U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: JUNE 30, 1998

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ____________________ to

Commission file number: 0-8328

DYNAMIC MATERIALS CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE	84-0608431
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
551 ASPEN RIDGE DRIVE, LAFAYETTE	80026
(Address of principal executive office)	(Zip Code)

Issuer's telephone number, including Area Code (303) 665-5700

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, $.05 PAR VALUE
(TITLE OF CLASS)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,821,666 SHARES OF COMMON STOCK AS OF JULY 31,1998.

ITEM 1. FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

CONDENSED BALANCE SHEETS

(UNAUDITED)

<TABLE>
<CAPTION>

ASSETS	June 30, 1998	December 31, 1997
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ -	$ 53,809
Accounts receivable, net of allowance for doubtful accounts of $173,000 and $150,000, respectively	6,530,979	4,936,350
Inventories	4,630,184	4,029,559
Prepaid expenses and other	299,388	368,511

Deferred tax asset	200,000	200,000
Receivable from related party	221,274	221,274
Total current assets	11,881,825	9,809,503
PROPERTY, PLANT AND EQUIPMENT	10,029,280	5,831,687
Less-Accumulated depreciation	(3,435,956)	(2,988,807)
Property, plant and equipment-net	6,593,324	2,842,880
INTANGIBLE ASSETS, net of accumulated amortization of $377,840 and $307,451, respectively	1,261,183	1,230,464
NOTE RECEIVABLE	280,000	-
OTHER ASSETS	301,867	522,962
TOTAL ASSETS	$ 20,318,199	$ 14,405,809

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

CONDENSED BALANCE SHEETS

(UNAUDITED)

<TABLE>
<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 1998	December 31, 1997
<S>	<C>	<C>
CURRENT LIABILITIES:		
Bank overdraft	$ 269,541	$ -
Accounts payable	2,281,452	2,328,867
Accrued expenses	1,080,298	1,012,908
Current maturities of long-term debt and capital lease obligations	62,411	113,925
Total current liabilities	3,693,702	3,455,700
LINE OF CREDIT	3,955,000	-
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	62,729	76,832
DEFERRED TAX LIABILITY	13,800	13,800
Total liabilities	7,725,231	3,546,332
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $.05 par value; 4,000,000 shares authorized: no issued and outstanding shares	-	-
Common stock, $.05 par value; 15,000,000 shares authorized; 2,818,916 and 2,718,708 shares issued and outstanding, respectively	140,947	135,936
Additional paid-in capital	7,238,145	6,587,911
Deferred compensation	(67,500)	-
Retained earnings	5,281,376	4,135,630
	12,592,968	10,859,477
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,318,199	$ 14,405,809

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1998 AND 1997

(UNAUDITED)

	Three Months Ended June 30, 1998	Three Months Ended June 30, 1997	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
NET SALES	$11,372,968	$7,877,630	$20,868,122	$17,659,541
COST OF PRODUCTS SOLD	8,990,249	6,016,044	16,489,041	13,750,341
Gross profit	2,382,719	1,861,586	4,379,081	3,909,200
COSTS AND EXPENSES:				
General and administrative expenses	749,701	547,087	1,358,038	1,095,306
Selling expenses	478,123	528,828	1,000,623	1,056,651
Research and development costs	10,107	6,803	26,594	17,129
	1,237,931	1,082,718	2,385,255	2,169,086
INCOME FROM OPERATIONS	1,144,788	778,868	1,993,826	1,740,114
OTHER INCOME (EXPENSE):				
Other income	5,482	1,612	5,482	23,506
Interest expense	(94,297)	(24,921)	(123,647)	(90,285)
Interest income	796	4,607	2,085	7,087
Income before income tax provision	1,056,769	760,166	1,877,746	1,680,422
INCOME TAX PROVISION	(420,000)	(242,857)	(732,000)	(537,857)
NET INCOME	$ 636,769	$ 517,309	$ 1,145,746	$ 1,142,565
NET INCOME PER SHARE				
Basic	$ 0.23	$ 0.19	$ 0.41	$ 0.43
Diluted	$ 0.22	$ 0.18	$ 0.39	$ 0.40
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic	2,796,636	2,692,436	2,766,149	2,646,592
Diluted	2,932,188	2,855,949	2,901,232	2,878,143

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 1998

(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additonal Paid-In Capital	Deferred Compensation	Retained Earnings
Balances, December 31, 1997	2,718,708	$ 135,936	$ 6,587,911	-	$ 4,135,630
Common stock issued for					

stock option exercises	31,615	1,581	62,109	-	-
Common stock issued in connection with the employee stock purchase plan	11,093	555	73,700	-	-
Shares issued in connection with the purchase of Spin Forge	50,000	2,500	447,300	-	-
Restricted stock grant related to the purchase of Spin Forge	7,500	375	67,125	(67,500)	-
Net income	-	-	-	-	1,145,746
Balances, June 30, 1998	2,818,916	$ 140,947	$ 7,238,145	$ (67,500)	$ 5,281,376

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND 1997

(UNAUDITED)

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,145,746	$ 1,142,565
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation	447,149	276,058
Amortization	69,281	50,412
Decrease (increase) in-		
Accounts receivable, net	(1,594,629)	1,669,203
Inventories	417,603	3,158,852
Prepaid expenses and other	73,253	(133,076)
Increase (decrease) in-		
Bank overdraft	269,541	(743,471)
Accounts payable	(809,351)	(584,895)
Accrued expenses	(117,078)	(131,418)
Net cash flows from operating activities	(98,485)	4,704,230
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Spin Forge assets	(2,348,589)	-
Purchase of AMK assets	(905,873)	-
Loan to related party	(280,000)	-
Acquisition of property, plant and equipment	(351,727)	(170,614)
Change in other noncurrent assets	(96,462)	13,689
Net cash flows used in investing activities	(3,982,651)	(156,925)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings/(payments) on line of credit, net	3,955,000	(3,930,000)
Payments on long-term debt and capital lease obligations	(65,616)	(59,589)
Net proceeds from issuance of common stock	137,943	304,036
Net cash flows from financing activities	4,027,327	(3,685,553)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(53,809)	861,752
CASH AND CASH EQUIVALENTS, beginning of the period	53,809	209,650
CASH AND CASH EQUIVALENTS, end of the period	$ -	$ 1,071,402

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND 1997

(UNAUDITED)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	1998	1997
Cash paid during the period for-		
Interest	$ 66,820	$ 137,298
Income taxes	$344,587	$ 907,242

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The information included in the Condensed Financial Statements is unaudited but includes all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the interim periods presented. These Condensed Financial Statements should be read in conjunction with the financial statements that are included in the Company's Annual Report filed on Form 10-KSB for the year ended December 31, 1997. Certain prior period amounts have been reclassified to conform to the current period presentation.

2. ACQUISITION OF AMK AND SPIN FORGE BUSINESSES

The Company has completed two separate business acquisitions since its December 31, 1997 fiscal year end. On January 5, 1998, the Company acquired certain assets of AMK Welding, Inc. (AMK) for a cash purchase price of approximately $900,000. Assets acquired consisted primarily of machinery and equipment, land and the building that houses AMK's operations. AMK supplies commercial aircraft and aerospace-related automatic and manual, gas tungsten and arc welding services. On March 18, 1998, the Company completed the acquisition of certain assets of Spin Forge, LLC (Spin Forge) for a purchase price of approximately $3,900,000 that was paid with a combination of approximately $2,350,000 in cash, assumption of approximately $1,100,000 in liabilities and 50,000 shares of DMC Common Stock valued at $450,500. The Company's management believes Spin Forge is one of the country's leading manufacturers of tactical missile motor cases and titanium pressure vessels for the commercial aerospace and defense industries. Principal assets acquired included machinery and equipment and inventories. The Company will lease land and buildings from Spin Forge, LLC and holds an option to purchase such property for approximately $2.9 million, subject to certain adjustments, exercisable under certain conditions through January 2002. The option may be extended beyond this date under specified conditions provided that the option price must be adjusted upwards in the event that the fair market value of the property at the time of exercise is higher than $2.9 million.

The following unaudited pro forma results of operations of the Company for the three months ended June 30, 1997 and the six months ended June 30, 1997 and 1998 assumes that the acquisition of AMK and Spin Forge had occurred on January 1, 1997. These pro forma results are not necessarily indicative of the actual results of operations that would have been achieved nor are they necessarily indicative of future results of operations. In addition, the purchase price allocation of these acquisitions is tentative and may be affected by final post-closing adjustments.

<TABLE>
<CAPTION>

<S>	Three Months Ended June 30, 1997 <C>	Six Months Ended June 30, 1998 <C>	Six Months Ended June 30, 1997 <C>
Revenues	$ 9,770,738	$ 22,129,407	$ 21,244,813
Net Income	$ 488,974	$ 1,185,168	$ 1,081,701
Net Income Per Share - Basic	$ 0.18	$ 0.42	$ 0.40
Net Income Per Share - Diluted	$ 0.17	$ 0.40	$ 0.37

</TABLE>

3. INVENTORIES

This caption on the Condensed Balance Sheet includes the following:

	June 30, 1998	December 31, 1997
Raw Materials	$ 898,079	$ 984,788
Work-in-Process	3,603,752	2,865,164
Supplies	128,353	179,607
	$ 4,630,184	$ 4,029,559

4. NET INCOME PER SHARE:

The Company computes earnings per share (EPS) in accordance with Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share". Basic EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted EPS recognizes the potential dilutive effects of dilutive securities. The following represents a reconciliation of the numerator and denominator used in the calculation of basic and diluted EPS:

<TABLE>
<CAPTION>

	For The Quarter Ended June 30, 1997		
<S>	Income <C>	Shares <C>	Per share Amount <C>
Net Income	$ 517,309		
Basic earnings per share:			
Income available to common shareholders	$ 517,309	2,692,436	$ 0.19
Dilutive effect of options to purchase common stock	-	163,513	
Dilutive earnings per share:			
Income available to common shareholders	$ 517,309	2,855,949	$ 0.18

</TABLE>

<TABLE>
<CAPTION>

	For The Quarter Ended June 30, 1998		
<S>	Income <C>	Shares <C>	Per share Amount <C>
Net Income	$ 636,769		
Basic earnings per share:			
Income available to common shareholders	$ 636,769	2,796,636	$ 0.23

Dilutive effect of options to purchase common stock	-	135,552	
Dilutive earnings per share:			
Income available to common shareholders	$ 636,769	2,932,188	$ 0.22

</TABLE>

<TABLE>
<CAPTION>

	For The Six Months Ended June 30, 1997		
	Income	Shares	Per Share Amount
<S>	<C>	<C>	<C>
Net Income	$1,142,565		
Basic earnings per share:			
Income available to common shareholders	$1,142,565	2,646,592	$ 0.43
Dilutive effect of options to purchase common stock	-	231,551	
Dilutive earnings per share:			
Income available to common shareholders	$ 1,142,565	2,878,143	$ 0.40

</TABLE>

<TABLE>
<CAPTION>

	For The Six Months Ended June 30, 1998		
	Income	Shares	Per Share Amount
<S>	<C>	<C>	<C>
Net Income	$1,145,746		
Basic earnings per share:			
Income available to common shareholders	$1,145,746	2,766,149	$ 0.41
Dilutive effect of options to purchase common stock	-	135,083	
Dilutive earnings per share:			
Income available to common shareholders	$1,145,746	2,901,232	$ 0.39

</TABLE>

In December 1997, the Company adopted SFAS 128 and, as a result, the Company's reported earnings per share for the quarter and six months ended June 30, 1997 were restated. The effect of this change on previously reported EPS data was as follows:

	Quarter Ended June 30, 1997	Six Months Ended June 30,1997
Per share amounts		
Primary EPS as reported	$0.18	$0.40
Effect of FAS 128	0.01	0.03
Basic EPS as restated	$0.19	$0.43
Fully diluted EPS as reported	$0.18	$0.40
Effect of FAS 128	-	-
Diluted EPS as restated	$0.18	$0.40

5. SIGNIFICANT CUSTOMER

During the quarter and six months ended June 30, 1998, no one customer accounted for more than 10% of net sales. Two customers accounted for approximately 30% of net sales during the quarter ended June 30, 1997 and one customer accounted for approximately 23% of net sales during the six months ended June 30, 1997. International sales as a percent of net sales were 21% and 27% for the quarters ended June 30, 1998 and June 30, 1997, respectively. International sales as a percent of net sales were 20% and 35% for the six months ended June 30, 1998 and June 30, 1997, respectively. Due to the fact that a significant portion of the Company's sales is derived from a relatively small number of customers, the loss of a customer, the failure to perform existing contracts on a timely basis, to receive payment for such services in a timely manner, or to enter into future contracts at

projected volumes and profitability levels could adversely affect the Company's ability to meet its cash requirements exclusively through operating activities.

6. COMMITMENTS AND CONTINGENCIES

LITIGATION

The Company has been named as a defendant in a lawsuit filed by a French company who the Company had been in merger/acquisition discussions with during 1997, seeking damages of approximately $1.3 million. The Company plans to vigorously defend itself against such claim and management of the Company believes the ultimate outcome of such litigation will not have a material adverse effect on its financial condition or results of operations. No provision for liability with respect to this claim has been made in the accompanying statements of financial condition.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussion should be read in conjunction with the Condensed Financial Statements included elsewhere within this quarterly report. Fluctuations in annual and quarterly operating results may occur as a result of certain factors such as the size and timing of customer orders and competition. Due to such fluctuations, historical results and percentage relationships are not necessarily indicative of the results for any future period. Statements contained in this report that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Factors that could cause actual results to differ materially include, but are not limited to, the ability to obtain new contracts at attractive prices; the size and timing of customer orders; fluctuations in customer demand; competitive factors; the timely completion of contracts; and general economic conditions, both domestically and abroad. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. The Company further directs readers to the factors discussed in the Company's Form 10-KSB for the year ended December 31, 1997.

GENERAL

Dynamic Materials Corporation ("DMC" or the "Company") is a worldwide leader in the high energy metal working business. The high energy metal working business includes the use of explosives to perform both metallurgical bonding, or metal "cladding," and metal forming. The Company performs metal cladding using its proprietary Dynaclad(TM) and Detaclad(R) technologies and performs metal forming using its proprietary Dynaform(TM) technology. Historically, the Company has generated approximately 85% to 90% of its revenues from its metal cladding business and approximately 10% to 15% of its revenues from its metal forming and shock synthesis businesses. The Company expects revenues from its cladding business, as a proportion of total Company revenues, to decline as a result of the recent AMK and Spin Forge acquisitions.

Metal Cladding. Clad metal products are used in manufacturing processes or environments that involve highly corrosive chemicals, high temperatures and/or high pressure conditions. For example, the Company fabricates clad metal tube sheets for heat exchangers. Heat exchangers are used in a variety of high temperature, high pressure, highly corrosive chemical processes, such as processing crude oil in the petrochemical industry and processing chemicals used in the manufacture of synthetic fibers. In addition, the Company has produced titanium clad plates used in the fabrication of metal autoclaves to replace autoclaves made of brick and lead for two customers in the mining industry. The Company believes that its clad metal products are an economical, high-performance alternative to the use of solid corrosion-resistant alloys.

Metal Forming, Welding and Assembly. Formed metal products are made from sheet metal and forgings that are subsequently formed into precise, three-dimensional shapes that are held to tight tolerances. Metal forming is accomplished through both the use of explosives and traditional forming technologies, including spinning, machining, rolling and hydraulic expansion. DMC also performs welding services utilizing a variety of manual and automatic welding techniques that include electron beam and gas tungsten arc welding processes. The Company's forming and welding operations are often performed to support the manufacture of completed assemblies and sub-assemblies required by its customers. Assembly and fabrication services are performed utilizing the Company's close-tolerance machining, forming, welding, inspection and other special service capabilities. The Company's forming, welding and assembly operations serve a variety of product applications in the commercial aircraft, aerospace, defense and power generation industries. Product applications include torque box webs for jet engine nacelles, tactical and ballistic missile motor cases and titanium pressure tanks.

The Company is continually working to generate solutions to the materials needs of customers in its target markets. Key elements of the Company's strategy include continual improvement of its basic processes and product offerings, the internal development of new cladding and forming products and the acquisition of businesses that broaden or complement the Company's existing product lines. In July 1996, the Company completed its first strategic acquisition when it acquired the assets of the Detaclad(R) Division ("Detaclad") of E.I. du Pont de Nemours and Company ("DuPont"), a complementary explosion cladding business with expertise in cladding thin metals and heat exchanger components primarily for the chemical processing, power generation and petrochemical industries.

The Company has completed two separate business acquisitions since its December 31, 1997 fiscal year end. On January 5, 1998, the Company acquired certain assets of AMK Welding, Inc. (AMK) for a cash purchase price of approximately $900,000. Assets acquired consisted primarily of machinery and equipment, land and the building that houses AMK's operations. AMK supplies commercial aircraft and aerospace-related automatic and manual, gas tungsten and arc welding services and generated sales of approximately $1.2 million in its most recent fiscal year that ended on July 31, 1997. On March 18, 1998, the Company completed the acquisition of certain assets of Spin Forge, LLC (Spin Forge) for a purchase price of approximately $3,900,000 that was paid with a combination of approximately $2,350,000 in cash, assumption of approximately $1,100,000 in liabilities and 50,000 shares of DMC Common Stock valued at $450,500. The Company's management believes Spin Forge is one of the country's leading manufacturers of tactical missile motor cases and titanium pressure vessels for the commercial aerospace and defense industries. Principal assets acquired included machinery and equipment and inventories. The Company will lease land and buildings from Spin Forge, LLC and holds an option to purchase such property for approximately $2.9 million, subject to certain adjustments, exercisable under certain conditions through January 2002. The option may be extended beyond this date under specified conditions provided that the option price must be adjusted upwards in the event that the fair market value of the property at the time of exercise is higher than $2.9 million. Spin Forge generated sales revenues of approximately $6.5 million for the year ended December 31, 1997.

The Company has experienced and expects to continue to experience, quarterly fluctuations in operating results caused by various factors, including the timing and size of orders from major customers, customer inventory levels, shifts in product mix, the occurrence of acquisition-related costs and general economic conditions. In addition, the Company typically does not obtain long-term volume purchase contracts from its customers. Quarterly sales and operating results therefore depend on the volume and timing of backlog as well as bookings received during the quarter. A significant portion of the Company's operating expenses is fixed, and planned expenditures are based primarily on sales forecasts and product development programs. If sales do not meet the Company's expectations in any given period, the adverse impact on operating results may be magnified by the Company's inability to adjust operating expenses sufficiently or quickly enough to compensate for such a shortfall. In addition, the Company uses numerous suppliers of alloys, steels and other materials for its operations. The Company typically bears a short-term risk of alloy, steel and other component price increases, which could adversely affect the Company's gross profit margins. Although the Company will work with customers and suppliers to minimize the impact of any component shortages, component shortages have had, and are expected from time to time to have, short-term adverse effects on the Company's business. Results of operations in any period should not be considered indicative of the results to be expected for any future period. Fluctuations in operating results may also result in fluctuations in the price of the Company's Common Stock.

The Year 2000 will impact computer programs written using two digits rather than four to define the applicable year. Any programs with time-sensitive software may recognize a date using A00@ as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operation, including a temporary inability to process transactions, send invoices or engage in other ordinary activities. This problem largely affects software programs written years ago, before the issue came to prominence. The Company recently reviewed all of its software for exposure to Year 2000 issues, including network and workstation software, and does not believe that it has significant risk associated with the problem. The Company primarily uses third party software programs written and updated by outside firms, each of whom has stated that its software is Year 2000 compliant. To assure that all software programs can successfully work in conjunction with each other in regards to the year 2000 issue, the Company tested all of its software during the second quarter of 1998 using a combination of past and future dates. Only minor problems were identified during this test, which should be corrected before the end of the 1998 calendar year. The cost of modifying or replacing software to bring the Company into compliance is not expected to be significant. The Company is in the process of reviewing its suppliers exposure to Year 2000 issues and the potential impact on the Company's operations.

QUARTER ENDED JUNE 30, 1998 COMPARED TO JUNE 30, 1997

The following table sets forth for the periods indicated the percentage relationship to net sales of certain income statement data:

<TABLE>
<CAPTION>

	Percentage of Net Sales			
	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Products	79.0%	76.4%	79.0%	77.9%
Gross Margin	21.0%	23.6%	21.0%	22.1%
General & Administrative	6.6%	6.9%	6.5%	6.2%
Selling Expenses	4.2%	6.7%	4.8%	6.0%
R & D	0.1%	0.1%	0.1%	0.1%
Income from Operations	10.1%	9.9%	9.6%	9.9%
Interest Expense	0.8%	0.3%	0.6%	0.5%
Income Tax Provision	3.7%	3.1%	3.5%	3.0%
Net Income	5.6%	6.6%	5.5%	6.5%

</TABLE>

NET SALES. Net sales for the quarter ended June 30, 1998 increased 44.4% to $11,372,968 from $7,877,630 in the second quarter of 1997. Sales for the second quarter of 1998 included approximately $2,350,000 from the newly acquired Spin Forge and AMK businesses, with these sales accounting for the majority of the 1998 sales increase. For the six months ended June 30, 1998, net sales increased 18.2% to $20,868,122 from $17,659,541 in the comparable period of 1997. Spin Forge and AMK sales of approximately $3,150,000 for the six months ended June 30, 1998 accounted for the entire sales increase.

GROSS PROFIT. As a result of the Company's increase in net sales, gross profit for the quarter ended June 30, 1998 increased by 28.0% to $ 2,382,719 from $1,861,586 in the second quarter of 1997. The gross profit margin for the quarter ended June 30, 1998 was 21.0%, representing an 11% decline from the gross profit margin of 23.6% for the second quarter of 1997. For the six months ended June 30, 1998, gross profit increased 12.0% to $4,379,081 from $3,909,200 in the comparable period of 1997. The gross profit margin for the six months ended June 30, 1998 was 21.0%, representing a 5% decline from the gross profit margin of 22.1% for the first six months of 1997. The decreases for both the three and six month periods are principally due to proportionately lower sales of explosively formed products that have historically carried significantly higher margins than sales of clad metal plates. A customer that accounts for a major portion of the Company's sales of explosively formed products has significantly reduced its 1998 order levels for explosively formed parts and has informed the Company that it likely will no longer order such parts from the Company. The Company expects that the resulting reduced sales and gross profits from its explosion forming business will be replaced by sales and gross profits generated by the recently acquired AMK Welding and Spin Forge operations.

GENERAL AND ADMINISTRATIVE. General and administrative expenses for the quarter ended June 30, 1998 increased 37.0% to $749,701 from $547,087 in the second quarter of 1997. For the six months ended June 30, 1998, general and administrative expenses increased 24.0% to $1,358,038 from $1,095,306 in the comparable period of 1997. These increases are primarily attributable to general and administrative expenses associated with the operations of AMK Welding and Spin Forge which were acquired on January 5, 1998 and March 18, 1998, respectively. General and administrative expenses are expected to remain at these higher 1998 levels to support the acquired AMK and Spin Forge operations and other strategic business initiatives. As a percentage of sales, general and administrative expenses decreased from 6.9% in the second quarter of 1997 to 6.6% for the quarter ended June 30, 1998 and increased from 6.2% to 6.5% for the comparable six month periods.

SELLING EXPENSE. Selling expenses decreased by 9.6% to $478,123 for the quarter ended June 30, 1998 from $528,828 in the second quarter of 1997. For the six months ended June 30, 1998, selling expenses decreased 5.3% to $1,000,623 from $1,056,651 in the comparable period of 1997. These decreases reflect lower expense levels in a number of categories, including compensation and benefits, advertising and promotion, reserves for bad debts and travel and entertainment expenses. Selling expenses as a percentage of net sales decreased from 6.7% in the second quarter of 1997 to 4.2% for the quarter ended June 30, 1998, and from 6.0% for the six months ended June 30, 1997 to 4.8% for the comparable period of 1998. These decreases reflect decreased spending levels combined with the higher sales volume achieved in 1998.

RESEARCH AND DEVELOPMENT. Research and development expenses increased 48.6% to $10,107 for the quarter ended June 30, 1998 from $6,803 in the second quarter of 1997. For the six months ended June 30, 1998, research and development expenses increased 55.3% to $26,594 from $17,129 in the comparable period of 1997. The Company is currently utilizing its engineering resources to support current manufacturing activities, including the plant design and sourcing of equipment for a new manufacturing facility to be constructed in Pennsylvania, and does not expect to significantly increase spending on research and development projects in the near future.

INCOME FROM OPERATIONS. Income from operations increased by 47.0% to $1,144,788 for the quarter ended June 30, 1998 from $778,868 in the second quarter of 1997. This increase is a direct result of the 44.4% increase in net sales discussed above. For the six months ended June 30, 1998, income from operations increased 14.6% to $1,993,826 from $1,740,114 in the comparable period of 1997. This increase is a direct result of the 18.2% increase in net sales. Income from operations as a percentage of net sales increased to 10.1% for the three months ended June 30, 1998 from 9.9% in the comparable 1997 period and decreased to 9.6% for the six months ended June 30, 1998 from 9.9% for the six months ended June 30, 1997.

INTEREST EXPENSE. Interest expense increased to $94,297 for the quarter ended June 30, 1998 from $24,921 in the second quarter of 1996. For the six months ended June 30, 1998, interest expense increased to $123,647 from $90,285 in the comparable period of 1997. These increases are due to borrowings under the Company's revolving line of credit with KeyBank of Colorado that were required to finance the AMK Welding and Spin Forge acquisitions.

INCOME TAX PROVISION. The Company's income tax provision increased by 72.9% to $420,000 for the quarter ended June 30, 1998 from $242,857 in the second quarter of 1997. The income tax provision for the six months ended June 30, 1998 increased 36.1% to $732,000 from $537,857 for the comparable period of 1997. For the quarter and six months ended June 30, 1998, the effective tax rate was 39.7% and 39.0%, respectively, as compared to 32.0% for the comparable 1997 periods. The full year 1997 effective tax rate was 37.8% and the Company expects its effective tax rate to increase slightly in 1998 to 39.0% due to anticipated increases in state income taxes as a result of the AMK Welding and Spin Forge acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has secured the major portion of its operational financing from operating activities and an asset-backed revolving credit facility. In connection with the Detaclad acquisition, the Company entered into a $7,500,000 asset-backed revolving credit facility with KeyBank National Association (KeyBank) in July of 1996. The credit facility had a seven-year term and was secured by substantially all of the Company's assets, including its accounts receivable, inventory and equipment. The maximum amount available under the line of credit was subject to borrowing base restrictions that were a function of defined balances in accounts receivable, inventory, real property and equipment.

In connection with the Company's acquisition of Spin Forge on March 18, 1998 and resultant increase in the Company's asset base, the Company amended its revolving credit facility with KeyBank. Amendments included an increase in the total facility from $7.5 million to $10 million and separating $5 million of the total facility into a reducing revolving credit facility to be used principally for acquisition financing. The reducing revolving credit facility is secured by certain of the Company's assets, including those of the acquired AMK and Spin Forge businesses, and is not subject to borrowing base restrictions. Availability under this facility will be reduced at the rate of $1 million per year over its five-year term. The remaining $5 million of the revolving credit facility will continue under the same terms and conditions as described above for the original $7.5 million facility. The interest rate applicable to borrowings under both the revolving credit facility and reducing revolving credit facility is, at the Company's option, either the LIBOR Rate plus 1% to 1.5%, depending on certain conditions, or the Federal Funds Rate plus 2%. The Company's total borrowings under the KeyBank facility were $3,955,000 as of June 30, 1998.

During the six months ended June 30, 1998, the Company used $98,485 in cash flows from operating activities as compared to generating $4,704,230 during the first six months of 1997. The principal sources of cash flow from operations in the quarter ended June 30, 1998 were net income of $1,145,746, depreciation and amortization charges of $516,430, a decrease in inventories of $417,603, and an increase in bank overdraft of $269,541. These sources of operating cash flow were more than offset by a $1,594,629 increase in accounts receivable and a $926,429 decrease in accounts payable and accrued expenses. The large increase in accounts receivable relates to the build-up of Spin Forge accounts receivable subsequent to the March 18, 1998 acquisition of Spin Forge (outstanding accounts receivable on this date were not included among the assets purchased) and strong June sales in the Company's bonding business. The current ratio was 3.2 as of June 30, 1998 as compared to 2.8 at December 31, 1997. Investing activities in the six months ended June 30, 1998 used $3,982,651 of cash, principally to fund the purchase of the Spin Forge and AMK assets. Financing activities for the six months ended June 30, 1998 provided $4,027,327 of net cash, including line of credit borrowings in the amount of $3,955,000 that were used primarily for the purchase of the assets of Spin Forge and AMK.

In March 1998, the Company's Board of Directors approved the Company's proposal to build a new manufacturing facility in Pennsylvania at a cost of approximately $6.8 million. The Company plans to finance the construction of the manufacturing facility and purchase of related equipment with proceeds from the issuance of tax-exempt, industrial development revenue bonds. KeyBank has provided the Company with a letter of credit commitment in the amount of $7 million as credit enhancement for the bond financing. The Company anticipates closing the bond financing before the end of the third quarter. Construction of the new facility is also expected to begin during the third quarter of 1998 and should be completed during the first half of 1999.

The Company believes that its cash flow from operations, funds expected to be available under its amended credit facility, and proceeds from the anticipated tax-exempt bond financing for the new Pennsylvania manufacturing facility will be sufficient to fund working capital and capital expenditure requirements of its current business operations, including those of the recently acquired AMK and Spin Forge businesses, for the foreseeable future. However, a significant portion of the Company's sales is derived from a relatively small number of customers; therefore, the failure to perform existing contracts on a timely basis, and to receive payment for such services in a timely manner, or to enter into future contracts at projected volumes and profitability levels could adversely affect the Company's ability to meet its cash requirements exclusively through operating activities. Consequently, any restriction on the availability of borrowing under the line of credit could negatively affect the Company's ability to meet its future cash requirements. The Company's expenditures for the Pennsylvania manufacturing facility could exceed its estimates due to construction delays, the delay in the receipt of any required government approvals and permits, labor shortages or other factors. In addition, the Company plans to grow both internally and through the acquisition of complementary businesses. Increased expenditures for the Pennsylvania manufacturing facility and/or a significant acquisition may require the Company to secure additional debt or equity financing. While the Company believes it would be able to secure such additional financing at reasonable terms, there is no assurance that this would be the case.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company has been named as a defendant in a lawsuit filed in France by a French company with which the Company had preliminary acquisition discussions during 1997. The Company plans to vigorously defend itself against such claim and the management of the Company believes that the ultimate outcome of such litigation will not have a material adverse effect on the Company's financial condition or results of operations. The Company is not party to any other legal proceedings, the adverse outcome of which would, in management's opinion, have a material adverse effect on the Company's business, operation results and financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders (the "Annual Meeting") was held on May 22, 1998. At the Annual Meeting, the stockholders of the Company (i) elected each of the persons listed below to serve as a director of the Company until the 2001 Annual Meeting of Shareholders or until his successor is elected, (ii) approved the amendment and restatement of the Company's 1997 Equity Incentive Plan and increased the aggregate number of shares of Common Stock authorized for issuance under such plan by 150,000 shares, (iii) approved the Company's Employee Stock Purchase Plan, (iv) ratified the indemnification agreements entered into between the Company and its directors and officers and to approve the Company entering into similar agreements with future directors and officers, and (v) ratified the selection of Arthur Andersen LLP as independent accountants of the Company for its fiscal year ending December 31, 1998.

The Company had 2,789,508 shares of Common Stock outstanding as of April 9, 1998, the record date for the Annual Meeting. At the Annual Meeting, holders of a total of 2,609,055 shares of Common Stock were present in person or represented by proxy. The following sets forth information regarding the results of the voting at the Annual Meeting:

PROPOSAL 1: ELECTION OF DIRECTORS

DIRECTOR	VOTING SHARES IN FAVOR	VOTING SHARES AGAINST	VOTING SHARES WITHHELD
Michael C. Franson	2,566,630	--	42,425
George W. Morgenthaler	2,569,880	--	39,175

PROPOSAL 2: APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 1997 EQUITY INCENTIVE PLAN

VOTING SHARES IN FAVOR	VOTING SHARES AGAINST	VOTING SHARES ABSTAIN	BROKER NON-VOTES
2,408,536	176,640	5,785	18,094

PROPOSAL 3: APPROVAL OF THE EMPLOYEE STOCK PURCHASE PLAN

VOTING SHARES IN FAVOR	VOTING SHARES AGAINST	VOTING SHARES ABSTAIN	BROKER NON-VOTES
1,815,739	24,500	2,335	766,481

PROPOSAL 4: RATIFICATION OF INDEMNIFICATION AGREEMENTS AND TO APPROVE ENTERING INTO SIMILAR AGREEMENTS WITH FUTURE DIRECTORS AND OFFICERS

VOTING SHARES IN FAVOR	VOTING SHARES AGAINST	VOTING SHARES ABSTAIN

2,561,645	42,056	5,354

PROPOSAL 5: RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTANTS

VOTING SHARES IN FAVOR	VOTING SHARES AGAINST	VOTING SHARES ABSTAIN
2,596,866	7,615	4,574

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

27 Financial Data Schedule

(b) A report on Form 8-K was filed on April 2, 1998 reporting the completion of the acquisition of certain assets of Spin Forge, LLC, which occurred on March 18, 1998. A report on Form 8-K/A was filed on June 1, 1998. This report amended the Form 8-K filed on April 2, 1998, to include audited financial information as of December 31, 1997 for the Spin Forge business, which the Company acquired on March 18, 1998. The report also included unaudited pro forma financial information as of March 31, 1998, and for the year ended December 31, 1997.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYNAMIC MATERIALS CORPORATION

(Registrant)

Date: August 14, 1998

Richard A. Santa, Vice President of
Finance and Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

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