe SNPE

Mr. Francois Schwartz

Corporate Senior Vice President, Financial and Legal Affairs, Groupe SNPE

Mr. Dean K. Allen

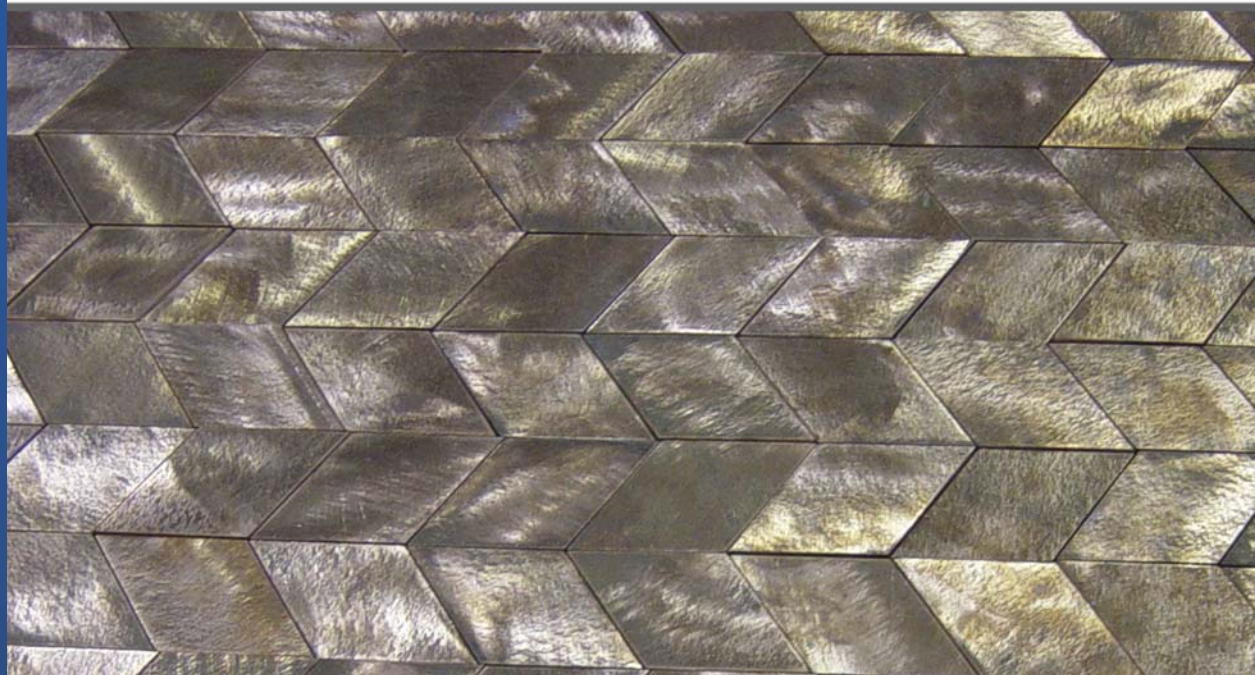
Retired President, Parsons Europe, Middle East and South Africa

Dr. George W. Morgenthaler

Former professor of Aerospace Engineering, University of Colorado

Mr. Gerard Munera

Chairman and CEO, Synergex



2004 Annual Report

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 Boulder, Colorado on
June 3, 2005, at 9:00 am 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: 303.604.1897
www.dynamicmaterials.com

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
283 Sullivan Avenue
South Windsor, Connecticut 06074
860.289.5634

Photo of Mr. Yvon Cariou on page 2 by Paul Peregrine Studios.



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