

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-14775

DYNAMIC MATERIALS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

84-0608431

(I.R.S. Employer Identification No.)

5405 Spine Road, Boulder, Colorado 80301

(Address of principal executive offices, including zip code)

(303) 665-5700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$.05 Par Value

Name of each exchange on which registered
The Nasdaq National Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act from their obligations under those sections. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "larger accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The approximate aggregate market value of the voting stock held by non-affiliates of the registrant was \$201,689,109 as of June 30, 2010.

The number of shares of Common Stock outstanding was 13,329,698 as of February 23, 2011.

Certain information required by Items 10, 11, 12, 13 and 14 of Form 10-K is incorporated by reference into Part III hereof from the registrant's proxy statement for its 2010 Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission ("SEC") within 120 days of the close of the registrant's fiscal year ended December 31, 2010.

PART I

ITEM 1. Business

Overview

Dynamic Materials Corporation is an industrial manufacturer focusing on niche markets related to the building of equipment and materials to support the infrastructure of the process and energy industries. Built upon specialized technologies, the company seeks to establish a global presence through an international network of manufacturing facilities and sales offices. Today, the Company operates in three business segments: Explosive Metalworking (64% of 2010 net sales), Oilfield Products (29% of 2010 net sales), and AMK Welding (7% of 2010 net sales).

We are a leading provider of explosion-welded clad metal plates. Explosion-weld cladding uses an explosive charge to bond together plates of different metals that do not bond easily with traditional welding techniques. We refer to this part of our business as “DMC Clad” or the “Explosive Metalworking” segment. DMC Clad markets its explosion-welded clad products under the Detaclad® trade name. DMC Clad’s products are used in critical applications in a variety of industries, including oil and gas, alternative energy, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation and industrial refrigeration. DMC Clad’s market leadership for explosion-welded clad metal plates is a result of its state-of-the-art manufacturing facilities, technological leadership, and production expertise. We believe our customers select us for our high quality product, speed and reliability of delivery, and cost effectiveness. We have a global sales force through which we sell our products in international markets. Our Explosive Metalworking operations are located in the United States, Germany and France.

Through our Oilfield Products segment, which we also refer to as “DYNAenergetics,” we provide a range of proprietary and nonproprietary products for the global oil and gas industries. These products relate primarily to oil and gas well perforation, which is a process of punching holes in the casing of a well to enable easier and more precise recovery of oil or gas from a targeted formation. Manufactured products include shaped charges, detonators and detonating cords, bidirectional boosters, and perforating guns for the perforation of oil and gas wells. DYNAenergetics also distributes a line of seismic products that support oil and gas exploration activities. DYNAenergetics’ primary manufacturing and sales operations are located in Germany, Texas, Canada and Russia and its products are sold in numerous countries.

Our AMK Welding segment (“AMK Welding”) provides advanced welding services, primarily to the power turbine and aircraft engine manufacturing industries. AMK Welding is a highly specialized welding subcontracting shop for complex shapes used principally in gas turbines and aircraft engines. AMK Welding’s operations are conducted at its Connecticut facility.

Clad Metal Industry

Clad metal plates are typically used in the construction of heavy, corrosion resistant pressure vessels and heat exchangers for oil and gas, alternative energy, chemical and petrochemical, hydrometallurgy, power generation, industrial refrigeration, and similar industries. Clad metal plates consist of a thin layer of an expensive, corrosion resistant metal, such as titanium or stainless steel, which is metallurgically combined with a less expensive structural base metal, such as steel. For heavy equipment, clad generally provides a cost savings alternative to building the equipment of solely the corrosion resistant alloy.

There are three major industrial clad plate manufacturing technologies:

- Explosion welding
- Hot Rollbonding
- Weld overlay

Explosion welding is the most versatile clad plate manufacturing technology. Being a robust cold welding technology, explosion-welded clad products exhibit high bond strength combined with the unaltered corrosion resistance and mechanical properties of the pre-clad components. The explosion-welded clad process is suitable for joining virtually any combination of common engineering metals. Explosion-welded clad metal is produced as flat plates or concentric cylinders which can be further formed and fabricated as needed. When fabricated properly, the two metals will not come apart. The dimensional capabilities of the process are broad: cladding metal layers can range from a few thousandths of an inch to several inches and base metal thickness and lateral dimensions are primarily limited by the size capabilities of the world’s metal production mills. Explosion welding is used to clad a very broad range of metals to steel including

aluminum, titanium, zirconium, nickel alloys, and stainless steels. The alternative technologies are typically limited to the latter two. In addition to use as clad plates, the explosion welded components can be used as transition pieces, facilitating conventional welding of dissimilar metals. DMC Clad transition joints are used in the aluminum production and shipbuilding industries.

Hot rollbonding is performed by a small group of the world’s heavy plate rolling mills. In this process, the clad metal and base metal are bonded together during the hot rolling operation in which the metal slab is converted to plate. Being a high temperature process, hot rollbond is limited to joining similar metals, such as stainless steel and nickel alloys to steel. Rollbond’s niche is production of large quantities of light to medium gauge clad plates; it is frequently lower cost than explosion clad when total metal thickness is under 1 to 2 inches (dependent upon alloy and a number of other factors.) Rollbond products are generally suitable for most pressure vessel applications but have lower bond shear strength and may have inferior corrosion resistance.

In weld overlay cladding, the clad metal layer is deposited on the base metal using arc-welding type processes. Weld overlay is a cost-effective technology for complicated shapes, for field service jobs, and for production of heavy-wall pressure vessel reactors. During overlay welding, the cladding metal and base metal are melted together at their interface, the resulting dilution of the cladding metal chemistry may compromise corrosion performance and limit use in certain applications. Weld metal shrinkage during cooling potentially causes distortion when the base layer is thin; consequently, overlay is rarely the technically preferred solution for construction of new equipment when thicknesses are under 3 to 4 inches. As with rollbond, weld overlay is limited to metallurgically similar metals, primarily stainless steels and nickel alloys joined to steel. Weld overlay is typically performed in conventional metal fabrication shops.

Clad Metal End Use Markets

Explosion-welded clad metal is primarily used in construction of large industrial equipment involving high pressures and temperatures and needs to be corrosion resistant. The eight broad industrial sectors discussed below comprise the bulk of demand for DMC Clad’s business. The demand for clad metal is driven by the underlying demand for new equipment and facility maintenance in these primary market sectors. Overall, the market for explosion-welded clad metal has continuously grown since its inception, with demand dependent upon the underlying needs of the various market sectors. There has been significant capital investment in many of these markets.

Oil and Gas: Oil and gas end use markets include both oil and gas production and petroleum refining. Oil and gas production covers a broad scope of operations related to recovering oil and/or gas for subsequent processing in refineries. Clad metal is used in separators, glycol contactors, piping, heat exchangers and other related equipment. The increase in oil and gas production from deep, hot, and corrosive fields has significantly increased the demand for clad equipment. Many non-traditional energy production methods are potentially commercially viable for bringing natural gas to the market. Clad is commonly used in these facilities. The primary clad metals for this market are stainless steel and nickel alloys clad to steel, with some use of reactive metals.

Petroleum refining processes frequently are corrosive, are hot, and operate at high pressures. Clad metal is extensively used in a broad range of equipment including desulfurization hydrotreaters, coke drums, distillation columns, separators and heat exchangers. In the United States, refineries are running near their full capacity; and adding capacity and reducing costly down-time are a high priority. The increasing reliance upon low quality, high sulfur crude further drives additional demand for new corrosion resistant equipment. Worldwide trends in regulatory control of sulfur emissions in gas, diesel and jet fuel are also increasing the need for clad equipment. Like the upstream oil and gas sector, the clad metals are primarily stainless steel and nickel alloys.

Alternative Energy: Today’s oil and gas prices and increasing climate concerns are driving significant upward demand for capital equipment in the alternative energy sector. Frequently, alternative energy technologies involve conditions which necessitate clad metals. Solar panels predominantly incorporate high purity silicon.

Processes for manufacture of high purity silicon utilize a broad range of highly corrosion resistant clad alloys. Many geothermal fields are corrosive, requiring high alloy clad separators to clean the hot steam. Cellulosic ethanol technologies may require corrosion resistant metals such as titanium and zirconium.

Chemical and Petrochemical: Many common products, ranging from plastics to drugs to electronic materials, are produced by chemical processes. Because the production of these items often involves corrosive agents and is conducted under high pressures or temperatures, corrosion resistant equipment is needed, equipment which is best and most cost-effectively produced using clad construction. One of the larger applications for titanium-clad equipment is in the manufacture of Purified Terephthalic Acid ("PTA"), a precursor product for polyester, which is used in everything

from carpets to plastic bottles. This market requires extensive use of stainless steel and nickel alloys, but also uses titanium and, to a lesser extent, zirconium and tantalum.

Hydrometallurgy: The conversion of raw ore to metal generally involves high energy and/or corrosive processes. Traditionally, most metals have been produced by high temperature smelting. Over the past two decades there has been an increasing trend toward acid leaching processes. These hydrometallurgy processes are more environmentally friendly and more energy efficient. The processes for production of nickel, gold, and copper involve acids, high pressures, and high temperatures. Titanium is the metal of choice. Titanium-clad plates are used extensively for construction of autoclaves and peripheral equipment.

Aluminum Production: Aluminum is reduced from its oxide in large electric smelters called potlines. The electric current is carried via aluminum conductors. The electricity must be transmitted into steel components for the high temperature smelting operations. Aluminum cannot be welded to steel conventionally. Explosion-welded aluminum-steel transition joints provide an energy efficient and highly durable solution for making these connections. Modern potlines use a large number of transition joints. Transition joints are typically replaced after approximately five years in service. Although aluminum production is the major electrochemical application for DMC Clad products, there are a number of other electrochemical applications including production of magnesium, chlorine and chlorate.

Shipbuilding: The combined problems of corrosion and top-side weight drive significant demand for our aluminum-steel transition joints. Top-side weight is often a significant problem with tall ships, including cruise ships, naval vessels, ferries and yachts. Use of aluminum in the upper structure and steel in the lower structure provides stability. Bolted joints between aluminum and steel corrode quickly in seawater. Aluminum cannot be welded directly to steel using traditional welding processes. Welded joints can only be made using transition joints. DMC Clad products can be found on many well known ships, including the QE II and modern U.S. Navy aircraft carriers.

Power Generation: Fossil fuel and nuclear power generation plants require extensive use of heat exchangers, many of which require corrosion resistant alloys to handle low quality cooling water. Our clad plates are used extensively for heat exchanger tubesheets. The largest clad tubesheets are used in the final low pressure condensers. For most coastal and brackish water cooled plants, titanium is the metal of choice technically, and titanium-clad tubesheets are the low cost solution for power plant condensers.

Industrial Refrigeration: Heat exchangers are a core component of refrigeration systems. When the cooling water is seawater, brackish, or even slightly polluted, corrosion resistant metals are necessary. Metal selection can range from stainless steel to copper alloy to titanium. Explosion-welded clad metal is often the low cost solution for making the tubesheets. Applications range from refrigeration chillers on fishing boats to massive air conditioning units for skyscrapers, airports, and deep underground mines.

Oil and Gas Field Perforating Industry

The oil and gas industry utilizes perforating products in oil and gas fields to punch holes in the casing or liner of wells to connect them to the reservoir. The operator runs a casing or liner into the well and then inserts the perforating guns, which contain a series of specialized shaped charges. Once fired, the perforating guns provide access to the specified sections of the desired areas of the targeted formations. Completing wells through the use of perforation guns can provide more control over the well.

DYNAenergetics End Use Markets

DYNAenergetics products are utilized to perform both perforating services—which require shaped charges, detonators, boosters, detonating cords, and perforating guns—and seismic prospecting. DYNAenergetics manufactures and distributes a comprehensive array of perforating products. Our DYNAenergetics products are generally purchased by oilfield service companies who utilize our perforating products for oil and gas recovery and our seismic products for oil and gas exploration activities.

AMK Welding End Use Markets

Parts for power turbines and aircraft engines must be machined to exacting tolerances and welded according to exacting specifications. Many of those parts have complex shapes, the welding of which requires significant expertise. AMK Welding is a specialized operation that welds complex, shaped parts for machining companies that, in turn, supply

the manufacturers of power turbines and aircraft engines. Some machining companies also have their own welding facilities, which compete with AMK Welding for business.

Business Segments

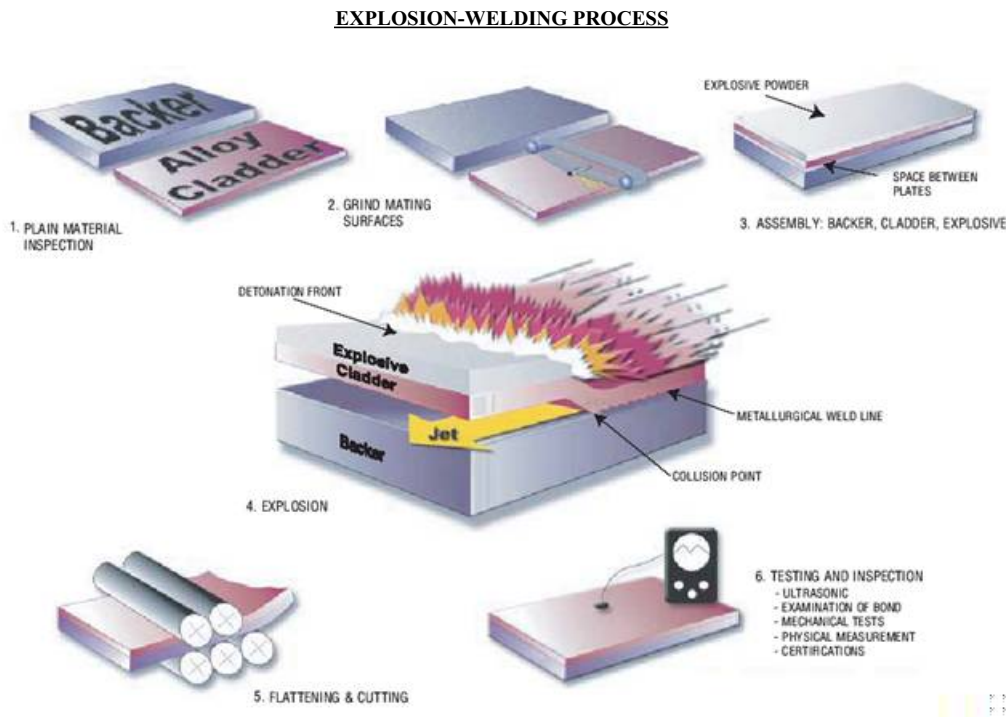
We operate three business segments: Explosive Metalworking (which we also refer to as DMC Clad), Oilfield Products (which we also refer to as DYNAenergetics), and AMK Welding. The Explosive Metalworking segment uses proprietary explosive processes to fuse dissimilar metals and alloys and has more than 40 years of experience. We are the largest explosion-welded clad metal manufacturer in both North America and Europe. DYNAenergetics produces special shaped charges, detonators, detonating cords, bidirectional boosters, and perforating guns for the perforation of oil and gas wells and has more than a decade of experience providing specialized products to the oil and gas industry. AMK Welding utilizes various specialized technologies to weld components for use in power-generation turbines as well as commercial and military jet engines and has 40 years of experience.

Explosive Metalworking

The Explosive Metalworking segment seeks to build on its leadership position in its markets. During the year ended December 31, 2010, the Explosive Metalworking segment represented approximately 64% of our revenue. The four manufacturing plants and their respective shooting sites in Pennsylvania, Germany, France and Sweden provide the production capacity to address concurrent projects for DMC Clad's current domestic and international customer base.

The primary product of the Explosive Metalworking segment is explosion-welded clad metal plate. Clad metal plates are used in the construction of heavy, corrosion resistant pressure vessels and heat exchangers for oil and gas, alternative energy, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration, and similar industries. The characteristics of DMC Clad's explosive metalworking processes may enable the development of new products in a variety of industries and DMC Clad continues to explore such development opportunities.

The principal product of metal cladding, regardless of the process used, is a metal plate composed of two or more dissimilar metals, usually a corrosion resistant metal and steel, bonded together. Prior to the explosion-welded clad process, the materials are inspected, the mating surfaces are ground, and the metal plates are assembled for cladding. The process involves placing a sheet of the cladder over a parallel plate of backer material and then covering the cladder material with a layer of specifically formulated explosive. A small gap or “standoff space” is maintained between the alloy cladder and the backer substrate. The explosion is then initiated on one side of the cladder and travels across the surface of the cladder forcing it down onto the backer. The explosion happens in approximately one-thousandth of a second. The collision conditions cause a thin layer of the mating surfaces to be spalled away in a jet. This action removes oxides and surface contaminants immediately ahead of the collision point. The extreme pressures force the two metal components together, creating a metallurgical bond between them. The explosion-welded clad process produces a strong, ductile, continuous metallurgical weld over the clad surface. After the explosion is completed, the resulting clad plates are flattened and cut, and then undergo testing and inspection to assure conformance with internationally accepted product specifications.



Explosion-welded cladding technology is a method to weld metals that cannot be welded by conventional processes, such as titanium-steel, aluminum-steel, and aluminum-copper. It can also be used to weld compatible metals, such as stainless steels and nickel alloys to steel. The cladding metals are typically titanium, stainless steel, aluminum, copper alloys, nickel alloys, tantalum, and zirconium. The base metals are typically carbon steel, alloy steel, stainless steel and aluminum. Although the patents for the explosion-welded cladding process have expired, DMC Clad has proprietary knowledge that distinguishes it from its competitors. The entire explosion-welding process involves significant precision in all stages, and any errors can be extremely costly as they result in the discarding of the expensive raw material metals. DMC Clad’s technological expertise is a significant advantage in preventing costly waste.

Explosion-welded clad metal is used in critical applications in a variety of industries, including oil and gas, alternative energy, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration and other industries where corrosion, temperature and pressure combine to produce demanding environments. Explosion-welded clad metal is also used to produce bimetal transition joints or other components which are used in ship construction, and in a variety of electrochemical industries including aluminum production.

DMC Clad’s metal products are primarily produced on a project-by-project basis conforming to requirements set forth in customers’ purchase orders. Upon receipt of an order, DMC Clad obtains the component materials from a variety of sources based on quality, availability and cost and then produces the order in one of its four manufacturing plants. Final products are processed to meet contract specific requirements for product configuration and quality/inspection level.

DYNAenergetics

DYNAenergetics manufactures, markets, and sells perforating explosives and associated hardware and seismic explosives, for the international oil and gas industry. While DYNAenergetics has been producing detonating cords and

detonators and selling these and seismic explosives systems for decades, since 1994 significant emphasis has been placed on enhancing its oilfield product offerings by improving existing products and adding new products. In recent years, various types of detonating cords and detonators have been added as well as bi-directional boosters, a wide range of shaped charges, and corresponding gun systems. Within the last year, DYNAenergetics began manufacturing detonators for seismic exploration systems. The three manufacturing facilities are located in Germany, Canada and Russia. Additionally, DYNAenergetics now designs and manufactures custom-ordered perforating products for third-party customers according to their designs and specifications.

The kinds of perforating products manufactured by DYNAenergetics are essential to certain types of modern oil and gas recovery. The products are sold to large, mid-sized, and small oilfield service companies in the U.S., Europe, Canada, Africa, the Middle East, and Asia, including direct sales to end users. The market for perforating products is growing. Rising worldwide demand for oil increases the demand for perforating products as oil exploration and recovery expands, leading to increased investment in the oil and gas production industry. Higher levels of exploration (seismic prospecting) and increased production activities in the global oil and gas industry are expected to continue. Increased exploration has led to increasingly complex completion operations, which raise the demand for high quality perforating products.

AMK Welding

AMK Welding employs a variety of sophisticated processes and equipment to provide specialized welding services principally to a power turbine manufacturer and to commercial and military aircraft engine manufacturers. AMK Welding is located in South Windsor, Connecticut.

Welding services are provided on a project-by-project basis based on specifications set forth in customers' purchase orders. Upon receipt of an order for welded assemblies, AMK Welding performs welding services using customer specific welding procedures.

Welding processes utilized by AMK Welding include electron beam and gas tungsten arc welding processes. AMK Welding also has considerable expertise in vacuum chamber welding, which is a critical capability when welding titanium, high temperature nickel alloys and other specialty alloys. These welding techniques are used for the welding of blades and vanes and other turbine parts typically located in the hot gas path of aircraft engines. In addition to its welding capabilities, AMK Welding also uses various heat treatment and non-destructive examination processes, such as radiographic inspection, in support of its welding operations.

Suppliers, Competition, Customer Profile, Marketing and Research and Development

DMC Clad

Suppliers and Raw Materials

DMC Clad uses a range of alloys, steels and other materials for its operations, such as stainless steel, copper alloys, nickel alloys, titanium, zirconium, tantalum, aluminum and other metals. DMC Clad sources its raw materials from a number of different producers and suppliers. DMC Clad holds a limited metal inventory and purchases its raw materials based on contract specifications. Under most contracts, any raw material price increases are passed on to DMC Clad's customers. DMC Clad closely monitors the quality of its supplies and inspects the type, dimensions, markings, and certification of all incoming metals to ensure that the materials will satisfy applicable construction codes. DMC Clad also manufactures a majority of its own explosives from standard raw materials, thus achieving higher quality and lower cost.

Competition

Metal Cladding. DMC Clad faces competition from alternative technologies such as rollbond and weld overlay. Usually the three processes do not compete directly against each other, each having its own preferential domain of application relating to metal used and thicknesses required. However, due to specific project considerations such as technical specifications, price and delivery time, explosion-welding may have the opportunity to compete successfully against these technologies. Rollbond is only produced by a few steel mills in the world. The weld overlay process, which

6

is produced among the many vessel fabricators who are often also DMC Clad customers, is a slow and labor intensive process that requires a large amount of floor space for the equipment.

Explosion-Welded Metal Cladding. Competition in the explosion-welded clad metal business is fragmented. DMC Clad holds a strong market position in the clad metal industry. DMC Clad is the leading producer of explosion-welded clad products in North America, and it has a strong position in Europe against smaller competitors. The main competitor in Asia is a division of Asahi Kasei, which has competitive technology and a recognized local brand name. There are several explosion-welded clad producers in China, most of whom are technically limited and are currently not exporters outside of their domestic market. A number of additional small competitors operate throughout the world. To remain competitive, DMC Clad intends to continue developing and providing technologically advanced manufacturing services, maintain quality levels, offer flexible delivery schedules, deliver finished products on a reliable basis and compete favorably on the basis of price.

Customer Profile

DMC Clad's products are used in critical applications in a variety of industries, including upstream oil and gas, oil refinery, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration and other similar industries. DMC Clad's customers in these industries require metal products that can withstand exposure to corrosive materials, high temperatures and high pressures. DMC Clad's customers can be divided into three tiers: the product end users (e.g., operators of chemical processing plants), the engineering contractors who design and construct plants for end users, and the metal fabricators who manufacture the products or equipment that utilize DMC Clad's metal products. It is typically the fabricator that places the purchase order with DMC Clad and pays the corresponding invoice. DMC Clad has developed strong relationships over the years with the engineering contractors (relatively large companies) who sometimes act as prescriber to fabricators.

Marketing, Sales, Distribution

DMC Clad conducts its selling efforts by marketing its services to potential customers through senior management, direct sales personnel, program managers, and independent sales representatives. Prospective customers in specific industries are identified through networking in the industry, cooperative relationships with suppliers, public relations, customer references, inquiries from technical articles and seminars and trade shows. DMC Clad markets its clad metal products to three tiers of customers: end-user owner companies, engineering contractors, and metal fabricators. DMC Clad's sales office in the United States covers the Americas and East Asia. Its sales offices in Europe cover the full European continent, Africa, the Middle East, India, and Southeast Asia. These sales teams are further supported by local sales offices in Italy, the Middle East, and India, with contract agents in most other developed countries, including China, Korea, Russia and Brazil. Contract agents typically work under multi-year agreements which are subject to sales performance as well as compliance with DMC Clad quality and customer service expectations. Members of the global sales team may be called to work on projects located outside their usual territory. By maintaining relationships with its existing customers, developing new relationship with prospective customers, and educating all its customers as to the technical benefits of DMC Clad's products, DMC Clad endeavors to have its products specified as early as possible in the design process.

DMC Clad's sales are generally shipped from the manufacturing locations in the United States, Germany and France. Generally, any shipping costs or duties for which DMC Clad is responsible will be included in the price paid by the customer. Regardless of where the sale is booked (in Europe or the U.S.), DMC Clad will produce it, capacity permitting, at the location closest to the delivery place. In the event that there is a short term capacity issue, DMC Clad produces the order at any of its production sites, prioritizing timing. The various production sites allow DMC Clad to meet customer production needs in a timely manner.

Research and Development

We prepare a formal research and development plan annually. It is implemented at the French, German, and U.S. cladding sites and is supervised by a Technical Committee, chaired by our Senior Vice President — Customers and Technology, that reviews progress quarterly and meets once a year to establish the plan for the following 12 months. The research and development projects concern process support, new products, and special customer-paid projects.

7

Oilfield Products

Suppliers and Raw Materials

DYNAenergetics utilizes a variety of raw materials for the production of oilfield perforating and seismic products, including high quality steel tubes, steel and copper, explosives (RDX, HMX, HNS), granulates, plastics and ancillary plastic product components. DYNAenergetics' product line consists of complex products which require numerous high quality components. DYNAenergetics obtains its raw materials primarily from a number of different producers in Germany and other European countries, but also purchases materials from North American, Chinese, and other international suppliers.

Competition

DYNAenergetics faces competition from independent producers of perforating products who are not committed to the large service companies and from large oil and gas service companies, such as Halliburton and Schlumberger, who produce most of their own needs for shaped charges but buy other components from suppliers. DYNAenergetics competes for sales primarily on price and customer service as well as the quality and performance of its products.

Customer Profile

Onshore and offshore oilfield service companies use our DYNAenergetics products. Our customers desire perforating products that satisfy both their specific needs and expectations and difficult geological realities, such as high pressures and temperatures in the bore hole, which exist in areas where perforating products and services are used. We believe that our customers must balance costs and risks for every job and that our typical DYNAenergetics customer possesses a conservative risk tolerance. Consequently, we believe that our customers will be more likely to trust products with proven reliability in the field and will be cautious regarding new product innovation.

The customers for oilfield products can be divided into four broad categories: buying centers of large service companies, service companies worldwide, oil companies with and without their own service companies, and local resellers. DYNAenergetics' customer base includes clients from each of these categories.

Marketing, Sales, Distribution

DYNAenergetics' worldwide marketing and sales efforts for its oilfield and seismic products are based in Laatzen, Germany. DYNAenergetics' sales strategy focuses on direct selling, distribution through licensed distributors and independent sales representatives, the establishment of international distribution centers to better manage high international transport costs, and educating current and potential customers about its products and technologies. Currently, DYNAenergetics sells its oilfield and seismic products through wholly owned affiliates in the U.S., Canada and Russia; and through independent sales agents in other parts of the world.

Research and Development

DYNAenergetics attaches great importance to its research and development capabilities and has devoted substantial resources to its R&D programs. The R&D staff works closely with sales and operations management teams to establish priorities and effectively manage individual projects. DYNAenergetics won the important Spotlight on New Technology Award at the 2007 Offshore Technology Conference in Houston, Texas, for its No-Debris-Gun technology. Through this success and its ongoing involvement in oil and gas industry trade shows and conferences, DYNAenergetics has increased its profile in the oil and gas industry. An R&D Project Plan, which focuses on new products, process support and customer paid projects, is prepared and reviewed at least annually in cooperation with the Sales, Operations and Quality departments.

AMK Welding

At AMK Welding, the materials welded are a function of the type of parts supplied by the customers and include many steel varieties, various nickel alloys and customer-created proprietary alloys typically used in the aerospace and

ground turbine industries. Other than metal wire used in the welding process, AMK Welding does not purchase metals, and it receives the parts to be welded from the customer.

AMK Welding relies on a few key customers for the majority of its business, including GE Energy, General Electric Aircraft Engines and their first tier subcontractors, such as Barnes Aerospace, and divisions of United Technology, such as Hamilton Standard, Sikorsky Aircraft and Pratt and Whitney. AMK Welding generally competes against a small number of welding companies that are typically privately owned. AMK Welding competes successfully based on a reputation for uncompromising quality and rapid responsiveness to customer needs.

Corporate History and Recent Developments

The genesis of the Company was an unincorporated business called "Explosive Fabricators," which was formed in Colorado in 1965. The business was incorporated in Colorado in 1971 under the name "E. F. Industries, Inc.," which was later changed to "Explosive Fabricators, Inc." or "EFI". The Company became a public company in 1977. In 1994, the Company changed its name to "Dynamic Materials Corporation." The Company reincorporated in Delaware in 1997 and its stock is currently listed on NASDAQ under the ticker symbol BOOM.

In 1976, the Company became a licensee of Detaclad®, the explosion-weld clad process developed by DuPont in 1959. In 1996, the Company purchased the Detaclad® operating business from Dupont.

Through a series of transactions culminating in June 2000, SNPE, Inc. ("SNPE"), a U.S. corporation indirectly wholly owned by the French Government, acquired approximately 56% of the Company's outstanding common stock through open market purchases as well as direct investment in the Company. SNPE also loaned the Company approximately \$1.2 million using a convertible subordinated note. On May 15, 2006, SNPE sold all of the shares it had previously purchased, as well as those received through the conversion of the note, in an underwritten public offering.

During its history, the Company has acquired a number of businesses. In 1998, the Company acquired AMK Welding, currently an operating division of the Company. Also in 1998, the Company acquired two other businesses which were subsequently sold in 2003 and 2004, respectively.

In 2001, the Company acquired substantially all of the stock of Nobelclad Europe SA (a French company) ("Nobelclad"); Nobelclad had previously acquired the stock of Nitro Metall AB (a Swedish company) ("Nitro Metall"). The stock of Nobelclad was acquired from an affiliate of our parent company at the time, SNPE. Early in its history, Nobelclad was a licensee of the Detaclad® technology. The acquisition of Nobelclad expanded the Company's explosive metalworking operations to Europe.

In November 2007, the Company acquired the German company DYNAenergetics GmbH and Co. KG ("DYNAenergetics") and certain affiliates. DYNAenergetics was comprised of two primary businesses: explosive metalworking and oilfield products. This acquisition expanded the Company's explosive metalworking operations in Europe and added a complimentary business segment, oilfield products. During 2008 and with an effective date of January 1, 2008, the explosive metalworking assets and business operations of DYNAenergetics were transferred into Dynaplat GmbH & Co KG ("Dynaplat"), a newly formed 100% owned operating subsidiary of the Company. DYNAenergetics retained the assets, operations and joint venture investments of the oilfield products business.

On October 1, 2009, the Company acquired all of the stock of Alberta Canada based LRI Oil Tools Inc. (“LRI”) which is now operating under the name of DYNAenergetics Canada. DYNAenergetics Canada produces and distributes perforating equipment for use by the oil and gas exploration and production industry. The business had a long-term strategic relationship with the Company’s Oilfield Products segment, and had served for several years as its sole Canadian distributor.

On April 30, 2010, the Company purchased the outstanding minority-owned interests in its two Russian joint ventures that were previously majority-owned by the Company’s Oilfield Products business segment. These joint ventures include DYNAenergetics RUS, which is a Russian trading company that sells the Company’s oilfield products, and Perfoline, which is a Russian manufacturer of perforating gun systems.

On June 4, 2010, the Company completed its acquisition of Texas-based Austin Explosives Company (AECO), which is now operating under the name DYNAenergetics US, Inc. This business is now part of the Company’s Oilfield Products business segment. AECO had been a long-time distributor of DYNAenergetics shaped charges.

Our current explosive metalworking segment is comprised of the Company’s U.S. Clad operations as well as the assets and operations purchased in the Nobelclad and Dynaplat acquisitions. The oilfield products segment is comprised

entirely of DYNAenergetics and its subsidiaries. Our third segment is AMK Welding. Property locations for these operations are listed in detail in Item 2.

Employees

As of December 31, 2010, we employed 433 permanent employees, the majority of whom are engaged in manufacturing operations, with the remainder being engaged in sales and marketing or corporate functions.

The majority of our manufacturing employees are not unionized. Of the 433 permanent employees, 188 are U.S. based, 114 are based in Germany at the Dynaplat and DYNAenergetics facilities, 55 are based in France at the Nobelclad facility, 38 are based in Canada at the DYNAenergetics Canada facilities, 31 are based in Russia at our new DYNAenergetics RUS and Perfoline facilities and 7 are based in Sweden at Nitro Metall. Approximately 60% of our German-based employees are members of trade unions. About 45% of Nobelclad’s employees and all Nitro Metall employees are members of trade unions. In addition, we also use a number of temporary workers at any given time, depending on the workload.

In the last three years, the Company has not experienced any strikes or work stoppages. We believe that employee relations are good.

Insurance

Our operations expose us to potential liabilities for personal injury or death as a result of the failure of a component that has been designed, manufactured, or serviced by us, or the irregularity or failure of products we have processed or distributed. We maintain liability insurance that we believe adequately protects us from future product liability claims.

Proprietary Knowledge, Permits and Patents

Protection of Proprietary Information. We hold patents related to the business of explosive metalworking and metallic processes and also own certain registered trademarks, including Detaclad®, Detacouple®, Dynalock®, EFTEK®, ETJ 2000® and NOBELCLAD®. Although the patents for the explosion-welded cladding process have expired, our current product application patents expire on various dates through 2020. Since individual patents relate to specific product applications and not to core technology, we do not believe that such patents are material to our business, and the expiration of any single patent is not expected to have a material adverse effect on our operations. Much of the manufacturing expertise lies in the knowledge of the factors that affect the quality of the finished clad product, including the types of metals to be explosion-welded, the setting of the explosion, the composition of the explosive, and the preparation of the plates to be bonded. We have developed this specialized knowledge over our 40 years of experience in the explosive metalworking business. We are very careful in protecting our proprietary know-how and manufacturing expertise, and we have implemented measures and procedures to ensure that the information remains confidential. We hold various patents and licenses through our DYNAenergetics perforating business, but some of the patents are not yet registered. As with the explosive metalworking business segment, since individual patents relate to specific product applications and not to core technology, we do not believe that such patents are material to our business, and the expiration of any single patent is not expected to have a material adverse effect on our current operations. The Dynaplat division of DMC Clad is protected through business secrets not through patents.

Permits. Explosive metalworking and the production of perforation products involve the use of explosives, making safety a critical factor in our operations. In addition, explosive metalworking and the production of oilfield products are highly regulated industries for which detailed permits are required. These permits require renewal every three or four years, depending on the permit. See Item 1A — Risk Factors — *Risk Factors Related to the Dynamic Materials Corporation — We are subject to extensive government regulation and failure to comply could subject us to future liabilities and could adversely affect our ability to conduct or to expand our business* for a more detailed discussion of these permits.

Foreign and Domestic Operations and Export Sales

All of our sales are shipped from the manufacturing facilities located in the United States, Germany, France, Canada, Sweden and Russia. The following chart represents our net sales based on the geographic location of the customer. The sales recorded for each country are based on the country to which we shipped the product, regardless of the country of the actual end user. Explosion Metalworking products are usually shipped to the fabricator before being passed on to the end user.

(Dollars in Thousands)

| | For the years ended December 31, | | |
|----------------------|----------------------------------|-----------|-----------|
| | 2010 | 2009 | 2008 |
| United States | \$ 44,587 | \$ 62,955 | \$ 82,036 |
| Canada | 29,907 | 12,991 | 11,685 |
| Germany | 25,109 | 11,702 | 24,449 |
| South Korea | 10,309 | 5,424 | 12,938 |
| Russia | 7,067 | 4,649 | 3,604 |
| France | 5,425 | 5,788 | 10,447 |
| United Arab Emirates | 3,907 | 2,227 | 600 |
| Mexico | 2,612 | 1,073 | 2,396 |
| Spain | 2,314 | 3,001 | 7,208 |

| | | | |
|-------------------------|-------------------|-------------------|-------------------|
| India | 2,283 | 14,395 | 7,237 |
| Netherlands | 1,999 | 2,736 | 4,093 |
| China | 1,797 | 7,122 | 8,203 |
| Italy | 1,381 | 6,570 | 9,517 |
| Switzerland | 1,358 | 3,252 | 1,922 |
| Nigeria | 1,331 | 792 | — |
| Iraq | 1,212 | 637 | — |
| South Africa | 838 | 919 | 3,381 |
| Kuwait | 744 | 994 | 137 |
| Saudi Arabia | 718 | — | 29 |
| Poland | 619 | 379 | 27 |
| Romania | 594 | 709 | 2,548 |
| Norway | 546 | 800 | 1,699 |
| United Kingdom | 512 | 1,275 | 3,184 |
| Australia | 499 | 3,229 | 11,307 |
| Other foreign countries | 7,071 | 11,279 | 23,930 |
| Total | \$ 154,739 | \$ 164,898 | \$ 232,577 |

Company Information

We are subject to the informational requirements of the Securities Exchange Act of 1934. We therefore file periodic reports, proxy statements and other information with the Securities Exchange Commission (the “SEC”). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549, or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Our Internet address is www.dynamicmaterials.com. Information contained on our website does not constitute part of this Annual Report on Form 10-K. Our annual report on SEC Form 10-K, quarterly reports on Forms 10-Q, current reports on Forms 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our website as soon as reasonably practicable after we electronically file

11

such material with or furnish it to the SEC. We also regularly post information about our Company on our website under the Investors tab.

ITEM 1A. Risk Factors

Risk Factors Related to the Explosive Metalworking Segment

Business has slowed down in some of our markets and we experienced a significant decline in 2009 and 2010 sales.

During the fourth quarter of 2008, we began to see a slowdown in DMC Clad sales to some of the markets we serve which continued into 2009 and 2010 and contributed to declines of 31.2% and 26.5% in our year-to-year 2009 and 2010 sales, respectively. Our order backlog, which decreased to \$49.6 million at December 31, 2009 from \$97.2 million at December 31, 2008, rebounded only modestly to \$56.5 million at December 31, 2010. The explosion-weld cladding market is dependent upon sales of products for use by customers in a limited number of heavy industries, including oil and gas, alternative energy, chemicals and petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation, and industrial refrigeration. These industries tend to be cyclical in nature, and the current worldwide economic downturn has affected many of these markets. We have already seen a slowdown in the chemical, petrochemical and hydrometallurgy sectors. A further economic slowdown in one or all of these industries—whether due to traditional cyclicality, general economic conditions or other factors—could impact capital expenditures within that industry. If demand from such industries were to decline further or to experience reduced growth rates, our sales would be expected to be affected proportionately, which may have a material adverse effect on our business, financial condition, and results of operations.

Our backlog figures may not accurately predict future sales.

We define “backlog” at any given point in time to consist of all firm, unfulfilled purchase orders and commitments at that time. Generally speaking, we expect to fill most items of backlog within the following 12 months. However, since orders may be rescheduled or canceled and a significant portion of our net sales is derived from a small number of customers, backlog is not necessarily indicative of future sales levels. Moreover, we cannot be sure of when during the future 12-month period we will be able to recognize revenue corresponding to our backlog; nor can we be certain that revenues corresponding to our backlog will not fall into periods beyond the 12-month horizon.

There is a limited availability of sites suitable for cladding operations.

Our cladding process involves the detonation of large amounts of explosives. As a result, the sites where we perform cladding must meet certain criteria, including lack of proximity to a densely populated area, the specific geological characteristics of the site, and the ability to comply with local noise and vibration abatement regulations in conducting the process. In addition, our primary U.S. shooting site is subleased under an arrangement pursuant to which we provide certain contractual services to the sublandlord. The efforts to identify suitable sites and obtain permits for using the sites from local government agencies can be time-consuming and may not be successful. In addition, we could experience difficulty in obtaining or renewing permits because of resistance from residents in the vicinity of proposed sites. The failure to obtain required governmental approvals or permits could limit our ability to expand our cladding business in the future, and the failure to maintain such permits or satisfy other conditions to use the sites would have a material adverse effect on our business, financial condition and results of operations.

The use of explosives subjects us to additional regulation, and any accidents or injuries could subject us to significant liabilities.

Our operations involve the detonation of large amounts of explosives. As a result, we are required to use specific safety precautions under U.S. Occupational Safety and Health Administration guidelines and guidelines of similar entities in Germany, France and Sweden. These include precautions which must be taken to protect employees from exposure to sound and ground vibration or falling debris associated with the detonation of explosives. There is a risk that an accident or death could occur in one of our facilities. Any accident could result in significant manufacturing delays, disruption of

12

operations or claims for damages resulting from death or injuries, which could result in decreased sales and increased expenses. To date, we have not incurred any significant delays, disruptions or claims resulting from accidents at our facilities. The potential liability resulting from any accident or death, to the extent not covered by insurance, may

require us to use other funds to satisfy our obligations and could cause our business to suffer. See “Our use of explosives is an inherently dangerous activity that could lead to temporary or permanent closure of our shooting sites” below.

Our use of explosives is an inherently dangerous activity that could lead to temporary or permanent closure of our shooting sites.

We use a large amount of explosives in connection with the creation of clad metals. The use of explosives is an inherently dangerous activity. Explosions, even if occurring as intended, can lead to damage to the shooting facility or to equipment used at the facility or injury to persons at the facility. If a person were injured or killed in connection with such explosives, or if equipment at the mine or either of the outdoor locations were damaged or destroyed, we might be required to suspend our operations for a period of time while an investigation is undertaken or repairs are made. Such a delay might impact our ability to meet the demand for our products. In addition, if the mine were seriously damaged, we might not be able to locate a suitable replacement site to continue our operations.

Certain raw materials we use are subject to supply shortages due to general economic conditions.

Although we generally use standard metals and other materials in manufacturing our products, certain materials such as specific grades of carbon steel, titanium, zirconium and nickel can be subject to supply shortages due to general economic conditions or problems with individual suppliers. While we seek to maintain sufficient alternative supply sources for these materials, we may not always be able to obtain sufficient supplies or obtain supplies at acceptable prices without production delays, additional costs, or a loss of product quality. If we were to fail to obtain sufficient supplies on a timely basis or at acceptable prices, such loss or failure could have a material adverse effect on our business, financial condition, and results of operations.

Certain raw materials we use are subject to price increases due to general economic conditions.

The markets for certain metals and other raw materials used in our business are highly variable and are characterized by periods of increasing prices. While prices for much of the raw materials we use have recently decreased, we may again experience increasing prices. We generally do not hedge commodity prices or enter into forward supply contracts; instead we endeavor to pass along price variations to our customers. We may see a general downturn in business if the price of raw materials increases enough for our customers to delay planned projects or use alternative materials to complete their projects.

Risk Factors Related to DYNAenergetics

Potential downturns in the oil and gas industry and related services industry could have a negative impact on DYNAenergetics’s economic success.

The oil and gas industry is unpredictable and has historically been subject to occasional downturns. Demand for DYNAenergetics’ products is linked to the financial success of the oil and gas industry as a whole, and downturns in the oil and gas industry, especially in the rate of well drilling, could negatively impact DYNAenergetics’ economic success. A variety of factors affect the demand for DYNAenergetics products, including governmental regulation of oil and gas industry and markets, international and domestic prices for oil and gas, weather conditions, the financial condition of DYNAenergetics’ clients, and consumption patterns of oil and gas.

The manufacturing of explosives subjects DYNAenergetics to various environmental, health and safety laws.

DYNAenergetics is subject to a number of environmental, health, and safety laws and regulations, the violation of which could result in significant penalties. DYNAenergetics’ continued success depends on continued compliance with applicable laws and regulations. In addition, new environmental, health and safety laws and regulations could be passed which could create costly compliance issues. While DYNAenergetics endeavors to comply with all applicable laws and regulations, compliance with future laws and regulations may not be economically feasible or even possible.

DYNAenergetics’ continued economic success depends on remaining at the forefront of innovation in the perforating industry.

DYNAenergetics’ position in the perforation market depends in part on its ability to remain an innovative leader in the field. The ability to remain competitive depends in part on the retention of talented personnel. DYNAenergetics may be unable to remain an innovative leader in the perforation market segment or may be unable to retain top talent in the field.

Risk Factors Related to Dynamic Materials Corporation

Continued weakness in the general global economy may adversely affect certain segments of our end market customers and reduce our sales and results of operations.

We supply products to customers that fabricate industrial equipment for various capital-intensive industries. Continuation of the current weakness in the general global economy may adversely affect our end market customers, causing them to cancel or postpone new plant or infrastructure construction, expansion, maintenance, or retrofitting projects that use our DMC Clad products. Similarly, decreased oil and gas well drilling will reduce the sales of our DYNAenergetics products. Any decrease in the demand for gas turbines and airplane engines will reduce the demand for the work performed by our AMK division. The global general economic climate may lessen demand for our products and reduce our sales and results of operations.

Our operating results fluctuate from quarter to quarter.

We have experienced, and expect to continue to experience, fluctuations in annual and quarterly operating results caused by various factors, including the timing and size of orders by major customers, customer inventory levels, shifts in product mix, acquisitions and divestitures, and general economic conditions. The upstream oil and gas, oil refinery, chemical and petrochemical, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration and other diversified industries to which we sell our products are, to varying degrees, cyclical and tend to decline in response to overall declines in industrial production. As a result, our business is also cyclical, and the demand for our products by these customers depends, in part, on overall levels of industrial production. Any future material weakness in demand in any of these industries could materially reduce our revenues and profitability. In addition, the threat of terrorism and other geopolitical uncertainty could have a negative impact on the global economy, the industries we serve and our operating results.

We typically do not obtain long-term volume purchase contracts from our customers. Quarterly sales and operating results, therefore, depend on the volume and timing of the orders in our backlog as well as bookings received during the quarter. Significant portions of our operating expenses are fixed, and planned expenditures are based primarily on sales forecasts and product development programs. If sales do not meet our expectations in any given period, the adverse impact on operating results may be magnified by our inability to adjust operating expenses sufficiently or quickly enough to compensate for such a shortfall. Results of operations in any period should not be considered indicative of the results for any future period. Fluctuations in operating results may also result in fluctuations in the price of our common stock. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We are exposed to potentially volatile fluctuations of the U.S. dollar (our reporting currency) against the currencies of many of our operating subsidiaries.

Many of our operating subsidiaries conduct business in Euros or other foreign currency. Any increase (decrease) in the value of the U.S. dollar against any foreign currency that is the functional currency of any of our operating subsidiaries will cause us to experience foreign currency translation losses (gains) with respect to amounts already invested in such foreign currencies. In addition, our company and our operating subsidiaries are exposed to foreign currency risk to the extent that we or they enter into transactions denominated in currencies other than our or their respective functional currencies. For example DYNAenergetics KG's functional currency is Euros, but its sales often occur in U.S. dollars. Changes in exchange rates with respect to these items will result in unrealized (based upon period-end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. In addition, we are exposed to foreign exchange rate fluctuations related to our operating subsidiaries' assets and liabilities and to the financial results of foreign subsidiaries and affiliates when their respective financial statements are translated into U.S. dollars for inclusion in our consolidated financial statements. Cumulative translation adjustments are recorded in accumulated other comprehensive income (loss) as a separate component of equity. As a result of foreign currency risk, we may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations. The primary exposure to foreign currency risk for us is to the Euro due to the percentage of our U.S. dollar revenue that is derived from countries where the Euro is the functional currency.

The terms of our indebtedness contain a number of restrictive covenants, the breach of any of which could result in acceleration of payment of our credit facilities.

We are parties to a syndicated credit agreement that, as of December 31, 2010, had an outstanding balance of approximately \$23.3 million. Our credit agreement includes various covenants and restrictions, certain of which relate to the incurrence of additional indebtedness; mortgaging, pledging or disposition of major assets; and limits on capital expenditures and other investments. We are also required to maintain certain financial ratios on a quarterly basis. A breach of any of these covenants could result in acceleration of our obligations to repay our debt. On February 2, 2011, we and our lenders amended the credit agreement to revise the leverage ratios and fixed charge coverage ratios that we are required to satisfy on a quarterly basis throughout the term of the credit facility, which expires on November 16, 2012. These revised ratios eased the Company's ability to comply with certain covenants of the credit agreement. As of December 31, 2010, we were in compliance with all financial covenants and other provisions of the credit agreement and our other loan agreements. However, our ability to comply with these covenants and ratios may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Any failure to remain in compliance with any material provision or covenant of our credit agreement could result in a default which would, absent a waiver or amendment, require immediate repayment of outstanding indebtedness under our credit facilities. It may be difficult to liquidate assets sufficient to immediately repay our outstanding indebtedness under our credit facility.

Customers have the right to change orders until products are completed.

Customers have the right to change orders after they have been placed. If orders are changed, the extra expenses associated with the change will be passed on to the customer. However, because a change in an order may delay completion of the project, recognition of income for the project may also be delayed.

There is no assurance that we will continue to compete successfully against other clad, perforating, and welding companies.

Our explosion-welded clad products compete with explosion-welded clad products made by other manufacturers in the clad metal business located throughout the world and with clad products manufactured using other technologies. Our combined North American and European operations typically supply explosion-welded clad to the worldwide market. There is one other well-known explosion-welded clad supplier worldwide, a division of Asahi-Kasei Corporation of Japan. There are also a number of smaller companies worldwide with explosion-welded clad manufacturing capability, including several companies in China. There are currently no other significant North American based explosion-welded clad suppliers. We focus strongly on reliability, product quality, on-time delivery performance, and low cost

manufacturing to minimize the potential of future competitive threats. However, there is no guarantee we will be able to maintain our competitive position.

Explosion-welded clad products also compete with those manufactured by rollbond and weld overlay cladding processes. In rollbond technology, the clad and base metal are bonded together during a hot rolling process in which slab is converted to plate. In weld overlay, which is typically performed by our fabricator customers, the cladding layer is deposited on the base metal through a fusion welding process. The technical and commercial niches of each cladding process are well understood within the industry and vary from one world market location to another. Our products compete with weld overlay clad products manufactured by a significant number of our fabricator customers.

DYNAenergetics competes principally with perforating companies based in North America, South America, and Russia who produce and market perforating services and products. DYNAenergetics also competes with oil and gas service companies who are able to satisfy a portion of their perforating needs through in-house production. To remain competitive, DYNAenergetics must continue to provide innovative products and maintain an excellent reputation for quality, safety, and value. There can be no assurances that we will continue to compete successfully against these companies.

AMK Welding competes principally with other domestic companies that provide welding services to the aircraft engine and power generation industries. Some of these competitors have established positions in the market and long standing relationships with customers. To remain competitive, we must continue to develop and provide technologically advanced welding, heat-treat and inspection services, maintain quality levels, offer flexible delivery schedules, and compete favorably on the basis of price. We compete against other welding companies on the basis of quality, performance and cost. There can be no assurance that we will continue to compete successfully against these companies.

We are dependent on a relatively small number of customers for a significant portion of our net sales.

A significant portion of our net sales is derived from a relatively small number of customers although sales to no one customer exceeded 10% during any of the last three years. We expect to continue to depend upon our principal customers for a significant portion of our sales, although our principal customers may not continue to purchase products and services from us at current levels, if at all. The loss of one or more major customers or a change in their buying patterns could have a material adverse effect on our business, financial condition, and results of operations. In past years, the majority of DMC Clad's revenues have been derived from customers in the oil and gas, alternative energy, chemicals and petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation and industrial refrigeration industries and the majority of AMK Welding's revenues have been derived from customers in the aircraft engine and power generation industries. Economic downturns in these industries could have a material adverse effect on our business, financial condition, and results of operations.

DYNAenergetics, which contributed approximately 29% to our 2010 sales, has customers throughout the world. Economic or political instability in certain regions of the world where DYNAenergetics conducts a significant volume of its business, such as Russia, could have a material adverse affect on DYNAenergetics' business and operating results.

AMK Welding, contributed approximately 7% to our 2010 sales, continues to rely primarily on one customer for the majority of its sales. This customer and AMK Welding have entered into a long-term supply agreement for certain of the services provided to this customer. Any termination of or significant reduction in AMK Welding's business relationship with this customer could have a material adverse effect on AMK Welding's business and operating results.

Failure to attract and retain key personnel could adversely affect our current operations.

Our continued success depends to a large extent upon the efforts and abilities of key managerial and technical employees. The loss of services of certain of these key

personnel could have a material adverse effect on our business, results of operations, and financial condition. There can be no assurance that we will be able to attract and retain such individuals on acceptable terms, if at all; and the failure to do so could have a material adverse effect on our business, financial condition, and results of operations.

Liabilities under environmental and safety laws could result in restrictions or prohibitions on our facilities, substantial civil or criminal liabilities, as well as the assessment of strict liability and/or joint and several liability.

We are subject to extensive environmental and safety regulation in North America and Europe. Any failure to comply with current and future environmental and safety regulations could subject us to significant liabilities. In particular, any failure to control the discharge of hazardous materials and wastes could subject us to significant liabilities, which could adversely affect our business, results of operations or financial condition.

We and all our activities in the United States are subject to federal, state and local environmental and safety laws and regulations, including but not limited to, noise abatement and air emissions regulations, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, regulations issued and laws enforced by the labor and employment departments of the U.S. and the states in which we conduct business, by the U.S. Department of Commerce, the U.S. Environmental Protection Agency, and by state and local health and safety agencies. In Germany, we and all our activities are subject to various safety and environmental regulations of the federal state which are enforced by the local authorities, including the Federal Act on Emission Control (Bundesimmissionsschutzgesetz). The Federal Act on Emission Control permits are held by companies jointly owned by DYNAenergetics and the other companies that are located at the Würgendorf and Troisdorf manufacturing sites and are for an indefinite period of time. In France, we and all our activities are subject to state environmental and safety regulations established by various departments of the French Government, including the Ministry of Labor, the Ministry of Ecology and the Ministry of Industry, and to local environmental and safety regulations and administrative procedures established by DRIRE (Direction Régionale de l'Industrie, de la Recherche et de l'Environnement) and the Préfecture des Pyrénées Orientales. In Sweden, we and all our activities are subject to various safety and environmental regulations, including those established by the Work Environment Authority of Sweden in its Work Environment Act. In addition, our shooting operations in Germany, France and Sweden may be particularly vulnerable to noise abatement regulations because these operations are primarily conducted outdoors. The Dillenburg facility is operated based on a mountain plan ("Bergplan"), which is a specific permit granted by the local mountain authority. This permit must be renewed every three years.

Changes in or compliance with environmental and safety laws and regulations could inhibit or interrupt our operations, or require modifications to our facilities. Any actual or alleged violations of environmental and safety laws could result in restrictions or prohibitions on our facilities, substantial civil or criminal sanctions, as well as the assessment of strict liability and/or joint and several liability under applicable law. Under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at our or our predecessor's past or present facilities and at third party waste disposal sites. We could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage. Accordingly, environmental, health or safety matters may result in significant unanticipated costs or liabilities.

We are subject to extensive government regulation and failure to comply could subject us to future liabilities and could adversely affect our ability to conduct or to expand our business.

We are subject to extensive government regulation in the United States, Germany, France, Canada, Russia and Sweden, including guidelines and regulations for the safe manufacture, handling, transport and storage of explosives issued by the U.S. Bureau of Alcohol, Tobacco and Firearms; the Federal Motor Carrier Safety Regulations set forth by the U.S. Department of Transportation; the Safety Library Publications of the Institute of Makers of Explosive; and similar guidelines of their European counterparts. In Germany, the transport, storage and use of explosives is governed by a permit issued under the Explosives Act (Sprengstoffgesetz). In Sweden, our purchase, transport, storage and use of explosives is governed by a permit issued to us by the Police Authority of the County of Varmland. In France, the manufacture and transportation of explosives is subcontracted to a third party which is responsible for compliance with regulations established by various State and local governmental agencies concerning the handling and transportation of explosives. Our French operations could be adversely affected if the third party does not comply with these regulations. We must comply with licensing and regulations for the purchase, transport, storage, manufacture, handling and use of explosives. In addition, while our shooting facilities in Würgendorf and Troisdorf, Germany, France and Sweden are located outdoors, our shooting facilities located in Pennsylvania and in Dillenburg, Germany are located in mines, which subjects us to certain regulations and oversight of governmental agencies that oversee mines.

We are also subject to extensive environmental and occupational safety regulation, as described below under "Liabilities under environmental and safety laws could result in restrictions or prohibitions on our facilities, substantial civil or criminal liabilities, as well as the assessment of strict liability and/or joint and several liability" and "The use of explosives subjects us to additional regulation, and any accidents or injuries could subject us to significant liabilities."

The export of certain products from the United States or from foreign subsidiaries of U.S. companies is restricted by U.S. and similar foreign export regulations. These regulations generally prevent the export of products that could be used by certain end users, such as those in the nuclear or biochemical industries. In addition, the use and handling of explosives may be subject to increased regulation due to heightened concerns about security and terrorism. Such regulations could restrict our ability to access and use explosives and increase costs associated with the use of such explosives, which could have a material adverse effect on our business, financial condition, and results of operations.

Any failure to comply with current and future regulations in North America and Europe could subject us to future liabilities. In addition, such regulations could restrict our ability to expand our facilities, construct new facilities, or compete in certain markets or could require us to incur other significant expenses in order to maintain compliance. Accordingly, our business, results of operations or financial condition could be adversely affected by our non-compliance with applicable regulations, by any significant limitations on our business as a result of our inability to comply with applicable regulations, or by any requirement that we spend substantial amounts of capital to comply with such regulations.

Work stoppages and other labor relations matters may make it substantially more difficult or expensive for us to produce our products, which could result in decreased sales or increased costs, either of which would negatively impact our financial condition and results of operations.

We are subject to the risk of work stoppages and other labor relations matters, particularly in Germany, France, and Sweden, where some of our employees are unionized. The employees at our U.S. facilities, where the majority of products are manufactured, and Canadian facilities are not unionized. While we believe our relations with employees are satisfactory, any prolonged work stoppage or strike at any one of our principal facilities could have a negative impact on our business, financial condition or results of operations. We have not experienced a strike or work stoppage in the last 3 years. However, if a work stoppage occurs at one or more of our facilities, it may materially impair our ability to operate our business in the future.

As we regularly test the value of goodwill associated with our recent acquisitions, economic conditions may lead to an impairment of such goodwill.

We review the carrying value of goodwill at least annually to assess impairment because it is not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Our impairment testing in the fourth

quarter of 2010 did not result in a determination that any of our goodwill was impaired. However, future impairment is possible and could occur if (i) the operating results underperform what we have estimated or (ii) additional volatility of the capital markets should cause us to raise the percent discount rate utilized in our discounted cash flow analysis or decrease the multiples utilized in our market-based analysis. The use of different estimates or assumptions within our discounted cash flow model when determining the fair value of our reporting units or using methodologies other than as described above could result in different values for reporting units and could result in an impairment charge.

The unsuccessful integration of a business we acquire could have a material adverse effect on operating results.

We continue to consider possible acquisitions as part of our growth strategy. Any potential acquisition may require additional debt or equity financing, resulting in additional leverage and dilution to existing stockholders. We may be unable to consummate any future acquisition. If any acquisition is made, we may not be able to integrate such acquisition successfully without a material adverse effect on our financial condition or results of operations.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Corporate Headquarters

Our corporate headquarters are located in Boulder, Colorado. The term of the lease for the office space is through November 30, 2015, with renewal options through November 30, 2021.

Explosive Metalworking

We own our principal domestic manufacturing site, which is located in Mount Braddock, Pennsylvania. We currently lease our primary domestic shooting site, which is located in Dunbar, Pennsylvania, and we also have license and risk allocation agreements relating to the use of a secondary shooting site that is located within a few miles of our Mount Braddock, Pennsylvania manufacturing facility. The shooting site in Dunbar and the nearby secondary shooting site support our Mount Braddock manufacturing facility. The lease for the Dunbar property will expire on December 15, 2015, but we have options to renew the lease which extend through December 15, 2029. The license and risk allocation agreements will expire on December 31, 2018, but we have options to renew these agreements through December 31, 2028. Our German subsidiary, Dynaplat, has a manufacturing site in Würgendorf, Germany and a shooting site in Dillenburg, Germany. Portions of these sites are leased and portions are owned. The lease expiration dates for our Würgendorf and Dillenburg manufacturing sites are August 31, 2011, but we have options to renew the lease through August 31, 2021. Our French subsidiary, Nobelclad, owns the land and the buildings housing its operations in Rivesaltes, France, and Tautavel, France (except for a small portion in Tautavel that is leased). This lease expires on December 31, 2011, and may be extended. Our Swedish subsidiary, Nitro Metall, owns the land and buildings housing its manufacturing operations in Likenas, Sweden. The buildings and land at the Nitro Metall shooting site in Likenas, Sweden is leased.

Oilfield Products

Our German subsidiary, DYNAenergetics, has a manufacturing site in Troisdorf, Germany and leases space for a sales office in Laatzen, Germany. The lease expiration dates for our Troisdorf manufacturing site is December 31, 2015. The sales office in Laatzen has open terms. Our Canadian subsidiary, DYNAenergetics Canada leases office and warehouse space in various cities throughout Alberta, Canada. They also lease bunkers for storage of their explosives in various locations throughout Alberta, Canada. These agreements are on a month to month basis. Our recently acquired DYNAenergetics US subsidiary leases office and warehouse space in various cities throughout Texas, as well as Lafayette, Louisiana and Hobbs, New Mexico. They also lease storage bunkers in various locations in Texas, Louisiana and New Mexico which have month to month agreements. Our recently acquired Russian subsidiaries lease office and warehouse space in Tyumen and Moscow, Russia.

AMK Welding

We own the land and buildings housing the operations of AMK Welding in South Windsor, Connecticut.

Below are charts summarizing our properties by segment, including their location, type, size, whether owned or leased and lease terms, if applicable.

Corporate Headquarters

| Location | Facility Type | Facility Size | Owned/Leased | Expiration Date of Lease (if applicable) |
|-------------------|----------------------------|----------------|--------------|---|
| Boulder, Colorado | Corporate and Sales Office | 14,630 sq. ft. | Leased | November 30, 2015, with renewal options through November 30, 2021 |

Explosive Metalworking Group

| Location | Facility Type | Facility Size | Owned/Leased | Expiration Date of Lease (if applicable) |
|----------------------------|--|----------------|---------------------------------|---|
| Mt. Braddock, Pennsylvania | Clad Plate Manufacturing | 48,000 sq. ft. | Owned | |
| Dunbar, Pennsylvania | Clad Plate Shooting Site | 322 acres | Leased | December 15, 2015, with renewal options through December 15, 2029 |
| Rivesaltes, France | Clad Plate Manufacturing, Nobelclad Europe Sales and Administration Office | 53,000 sq. ft. | Owned | |
| Tautavel, France | Clad Shooting Site | 114 acres | 107 acres owned, 7 acres leased | December 31, 2011 |
| Dillenburg Germany | Dynaplat, Shooting site | 7 acres | Owned | |

| | | | | |
|---------------------|---|--|--------|---|
| | | 9,849 sq. ft. | Leased | August 31, 2011, with renewal options through August 31, 2021 |
| Würgendorf, Germany | Dynaplat, Manufacturing | Land: 25 acres Building: 20,312 sq. ft. | Owned | |
| | | 2,756 sq. ft. | Leased | August 31, 2011, with renewal options through August 31, 2016 |
| Würgendorf, Germany | Dynaplat, Sales and Administration Office | 2,815 sq. ft. | Leased | March 31, 2012 |
| Likenas, Sweden | Clad Plate Manufacturing | 26,000 sq. ft. | Owned | |
| Likenas, Sweden | Clad Plate Shooting Site | 15 acres | Leased | January 1, 2016 |

Oilfield Products

| <u>Location</u> | <u>Facility Type</u> | <u>Facility Size</u> | <u>Owned/Leased</u> | <u>Expiration Date of Lease (if applicable)</u> |
|--------------------|--|----------------------|---------------------|--|
| Troisdorf, Germany | DYNAenergetics, Manufacturing | 263,201 sq. ft. | Leased | December 31, 2015 |
| Laatzten, Germany | DYNAenergetics, Sales | 2,314 sq. ft. | Leased | Open terms, but can be cancelled with a six month notice |
| Alberta, Canada | DYNAenergetics Canada, Manufacturing | 160 acres | Owned | |
| Edmonton, Alberta | DYNAenergetics Canada, Storage magazines | 45.56 acres | Leased | Month to month agreement |

20

| <u>Location</u> | <u>Facility Type</u> | <u>Facility Size</u> | <u>Owned/Leased</u> | <u>Expiration Date of Lease (if applicable)</u> |
|-------------------------|---|----------------------|---------------------|---|
| Alberta, Canada | Various storage magazines | | Leased | Month to month agreement |
| Edmonton, Alberta | DYNAenergetics Canada, Sales office and warehouse | 24,000 sq. ft. | Leased | January 31, 2014 |
| Grande Prairie, Alberta | DYNAenergetics Canada, Sales office and warehouse | 3,000 sq. ft. | Leased | March 31, 2015, with renewal options |
| Lloydminster, Alberta | DYNAenergetics Canada, Sales office and warehouse | 5,460 sq. ft. | Leased | October 31, 2011 |
| Austin, Texas | DYNAenergetics US, Office | 2,000 sq. ft. | Leased | Month to month agreement |
| Spicewood, Texas | DYNAenergetics US, Storage magazine | 500 acres | Leased | Month to month agreement |
| Bridgeport, Texas | DYNAenergetics US, Office and warehouse | 4,000 sq. ft. | Leased | June 30, 2013 |
| Bridgeport, Texas | DYNAenergetics US, Storage magazine | 100 acres | Leased | Month to month agreement |
| Corpus Christi, Texas | DYNAenergetics US, Office and warehouse | 6,000 sq. ft. | Leased | August 31, 2013 |
| Lafayette, Louisiana | DYNAenergetics US, Office and warehouse | 6,800 sq. ft. | Leased | Month to month agreement |
| Beaux Bridge, Louisiana | DYNAenergetics US, Storage magazine | | Leased | Month to month agreement |
| Tyler, Texas | DYNAenergetics US, Office and warehouse | 4,000 sq. ft. | Leased | Month to month agreement |
| Pearland, Texas | DYNAenergetics US, Office and warehouse | 6 acres | Leased | October 31, 2011 |
| Victoria, Texas | DYNAenergetics US, Office and warehouse | 4,000 sq. ft. | Leased | June 30, 2011 |
| Victoria, Texas | DYNAenergetics US, Storage magazine | 4,000 sq. ft. | Leased | Month to month agreement |
| Hobbs, New Mexico | DYNAenergetics US, Office and warehouse | 5,000 sq. ft. | Leased | June 30, 2013 |

| | | | | |
|-------------------|--------------------------------------|---------------|--------|--------------------------|
| Hobbs, New Mexico | DYNAenergetics US, Storage magazines | | Leased | Month to month agreement |
| Tyumen, Russia | Perfoline, Manufacturing | 23,369 sq. ft | Leased | August 31, 2011 |
| Moscow, Russia | DYNARus, Sales office | 939 sq. ft | Leased | September 1, 2011 |
| Moscow, Russia | DYNARus, Warehouse | 149 sq. ft | Leased | March 31, 2011 |
| Moscow, Russia | DYNARus, Warehouse | 3,229 sq. ft | Leased | December 31, 2012 |
| Moscow, Russia | DYNARus, Warehouse | 7,750 sq. ft | Leased | January 20, 2012 |

21

| Location | Facility Type | Facility Size | Owned/Leased | Expiration Date of Lease (if applicable) |
|--------------------|---------------------------------|---------------|--------------|--|
| Aktobe, Kazakhstan | KazDYNAenergetics, Sales Office | 545 sq. ft | Leased | November 30, 2011 |
| Atyrau, Kazakhstan | KazDYNAenergetics, Warehouse | | Leased | Open terms |

AMK Welding

| Location | Facility Type | Facility Size | Owned/Leased | Expiration Date of Lease (if applicable) |
|----------------------------|---------------|----------------|--------------|--|
| South Windsor, Connecticut | AMK Welding | 33,850 sq. ft. | Owned | |

ITEM 3. Legal Proceedings

Although we may in the future become a party to litigation, there are no pending legal proceedings against us.

ITEM 4. Removed and Reserved

22

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is publicly traded on The Nasdaq National Market ("Nasdaq") under the symbol "BOOM." The following table sets forth quarterly high and low sales prices for the common stock during our last two fiscal years, as reported by Nasdaq.

| | High | Low |
|----------------|----------|----------|
| 2010 | | |
| First Quarter | \$ 22.40 | \$ 15.10 |
| Second Quarter | \$ 19.10 | \$ 14.02 |
| Third Quarter | \$ 17.08 | \$ 13.50 |
| Fourth Quarter | \$ 24.80 | \$ 14.73 |
| 2009 | | |
| First Quarter | \$ 21.40 | \$ 4.95 |
| Second Quarter | \$ 23.17 | \$ 8.94 |
| Third Quarter | \$ 20.63 | \$ 14.18 |
| Fourth Quarter | \$ 21.00 | \$ 17.51 |

As of February 23, 2011, there were approximately 373 holders of record of our common stock.

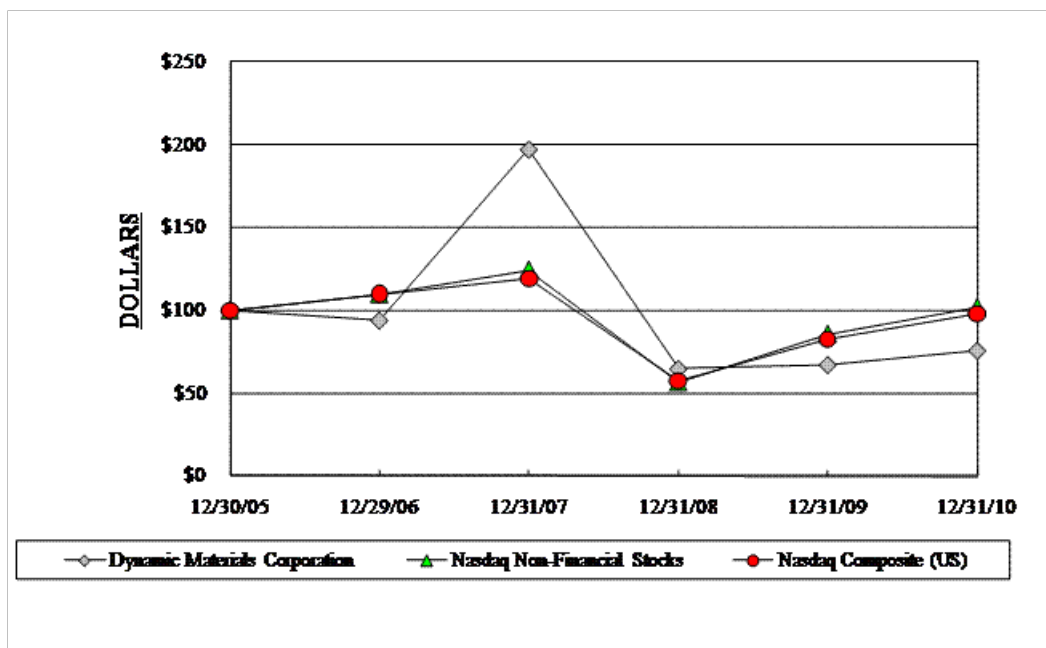
We declared and paid quarterly dividends aggregating \$0.16 and \$0.12 per share dividend in 2010 and 2009 respectively. We may pay quarterly dividends subject to capital availability and periodic determinations that cash dividends are in the best interests of our stockholders, but we cannot assure you that such payments will continue. Future dividends may be affected by, among other items, our views on potential future capital requirements, future business prospects, debt covenant compliance considerations, changes in income tax laws, and any other factors that our Board of Directors deems relevant. Any determination to pay cash dividends will be at the discretion of the Board of Directors.

See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for information regarding securities authorized for issuance under our equity compensation plans.

23

FINANCIAL PERFORMANCE

The following graph compares the performance of the common stock with the Nasdaq Non-Financial Stocks Index and the Nasdaq Composite (U.S.) Index. The comparison of total return (change in year end stock price plus reinvested dividends) for each of the years assumes that \$100 was invested on December 31, 2005, in each of the Company, Nasdaq Non-Financial Stocks Index and the Nasdaq Composite (U.S.) Index with investment weighted on the basis of market capitalization. Historical results are not necessarily indicative of future performance.



| Total Return Analysis | 12/30/05 | 12/29/06 | 12/31/07 | 12/31/08 | 12/31/09 | 12/31/10 |
|--------------------------------------|----------|-----------|-----------|----------|----------|-----------|
| Dynamic Materials Corporation | \$ 100 | \$ 94.05 | \$ 197.01 | \$ 64.89 | \$ 67.37 | \$ 75.84 |
| Nasdaq Non-Financial Stocks | \$ 100 | \$ 109.66 | \$ 124.39 | \$ 56.94 | \$ 85.86 | \$ 101.80 |
| Nasdaq Composite (US) | \$ 100 | \$ 109.84 | \$ 119.14 | \$ 57.41 | \$ 82.53 | \$ 97.95 |

24

ITEM 6. Selected Financial Data

The following selected financial data should be read in conjunction with the Consolidated Financial Statements, including the related Notes, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The 2007 selected financial data include the operating results of DYNAenergetics from the November 15, 2007, acquisition date through December 31, 2007, and balance sheet information as of December 31, 2007. The 2009 selected financial data includes the operating results of LRI from the October 1, 2009, acquisition date through December 31, 2009, and balance sheet information as of December 31, 2009. The 2010 selected financial data includes consolidation of the operating results of the two Russian joint ventures from the April 30, 2010, acquisition date, through December 31, 2010, and balance sheet information as of December 31, 2010. The 2010 selected financial data also includes the operating results of DYNAenergetics US from the June 4, 2010, acquisition date, through December 31, 2010, and balance sheet information as of December 31, 2010.

| | (Dollars in Thousands, Except Per Share Data) | | | | |
|--|---|------------|------------|------------|------------|
| | Year Ended December 31, | | | | |
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Statement of Operations | | | | | |
| Net sales | \$ 154,739 | \$ 164,898 | \$ 232,577 | \$ 165,175 | \$ 113,472 |
| Cost of products sold | 117,789 | 121,779 | 161,732 | 110,168 | 71,439 |
| Gross profit | 36,950 | 43,119 | 70,845 | 55,007 | 42,033 |
| Cost and expenses | 30,161 | 26,881 | 32,793 | 16,115 | 11,930 |
| Income from operations | 6,789 | 16,238 | 38,052 | 38,892 | 30,103 |
| Other (income) expense, net | 391 | 3,311 | 4,778 | 158 | (505) |
| Income before income taxes | 6,398 | 12,927 | 33,274 | 38,734 | 30,608 |
| Income tax provision | 1,133 | 4,378 | 9,206 | 14,147 | 11,341 |
| Income from continuing operations | 5,265 | 8,549 | 24,068 | 24,587 | 19,267 |
| Discontinued operations, net of tax | — | — | — | — | 1,497 |
| Net income | \$ 5,265 | \$ 8,549 | \$ 24,068 | \$ 24,587 | \$ 20,764 |
| Income from continuing operations per share: | | | | | |
| Basic | \$ 0.40 | \$ 0.67 | \$ 1.89 | \$ 2.02 | \$ 1.62 |
| Diluted | \$ 0.40 | \$ 0.66 | \$ 1.87 | \$ 1.99 | \$ 1.57 |
| Net income per share: | | | | | |
| Basic | \$ 0.40 | \$ 0.67 | \$ 1.89 | \$ 2.02 | \$ 1.75 |
| Diluted | \$ 0.40 | \$ 0.66 | \$ 1.87 | \$ 1.99 | \$ 1.69 |
| Weighted average number of shares outstanding: | | | | | |
| Basic | 12,869,666 | 12,640,069 | 12,445,685 | 12,083,851 | 11,841,373 |
| Diluted | 12,881,754 | 12,662,440 | 12,554,402 | 12,273,135 | 12,213,075 |
| Dividends Declared per Common Share | \$ 0.16 | \$ 0.12 | \$ 0.15 | \$ 0.15 | \$ 0.15 |
| Financial Position | | | | | |
| Current assets | \$ 72,735 | \$ 87,974 | \$ 91,049 | \$ 94,730 | \$ 63,847 |
| Total assets | 201,393 | 225,176 | 229,586 | 240,899 | 84,973 |
| Current liabilities | 38,392 | 42,135 | 45,747 | 58,818 | 25,297 |

| | | | | | |
|--|---------|---------|---------|--------|--------|
| Long-term debt and capital lease obligations | 14,734 | 34,556 | 46,514 | 62,051 | 382 |
| Other non-current liabilities | 13,343 | 16,374 | 18,823 | 21,751 | 1,714 |
| Stockholders' equity | 134,924 | 132,111 | 118,502 | 98,279 | 57,580 |

25

Selected unaudited quarterly financial data for the years ended December 31, 2010 and 2009 are presented below:

(Dollars in Thousands, Except Per Share Data)

| | Year ended December 31, 2010 | | | |
|---------------------------------------|------------------------------|---------------------------|--------------------------------|-------------------------------|
| | Quarter ended March 31, | Quarter ended June 30, | Quarter ended September 30, | Quarter ended December 31, |
| Net sales | \$ 30,357 | \$ 38,258 | \$ 41,298 | \$ 44,826 |
| Gross profit | \$ 6,984 | \$ 9,258 | \$ 10,853 | \$ 9,855 |
| Net income (loss) | \$ (412) | \$ 3,036 | \$ 1,326 | \$ 1,315 |
| Net income (loss) per share - basic | \$ (0.03) | \$ 0.23 | \$ 0.10 | \$ 0.10 |
| Net income (loss) per share - diluted | \$ (0.03) | \$ 0.23 | \$ 0.10 | \$ 0.10 |

| | Year ended December 31, 2009 | | | |
|--------------------------------|------------------------------|---------------------------|--------------------------------|-------------------------------|
| | Quarter ended March 31, | Quarter ended June 30, | Quarter ended September 30, | Quarter ended December 31, |
| Net sales | \$ 49,759 | \$ 37,819 | \$ 34,690 | \$ 42,630 |
| Gross profit | \$ 15,328 | \$ 9,154 | \$ 8,754 | \$ 9,883 |
| Net income | \$ 4,916 | \$ 1,515 | \$ 1,096 | \$ 1,022 |
| Net income per share - basic | \$ 0.38 | \$ 0.12 | \$ 0.09 | \$ 0.08 |
| Net income per share - diluted | \$ 0.38 | \$ 0.12 | \$ 0.08 | \$ 0.08 |

The net income per share for the 2010 and 2009 quarters, when totaled, does not equal net income per share for the respective years as the per share amounts for each quarter and for each year are computed based on their respective discrete periods.

26

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our historical consolidated financial statements and notes, as well as the selected historical consolidated financial data included elsewhere in this annual report.

Unless stated otherwise, all dollar figures in this discussion are presented in thousands (000's).

Executive Overview

Our business is organized into three segments: Explosive Metalworking (which we also refer to as DMC Clad), Oilfield Products and AMK Welding. In 2010, Explosive Metalworking accounted for 64% of our net sales and 49% of our income from operations before consideration of stock-based compensation expense, which is not allocated to our business segments. Our Oilfield Products and AMK Welding segments accounted for 29% and 7%, respectively, of our 2010 net sales, and 27% and 24%, respectively, of our income from operations before stock-based compensation expense. In 2009 and 2008, Explosive Metalworking accounted for 81% and 84% of our net sales, respectively, and 106% and 91%, respectively, of income from operation before stock-based compensation expense.

Our 2010 net sales decreased by \$10,159, or 6.2%, compared to 2009 net sales. The year-to-year consolidated net sales decrease reflects a sales decrease of \$35,526 (26.5%) for our Explosive Metalworking segment that was partially offset by sales increases of \$23,568 (108.3%) for our Oilfield Products segment and \$1,799 (19.9%) for AMK Welding. Excluding incremental sales of \$15,436 from the acquisitions of LRI and Austin Explosives on October 1, 2009 and June 4, 2010, respectively, and the step acquisition of two Russian joint ventures that was completed on April 30, 2010, our Oilfield Products segment reported an increase of \$8,132 or 37.4% from its 2009 net sales. Income from operations decreased 58.2% to \$6,789 in 2010 from \$16,238 in 2009. This \$9,449 decrease reflects a decline in the operating income reported by our Explosive Metalworking segment of \$15,796 and an increase in stock-based compensation expense of \$76 which were partially offset by increases of \$5,489 and \$934 in the operating income reported by our Oilfield Products and AMK Welding segments, respectively. Reported consolidated operating income for 2010 and for 2009 includes amortization expense of \$5,330 and \$5,064, respectively, relating to purchased intangible assets associated with our acquisition of DYNAAenergetics, DYNAAenergetics Canada, DYNAAenergetics US and the Russian joint ventures. Our net income decreased by 38.4% to \$5,265 in 2010 from \$8,549 in 2009.

Impact of Current Economic Situation on the Company.

We were only minimally impacted in 2008 by the global economic slowdown. However, during 2009 and 2010, we experienced a significant slowdown in Explosive Metalworking sales to some of the markets we serve. The explosion-welded clad plate market is dependent upon sales of products for use by customers in a number of heavy industries, including oil and gas, alternative energy, chemicals and petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation, and industrial refrigeration. These industries tend to be cyclical in nature and the current worldwide economic downturn has affected many of these markets. Despite the slowdown we have already seen in certain sectors, including chemical, petrochemical and hydrometallurgy, quoting activity in other end markets remains healthy, and we continue to track an extensive list of projects. While timing of new order inflow remains difficult to predict, we believe that our Explosive Metalworking segment is well-positioned to benefit as global economic conditions improve.

Our Explosive Metalworking backlog, which totaled \$97,247 at the end of 2008 before this business segment began to see a significant decline in booking activity, increased from \$49,584 and \$41,154, at December 31, 2009 and September 30, 2010, respectively, to \$56,539 at December 31, 2010, reflecting a strong rebound in fourth quarter booking levels from previous quarters of 2010. Based upon the improvement in our December 31, 2010 Explosive Metalworking backlog and expected year over year increases in 2011 sales for both our Oilfield and AMK Welding business segments, we believe that our 2011 consolidated net sales could increase by 20% to 25% from the \$154,739 in consolidated net sales that we reported in 2010.

Net sales

Explosive Metalworking's revenues are generated principally from sales of clad metal plates and sales of transition joints, which are made from clad plates, to customers that fabricate industrial equipment for various industries, including oil and gas, petrochemicals, alternative energy, hydrometallurgy, aluminum production, shipbuilding, power

generation, industrial refrigeration, and similar industries. While a large portion of the demand for our clad metal products is driven by new plant construction and large plant expansion projects, maintenance and retrofit projects at existing chemical processing, petrochemical processing, oil refining, and aluminum smelting facilities also account for a significant portion of total demand.

Oilfield Products' revenues are generated principally from sales of shaped charges, detonators and detonating cord, and bidirectional boosters and perforating guns to customers who perform the perforation of oil and gas wells and from sales of seismic products to customers involved in oil and gas exploration activities.

AMK Welding's revenues are generated from welding, heat treatment, and inspection services that are provided with respect to customer-supplied parts for customers primarily involved in the power generation industry and aircraft engine markets.

A significant portion of our revenue is derived from a relatively small number of customers; therefore, the failure to complete 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 our ability to meet cash requirements exclusively through operating activities. We attempt to minimize the risk of losing customers or specific contracts by continually improving product quality, delivering product on time and competing aggressively on the basis of price.

Gross profit and cost of products sold

Cost of products sold for Explosive Metalworking includes the cost of metals and alloys used to manufacture clad metal plates, the cost of explosives, employee compensation and benefits, freight, outside processing costs, depreciation of manufacturing facilities and equipment, manufacturing supplies and other manufacturing overhead expenses.

Cost of products sold for Oilfield Products includes the cost of metals, explosives and other raw materials used to manufacture shaped charges, detonating products and perforating guns as well as employee compensation and benefits, depreciation of manufacturing facilities and equipment, manufacturing supplies and other manufacturing overhead expenses.

AMK Welding's cost of products sold consists principally of employee compensation and benefits, welding supplies (wire and gas), depreciation of manufacturing facilities and equipment, outside services and other manufacturing overhead expenses.

Income taxes

Our effective income tax rate decreased to 17.7% in 2010 from 33.9% in 2009. After adjusting for the non-recurring gain on the step acquisition of two Russian joint ventures, our effective tax rate on the remaining pretax income that we reported for 2010 was 25.1%. Income tax provisions on the earnings of Nobelclad, Nitro Metall, Dynaplat, DYNAenergetics, DYNAenergetics Canada, DYNAenergetics RUS, Perfoline, and our German and Luxembourg holding companies have been provided based upon the respective French, Swedish, German, Canadian, Russian and Luxembourg statutory tax rates for the applicable years. Going forward, based upon existing tax regulations and current federal, state and foreign statutory tax rates, we expect our blended effective tax rate on our projected consolidated pre-tax income to range between 27% and 29% in 2011 before returning to normalized level of 30% to 32% in subsequent years.

Backlog

We use backlog as a primary means of measuring the immediate outlook for our Explosive Metalworking business. We define "backlog" at any given point in time as consisting of all firm, unfulfilled purchase orders and commitments at that time. Generally speaking, we expect to fill most backlog orders within the following 12 months. From experience, most firm purchase orders and commitments are realized.

Our backlog with respect to the Explosive Metalworking segment increased to \$56,539 at December 31, 2010 from \$49,584 at December 31, 2009 and \$41,154 at September 30, 2010. Based upon this improvement in our Explosive Metalworking backlog and expected year over year increases in 2011 sales for both our Oilfield and AMK Welding business segments, we believe that our 2011 consolidated net sales could increase by 20% to 25% from the \$154,739 in consolidated net sales that we reported in 2010.

Year ended December 31, 2010 compared to Year Ended December 31, 2009

Net sales

| | 2010 | 2009 | Change | Percentage Change |
|-----------|------------|------------|-------------|-------------------|
| Net sales | \$ 154,739 | \$ 164,898 | \$ (10,159) | (6.2)% |

Net sales for 2010 decreased 6.2% to \$154,739 from \$164,898 in 2009. Explosive Metalworking sales decreased 26.5% to \$98,570 in 2010 (63.7% of total sales) from \$134,096 in 2009 (81.3% of total sales). The decrease in Explosive Metalworking sales reflects a business slowdown in several of the industries that this business segment serves.

Oilfield Products contributed \$45,332 to sales in 2010 (29.3% of total sales) compared to \$21,764 in 2009 (13.2% of total sales). Excluding incremental sales of \$15,436 from our acquisitions of LRI and Austin Explosives and the step acquisition of two Russian joint ventures, 2010 sales increased \$8,132 or 37.4%, reflecting a strong rebound in oil and gas drilling activities in North America and other regions of the world.

AMK Welding contributed \$10,837 to 2010 sales (7.0% of total sales) versus sales of \$9,038 in 2009 (5.5% of total sales), an increase of 19.9%.

Gross profit

| | 2010 | 2009 | Change | Percentage Change |
|---------------------------------------|-----------|-----------|------------|-------------------|
| Gross profit | \$ 36,950 | \$ 43,119 | \$ (6,169) | (14.3)% |
| Consolidated gross profit margin rate | 23.9% | 26.1% | | |

Gross profit decreased by 14.3% to \$36,950 in 2010 from \$43,119 in 2009. Our 2010 consolidated gross profit margin rate decreased to 23.9% from 26.1% in 2009. The gross profit margin for Explosive Metalworking decreased from 27.0% in 2009 to 18.8% in 2010. Oilfield Products reported a gross margin of 33.4% in 2010 compared to a gross margin of 22.3% in 2009. The gross profit margin for AMK Welding increased to 33.1% in 2010 from 27.0% in 2009.

The 30.3% decrease in the 2010 gross profit margin rate for Explosive Metalworking reflects a 34.6% decrease in our U.S. gross margin rate from 34.0% in 2009 to 22.2% in 2010 and a 24.2% decrease in our European gross margin rate from 15.6% in 2009 to 11.8% in 2010 on year-to-year sales declines of 20.3% and 36.5%, respectively. While lower sales and the resultant less favorable absorption of fixed manufacturing overhead costs have negatively impacted gross margins reported by all of our cladding divisions, the significant decline in our U.S. gross margin rate for 2010 compared to 2009 relates principally to unfavorable changes in product mix and an extremely competitive pricing environment in certain end markets that comprise a significant portion of our 2010 sales. Historically, gross margins for our European explosion welding divisions have been lower than those reported by our U.S. division due to less efficient fixed manufacturing cost structures associated with our smaller European facilities and this has again been case during 2010. While our European cladding divisions also face a competitive pricing environment, the principal reason for the large decrease in our European gross margin rate for 2010 compared to 2009 is the 36.5% decline in sales. As has been the case historically, we expect to see continued fluctuations in Explosive Metalworking's quarterly gross margin rates in the future that result from fluctuations in quarterly sales volume and change in product mix.

The increase in Oilfield Products' 2010 gross margin relates principally to the significant sales increases that are discussed above and favorable changes in product/customer mix. Gross margins reported by the Oilfield Products segment also reflect the incremental margin on intercompany sales to recently acquired former distributors in Canada, the U.S. and Russia as these acquired entities sell products through to the end customers.

The increase in AMK Welding's gross margin relates principally to the sales increase discussed above and associated more favorable absorption of fixed manufacturing overhead expenses.

Based upon the expected contribution to 2011 consolidated net sales by each of our three business segments, we expect our consolidated full year 2011 gross margin to be in a range of 24% to 26%.

29

General and administrative expenses

| | 2010 | 2009 | Change | Percentage Change |
|-------------------------------------|-----------|-----------|--------|----------------------|
| General and administrative expenses | \$ 13,696 | \$ 12,980 | \$ 716 | 5.5% |
| Percentage of net sales | 8.9% | 7.9% | | |

General and administrative expenses increased by \$716, or 5.5%, to \$13,696 in 2010 from \$12,980 in 2009. Excluding incremental general and administrative expenses of \$1,229 that resulted from the acquisitions of LRI, Austin Explosives and the Russian joint ventures, our general and administrative expenses decreased by \$513 or 4%. This decrease includes increases of \$113 and \$122 in salaries and stock-based compensation, respectively, which were more than offset by a \$195 decrease in accrued incentive compensation and a net decrease of \$473 in all other expense categories that reflects the impact of tight controls over discretionary spending. As a percentage of net sales, general and administrative expenses increased to 8.9% in 2010 from 7.9% in 2009.

Selling and distribution expenses

| | 2010 | 2009 | Change | Percentage Change |
|-----------------------------------|-----------|----------|----------|----------------------|
| Selling and distribution expenses | \$ 11,135 | \$ 8,837 | \$ 2,298 | 26.0% |
| Percentage of net sales | 7.2% | 5.4% | | |

Selling and distribution expenses, which include sales commissions of \$783 in 2010 and \$1,387 in 2009, increased by 26% to \$11,135 in 2010 from \$8,837 in 2009. Excluding incremental selling and distribution expenses of \$3,378 that resulted from the acquisitions of LRI, Austin Explosives and the Russian joint ventures, our selling and distribution expenses decreased by \$1,080 or 12.2%. This decrease in our selling and distribution expenses includes decreased selling and distribution expenses of \$121 at our U.S. divisions and \$959 at our foreign divisions. The decrease in our foreign divisions' selling and distribution expenses relates principally to staff reductions within our European explosion welding facilities and lower sales commissions. The \$121 decrease in our U.S. selling and distribution expenses reflects decreases of \$121 and \$118 for salaries and accrued incentive compensation, respectively, and a net increase of \$118 in other spending categories. As a percentage of net sales, selling and distribution expenses increased to 7.2% in 2010 from 5.4% in 2009. The increase in selling and distribution expenses as a percentage of sales relates largely to our Oilfield Products business and the need, particularly in North America, to maintain a number of strategically located distribution centers that are in close proximity to areas which contain a large concentration of oilfields and enjoy a high volume of related oil and gas drilling activities.

Amortization expenses

| | 2010 | 2009 | Change | Percentage Change |
|---|----------|----------|--------|----------------------|
| Amortization of purchased intangible assets | \$ 5,330 | \$ 5,064 | \$ 266 | 5.3% |
| Percentage of net sales | 3.4% | 3.1% | | |

Amortization expense relates to the amortization of values assigned to intangible assets in connection with our November 15, 2007 acquisition of DYNAenergetics, our October 1, 2009 acquisition of LRI, our April 30, 2010 acquisition of the two Russian joint ventures and our June 4, 2010 acquisition of Austin Explosives. Amortization expense for 2010 includes \$3,854, \$1,136, and \$340 relating to values assigned to customer relationships, core technology, and trademarks/trade names, respectively. Amortization expense for 2009 includes \$3,511, \$1,173, \$380 relating to values assigned to customer relationships, core technology, and trademarks/trade names, respectively. Amortization expense (as measured in Euros) associated with the DYNAenergetics acquisition is expected to approximate €3,490 in 2011, and 2011 amortization expense (as measured in Canadian dollars) associated with the LRI acquisition is expected to approximate 80 CAD. Amortization expense (as measured in Euros) associated with the acquisition of the two Russian joint ventures is expected to approximate €235 in 2011, and 2011 amortization expense associated with the Austin Explosives acquisition is expected to approximate \$435.

30

Operating income

| | 2010 | 2009 | Change | Percentage Change |
|------------------|----------|-----------|------------|----------------------|
| Operating income | \$ 6,789 | \$ 16,238 | \$ (9,449) | (58.2)% |

Income from operations ("operating income") decreased by 58.2% to \$6,789 in 2010 from \$16,238 in 2009. Explosive Metalworking reported operating income of \$5,039 in 2010 as compared to \$20,835 in 2009. This 75.8% decrease is largely attributable to the 26.5% decrease in net sales and the 30.3% decline in the 2010 gross margin rate as discussed above. Operating results of Explosive Metalworking for 2010 and 2009 include \$2,271 and \$2,407, respectively, of amortization expense of purchased

intangible assets.

Oilfield products reported operating income of \$2,747 in 2010 as compared to an operating loss of \$2,742 in 2009. The significant improvement in operating results for our Oilfield Products segment is attributable to the significant increases in sales and gross profit as discussed above that reflect the incremental sales and gross profit from the acquisitions of LRI, Austin Explosives and the Russian joint ventures as well as an increase in global oil and gas drilling activities, particularly in North America. Operating results of Oilfield Products for 2010 and 2009 include \$3,059 and \$2,657, respectively, of amortization expense of purchased intangible assets.

AMK Welding reported operating income of \$2,504 in 2010, an increase of 59.5% from the \$1,570 that it reported in 2009. The improvement in AMK's operating income is largely attributable to the 19.9% sales increase discussed above.

Operating income in 2010 and 2009 includes \$3,501 and \$3,425, respectively, of stock-based compensation expense. This expense is not allocated to our business segments and thus is not included in the above 2010 and 2009 operating income totals for Explosive Metalworking, Oilfield Products, and AMK Welding. Stock-based compensation expense in 2011 is expected to approximate \$3,400.

Gain on step acquisition of joint ventures

| | 2010 | 2009 | Change | Percentage Change |
|--|----------|------|----------|-------------------|
| Gain on step acquisition of joint ventures | \$ 2,117 | \$ — | \$ 2,117 | N/A |

During the second quarter of 2010, we acquired the remaining non-controlling interests in two Russian joint ventures that were previously majority-owned. Prior to the acquisition date, we accounted for the joint ventures as equity investments. As a result of the acquisition of the remaining non-controlling interests, we now consolidate these entities. In accordance with accounting standards applicable to transactions of this nature, we determined the fair value of our interests in these joint ventures immediately prior to the purchase and recognized a resultant gain of \$2,117.

Other income (expense), net

| | 2010 | 2009 | Change | Percentage Change |
|-----------------------------|--------|----------|--------|-------------------|
| Other income (expense), net | \$ 209 | \$ (275) | \$ 484 | (176.0)% |

We reported net other income of \$209 in 2010 compared to net other expense of \$275 in 2009. Our 2010 net other income includes net realized and unrealized foreign exchange gains of \$150, including a gain of \$118 on our currency swap agreement, and net other income items aggregating \$59. Our 2009 other net expense of \$275 relates principally to realized and unrealized foreign exchange losses recorded by our Swedish and German subsidiaries.

31

Interest income (expense), net

| | 2010 | 2009 | Change | Percentage Change |
|--------------------------------|------------|------------|--------|-------------------|
| Interest income (expense), net | \$ (2,972) | \$ (3,257) | \$ 285 | (8.8)% |

We recorded net interest expense of \$2,972 in 2010 compared to net interest expense of \$3,257 in 2009. Our 2010 interest expense includes a non-recurring, non-cash charge of \$251 related to the write-off of unamortized debt issuance costs associated with the March prepayment, in the amount of \$12,498 (9,020 Euros), of the remaining balance of the Euro term loan that was outstanding under our bank syndicate credit facility. This Euro term loan was scheduled to mature on November 16, 2012. The decrease in interest expense is attributable to a significant reduction in average outstanding borrowings that resulted from scheduled term loan payments and the March 2010 prepayment of the Euro term loan. Interest savings from these term loan reductions were partially offset by higher average interest rates in 2010 that relate principally to the October 2009 amendment to our bank syndicated credit facility which resulted in an increase in the interest rate charged on outstanding borrowings of 1.5% per annum.

Income tax provision

| | 2010 | 2009 | Change | Percentage Change |
|----------------------|----------|----------|------------|-------------------|
| Income tax provision | \$ 1,133 | \$ 4,378 | \$ (3,245) | (74.1)% |
| Effective tax rate | 17.7% | 33.9% | | |

We recorded an income tax provision of \$1,133 in 2010 compared to \$4,378 in 2009. Our 2010 income tax provision included a provision of \$59 associated with the \$2,117 non-recurring gain that we recorded on the acquisition of non-controlling interest in two Russian joint ventures as discussed above and a provision of \$1,074 on the remaining pretax income of \$4,281. The effective tax rate decreased to 17.7% in 2010 from 33.9% in 2009 due principally to the low tax rate applicable to the non-recurring gain on the acquisition of non-controlling interest in two Russian joint ventures. Our effective tax rate on the \$4,281 of "ordinary" pretax income that we reported was 25.1%. Our consolidated income tax provision for 2010 and 2009 included \$1,670 and \$5,659, respectively, related to U.S. taxes, with the remainder relating to net foreign tax benefits of \$537 and \$1,281 in 2010 and 2009, respectively, associated with our foreign operations and holding companies.

We expect our blended effective tax rate for 2011 to range from 27% to 29% based on projected pre-tax income.

Adjusted EBITDA

| | 2010 | 2009 | Change | Percentage Change |
|-----------------|-----------|-----------|------------|-------------------|
| Adjusted EBITDA | \$ 21,003 | \$ 29,769 | \$ (8,766) | (29.4)% |

Adjusted EBITDA is a non-GAAP measure that we believe provides an important indicator of our ongoing operating performance. Our aggregate non-cash depreciation, amortization and stock-based compensation expense for the years ended December 31, 2010 and 2009 was \$14,214 and \$13,531, respectively, and represents a significant percentage of the consolidated operating income that we reported for these years. We use non-GAAP EBITDA and Adjusted EBITDA in our operational and financial decision-making and believe that these non-GAAP measures are a reliable indicator of our ability to generate cash flow from operations and facilitate a more meaningful comparison of the operating performance of our three business segments than do certain GAAP measures. Research analysts, investment bankers and lenders also use EBITDA and Adjusted EBITDA to assess operating performance. The following is a reconciliation of the most directly comparable GAAP measure to Adjusted EBITDA.

32

| | 2010 | 2009 |
|---|------------------|------------------|
| Net income | \$ 5,265 | \$ 8,549 |
| Interest expense | 3,046 | 3,473 |
| Interest income | (74) | (216) |
| Provision for income taxes | 1,133 | 4,378 |
| Depreciation | 5,383 | 5,042 |
| Amortization of purchased intangible assets | 5,330 | 5,064 |
| EBITDA | 20,083 | 26,290 |
| Stock-based compensation | 3,501 | 3,425 |
| Other (income) expense, net | (2,326) | 275 |
| Equity in earnings of joint ventures | (255) | (221) |
| Adjusted EBITDA | <u>\$ 21,003</u> | <u>\$ 29,769</u> |

Adjusted EBITDA decreased 29.4% to \$21,003 in 2010 from \$29,769 in 2009 primarily due to the decrease in operating income of \$9,449.

Year ended December 31, 2009 compared to Year Ended December 31, 2008

Net sales

| | 2009 | 2008 | Change | Percentage Change |
|-----------|------------|------------|-------------|-------------------|
| Net sales | \$ 164,898 | \$ 232,577 | \$ (67,679) | (29.1)% |

Net sales for 2009 decreased 29.1% to \$164,898 from \$232,577 in 2008. Explosive Metalworking sales decreased 31.2% to \$134,096 in 2009 (81.3% of total sales) from \$194,999 in 2008 (83.8% of total sales). The decrease in Explosive Metalworking sales reflects a business slowdown in several of the industries that this business segment serves and includes approximately \$5.0 million of unfavorable foreign exchange translation adjustments.

Oilfield Products contributed \$21,764 to sales in 2009 (13.2% of total sales) compared to \$27,833 in 2008 (12.0% of total sales). The \$6,069 or 21.8% decline in sales, which includes incremental sales of \$1,544 from the LRI acquisition, reflects both a volume decrease and a negative impact of approximately \$900 from unfavorable foreign exchange adjustments.

AMK Welding contributed \$9,038 to 2009 sales (5.5% of total sales) versus sales of \$9,745 in 2008 (4.2% of total sales), a decline of 7.3%.

Gross profit

| | 2009 | 2008 | Change | Percentage Change |
|---------------------------------------|-----------|-----------|-------------|-------------------|
| Gross profit | \$ 43,119 | \$ 70,845 | \$ (27,726) | (39.1)% |
| Consolidated gross profit margin rate | 26.1% | 30.5% | | |

Gross profit decreased by 39.1% to \$43,119 in 2009 from \$70,845 in 2008. Our 2009 consolidated gross profit margin rate decreased to 26.1% from 30.5% in 2008. The gross profit margin for Explosive Metalworking decreased 10.9% from 30.3% in 2008 to 27.0% in 2009. Oilfield Products reported a gross margin of 22.3% in 2009 compared to a gross margin of 31.9% in 2008. The gross profit margin for AMK Welding decreased to 27.0% in 2009 from 32.9% in 2008.

The decreased 2009 gross profit margin rate for Explosive Metalworking relates almost entirely to our European cladding operations where the gross margin rate for the year was 36% lower than the gross margin rate reported in 2008 on a year-to-year sales decline of 37%. Our U.S. clad division reported only a slightly lower gross margin rate of 34.3% in 2009 compared to 34.8% in 2008 despite a 27% drop in sales. Historically, gross margins for our European explosion

welding divisions have been lower than those reported by our U.S. division due to less efficient fixed manufacturing cost structures associated with our smaller European facilities. During 2009 the gross margins that we reported in our quarterly financial statements ranged from a low of 22.8% in the fourth quarter to a high of 31.8% in the first quarter.

The large decrease in Oilfield Products' 2009 gross margin relates principally to the 21.8% sales decline discussed above and resultant less favorable absorption of fixed manufacturing overhead expenses but also includes the impact of non-recurring costs associated with the relocation of certain production activities during the second quarter of 2009 and year-to-year changes in product/customer mix.

The decrease in the AMK Welding gross margin relates principally to an increase in manufacturing overhead associated with engineering and product development expenses as AMK seeks to expand both its service offerings and customer base.

General and administrative expenses

| | 2009 | 2008 | Change | Percentage Change |
|-------------------------------------|-----------|-----------|------------|-------------------|
| General and administrative expenses | \$ 12,980 | \$ 14,256 | \$ (1,276) | (9.0)% |
| Percentage of net sales | 7.9% | 6.1% | | |

General and administrative expenses decreased by \$1,276, or 9.0%, to \$12,980 in 2009 from \$14,256 in 2008. Excluding incremental fourth quarter 2009 general and administrative expenses of \$374 relating to the October 1, 2009 acquisition of LRI which included \$177 of transaction related expenses, our general and administrative expenses decreased by \$1,650 or 11.6%. General and administrative expenses of our European divisions decreased by \$467, or 8.2%, as a result of a 1.9% decrease in net expenses as measured in Euros and \$309 in favorable foreign exchange translation adjustments. Our U.S. general and administrative expenses decreased by \$1,183 or 13.9%. The U.S. decrease reflects a \$231 increase in stock-based compensation expense offset by a \$632 decrease in accrued incentive compensation, a reduction of \$354 in legal and consulting expenses, and a net decrease of \$428 in other spending categories. As a percentage of net sales, general and administrative expenses increased to 7.9% in 2009 from 6.1% in 2008.

Selling and distribution expenses

| | 2009 | | 2008 | | Change | Percentage Change |
|-----------------------------------|------|-------|------|--------|------------|-------------------|
| Selling and distribution expenses | \$ | 8,837 | \$ | 11,155 | \$ (2,318) | (20.8)% |
| Percentage of net sales | | 5.4% | | 4.8% | | |

Selling and distribution expenses, which include sales commissions of \$1,387 in 2009 and \$2,351 in 2008, decreased by 20.8% to \$8,837 in 2009 from \$11,155 in 2008. Excluding incremental selling and distribution expenses of \$422 associated with the LRI acquisition, our selling and distribution expenses decreased by \$2,740 or 24.6%. The \$2,740 decrease in our consolidated selling and distribution expenses includes decreased selling and distribution expenses of \$1,643 and \$1,097 at our European and U.S. divisions, respectively. The decrease in European selling and distribution expenses relates principally to staff reductions within our European explosion welding divisions and lower sales commissions and also includes \$327 of favorable foreign exchange translation adjustments. The \$1,097 decrease in our U.S. selling and distribution expenses reflects decreased sales commissions of \$427, a \$298 decrease in accrued incentive compensation, a \$214 decrease in travel expenses, a \$144 decrease in bad debt expense and a \$194 reduction in business development, advertising and promotional expenses that were partially offset by a net increase of \$180 in other spending categories. As a percentage of net sales, selling and distribution expenses increased to 5.4% in 2009 from 4.8% in 2008.

34

Amortization expenses

| | 2009 | | 2008 | | Change | Percentage Change |
|---|------|-------|------|-------|------------|-------------------|
| Amortization of purchased intangible assets | \$ | 5,064 | \$ | 7,382 | \$ (2,318) | (31.4)% |
| Percentage of net sales | | 3.1% | | 3.2% | | |

Amortization expense relates entirely to the amortization of values assigned to intangible assets in connection with our November 15, 2007 acquisition of DYNAenergetics and our October 1, 2009 acquisition of LRI. Amortization expense for 2009 includes \$3,511, \$1,173, and \$380 relating to values assigned to customer relationships, core technology, and trademarks/trade names, respectively. Amortization expense for 2008 includes \$2,055, \$3,694, \$1,232, and \$401 relating to values assigned to order backlog, customer relationships, core technology, and trademarks/trade names, respectively. The value assigned to order backlog was fully amortized during the first six months of 2008.

Operating income

| | 2009 | | 2008 | | Change | Percentage Change |
|------------------|------|--------|------|--------|-------------|-------------------|
| Operating income | \$ | 16,238 | \$ | 38,052 | \$ (21,814) | (57.3)% |

Income from operations ("operating income") decreased by 57.3% to \$16,238 in 2009 from \$38,052 in 2008. Explosive Metalworking reported operating income of \$20,835 in 2009 as compared to \$37,454 in 2008. This 44.4% decrease is largely attributable to the 31.2% decrease in net sales and 10.9% decline in the 2009 gross margin rate as discussed above. Operating results of Explosive Metalworking for 2009 and 2008 include \$2,407 and \$4,596, respectively, of amortization expense of purchased intangible assets.

Oilfield products reported an operating loss of \$2,742 in 2009 as compared to operating income of \$1,472 in 2008. This \$4,214 decline is largely attributable to the 21.8% decrease in net sales and 30.1% decline in the 2009 gross margin rate as discussed above. Operating results of Oilfield Products for 2009 and 2008 include \$2,657 and \$2,786, respectively, of amortization expense of purchased intangible assets.

AMK Welding reported operating income of \$1,570 in 2009, a decrease of 33.6% from the \$2,363 that it reported in 2008. This decline is largely attributable to the 7.3% decrease in net sales and 17.9% decline in the 2009 gross margin rate as discussed above.

Operating income in 2009 and 2008 includes \$3,425 and \$3,237, respectively, of stock-based compensation expense. This expense is not allocated to our business segments and thus is not included in the above 2009 and 2008 operating income totals for Explosive Metalworking, Oilfield Products, and AMK Welding.

Interest income (expense), net

| | 2009 | | 2008 | | Change | Percentage Change |
|--------------------------------|------|---------|------|---------|----------|-------------------|
| Interest income (expense), net | \$ | (3,257) | \$ | (4,783) | \$ 1,526 | (31.9)% |

We recorded net interest expense of \$3,257 in 2009 compared to net interest expense of \$4,783 in 2008. This decrease in net interest expense reflects repayments on term loans with our bank syndicate and a German bank of \$13,614 and \$876, respectively, and lower average interest rates on our European borrowings.

35

Income tax provision

| | 2009 | | 2008 | | Change | Percentage Change |
|----------------------|------|-------|------|-------|------------|-------------------|
| Income tax provision | \$ | 4,378 | \$ | 9,206 | \$ (4,828) | (52.4)% |
| Effective tax rate | | 33.9% | | 27.7% | | |

We recorded an income tax provision of \$4,378 in 2009 compared to \$9,206 in 2008. The effective tax rate increased to 33.9% in 2009 from 27.7% in 2008. The 2009 and 2008 income tax provisions include \$5,659 and \$7,656, respectively, related to U.S. taxes, with the remainder relating to net foreign tax benefits in 2009 and net foreign taxes in 2008 associated with the operations of Nobelclad and its Swedish subsidiary, Nitro Metall, as well as DYNAenergetics and Dynaplat and their related holding companies in Germany and Luxembourg. The 2009 effective tax rate of 33.9% is slightly higher than the full year expected tax rate of 32% to 33% that was disclosed at the end of the third quarter and relates to a higher than previously expected contribution to 2009 consolidated pre-tax income by our U.S. operations. Our U.S. tax rate is higher than the average tax rate for our European subsidiaries.

The 2008 effective tax rate of 27.7% was much lower than our 2009 effective tax rate of 33.9%. This deviation arose primarily from the completion during the third quarter of 2008 of an Internal Revenue Service examination and from adjustments that were identified during the third quarter 2008 preparation and filing of our 2007 federal and state tax returns. The closure of the Internal Revenue Service examination enabled us to record previously unrecognized tax benefits of approximately \$300 (net) in 2008. The "book-to-return" adjustments favorably impacted our third quarter 2008 tax provision by approximately \$1,100 and related primarily to apportionment factors utilized to compute state income taxes. Largely as a result of these third quarter 2008 tax provision adjustments, our full year 2008 blended effective tax rate was reduced to

27.7%.

Adjusted EBITDA

| | 2009 | 2008 | Change | Percentage Change |
|-----------------|-----------|-----------|-------------|-------------------|
| Adjusted EBITDA | \$ 29,769 | \$ 53,202 | \$ (23,433) | (44.0)% |

Adjusted EBITDA is a non-GAAP measure that we believe provides an important indicator of our ongoing operating performance. Our aggregate non-cash depreciation, amortization and stock-based compensation expense for the years ended December 31, 2009 and 2008 was \$13,531 and \$15,150, respectively, and represents a significant percentage of the consolidated operating income that we reported for these years. We use non-GAAP EBITDA and Adjusted EBITDA in our operational and financial decision-making and believe that these non-GAAP measures are a reliable indicator of our ability to generate cash flow from operations and facilitate a more meaningful comparison of the operating performance of our three business segments than do certain GAAP measures. Research analysts, investment bankers and lenders also use EBITDA and Adjusted EBITDA to assess operating performance. The following is a reconciliation of the most directly comparable GAAP measure to EBITDA and Adjusted EBITDA.

| | 2009 | 2008 |
|---|-----------|-----------|
| Net income | \$ 8,549 | \$ 24,068 |
| Interest expense | 3,473 | 5,472 |
| Interest income | (216) | (689) |
| Provision for income taxes | 4,378 | 9,206 |
| Depreciation | 5,042 | 4,531 |
| Amortization of purchased intangible assets | 5,064 | 7,382 |
| EBITDA | 26,290 | 49,970 |
| Stock-based compensation | 3,425 | 3,237 |
| Other (income) expense, net | 275 | 269 |
| Equity in earnings of joint ventures | (221) | (274) |
| Adjusted EBITDA | \$ 29,769 | \$ 53,202 |

36

Adjusted EBITDA decreased 44.0% to \$29,769 in 2009 from \$53,202 in 2008 primarily due to the decrease in operating income of \$21,814.

Liquidity and Capital Resources

We have historically financed our operations from a combination of internally generated cash flow, revolving credit borrowings, various long-term debt arrangements, and the issuance of common stock. We believe that cash flow from operations and funds available under our current credit facilities and any future replacement thereof will be sufficient to fund the working capital, debt service, and capital expenditure requirements of our current business operations for the foreseeable future. Nevertheless, our ability to generate sufficient cash flows from operations will depend upon our success in executing our strategies. If we are unable to (i) realize sales from our backlog; (ii) secure new customer orders at attractive prices; and (iii) continue to implement cost-effective internal processes, our ability to meet cash requirements through operating activities could be impacted. Furthermore, any restriction on the availability of borrowings under our credit facilities could negatively affect our ability to meet future cash requirements.

Debt facilities

In connection with the acquisition of DYNAenergetics in 2007, we entered into a five-year syndicated credit agreement. The credit agreement, which provided term loans of \$45,000 and 14,000 Euros and revolving credit loan availability of \$25,000 and 7,000 Euros, is through a syndicate of seven banks.

There are two significant financial covenants under our credit facility, the leverage ratio and fixed charge coverage ratio requirements. As a result of the slowdown in our business during 2009 which continued into the early part of 2010, we were concerned about our ability to comply with these financial covenants as of March 31, 2010 and subsequent quarters of 2010. In an effort to alleviate this concern and remain in compliance with financial covenants as of March 31, 2010 and in future periods, we made a March prepayment of the remaining principal balance due under our bank syndicated Euro term loan in the amount of \$12,498 (9,020 Euros) and, on April 19, 2010, amended the credit agreement to exclude scheduled principal payments under the Euro term loan from fixed charge coverage ratio computations for March 31, 2010 and forward. As we reached the end of 2010 and completed our 2011 budget, we were once again concerned about our ability to remain in compliance with financial covenants as of December 31, 2010 and in future quarterly periods of 2011. To address this concern, on February 2, 2011, we amended the credit agreement to reduce the minimum fixed charge coverage ratio requirement to 0.9 to 1.0 for the trailing four quarter period ended December 31, 2010 and 1.0 to 1.0 for any trailing four quarter period thereafter. The February 2 amendment also increased the maximum leverage ratio for any trailing four quarter period ending after September 30, 2011 to 1.25 to 1.0 from 1.0 to 1.0, and increased maximum annual capital expenditure limits for 2011 and 2012 from \$8 million for both years to \$10 million for 2011 and \$14 million for 2012.

The leverage ratio is defined in the credit facility as Consolidated Funded Indebtedness at the balance sheet date as compared to Consolidated EBITDA, which is defined as earnings before provisions for income taxes, interest expense, depreciation and amortization, extraordinary, non-recurring charges and other non-cash charges, for the previous twelve months. For the years ended December 31, 2009 and 2010, Consolidated EBITDA approximated the "Adjusted EBITDA" that we reported for the respective periods. As of December 31, 2010, the maximum leverage ratio permitted by our credit facility was 1.5 to 1.0. The actual leverage ratio as of December 31, 2010 was 1.26 to 1.5. The maximum leverage ratio permitted as of March 31, June 30, September 30 and December 31, 2011 is 1.5 to 1.0, 1.5 to 1.0, 1.5 to 1.0 and 1.25 to 1.0, respectively.

The fixed charge ratio, as defined in the credit facility, means, for any period, the ratio of Earnings Available for Fixed Charges to Fixed Charges. Earnings Available for Fixed Charges equals Consolidated EBITDA plus lease expenses minus cash income taxes and maintenance capital expenditures. Fixed Charges equals the sum of cash interest expense, lease expense, scheduled principal payments and cash dividends. As of December 31, 2010, the minimum fixed charge ratio permitted by our credit facility, as amended on February 2, 2011, was 0.9 to 1.0. The actual fixed charge ratio as of December 31, 2010 was 1.09 to 0.9. The minimum fixed charge coverage ratio permitted for the twelve month periods ending March 31, June 30, September 30 and December 31, 2011 is 1.0 to 1.0.

In connection with the October 1, 2009 acquisition of LRI, we assumed outstanding debt obligations including line of credit loans, loans with the former owners and capital lease obligations in the amounts of \$2,676 (2,883 CAD), \$2,445 (2,634 CAD) and \$432 (465 CAD), respectively.

37

As of December 31, 2010, a U.S. dollar term loan of \$22,247 was outstanding under our credit facility, \$596 was outstanding under term loan obligations of

DYNAenergetics and \$1,332 was outstanding under loan agreements with the former owners of LRI. We had \$1,060 outstanding on our revolving credit borrowings under our syndicated credit agreement and \$1,561 outstanding under our separate DYNAenergetics' line of credit agreements. We had no outstanding balances under the line of credit assumed with the acquisition of LRI. While we had approximately \$42,108 of unutilized revolving credit loan capacity as of December 31, 2010 under our various credit facilities, future borrowings are subject to compliance with financial covenants that could significantly limit availability.

Debt and other contractual obligations and commitments

Our existing loan agreements include various covenants and restrictions, certain of which relate to the payment of dividends or other distributions to stockholders, redemption of capital stock, incurrence of additional indebtedness, mortgaging, pledging or disposition of major assets, and maintenance of specified financial ratios. As of December 31, 2010, we were in compliance with all financial covenants and other provisions of our debt agreements.

The table below presents principal cash flows by expected maturity dates for our debt obligations and other contractual obligations and commitments as of December 31, 2010:

| Contractual Obligations | Payment Due by Period As of December 31, 2010 | | | | Total |
|--------------------------------------|--|------------------|------------------|------------------------------|------------------|
| | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years | |
| Total long-term debt obligations (1) | \$ 12,217 | \$ 13,742 | \$ 837 | \$ — | \$ 26,796 |
| Interest expense (2) | 887 | 474 | 6 | — | 1,367 |
| Capital lease obligations (3) | 305 | 128 | 23 | — | 456 |
| Operating lease obligations (4) | 1,535 | 2,451 | 1,100 | — | 5,086 |
| License agreements obligations (5) | 232 | 464 | 464 | 696 | 1,856 |
| Purchase obligations (6) | 19,981 | — | — | — | 19,981 |
| Total | \$ 35,157 | \$ 17,259 | \$ 2,430 | \$ 696 | \$ 55,542 |

(1) Amounts represent future cash payments on our debt obligations and are reflected in accompanying Consolidated Balance Sheets.

(2) Amounts represent future cash payments of interest expense on our debt obligations. December 31, 2010 interest rates assumed for variable rate debt.

(3) The present value of these capital lease obligations are included in our Consolidated Balance Sheets. See Note 9 of the Notes to Consolidated Financial Statements for additional information.

(4) The operating lease obligations presented reflect future minimum lease payments due under non-cancelable portions of our leases as of December 31, 2010. Our operating lease obligations are described in Note 9 of the Notes to Consolidated Financial Statements.

(5) The license agreements obligations presented reflect future minimum payments due under non-cancelable portions of our agreements as of December 31, 2010. Our license agreements obligations are described in Note 9 of the Notes to Consolidated Financial Statements.

(6) Amounts represent commitments to purchase goods or services to be utilized in the normal course of business. These amounts are not reflected in accompanying Consolidated Balance Sheets.

For more information about our debt obligations, see Note 5 to our consolidated financial statements elsewhere in this annual report.

Cash flows from operating activities

Net cash flows provided by operating activities for 2010 totaled \$16,693. Significant sources of operating cash flow included net income of \$5,265, non-cash depreciation and amortization expense of \$11,300, stock-based compensation of \$3,501 and net positive changes in working capital of \$673. These sources of operating cash flow were partially offset by a \$2,117 non-cash gain on step acquisition of joint ventures and a deferred income tax benefit of \$1,708. Positive cash flows from changes in working capital included decreases in accounts receivable and inventories and increases in accounts payable of \$2,690, \$1,696, and \$2,970, respectively. These were partly offset by decreases in customer advances and accrued expenses and other liabilities of \$4,871 and \$1,375, respectively. The decreases in accounts receivable and inventories reflect declines of more than 20% in our Explosive Metalworking segment's accounts receivable and inventory balances that follow the decrease in this segment's sales levels, with these declines being partially offset by increased accounts receivable and inventories in our Oilfield Products segment, which reflect a strong rebound in this segment's underlying sales and production activity during the last half of 2010. The decrease in customer advances reflects the return of customer advances to a more normal level after the inclusion at December 31, 2009 of a \$4,500 advance from one customer on a large order that was shipped during 2010. The increase in accounts payable relates primarily to the timing of inventory purchases and payments while the decrease in accrued expenses and other liabilities relates to both timing issues and a decrease in accrued incentive compensation.

Net cash flows provided by operating activities for 2009 totaled \$29,540. Significant sources of operating cash flow included net income of \$8,549, non-cash depreciation and amortization expense of \$10,403, stock-based compensation of \$3,425 and net positive changes in working capital of \$10,168. Deferred income tax benefits of \$2,784 partly offset these sources of operating cash flows. Positive cash flows from changes in working capital included decreases in accounts receivable and inventories and increases in customer advances of \$11,891, \$6,604, and \$3,813, respectively. These were partly offset by increases in prepaid expenses of \$571 and decreases in accounts payables and accrued expenses and other liabilities of \$8,045 and \$3,524, respectively.

Net cash flows provided by operating activities for 2008 totaled \$34,003. Significant sources of operating cash flow included net income of \$24,068, non-cash depreciation and amortization expense of \$12,192 and stock-based compensation of \$3,237. Deferred income tax benefits of \$2,079 and negative net changes in working capital of \$3,141 partly offset these sources of operating cash flows. Negative cash flows from changes in working capital included increases in prepaid expenses and decreases in accounts payable, customer advances, and accrued expenses and other liabilities of \$2,802, \$6,706, \$1,833 and \$1,143, respectively. These were partly offset by decreases in restricted cash, accounts receivable, and inventories of \$371, \$4,061 and \$4,911, respectively.

Cash flows from investing activities

Net cash flows used in investing activities for 2010 totaled \$9,265 which included investments in acquisitions of \$5,685 and \$3,527 in capital expenditures.

Net cash flows used in investing activities for 2009 totaled \$4,142 and consisted primarily of \$3,917 in capital expenditures and \$284 of cash paid in connection with the acquisition of LRI.

Net cash flows used in investing activities for 2008 totaled \$10,464 and consisted primarily of \$9,925 in capital expenditures and \$559 of cash paid for additional acquisition costs in connection with the acquisition of DYNAenergetics.

Cash flows from financing activities

Net cash flows used in financing activities for 2010 totaled \$24,947. Significant uses of cash for financing activities included \$2,876 in required prepayments of term loans under our syndicated credit agreement from excess cash flow that we generated in fiscal year 2009, \$12,498 to prepay the remaining principal balance of our Euro term loan under our syndicated credit agreement, \$6,750 for scheduled term loan principal payments under our syndicated credit agreement, payment of annual dividends of \$2,089, \$797 in principal payments on our Nord LB term loans, \$601 for the negative tax impact of stock-based compensation and payment on capital lease obligations of \$304. Sources of cash flow from financing activities included net borrowings on bank lines of credit of \$780 and \$188 in net proceeds from the issuance of common stock relating to the exercise of stock options.

Net cash flows used in financing activities for 2009 totaled \$17,730. Significant uses of cash for financing activities included \$9,760 for scheduled term loan principal payments under our syndicated credit agreement, \$3,854 in

required prepayments of term loans under our syndicated credit agreement from excess cash flow we generated in 2008, payments on loans with their former LRI owners of \$1,231, repayments of LRI's bank line of credit of \$952, payment of annual dividends of \$1,028 and \$876 in principal payments on our Nord LB term loans. Sources of cash flow from financing activities included \$425 in net proceeds from the issuance of common stock relating to the exercise of stock options and \$90 for excess tax benefits related to stock option exercises.

Net cash flows used in financing activities for 2008 totaled \$17,249. Significant uses of cash for financing activities included repayments of DYNAenergetics' bank lines of credit of \$7,579, \$6,282 for scheduled term loan principal payments under our syndicated credit agreement, payment of annual dividends of \$1,894, \$1,045 in principal payments on our Nord LB term loans and \$426 on a final principal payment on a term loan with a French bank. Sources of cash flow from financing activities included \$441 in net proceeds from the issuance of common stock relating to the exercise of stock options and \$143 for excess tax benefits related to stock option exercises.

Critical Accounting Policies

Our historical consolidated financial statements and notes to our historical consolidated financial statements contain information that is pertinent to our management's discussion and analysis of financial condition and results of operations. Preparation of financial statements in conformity with accounting principles generally accepted in the United States requires that our management make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. However, the accounting principles used by us generally do not change our reported cash flows or liquidity. Existing rules must be interpreted and judgments made on how the specifics of a given rule apply to us.

In management's opinion, the more significant reporting areas impacted by management's judgments and estimates are revenue recognition, asset impairments, goodwill and other intangible assets, impact of foreign currency exchange rate risks, income taxes, and stock-based compensation expense. Management's judgments and estimates in these areas are based on information available from both internal and external sources, and actual results could differ from the estimates, as additional information becomes known. We believe the following to be our most critical accounting policies.

Revenue recognition

Sales of clad metal products and welding services are generally based upon customer specifications set forth in customer purchase orders and require us to provide certifications relative to metals used, services performed and the results of any non-destructive testing that the customer has requested be performed. All issues of conformity of the product to specifications are resolved before the product is shipped and billed. Products related to the oilfield products segment, which include detonating cords, detonators, bi-directional boosters and shaped charges, as well as, seismic related explosives and accessories, are standard in nature. In all cases, revenue is recognized only when all four of the following criteria have been satisfied: persuasive evidence of an arrangement exists; the price is fixed or determinable; delivery has occurred; and collection is reasonably assured. For contracts that require multiple shipments, revenue is recorded only for the units included in each individual shipment. If, as a contract proceeds toward completion, projected total cost on an individual contract indicates a probable loss, we will account for such anticipated loss.

Asset impairments

We review our long-lived assets to be held and used by us for impairment whenever events or changes in circumstances indicate their carrying amount may not be recoverable. In so doing, we estimate the future net cash flows expected to result from the use of these assets and their eventual disposition. If the sum of the expected future net cash flows (undiscounted and without interest charges) is less than the carrying amount of these assets, an impairment loss is recognized to reduce the asset to its estimated fair value. Otherwise, an impairment loss is not recognized. Long-lived assets to be disposed of, if any, are reported at the lower of carrying amount or fair value less costs to sell.

Business Combinations

We account for our business acquisitions using the purchase method of accounting. We allocate the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation

process, we identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models and therefore require considerable judgment. Our estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. We base our fair value estimates on assumptions we believe to be reasonable but are inherently uncertain.

Goodwill and Other Intangible Assets

We review the carrying value of goodwill at least annually to assess impairment because it is not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples of such events or changes in circumstances, many of which are subjective in nature, include significant negative industry or economic trends, significant changes in the manner of our use of the acquired assets or our strategy, a significant decrease in the market value of the asset, and a significant change in legal factors or in the business climate that could affect the value of

the asset. We assess impairment by comparing the fair value of an identifiable intangible asset or goodwill with its carrying value. The determination of fair value involves significant management judgment as described further below. Impairments are expensed when incurred. Specifically, we test for impairment as follows:

Goodwill

We test goodwill for impairment on a “reporting unit” level on at least an annual basis. A reporting unit is a group of businesses (i) for which discrete financial information is available and (ii) that have similar economic characteristics. We test goodwill for impairment using the following two-step approach:

The first step is a comparison of each reporting unit’s fair value to its carrying value. We estimate fair value using the best information available, including market information and discounted cash flow projections, also referred to as the income approach. The income approach uses a reporting unit’s projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. The projections incorporate our best estimates of economic and market conditions over the projected period including growth rates in sales and estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. We validate our estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach.

If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist, and the second step must be performed to measure the amount of impairment loss. In the second step, we allocate the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. We then compare that implied fair value of the reporting unit’s goodwill to the carrying value of that goodwill. If the implied fair value is less than the carrying value, we recognize an impairment loss for the excess.

Our impairment testing in the fourth quarter of 2010 did not result in a determination that any of our goodwill was impaired. The fair value of the Oilfield Products reporting unit was \$109.7 million at December 31, 2010 compared to its carrying value of \$73.6 million. A discount rate of 17% was utilized in the income approach component of the model used to measure fair value. A future impairment is possible and could occur if (i) operating results underperform what we have estimated or (ii) additional volatility of the capital markets or other factors should cause us to raise the percent discount rate utilized in our discounted cash flow analysis or decrease the multiples utilized in our market-based analysis. The use of different estimates or assumptions within our discounted cash flow model when determining the fair value of our reporting units or using methodologies other than as described above could result in different values for reporting units and could result in an impairment charge.

41

Intangible assets subject to amortization

An intangible asset that is subject to amortization is reviewed when impairment indicators are present. We compare the expected undiscounted future operating cash flows associated with finite-lived assets to their respective carrying values to determine if the asset is fully recoverable. If the expected future operating cash flows are not sufficient to recover the carrying value, we estimate the fair value of the asset. Impairment is recognized when the carrying amount of the asset is not recoverable and when the carrying value exceeds fair value. The projected cash flows require several assumptions related to, among other things, relevant market factors, revenue growth, if any, and operating margins.

Impact of foreign currency exchange rate risks

The functional currency for our foreign operations is the applicable local currency for each affiliate company. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated at exchange rates in effect at period-end, and the statements of operations are translated at the average exchange rates during the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded as a separate component of stockholders’ equity and are included in other cumulative comprehensive income (loss). Transactions denominated in currencies other than the local currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at actual exchange rates when known, or at the average rate for the period. As a result, amounts related to assets and liabilities reported in the consolidated statements of cash flows will not agree to changes in the corresponding balances in the consolidated balance sheets. The effects of exchange rate changes on cash balances held in foreign currencies are reported as a separate line item below cash flows from financing activities.

Income taxes

We are required to recognize deferred tax assets and deferred tax liabilities for the expected future income tax consequences of transactions that have been included in our financial statements but not our tax returns. Deferred tax assets and liabilities are determined based on income tax credits and on the temporary differences between the Consolidated Financial Statement basis and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We routinely evaluate deferred tax assets to determine if they will, more likely than not, be recovered from future projected taxable income; if not, we record an appropriate valuation allowance.

Off Balance Sheet Arrangements

We have no obligations, assets or liabilities other than those appearing or disclosed in our financial statements forming part of this annual report; no trading activities involving non-exchange traded contracts accounted for at fair value; and no relationships and transactions with persons or entities that derive benefits from their non-independent relationship with us or our related parties.

Forward-Looking Statements

This annual report and the documents incorporated by reference into it contain certain forward-looking statements within the safe harbor provisions of the Private Securities Litigations Reform Act of 1995. These statements include information with respect to our anticipated future financial condition and its results of operations and businesses. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” “continue,” “project,” “forecast,” and similar expressions, as well as statements in the future tense, identify forward-looking statements.

These forward-looking statements are not guarantees of our future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. These risks and uncertainties include:

- The ability to obtain new contracts at attractive prices;

42

-
- The size and timing of customer orders;

- Fluctuations in customer demand;
- General economic conditions, both domestically and abroad, and their effect on us and our customers;
- Competitive factors;
- The timely completion of contracts;
- The timing and size of expenditures;
- The timely receipt of government approvals and permits;
- The adequacy of local labor supplies at our facilities;
- The availability and cost of funds; and
- Fluctuations in foreign currencies.

The effects of these factors are difficult to predict. New factors emerge from time to time and we cannot assess the potential impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date of this annual report, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of such statement or to reflect the occurrence of unanticipated events. In addition, see “Risk Factors” for a discussion of these and other factors.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our interest rate risk management policies are designed to reduce the potential earnings volatility that could arise from changes in interest rates. Periodically, we use interest rate swaps to stabilize funding costs by managing the exposure created by the differing maturities and interest rate structures of our assets and liabilities. See Note 2 to the Consolidated Financial Statements for further information on interest rate risk management.

Foreign Currency Risk

Our consolidated financial statements are expressed in U.S. dollars, but a portion of our business is conducted in currencies other than U.S. dollars. Changes in the exchange rates for such currencies into U.S. dollars can affect our revenues, earnings, and the carrying value of our assets and liabilities in our consolidated balance sheet, either positively or negatively. Sales made in currencies other than U.S. dollars accounted for 38%, 45%, and 47% of total sales for the years ended 2010, 2009, and 2008, respectively.

ITEM 8. Financial Statements and Supplementary Data

**DYNAMIC MATERIALS CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2010 and 2009 and for Each of the Three Years Ended
December 31, 2010, 2009 and 2008**

| | <u>Page</u> |
|---|-------------|
| Report of Independent Registered Public Accounting Firm | 45 |
| Financial Statements: | |
| Consolidated Balance Sheets | 46 |
| Consolidated Statements of Operations | 48 |
| Consolidated Statements of Stockholders' Equity | 49 |
| Consolidated Statements of Cash Flows | 50 |
| Notes to Consolidated Financial Statements | 52 |

The consolidated financial statement schedules required by Regulation S-X are filed under Item 15 “Exhibits and Financial Statement Schedules”.

Report of Independent Registered Public Accounting Firm

The Stockholders and the Board of Directors of Dynamic Materials Corporation:

We have audited the accompanying consolidated balance sheets of Dynamic Materials Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedules listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dynamic Materials Corporation and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31,

2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Dynamic Materials Corporation and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 28, 2011

45

DYNAMIC MATERIALS CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009
(Dollars in Thousands)

| <u>ASSETS</u> | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 4,572 | \$ 22,411 |
| Accounts receivable, net of allowance for doubtful accounts of \$378 and \$390, respectively | 27,567 | 25,807 |
| Inventories | 35,880 | 32,501 |
| Prepaid expenses and other | 3,659 | 2,397 |
| Related party receivables and loans | — | 2,806 |
| Current deferred tax assets | 1,057 | 2,052 |
| Total current assets | 72,735 | 87,974 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Less - accumulated depreciation | (26,928) | (22,892) |
| Property, plant and equipment, net | 39,806 | 42,052 |
| GOODWILL, net | 39,173 | 43,164 |
| PURCHASED INTANGIBLE ASSETS, net | 48,490 | 49,079 |
| DEFERRED TAX ASSETS | 248 | 332 |
| OTHER ASSETS, net | 941 | 1,443 |
| INVESTMENT IN JOINT VENTURES | — | 1,132 |
| TOTAL ASSETS | \$ 201,393 | \$ 225,176 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

46

DYNAMIC MATERIALS CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009
(Dollars in Thousands, Except Share Data)

| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 16,109 | \$ 9,183 |
| Accrued expenses | 3,529 | 4,808 |
| Dividend payable | 529 | 515 |
| Accrued income taxes | 477 | 1,485 |
| Accrued employee compensation and benefits | 3,711 | 4,048 |
| Customer advances | 1,531 | 6,528 |
| Lines of credit | 2,621 | 1,777 |
| Current maturities on long-term debt | 9,596 | 13,485 |
| Current portion of capital lease obligations | 272 | 306 |
| Current deferred tax liabilities | 17 | — |
| Total current liabilities | 38,392 | 42,135 |
| LONG-TERM DEBT | 14,579 | 34,120 |

| | | |
|---|------------|------------|
| CAPITAL LEASE OBLIGATIONS | 155 | 436 |
| DEFERRED TAX LIABILITIES | 12,083 | 15,217 |
| OTHER LONG-TERM LIABILITIES | 1,260 | 1,157 |
| Total liabilities | 66,469 | 93,065 |
| COMMITMENTS AND CONTINGENT LIABILITIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$0.05 par value; 4,000,000 shares authorized; no issued and outstanding shares | — | — |
| Common stock, \$0.05 par value; 25,000,000 shares authorized; 13,224,696 and 12,870,363 shares issued and outstanding, respectively | 661 | 643 |
| Additional paid-in capital | 52,451 | 46,080 |
| Retained earnings | 88,210 | 85,048 |
| Other cumulative comprehensive income (loss) | (6,398) | 340 |
| Total stockholders' equity | 134,924 | 132,111 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 201,393 | \$ 225,176 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

47

DYNAMIC MATERIALS CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Dollars in Thousands, Except Share Data)

| | 2010 | 2009 | 2008 |
|--|------------|------------|------------|
| NET SALES | \$ 154,739 | \$ 164,898 | \$ 232,577 |
| COST OF PRODUCTS SOLD | 117,789 | 121,779 | 161,732 |
| Gross profit | 36,950 | 43,119 | 70,845 |
| COSTS AND EXPENSES: | | | |
| General and administrative expenses | 13,696 | 12,980 | 14,256 |
| Selling and distribution expenses | 11,135 | 8,837 | 11,155 |
| Amortization of purchased intangible assets | 5,330 | 5,064 | 7,382 |
| Total costs and expenses | 30,161 | 26,881 | 32,793 |
| INCOME FROM OPERATIONS | 6,789 | 16,238 | 38,052 |
| OTHER INCOME (EXPENSE): | | | |
| Gain on step acquisition of joint ventures | 2,117 | — | — |
| Other income (expense), net | 209 | (275) | (269) |
| Interest expense | (3,046) | (3,473) | (5,472) |
| Interest income | 61 | 173 | 642 |
| Related party interest income | 13 | 43 | 47 |
| Equity in earnings of joint ventures | 255 | 221 | 274 |
| INCOME BEFORE INCOME TAXES | 6,398 | 12,927 | 33,274 |
| INCOME TAX PROVISION | 1,133 | 4,378 | 9,206 |
| NET INCOME | \$ 5,265 | \$ 8,549 | \$ 24,068 |
| INCOME PER SHARE: | | | |
| Basic | \$ 0.40 | \$ 0.67 | \$ 1.89 |
| Diluted | \$ 0.40 | \$ 0.66 | \$ 1.87 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: | | | |
| Basic | 12,869,666 | 12,640,069 | 12,445,685 |
| Diluted | 12,881,754 | 12,662,440 | 12,554,402 |
| DIVIDENDS DECLARED PER COMMON SHARE | \$ 0.16 | \$ 0.12 | \$ 0.15 |

The accompanying notes are in integral part of these Consolidated Financial Statements.

48

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Thousands)

| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Other Cumulative Comprehensive Income/(Loss) | Total | Comprehensive Income/(Loss) for the Period |
|--|--------------|--------|----------------------------------|----------------------|---|------------|--|
| | Shares | Amount | | | | | |
| Balances, December 31, 2007 | 12,434 | \$ 622 | \$ 38,246 | \$ 55,868 | \$ 3,543 | \$ 98,279 | |
| Shares issued in connection with stock compensation plans | 347 | 17 | 424 | — | — | 441 | |
| Tax impact of stock-based compensation | — | — | 143 | — | — | 143 | |
| Stock-based compensation | — | — | 3,237 | — | — | 3,237 | |
| Dividends | — | — | — | (1,894) | — | (1,894) | |
| Net income | — | — | — | 24,068 | — | 24,068 | 24,068 |
| Derivative valuation, net of tax of \$430 | — | — | — | — | (739) | (739) | (739) |
| Change in cumulative foreign currency translation adjustment | — | — | — | — | (5,033) | (5,033) | (5,033) |
| Balances, December 31, 2008 | 12,781 | 639 | 42,050 | 78,042 | (2,229) | 118,502 | 18,296 |
| Shares issued for LRI acquisition | 5 | — | 94 | — | — | 94 | |
| Shares issued in connection with stock compensation plans | 84 | 4 | 421 | — | — | 425 | |
| Tax impact of stock-based compensation | — | — | 90 | — | — | 90 | |
| Stock-based compensation | — | — | 3,425 | — | — | 3,425 | |
| Dividends | — | — | — | (1,543) | — | (1,543) | |
| Net income | — | — | — | 8,549 | — | 8,549 | 8,549 |
| Derivative valuation, net of tax of \$221 | — | — | — | — | 432 | 432 | 432 |
| Change in cumulative foreign currency translation adjustment | — | — | — | — | 2,137 | 2,137 | 2,137 |
| Balances, December 31, 2009 | 12,870 | 643 | 46,080 | 85,048 | 340 | 132,111 | 11,118 |
| Shares issued for AECO acquisition | 222 | 11 | 3,290 | — | — | 3,301 | |
| Shares issued in connection with stock compensation plans | 133 | 7 | 181 | — | — | 188 | |
| Tax impact of stock-based compensation | — | — | (601) | — | — | (601) | |
| Stock-based compensation | — | — | 3,501 | — | — | 3,501 | |
| Dividends | — | — | — | (2,103) | — | (2,103) | |
| Net income | — | — | — | 5,265 | — | 5,265 | 5,265 |
| Derivative valuation, net of tax of \$299 | — | — | — | — | 454 | 454 | 454 |
| Change in cumulative foreign currency translation adjustment | — | — | — | — | (7,192) | (7,192) | (7,192) |
| Balances, December 31, 2010 | 13,225 | \$ 661 | \$ 52,451 | \$ 88,210 | \$ (6,398) | \$ 134,924 | \$ (1,473) |

The accompanying notes are an integral part of these Consolidated Financial Statements.

DYNAMIC MATERIALS CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008
(Dollars in Thousands)

| | 2010 | 2009 | 2008 |
|---|----------|----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ 5,265 | \$ 8,549 | \$ 24,068 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation (including capital lease amortization) | 5,383 | 5,042 | 4,531 |
| Amortization of purchased intangible assets | 5,330 | 5,064 | 7,382 |
| Amortization of capitalized debt issuance costs | 587 | 297 | 279 |
| Stock-based compensation | 3,501 | 3,425 | 3,237 |
| Deferred income tax benefit | (1,708) | (2,784) | (2,079) |
| Equity in earnings of joint ventures | (255) | (221) | (274) |
| Gain on step acquisition of joint ventures | (2,117) | — | — |
| Loss on sale of property, plant and equipment | 34 | — | — |
| Change in (excluding assets acquired): | | | |
| Restricted cash | — | — | 371 |
| Accounts receivable, net | 2,690 | 11,891 | 4,061 |
| Inventories | 1,696 | 6,604 | 4,911 |
| Prepaid expenses and other | (437) | (571) | (2,802) |
| Accounts payable | 2,970 | (8,045) | (6,706) |
| Customer advances | (4,871) | 3,813 | (1,833) |
| Accrued expenses and other liabilities | (1,375) | (3,524) | (1,143) |
| Net cash provided by operating activities | 16,693 | 29,540 | 34,003 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Acquisition of Austin Explosives Company | (3,620) | — | — |
| Step acquisition of joint ventures, net of cash acquired | (2,065) | — | — |
| Acquisition of LRI, net of cash acquired | — | (284) | — |
| Final purchase price adjustments on DYNAenergetics acquisition | — | — | (559) |
| Acquisition of property, plant and equipment | (3,527) | (3,917) | (9,925) |
| Change in other non-current assets | (53) | 59 | 20 |
| Net cash used in investing activities | (9,265) | (4,142) | (10,464) |

DYNAMIC MATERIALS CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010, 2009 AND 2008
(Dollars in Thousands)

| | 2010 | 2009 | 2008 |
|---|-----------------|------------------|------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payment on syndicated term loans | (22,124) | (13,614) | (6,282) |
| Payment on loans with former owners of LRI | — | (1,231) | — |
| Payment on term loan with French bank | — | — | (426) |
| Payment on Nord LB term loans | (797) | (876) | (1,045) |
| Borrowings (repayments) on bank lines of credit, net | 780 | (952) | (7,579) |
| Payment on capital lease obligations | (304) | (203) | (389) |
| Payment of dividends | (2,089) | (1,028) | (1,894) |
| Payment of deferred debt issuance costs | — | (341) | (218) |
| Net proceeds from issuance of common stock to employees and directors | 188 | 425 | 441 |
| Tax impact of stock-based compensation | (601) | 90 | 143 |
| Net cash used in financing activities | <u>(24,947)</u> | <u>(17,730)</u> | <u>(17,249)</u> |
| EFFECTS OF EXCHANGE RATES ON CASH | <u>(320)</u> | <u>383</u> | <u>(975)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>(17,839)</u> | <u>8,051</u> | <u>5,315</u> |
| CASH AND CASH EQUIVALENTS, beginning of the period | <u>22,411</u> | <u>14,360</u> | <u>9,045</u> |
| CASH AND CASH EQUIVALENTS, end of the period | <u>\$ 4,572</u> | <u>\$ 22,411</u> | <u>\$ 14,360</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid during the period for - | | | |
| Interest | <u>\$ 2,458</u> | <u>\$ 3,017</u> | <u>\$ 5,037</u> |
| Income taxes, net | <u>\$ 4,111</u> | <u>\$ 6,132</u> | <u>\$ 11,838</u> |
| NON-CASH FINANCING ACTIVITY: | | | |
| Common stock issued for acquisitions | <u>\$ 3,301</u> | <u>\$ 94</u> | <u>\$ —</u> |
| Debt assumed in acquisitions | <u>\$ —</u> | <u>\$ 5,553</u> | <u>\$ —</u> |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

DYNAMIC MATERIALS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

(Currency Amounts in Thousands, Except Per Share Data)

(1) ORGANIZATION AND BUSINESS

Dynamic Materials Corporation (“DMC”) was incorporated in the state of Colorado in 1971 and reincorporated in the state of Delaware during 1997. DMC is headquartered in Boulder, Colorado and has manufacturing facilities in the United States, Germany, France, Canada, Russia and Sweden. Customers are located throughout the world. DMC currently operates under three business segments — Explosive Metalworking, in which metals are metallurgically joined or altered by using explosives; Oilfield Products, which manufactures, markets, and sells oil field perforating equipment and explosives; and AMK Welding, which utilizes a number of welding technologies to weld components for manufacturers of jet engines and ground-based turbines. DMC has eight wholly-owned operating subsidiaries, Nobelclad Europe S.A. (“Nobelclad”), Nitro Metall Aktiefbolag (“Nitro Metall”), DYNAenergetics GmbH and Co. KG (“DYNAenergetics”), Dynaplat GmbH and Co. KG (“Dynaplat”), DYNAenergetics Canada, DYNAenergetics RUS, Perfoline and DYNAenergetics US. DYNAenergetics Canada was acquired in 2009 (as LRI Oil Tools, Inc.) as described below and DYNAenergetics RUS, Perfoline and DYNAenergetics US (formally Austin Explosives Company) were acquired in 2010 also as described below. In addition, DMC has six wholly owned holding companies. Dynamic Materials Luxembourg S.a r.l 1, Dynamic Materials Luxembourg S.a r.l 2, DYNAenergetics Holding GmbH, DYNAenergetics Beteiligungs GmbH and Dynaplat Holdings GmbH were established in connection with the acquisition of DYNAenergetics and DYNAenergetics NA, LLC was established in connection with the acquisition of LRI Oil Tools, Inc.

2009 Acquisition

On October 1, 2009, we acquired all of the stock of Alberta, Canada based LRI Oil Tools Inc (“LRI”), which is now operating under the name DYNAenergetics Canada Inc. DYNAenergetics Canada produces and distributes perforating equipment for use by the oil and gas exploration and production industry. The business had a long-term strategic relationship with our Oilfield Products segment and had served for several years as our sole Canadian distributor. Our statements of operations include the effect of the LRI acquisition from the October 1, 2009 closing date. See Note 3 for additional disclosures regarding this acquisition.

2010 Acquisitions

On April 30, 2010, we purchased the outstanding minority-owned interests in our two Russian joint ventures that were previously majority owned by our Oilfield Products business segment. These joint ventures include DYNAenergetics RUS, which is a Russian trading company that sells our oilfield products, and Perfoline, which is a

Russian manufacturer of perforating gun systems. Our statements of operations include the effect of the DYNAenergetics RUS and Perfoline acquisitions from the April 30, 2010 closing date. See Note 3 for additional disclosures regarding these acquisitions.

On June 4, 2010, we completed our acquisition of the assets of Texas-based Austin Explosives Company (“AECO”). This business is now part of our Oilfield Products business segment. AECO had been a long-time distributor of DYNAenergetics shaped charges. Our statements of operations include the effect of the AECO acquisition from the June 4, 2010 closing date. See Note 3 for additional disclosures regarding this acquisition.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of DMC and its controlled subsidiaries. Only subsidiaries in which controlling interests are maintained are consolidated. The equity method is used to account for our ownership in subsidiaries where we do not have a controlling interest. All significant intercompany accounts, profits, and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Foreign Operations and Foreign Exchange Rate Risk

The functional currency for our foreign operations is the applicable local currency for each affiliate company. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated at exchange rates in effect at period-end, and the statements of operations are translated at the average exchange rates during the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded as a separate component of stockholders’ equity and are included in other cumulative comprehensive income (loss). Transactions denominated in currencies other than the local currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at actual exchange rates when known, or at the average rate for the period. As a result, amounts related to assets and liabilities reported in the consolidated statements of cash flows will not agree to changes in the corresponding balances in the consolidated balance sheets. The effects of exchange rate changes on cash balances held in foreign currencies are reported as a separate line item below cash flows from financing activities.

In September 2010, our German subsidiary, DYNAenergetics, entered into a currency swap agreement with its bank to economically hedge the currency risk associated with a large U.S. dollar order (\$2,700) that was awarded to it. Under the agreement, DYNAenergetics will exchange \$2,700 for Euros at an exchange rate of 1.269 U.S. dollars per Euros between January 18, 2011 and April 30, 2011. We have not designated this derivative as a cash flow hedge for accounting purposes and as such, gains and losses related to changes in its valuation are recorded in the statement of operations. During the year ended December 31, 2010, we recorded a gain on this currency swap agreement of \$118. The gain is classified as other income (expense), net in our statement of operations.

Cash and Cash Equivalents and Restricted Cash

For purposes of the consolidated financial statements, we consider highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

We estimate our allowance for doubtful accounts based on historical rates of write-offs of uncollectible receivables and our evaluation of the year end composition of accounts receivable.

Inventories

Inventories are stated at the lower-of-cost (first-in, first-out) or market value. Cost elements included in inventory are material, labor, subcontract costs, and factory overhead. Inventories consist of the following at December 31, 2010 and 2009:

| | 2010 | 2009 |
|-----------------|------------------|------------------|
| Raw materials | \$ 12,001 | \$ 10,321 |
| Work-in-process | 11,387 | 15,963 |
| Finished goods | 11,870 | 5,526 |
| Supplies | 622 | 691 |
| | <u>\$ 35,880</u> | <u>\$ 32,501</u> |

Shipping and handling costs incurred by us upon shipment to customers are included in cost of products sold in the accompanying consolidated statements of operations.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Additions, improvements, and betterments are capitalized. Maintenance and repairs are charged to operations as the costs are incurred. Depreciation is computed using the straight-line method over the estimated useful life of the related asset (except leasehold improvements which are depreciated over the shorter of their estimated useful life or the lease term of the asset) as follows:

| | |
|---|-------------|
| Buildings and improvements | 15-30 years |
| Manufacturing equipment and tooling | 3-15 years |
| Furniture, fixtures, and computer equipment | 3-10 years |

Property, plant and equipment consist of the following at December 31, 2010 and 2009:

| | 2010 | 2009 |
|--|------------------|------------------|
| Land | \$ 2,293 | \$ 2,424 |
| Buildings and improvements | 21,940 | 20,621 |
| Manufacturing equipment and tooling | 32,333 | 32,671 |
| Furniture, fixtures and computer equipment | 6,347 | 5,177 |
| Other | 3,187 | 2,064 |
| Construction in process | 634 | 1,987 |
| | <u>\$ 66,734</u> | <u>\$ 64,944</u> |

Asset Impairments

We review our long-lived assets to be held and used by us for impairment whenever events or changes in circumstances indicate their carrying amount may not be recoverable. In so doing, we estimate the future net cash flows expected to result from the use of these assets and their eventual disposition. If the sum of the expected future net cash flows (undiscounted and without interest charges) is less than the carrying amount of these assets, an impairment loss is recognized to reduce these assets to their estimated fair values. Otherwise, an impairment loss is not recognized. Long-lived assets to be disposed of, if any, are reported at the lower of carrying amount or fair value less cost to sell.

Goodwill

Goodwill represents the excess of acquisition costs over the fair value of net assets of businesses acquired. Goodwill is not amortized; however, the carrying value of goodwill must be tested annually for impairment on a reporting unit level. Our policy is to test goodwill in the fourth quarter of each year unless circumstances indicate impairment during an intervening period. We test goodwill for impairment using the following two-step approach:

The first step is a comparison of each reporting unit's fair value to its carrying value. We estimate fair value using the best information available, including market information and discounted cash flow projections, also referred to as the income approach. The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions. The projections incorporate our best estimates of economic and market conditions over the projected period including growth rates in sales and estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. We validate our estimates of fair value under the income approach by comparing the values to fair value estimates using a market approach.

If the carrying value of the reporting unit is higher than its fair value, there is an indication that impairment may exist, and the second step must be performed to measure the amount of impairment loss. In the second step, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. We then compare that implied fair value of the reporting unit's goodwill to the carrying value of that goodwill. If the implied fair value is less than the carrying value, we recognize an impairment loss for the excess.

Our impairment testing has not resulted in a determination that any of our goodwill is impaired. The fair value of the Oilfield Products reporting unit was \$109.7 million at December 31, 2010 compared to its carrying value of \$73.6 million. A discount rate of 17% was utilized in the income approach component of the model used to measure fair value. A future impairment is possible and could occur if (i) operating results underperform what we have estimated or (ii) additional volatility of the capital markets should cause us to raise the discount rate utilized in our discounted cash flow analysis or decrease the multiples utilized in our market-based analysis. The use of different estimates or assumptions within the discounted cash flow model when determining the fair value of our reporting units or using methodologies other than as described above could result in different values for reporting units and could result in an impairment charge.

The changes to the carrying amount of goodwill during the period are summarized below:

| | Explosive Metalworking Group | Oilfield Products | Total |
|--|------------------------------------|----------------------|------------------|
| Goodwill balance at December 31, 2008 | \$ 24,444 | \$ 18,622 | \$ 43,066 |
| Adjustment due to recognition of tax benefit of tax amortization of certain goodwill | (255) | (337) | (592) |
| Adjustment due to exchange rate differences | 388 | 302 | 690 |
| Goodwill balance at December 31, 2009 | \$ 24,577 | \$ 18,587 | \$ 43,164 |
| Adjustment due to recognition of tax benefit of tax amortization of certain goodwill | (332) | (471) | (803) |
| Adjustment due to exchange rate differences | (1,787) | (1,401) | (3,188) |
| Goodwill balance at December 31, 2010 | <u>\$ 22,458</u> | <u>\$ 16,715</u> | <u>\$ 39,173</u> |

Purchased Intangible Assets

Our purchased intangible assets include core technology, customer relationships and trademarks/trade names. Impairment, if any, is calculated based upon our evaluation whereby, estimated undiscounted future cash flows associated with these assets or operations are compared with their carrying value to determine if a write-down to fair value is required. Finite lived intangible assets are amortized over the estimated useful life of the related assets which have a weighted average amortization period of 13 years in total.

The weighted average amortization periods of the intangible assets by asset category are as follows:

| | |
|------------------------|----------|
| Core technology | 20 years |
| Customer relationships | 10 years |

The following table presents details of intangible assets as of December 31, 2010:

| | Gross | Accumulated Amortization | Net |
|--------------------------------|------------------|-----------------------------|------------------|
| Core technology | \$ 22,557 | \$ (3,497) | \$ 19,060 |
| Customer relationships | 39,052 | (10,930) | 28,122 |
| Trademarks / Trade names | 2,416 | (1,108) | 1,308 |
| Total intangible assets | \$ 64,025 | \$ (15,535) | \$ 48,490 |

56

The following table presents details of intangible assets as of December 31, 2009:

| | Gross | Accumulated Amortization | Net |
|--------------------------------|------------------|-----------------------------|------------------|
| Core technology | \$ 24,347 | \$ (2,555) | \$ 21,792 |
| Customer relationships | 33,161 | (7,657) | 25,504 |
| Trademarks / Trade names | 2,613 | (830) | 1,783 |
| Total intangible assets | \$ 60,121 | \$ (11,042) | \$ 49,079 |

The increase in the gross value of our purchased intangible assets from December 31, 2009 to December 31, 2010 reflects the additional intangible assets associated with the acquisition of the Russian joint ventures and AECO (see Note 3).

Expected future amortization of intangible assets is as follows:

| <u>For the years ended December 31 -</u> | |
|--|------------------|
| 2011 | \$ 5,460 |
| 2012 | 5,460 |
| 2013 | 5,460 |
| 2014 | 5,252 |
| 2015 | 3,795 |
| Thereafter | 23,063 |
| | <u>\$ 48,490</u> |

Other Assets

Included in other assets are net deferred debt issuance costs of \$743 and \$1,344 as of December 31, 2010 and 2009, respectively, which relate to the syndicated credit agreement we entered into for the acquisition of DYNAenergetics. Additional costs of \$341 were paid in 2009 in connection with an amendment to the syndicated credit agreement. The deferred debt issuance costs are being amortized over the five-year term of the syndicated credit agreement.

Customer Advances

On occasion, we require customers to make advance payments prior to the shipment of their orders in order to help finance our inventory investment on large orders or to keep customers' credit limits at acceptable levels. As of December 31, 2010 and 2009, customer advances totaled \$1,531 and \$6,528, respectively, and originated from several customers.

Revenue Recognition

Sales of clad metal products and welding services are generally based upon customer specifications set forth in customer purchase orders and require us to provide certifications relative to metals used, services performed, and the results of any non-destructive testing that the customer has requested be performed. All issues of conformity of the product to specifications are resolved before the product is shipped and billed. Products related to the oilfield products segment, which include detonating cords, detonators, bi-directional boosters, and shaped charges, as well as, seismic related explosives and accessories, are standard in nature. In all cases, revenue is recognized only when all four of the following criteria have been satisfied: persuasive evidence of an arrangement exists; the price is fixed or determinable; delivery has occurred; and collection is reasonably assured. For contracts that require multiple shipments, revenue is recorded only for the units included in each individual shipment. If, as a contract proceeds toward completion, projected total cost on an individual contract indicates a probable loss, we will account for such anticipated loss.

57

Earnings Per Share

Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock awards ("RSAs"), are considered participating securities for purposes of calculating earnings per share ("EPS") and require the use of the two class method for calculating EPS. Under this method, a portion of net income is allocated to these participating securities and therefore is excluded from the calculation of EPS allocated to common stock, as shown in the table below.

Computation and reconciliation of earnings per common share are as follows:

| | For the year ended December 31, 2010 | | |
|---|---|--------|------|
| | Income | Shares | EPS |
| Basic earnings per share: | | | |
| Net income | \$ 5,265 | | |
| Less income allocated to Restricted Stock Awards ("RSAs") | | | (94) |

| | | | |
|--|---------------|---|------------|
| Net income allocated to common stock for EPS calculation | \$ 5,171 | 12,869,666 | \$ 0.40 |
| Adjust shares for dilutives: | | | |
| Stock-based compensation plans | | 12,088 | |
| Diluted earnings per share: | | | |
| Net income | \$ 5,265 | | |
| Less income allocated to RSAs | (94) | | |
| Net income allocated to common stock for EPS calculation | \$ 5,171 | 12,881,754 | \$ 0.40 |
| | | | |
| | | For the year ended December 31, 2009 | |
| | Income | Shares | EPS |
| Basic earnings per share: | | | |
| Net income | \$ 8,549 | | |
| Less income allocated to RSAs | (132) | | |
| Net income allocated to common stock for EPS calculation | \$ 8,417 | 12,640,069 | \$ 0.67 |
| Adjust shares for dilutives: | | | |
| Stock-based compensation plans | | 22,371 | |
| Diluted earnings per share: | | | |
| Net income | \$ 8,549 | | |
| Less income allocated to RSAs | (132) | | |
| Net income allocated to common stock for EPS calculation | \$ 8,417 | 12,662,440 | \$ 0.66 |

58

| | | | |
|--|---------------|---|------------|
| | | | |
| | | For the year ended December 31, 2008 | |
| | Income | Shares | EPS |
| Basic earnings per share: | | | |
| Net income | \$ 24,068 | | |
| Less income allocated to RSAs | (548) | | |
| Net income allocated to common stock for EPS calculation | \$ 23,520 | 12,445,685 | \$ 1.89 |
| Adjust shares for dilutives: | | | |
| Stock-based compensation plans | | 108,717 | |
| Diluted earnings per share: | | | |
| Net income | \$ 24,068 | | |
| Less income allocated to RSAs | (544) | | |
| Net income allocated to common stock for EPS calculation | \$ 23,524 | 12,554,402 | \$ 1.87 |

Derivative Financial Instruments

We have periodically used interest rate swap agreements to manage our interest rate risk on significant portions of our variable rate term loan debt. Our accounting method for our interest rate swap agreements involves designating the derivative arrangements as hedges in accordance with accounting principals generally accepted in the United States and as a result, changes in the fair value of the swap agreement are recorded in other comprehensive income with the offset as a swap agreement asset or liability. It is our policy to execute such arrangements with creditworthy banks.

On November 17, 2008, we entered into a two-year interest rate swap agreement with an initial notional amount of \$40,500 (decreasing to \$33,750 in November 2009) that effectively converted the LIBOR based variable rate U.S. borrowings under the syndicated credit agreement to a fixed rate of 4.87% (6.37% effective October 21, 2009 due to an amendment in our syndicated credit facility and our current leverage ratio). We designated the swap agreement as an effective cash flow hedge with matched terms and, as a result, changes in the fair value of the swap agreement were recorded in other comprehensive income with the offset as a swap agreement asset or liability. During 2010 and 2009, we made repayments of \$2,008 and \$2,744, respectively, on our variable rate U.S. borrowings and in both cases elected to de-designate the related portion of the cash flow hedge. These principal payments were required under the terms of our syndicated credit facility since certain annually calculated cash flow measures were met. Settlements and changes in the fair value related to the de-designated portion of the cash flow hedge were recorded as realized and unrealized gains/losses on swap agreement within other income in our statement of operations. We recorded an immaterial gain of approximately \$67 during 2010 and an immaterial loss of less than \$100 in 2009. The swap agreement expired on November 16, 2010.

59

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, trade accounts receivable and payable, and accrued expenses are considered to approximate fair value due to the short-term nature of these instruments. Based upon the 150 basis point increase in our LIBOR/EURIBOR basis borrowing spread negotiated in the October 21, 2009 amendment to our credit agreement (see Note 5), we believe the fair value of our long-term debt approximates its carrying value at December 31, 2010. The majority of our debt was incurred in connection with the acquisition of DYNAenergetics.

Additionally, we had an interest rate swap agreement (which expired on November 16, 2010, see above) and have a foreign currency hedge agreement that we entered

in September 2010 (see above), which are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are required to use an established hierarchy for fair value measurements based upon the inputs to the valuation and the degree to which they are observable or not observable in the market. The three levels in the hierarchy are as follows:

- Level 1 — Inputs to the valuation based upon quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.
- Level 2 — Inputs to the valuation include quoted prices in either markets that are not active, or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data.
- Level 3 — Inputs to the valuation that are unobservable inputs for the asset or liability.

The highest priority is assigned to Level 1 inputs and the lowest priority to Level 3 inputs.

Our interest rate swap and foreign currency hedge agreements are not exchange listed and are therefore valued with models that use Level 2 inputs. The degree to which our credit worthiness impacts the value requires management judgment but as of December 31, 2010 and December 31, 2009, the impact of this assessment on the overall value of the derivatives was not significant and our valuation of the agreements is classified within Level 2 of the hierarchy.

We have recorded the fair value of our derivatives as follows:

| Derivative | December 31, 2010 | | December 31, 2009 | |
|------------------------|----------------------------|------------|----------------------------|------------|
| | Balance sheet location | Fair value | Balance sheet location | Fair value |
| Interest rate swap | Accrued expenses | N/A | Accrued expenses | \$ 820 |
| Foreign currency hedge | Prepaid expenses and other | \$ 118 | Prepaid expenses and other | N/A |

Income Taxes

We recognize deferred tax assets and liabilities for the expected future income tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities based on enacted tax laws and for tax credits. We recognize deferred tax assets for the expected future effects of all deductible temporary differences. Deferred tax assets are then reduced, if deemed necessary, by a valuation allowance for the amount of any tax benefits which, more likely than not based on current circumstances, are not expected to be realized (see Note 7).

Related Party Transactions

Prior to acquiring the remaining outstanding interests in our unconsolidated joint ventures on April 30, 2010 (see Note 3), we had related party transactions with these joint ventures. Additionally, in 2009 we had related party transactions with a former owner of LRI who remains an employee of DYNAenergetics Canada. We also had

60

transactions in 2008 and January 1 through September 30, 2009 with LRI who, at the time, was the non-controlling interest partner of one of our consolidated joint ventures. A summary of related party balances as of December 31, 2009 is summarized below:

| | Accounts receivable from and loan to |
|----------------------|--------------------------------------|
| DYNAenergetics RUS | \$ 2,265 |
| Perfoline | 466 |
| Former owners of LRI | 75 |
| Total | \$ 2,806 |

A summary of related party transactions for 2010, 2009 and 2008 are summarized below:

| | 2010 | | 2009 | | 2008 | |
|---------------------------|---------------|----------------------|-----------------|----------------------|-----------------|----------------------|
| | Sales to | Interest income from | Sales to | Interest income from | Sales to | Interest income from |
| DYNAenergetics RUS | \$ 663 | \$ — | \$ 2,353 | \$ — | \$ 3,453 | \$ — |
| Minority Interest Partner | — | — | 745 | — | 2,728 | — |
| Perfoline | 19 | 13 | 86 | 43 | 166 | 47 |
| Total | \$ 682 | \$ 13 | \$ 3,184 | \$ 43 | \$ 6,347 | \$ 47 |

Concentration of Credit Risk

Financial instruments, which potentially subject us to a concentration of credit risk, consist primarily of cash, restricted cash, cash equivalents, and accounts receivable. Generally, we do not require collateral to secure receivables. At December 31, 2010, we had no significant financial instruments with off-balance sheet risk of accounting losses, such as options contracts or other foreign currency hedging arrangements (except as disclosed above).

Other Cumulative Comprehensive Income (Loss)

Other cumulative comprehensive income (loss) as of December 31, 2010, 2009, and 2008 consisted of the following:

| | 2010 | 2009 | 2008 |
|---|-------------------|---------------|-------------------|
| Currency translation adjustment | \$ (6,398) | \$ 794 | \$ (1,343) |
| Interest rate swap valuation adjustment, net of tax of \$0, \$299 and \$520, respectively | — | (454) | (886) |
| | \$ (6,398) | \$ 340 | \$ (2,229) |

61

(3) ACQUISITIONS

Austin Explosives

On June 4, 2010, we completed our acquisition of Austin Explosives Company (“AECO”), which is now operating under the name DYNAenergetics US, Inc. This business is part of our Oilfield Products business segment. AECO had been a long-time distributor of DYNAenergetics shaped charges. This acquisition, along with the acquisition of the outstanding interests in our Russian joint ventures (discussed below), further expands our Oilfield Products business, and positions the segment to capitalize on the long-term demand from the oil and gas industry. From June 5, 2010 through December 31, 2010, DYNAenergetics US, Inc. contributed incremental net sales of \$5,497 and incremental net income of \$152 after the elimination of intercompany sales and the related gross profit. On a standalone basis, DYNAenergetics US, Inc. reported sales of \$11,992 and net income of \$640 for the same period.

The acquisition was structured as an asset purchase valued at \$6,921 which was financed by (i) the payment of \$3,620 in cash and (ii) the issuance of 222,445 shares of DMC common stock (valued at \$3,301).

The purchase price of the acquisition was allocated to tangible and identifiable intangible assets based on their fair values as determined by appraisals performed as of the acquisition date. The allocation of the purchase price to the assets of AECO was as follows:

| | | |
|-------------------------------|----|--------|
| Current assets | \$ | 5,792 |
| Property, plant and equipment | | 368 |
| Intangible assets | | 4,773 |
| Deferred tax assets | | 7 |
| Other assets | | 81 |
| Total assets acquired | | 11,021 |
| Current liabilities | | 4,100 |
| Total liabilities assumed | | 4,100 |
| Net assets acquired | \$ | 6,921 |

We acquired identifiable finite-lived intangible assets as a result of the acquisition of AECO. The finite-lived intangible assets acquired were classified as customer relationships and were valued at \$4,773 which are being amortized over 11 years. These amounts are included in Purchased Intangible Assets and are further discussed in Note 2.

Russian Joint Ventures

On April 30, 2010, we purchased the outstanding minority-owned interests in our two Russian joint ventures that were previously majority-owned by our Oilfield Products business segment. These joint ventures include DYNAenergetics RUS, which is a Russian trading company that sells our oilfield products, and Perfoline, which is a Russian manufacturer of perforating gun systems. We paid a combined \$2,065 for the respective 45% and 34.81% outstanding stakes in DYNAenergetics RUS and Perfoline. From April 30, 2010 through December 31, 2010, DYNAenergetics RUS and Perfoline contributed incremental net sales of \$2,540 and incremental net income of \$163 after the elimination of intercompany sales and the related gross profit. As standalone companies, these two entities reported sales of \$4,698 and net income of \$573 for the same period.

Prior to the acquisition date, we accounted for our 55% and 65.19% interest in DYNAenergetics RUS and Perfoline, respectively, as equity-method investments (see Note 4). The acquisition date fair value of the previous equity interest was \$3,533. We recognized a gain of \$2,117 as a result of revaluing our prior equity interest held before the acquisition to fair value as of the latter acquisition date. The gain is included in the line item “gain on step acquisition of joint ventures” in the consolidated statement of operations.

Appraisals performed as of the acquisition date resulted in a new fair value of the combined entities of \$5,598 which was allocated to our tangible and identifiable intangible assets as follows:

| | | |
|-------------------------------|----|-------|
| Current assets | \$ | 5,243 |
| Property, plant and equipment | | 411 |
| Intangible assets | | 3,669 |
| Deferred tax assets | | 12 |
| Other assets | | 56 |
| Total assets acquired | | 9,391 |
| Line of credit | | 36 |
| Other current liabilities | | 2,547 |
| Deferred tax liabilities | | 813 |
| Other long term liabilities | | 397 |
| Total liabilities assumed | | 3,793 |
| Net assets acquired | \$ | 5,598 |

We acquired identifiable finite-lived intangible assets as a result of acquiring the remaining interests of DYNAenergetics RUS and Perfoline. The finite-lived intangible assets acquired were classified as customer relationships and were valued at \$3,669 which are being amortized over 11 years. These amounts are included in Purchased Intangible Assets and are further discussed in Note 2.

LRI Oil Tools Inc.

On October 1, 2009, we completed our acquisition of LRI Oil Tools Inc., which is part of the Oilfield Products business segment. LRI produces and distributes

performing equipment for use by the oil and gas exploration and production industry. The business had a long-term strategic relationship with our Oilfield Products segment and had served for several years as our sole Canadian distributor. From January 1, 2010 through September 30, 2010, LRI contributed incremental net sales of \$7,399 and incremental net income of \$525 after the elimination of intercompany sales and related gross profit. On a standalone basis, LRI reported sales of \$10,808 and net income of \$666 for the same period.

The acquisition was valued at \$5,946 and was financed by (i) the payment of \$284 in cash, net of cash acquired of \$15, (ii) the issuance of 4,875 shares of DMC common stock (valued at \$94), and (iii) the assumption of \$5,553 (5,982 Canadian dollars ("CAD")) of LRI's debt. The assumed debt consists of \$2,676 (2,883 CAD) for a line of credit, \$2,445 (2,634 CAD) for loans with the former owners of LRI and \$432 (465 CAD) for capital lease obligations.

63

The purchase price of the acquisition was allocated to our tangible and identifiable intangible assets based on their fair values as determined by appraisals performed as of the acquisition date. The allocation of the purchase price to the assets and liabilities of LRI was as follows:

| | |
|----------------------------------|---------------|
| Current assets | \$ 5,430 |
| Property, plant and equipment | 2,191 |
| Intangible assets | 1,117 |
| Deferred tax assets | 298 |
| Other assets | 1 |
| Total assets acquired | 9,037 |
| Line of credit | 2,676 |
| Other current liabilities | 2,448 |
| Long term debt | 2,877 |
| Deferred tax liabilities | 643 |
| Total liabilities assumed | 8,644 |
| Net assets acquired | \$ 393 |

We acquired identifiable finite-lived intangible assets as a result of the acquisition of LRI. The finite-lived intangible assets acquired are classified and valued as follows:

| | Value | Amortization Period |
|--------------------------------|-----------------|------------------------|
| Core technology | \$ 347 | 15 years |
| Customer relationships | 770 | 15 years |
| Total intangible assets | \$ 1,117 | |

These amounts are included in Purchased Intangible Assets and are further discussed in Note 2.

64

Pro Forma Statements of Operations

The following table presents the pro-forma combined results of operations for the years ended December 31, 2010 and 2009 assuming (i) the acquisitions of AECO, the Russian joint ventures and LRI had occurred on January 1 of the year represented; (ii) pro-forma amortization expense of the purchased intangible assets; (iii) pro-forma depreciation expense of the fair value of purchased property, plant and equipment; (iv) reduction of interest expense assuming we paid down LRI's debt by 2,200 CAD (1,200 CAD for the loans to former owners of LRI and 1,000 CAD for the line of credit) immediately following the acquisition (net of a related pro forma reduction in interest income); (v) elimination of intercompany sales; and (vi) increase in interest expense for borrowing 1,500 Euros to fund the acquisition of the Russian joint ventures:

| | (Unaudited) | |
|------------------------------|----------------------------------|------------|
| | For the years ended December 31, | |
| | 2010 | 2009 |
| Net sales | \$ 162,028 | \$ 180,451 |
| Income from operations | \$ 7,136 | \$ 15,466 |
| Net income | \$ 5,167 | \$ 7,218 |
| Net income per share: | | |
| Basic | \$ 0.39 | \$ 0.55 |
| Diluted | \$ 0.39 | \$ 0.55 |

The pro-forma results above are not necessarily indicative of the operating results that would have actually occurred if the acquisition had been in effect on the dates indicated, nor are they necessarily indicative of future results of the combined companies.

(4) INVESTMENT IN JOINT VENTURES

As discussed in Note 3, on April 30, 2010, we acquired the remaining minority-owned interests in two joint ventures that were previously majority-owned by our Oilfield Products business segment. Prior to the April 30, 2010 step acquisition, these investments, which include DYNAenergetics RUS and Perfoline, were accounted for under the equity method due to certain non-controlling interest veto rights that allowed the non-controlling interest shareholders to participate in the ordinary course of business decisions. Operating results from January 1, 2010 through April 30, 2010 include our proportionate share of income from these unconsolidated joint ventures. Investments in these joint ventures totaled \$1,132 as of December 31, 2009. As a result of the step acquisition, we now consolidate the financial statements of these entities.

65

Summarized unaudited financial information for the joint ventures accounted for under the equity method as of December 31, 2009 and for the period from January 1, 2010 through April 30, 2010 and the years ended December 31, 2009 and 2008 are as follows:

| | December 31, 2009 | | |
|--------------------------------------|----------------------|--------------|-----------------|
| Current assets | \$ | 5,350 | |
| Noncurrent assets | | 655 | |
| Total assets | \$ | <u>6,005</u> | |
| Current liabilities | \$ | 2,892 | |
| Noncurrent liabilities | | 555 | |
| Equity | | 2,558 | |
| Total liabilities and equity | \$ | <u>6,005</u> | |
| | | 2010 (a) | 2009 |
| Net sales | \$ | <u>2,575</u> | <u>\$ 6,517</u> |
| Gross Profit | \$ | <u>656</u> | <u>\$ 1,813</u> |
| Operating income | \$ | <u>302</u> | <u>\$ 900</u> |
| Net income | \$ | <u>468</u> | <u>\$ 404</u> |
| Equity in earnings of joint ventures | \$ | <u>255</u> | <u>\$ 274</u> |

(a) Through April 30, 2010

(5) DEBT

Lines of credit consisted of the following at December 31, 2010 and 2009:

| | 2010 | 2009 |
|--|-----------------|-----------------|
| HSBC line of credit | \$ — | \$ 1,774 |
| Syndicated credit agreement revolving loan | 1,060 | — |
| Commerzbank line of credit | — | 3 |
| Nord LB line of credit | 1,561 | — |
| | <u>\$ 2,621</u> | <u>\$ 1,777</u> |

66

Long-term debt consisted of the following at December 31, 2010 and 2009:

| | 2010 | 2009 |
|--|------------------|------------------|
| Syndicated credit agreement term loan | \$ 22,247 | \$ 31,005 |
| Syndicated credit agreement Euro term loan | — | 13,826 |
| Nord LB 3,000 Euro term loan | 596 | 1,505 |
| Loans with former owners of LRI | 1,332 | 1,269 |
| | 24,175 | 47,605 |
| Less current maturities | <u>(9,596)</u> | <u>(13,485)</u> |
| Long-term debt | <u>\$ 14,579</u> | <u>\$ 34,120</u> |

HSBC Line of Credit

In connection with our October 1, 2009 acquisition of LRI, we assumed a line of credit with HSBC Bank Canada (“HSBC”) with a total borrowing capacity of 2,500 CAD. As of December 31, 2010, there were no borrowings under this line of credit. This line of credit bears interest at HSBC’s prime rate plus 3.0% (all in rate of 6.0% as of December 31, 2010). Borrowings under the line of credit are secured by the assets of LRI. The line of credit has open-ended terms, is subject to periodic reviews, and HSBC can demand repayment at any time.

Lines of Credit with German Banks

We maintain separate lines of credit with two German banks for our DYNAenergetics operations. These lines of credit each provide a borrowing capacity of 3,000 Euros and are also used by DYNAenergetics to issue bank guarantees to its customers to secure advance payments made by them. One of these lines of credit had outstanding borrowings of \$1,561 as of December 31, 2010. As of December 31, 2010, bank guarantees secured by the lines of credit totaled \$1,877 based upon the December 31, 2010 exchange rate. The two lines of credit bear interest at EURIBOR based variable rates with a weighted average interest rate at December 31, 2010 of 2.22%. Both lines of credit have open-ended terms and can be cancelled by the banks at any time.

Syndicated Credit Agreement

We entered into a five-year syndicated credit agreement (“credit facility”) on November 15, 2007. The credit facility, which provided for term loans of \$45,000 and 14,000 Euros and revolving loans of \$25,000 and 7,000 Euros, is through a syndicate of seven banks, with JP Morgan Chase Bank, N.A. acting as administrative agent for the U.S. dollar loans and JP Morgan Europe Ltd. acting as administrative agent for the Euro loans. The credit facility expires on November 16, 2012.

U.S. Dollar Loans: At our option, borrowings under the \$45,000 term loan and the \$25,000 revolving loan can be in the form of Alternate Base Rate loans (“ABR”) borrowings are based on the greater of adjusted Prime rates, adjusted CD rates, or adjusted Federal Funds rates) or one, two, three, or six month LIBOR loans. ABR loans bear interest at the defined ABR rate plus 1.75% (at our current leverage ratio) and LIBOR loans bear interest at the applicable LIBOR rate plus 3.25% (at our current leverage ratio). As of December 31, 2010, all borrowings under the \$45,000 term loan are set with the one month LIBOR option bearing interest at an all-in rate of 3.52%. The \$45,000 term loan originally required annual minimum principal payments beginning with \$4,500 paid on November 16, 2008, and ending with \$18,000 due on November 16, 2012. Currently the final payment has been reduced to \$13,247 following excess cash flow payments made in 2010 and 2009. These payments are described further below. As of December 31, 2010, there were no borrowings under the \$25,000 revolving loan.

Euro Loans: During 2010, we made a prepayment of 9,646 Euros (\$13,366) to retire the remaining principal balance outstanding under the Euro term loan. This prepayment includes 626 Euros (\$868) required under the excess cash flow provision of the agreement (see further explanation below). At our option, borrowings under the 7,000 Euro revolving loan can be based on one, two, three, or six month EURIBOR rates and bear interest at the applicable

EURIBOR rate plus 3.25% (at our current leverage ratio). As of December 31, 2010, outstanding borrowings of 800 Euros (\$1,060 based on the December 31, 2010 exchange rate) under the Euro revolving loan bear interest at an all-in rate of 4.05% based on the three month EURIBOR option.

While remaining principal balances are outstanding, the \$45,000 and 14,000 Euro term loans are both subject to additional formula-based annual principal payments if certain excess cash flow measures are met. As of December 31, 2010, no additional principal payments are required under this provision. As of December 31, 2009, we classified \$2,876 as current in accordance with the excess cash flow provision of the agreement. The \$2,876 classified as current as of December 31, 2009 was paid in March 2010.

The syndicated credit facility is secured by the assets of DMC including accounts receivable, inventory, and fixed assets.

Loans with Former Owners of LRI

In connection with our October 1, 2009 acquisition of LRI, we assumed loans with the former owners of LRI totaling 2,634 CAD. Following the acquisition, we repaid 1,302 CAD of the loans leaving a balance of 1,332 CAD (\$1,332 based on the December 31, 2010 exchange rate). The balance of these loans require principal payments in 35 equal installments beginning on December 1, 2011 with the final payment on October 1, 2014. These loans bear interest at the prime rate plus 1.25% (4.25% at December 31, 2010).

Nord LB Euro Term Loan

DYNAenergetics has a 3,000 Euro (\$3,976 based on the December 31, 2010 exchange rate) term loan with Nord LB that they obtained in September 2006. This loan, which bears interest at a fixed rate of 5.375%, requires quarterly principal payments of 150 Euros (\$199 based on the December 31, 2010 exchange rate) plus interest and matures with the final payment in September 2011. Borrowings outstanding under this term loan agreement totaled \$596 as of December 31, 2010.

Loan Covenants and Restrictions

Our existing loan agreements include various covenants and restrictions, certain of which relate to the incurrence of additional indebtedness; mortgaging, pledging or disposition of major assets; limits on capital expenditures; and maintenance of specified financial ratios. On February 2, 2011, our credit facility was amended, retroactive to December 31, 2010, to revise the leverage ratios and fixed charge coverage ratios that we are required to satisfy on a quarterly basis throughout the remaining term of the credit facility. These revised ratios will ease our ability to comply with certain covenants of the credit agreement. As of December 31, 2010, we were in compliance with all financial covenants and other provisions of our debt agreements.

Scheduled Debt Maturity

Our debt matures as follows:

| <u>Year ended December 31-</u> | |
|--------------------------------|------------------|
| 2011 | 12,217 |
| 2012 | 13,285 |
| 2013 | 457 |
| 2014 | 457 |
| 2015 | 380 |
| | <u>\$ 26,796</u> |

(6) STOCK OWNERSHIP AND BENEFIT PLANS

Through our 1997 Equity Incentive Plan ("1997 Plan"), we had provided for grants of both incentive stock options and non-statutory stock options. On September 21, 2006, our stockholders approved, and we adopted, the 2006 Stock Incentive Plan ("2006 Plan"). Upon the adoption of the 2006 Plan, the 1997 Plan was terminated with respect to new grants of stock options; however, all unexercised options previously granted under the 1997 Plan remain outstanding. The 2006 Plan provides for the grant of various types of equity-based incentives, including stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares, performance units and other stock-based awards. There are a total of 942,500 shares available for grant under the 2006 Plan (which includes 92,500 rolled over from the 1997 Plan). As of December 31, 2010, the only awards granted under the 2006 Plan were 489,750 shares of restricted stock and restricted stock units leaving 452,750 shares available for future grant.

The following table sets forth the total stock-based compensation expense included in the Consolidated Statements of Operations:

| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|-----------------|-----------------|-----------------|
| Cost of products sold | \$ 316 | \$ 339 | \$ 393 |
| General and administrative expenses | 2,402 | 2,280 | 2,049 |
| Selling and distribution expenses | 783 | 806 | 795 |
| | <u>3,501</u> | <u>3,425</u> | <u>3,237</u> |
| Stock-based compensation expense before income taxes | | | |
| Income tax benefit | (888) | (1,117) | (1,213) |
| Stock-based compensation expense, net of income taxes | <u>\$ 2,613</u> | <u>\$ 2,308</u> | <u>\$ 2,024</u> |
| Earnings per share impact: | | | |
| Basic - net income | \$ 0.20 | \$ 0.18 | \$ 0.16 |
| Diluted - net income | \$ 0.20 | \$ 0.18 | \$ 0.16 |

Our stock-based compensation expense results from stock option grants, restricted stock awards, restricted stock units and stock issued under the Employee Stock Purchase Plan.

Stock Options: Our incentive stock options were granted at exercise prices that equaled the fair market value of the stock at the date of grant based upon the closing sales price of DMC's common stock on that date. Incentive stock options generally vested 25% annually and expired ten years from the date of grant. Non-statutory stock options were generally granted at exercise prices that equaled the fair market value of the stock at the date of grant.

69

A summary of stock option activity for the years ended December 31, 2010, 2009, and 2008 is as follows:

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|----------------------------------|----------|--|--|---------------------------------|
| Balance at December 31, 2007 | 191,000 | \$ 4.39 | | |
| Exercised | (82,250) | 3.27 | | |
| Cancelled | (3,000) | 4.87 | | |
| Balance at December 31, 2008 | 105,750 | \$ 5.24 | | |
| Exercised | (77,750) | 3.39 | | |
| Balance at December 31, 2009 | 28,000 | \$ 10.37 | | |
| Exercised | (8,300) | 4.75 | | |
| Balance at December 31, 2010 | 19,700 | \$ 12.74 | 4.20 | \$ 194 |
| Exercisable at December 31, 2010 | 19,700 | \$ 12.74 | 4.20 | \$ 194 |

The intrinsic value of options exercised for the years ended December 31, 2010, 2009, and 2008 was \$98, \$367 and \$2,628, respectively. As of December 31, 2010, there was no unrecognized stock-based compensation cost related to unvested stock options.

The following table summarizes information about employee stock options outstanding and exercisable at December 31, 2010:

| Range of Exercise Prices | Number of Options Outstanding at December 31, 2010 | Weighted Average Remaining Contractual Life in Years | Weighted Average Exercise Price |
|--------------------------------|--|--|---------------------------------------|
| \$1.42 - \$1.42 | 700 | 2.96 | \$ 1.42 |
| \$4.87 - \$4.87 | 9,000 | 4.06 | \$ 4.87 |
| \$20.62 - \$20.62 | 10,000 | 4.42 | \$ 20.62 |
| | 19,700 | 4.20 | \$ 12.74 |

Restricted Stock Awards and Units: Restricted stock and restricted stock units granted to the executive officers and employees of DMC generally vest in one-third increments on the first, second, and third anniversary of the grant. Restricted stock granted to directors of DMC vest on the first anniversary of the date of grant. In 2008, we granted 90,000 restricted stock awards under a supplemental executive retirement plan, with 100% of these awards vesting on the fifth anniversary of the date of grant. The fair value of restricted stock and restricted stock unit awards are based on the fair value of DMC's stock on the date of grant and is amortized to compensation expense over the vesting period on a straight line basis.

70

A summary of the activity of our nonvested shares of restricted stock for the years ended December 31, 2010, 2009, and 2008 is as follows:

| | Shares | Weighted Average Grant Date Fair Value |
|------------------------------|----------|--|
| Balance at December 31, 2007 | 69,656 | \$ 34.63 |
| Granted | 236,250 | 37.83 |
| Vested | (38,831) | 34.64 |
| Balance at December 31, 2008 | 267,075 | \$ 37.46 |
| Granted | 12,000 | 21.88 |
| Vested | (80,425) | 32.84 |
| Balance at December 31, 2009 | 198,650 | \$ 38.39 |
| Granted | 104,000 | 19.95 |
| Vested | (65,161) | 29.26 |
| Balance at December 31, 2010 | 237,489 | \$ 32.82 |

A summary of the activity of our nonvested restricted stock units for the years ended December 31, 2010 and 2009 is as follows:

| Share Units | Weighted Average Grant Date Fair Value |
|----------------|--|
|----------------|--|

| | | | |
|------------------------------|---------|----|-------|
| Balance at December 31, 2007 | — | \$ | — |
| Granted | 22,750 | | 15.96 |
| Balance at December 31, 2008 | 22,750 | \$ | 15.96 |
| Vested | (7,584) | | 15.96 |
| Balance at December 31, 2009 | 15,166 | \$ | 15.96 |
| Granted | 28,000 | | 20.44 |
| Vested | (8,583) | | 15.97 |
| Balance at December 31, 2010 | 34,583 | \$ | 19.59 |

As of December 31, 2010, there was \$3,480 and \$490 of total unrecognized stock-based compensation related to unvested restricted stock awards and restricted stock units, respectively. The cost is expected to be recognized over a weighted average period of 1.66 years and 1.84 years for the restricted stock awards and restricted stock units, respectively.

Employee Stock Purchase Plan

We have an Employee Stock Purchase Plan (“ESPP”) which is authorized to issue up to 450,000 shares of which 31,460 shares remain available for future purchases. The offerings begin on the first day following each previous offering (“Offering Date”) and end six months from the offering date (“Purchase Date”). The ESPP provides that full time employees may authorize DMC to withhold up to 15% of their earnings, subject to certain limitations, to be used to purchase common stock of DMC at the lesser of 85% of the fair market value of DMC’s common stock on the Offering Date or the Purchase Date. In connection with the ESPP, 11,005; 10,027; and 7,859 shares of our stock were purchased during the years ended December 31, 2010, 2009, and 2008, respectively. Our total stock-based compensation expense for 2010, 2009, and 2008 includes \$48, \$72, and \$76 respectively, in compensation expense associated with the ESPP.

71

401(k) Plan

We offer a contributory 401(k) plan to our employees. We make matching contributions equal to 100% of each employee’s contribution up to 3% of qualified compensation and 50% of the next 2% of qualified compensation contributed by each employee. Total DMC contributions were \$339, \$316, and \$323 for the years ended December 31, 2010, 2009 and 2008, respectively.

(7) INCOME TAXES

The domestic and foreign components of income before tax for our operations for the years ended December 31 are summarized below:

| | 2010 | 2009 | 2008 |
|----------|-----------------|------------------|------------------|
| Domestic | \$ 4,896 | \$ 16,451 | \$ 25,861 |
| Foreign | 1,502 | (3,524) | 7,413 |
| | <u>\$ 6,398</u> | <u>\$ 12,927</u> | <u>\$ 33,274</u> |

The components of the provision for income taxes for the years ended December 31 are as follows:

| | 2010 | 2009 | 2008 |
|---|-----------------|-----------------|-----------------|
| Current - Federal | \$ 2,089 | \$ 5,707 | \$ 8,600 |
| Current - State | (68) | 282 | (139) |
| Current - Foreign | 820 | 1,173 | 3,315 |
| | 2,841 | 7,162 | 11,776 |
| Deferred - Federal | (376) | (238) | (767) |
| Deferred - State | 25 | (92) | (38) |
| Deferred - Foreign | | | |
| Tax benefits allocated to reduce Goodwill | 803 | 592 | 569 |
| Net operating losses | (784) | (4,867) | (256) |
| Other | (1,376) | 1,821 | (2,078) |
| | (1,708) | (2,784) | (2,570) |
| | <u>\$ 1,133</u> | <u>\$ 4,378</u> | <u>\$ 9,206</u> |

72

A reconciliation of our income tax provision computed by applying the Federal statutory income tax rate of 35% in 2010, 2009, and 2008 to income before taxes for the years ended December 31 is as follows:

| | 2010 | 2009 | 2008 |
|---|----------|----------|-----------|
| Federal income tax at statutory rate | \$ 2,240 | \$ 4,525 | \$ 11,646 |
| State and local tax items not included below, net | (185) | (854) | (238) |
| Effect of difference between U.S. Federal and foreign tax rates | 261 | 2,883 | 720 |
| Permanent differences: | | | |
| Foreign interest expense | (651) | (927) | — |
| Book gain on step acquisition of joint ventures | (453) | — | — |
| Foreign subsidiary earnings | — | (801) | 1,039 |
| State apportionment changes | — | — | (724) |

| | | | |
|---|-----------------|-----------------|-----------------|
| Other | 31 | (235) | (861) |
| Tax credits resulting from examination of federal tax returns | — | — | 79 |
| Current year tax credits | (12) | (163) | (1,716) |
| Changes in valuation allowance | — | — | (170) |
| Recognition of previously unrecognized tax benefits | — | (9) | (380) |
| Other | (98) | (41) | (189) |
| Provision for income taxes | <u>\$ 1,133</u> | <u>\$ 4,378</u> | <u>\$ 9,206</u> |

73

Our deferred tax assets and liabilities at December 31, 2010 and 2009 consist of the following:

| | 2010 | 2009 |
|---|--------------------|--------------------|
| Deferred tax assets: | | |
| Income tax credit carryforward | \$ 1,008 | \$ 1,022 |
| Net foreign operating loss carryforward | 6,267 | 5,483 |
| Inventory differences | 599 | 156 |
| Allowance for doubtful accounts | 109 | 92 |
| Equity compensation | 1,446 | 1,363 |
| Vacation and other compensation accrual | 203 | 283 |
| Capital lease obligations | 68 | 106 |
| Other, net | 109 | 471 |
| Deferred tax assets | <u>9,809</u> | <u>8,976</u> |
| Deferred tax liabilities: | | |
| Purchased intangible assets | (15,308) | (16,735) |
| Depreciation and amortization | (2,455) | (2,351) |
| Investment in partnerships and joint ventures | (2,329) | (2,114) |
| Deferred profit | (512) | (609) |
| Deferred tax liabilities | <u>(20,604)</u> | <u>(21,809)</u> |
| Net deferred tax liabilities | <u>\$ (10,795)</u> | <u>\$ (12,833)</u> |
| Net current deferred tax assets | \$ 1,040 | \$ 2,052 |
| Net long-term deferred tax assets liabilities | <u>(11,835)</u> | <u>(14,885)</u> |
| Net deferred tax assets liabilities | <u>\$ (10,795)</u> | <u>\$ (12,833)</u> |

As a result of stock-based compensation in 2010, 2009, and 2008, we (decreased) increased additional paid-in-capital by \$(601), \$90, and \$143, respectively, for the tax impact. To the extent these adjustments reduced taxes currently payable, they are not reflected in the current income tax provision for those years.

As of December 31, 2010, 2009 and 2008, income considered to be permanently reinvested in non-U.S. subsidiaries totaled approximately \$16,514, \$15,883 and \$14,969, respectively. Deferred income taxes have not been provided on this undistributed income, as we do not plan to initiate any action that would require the payment of U. S. income taxes on these earnings. It is not practical to estimate the amount of additional taxes that might be payable on these amounts of undistributed foreign income.

The components of the income tax carryforward as of December 31, 2010, are U.S. foreign tax credits of \$971 (which, if unused, expire between 2013 and 2018) and sundry state tax credits of \$37 (which, if unused, expire between 2012 and 2016). The components of the income tax carryforward as of December 31, 2009, are U.S. foreign tax credits of \$971 (which, if unused, expire between 2012 and 2018) and sundry state tax credits of \$51 (which, if unused, expire beginning in 2012).

As of December 31, 2010 and 2009, we had no state net operating loss carryforwards. The foreign loss carryforwards are primarily from jurisdictions which do not impose a time limitation on such carryforwards.

At December 31, 2009 and 2010, the balance of unrecognized tax benefits was \$0. We recognize interest and penalties related to uncertain tax positions in operating expense. As of December 31, 2010 and 2009, our accrual for interest and penalties related to uncertain tax positions was \$0.

74

DMC's U.S. Federal tax returns for the tax years 2007-2010 remain open to examination while most of DMC's state tax returns remain open to examination for the tax years 2006-2010. DMC's foreign tax returns remain open to examination for the tax years 2006-2010.

(8) BUSINESS SEGMENTS

Our business is organized in the following three segments: Explosive Metalworking, Oilfield Products, and AMK Welding. The Explosive Metalworking segment uses explosives to perform metal cladding and shock synthesis of industrial diamonds. The most significant product of this group is clad metal which is used in the fabrication of pressure vessels, heat exchangers, and transition joints for various industries, including upstream oil and gas, oil refinery, petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration, and similar industries. The Oilfield Products segment manufactures, markets and sells oilfield perforating equipment and explosives, including detonating cords, detonators, bi-directional boosters and shaped charges, and seismic related explosives and accessories. AMK Welding utilizes a number of welding technologies to weld components for manufacturers of jet engine and ground-based turbines.

The accounting policies of all the segments are the same as those described in the summary of significant accounting policies. Our reportable segments are separately managed strategic business units that offer different products and services. Each segment's products are marketed to different customer types and require different manufacturing processes and technologies.

Segment information is presented for the years ended December 31, 2010, 2009 and 2008 as follows:

Explosive

| | Metalworking Group | Oilfield Products | AMK Welding | Total |
|---|-----------------------|----------------------|----------------|------------|
| As of and for the year ended December 31, 2010: | | | | |
| Net sales | \$ 98,570 | \$ 45,332 | \$ 10,837 | \$ 154,739 |
| Depreciation and amortization | \$ 5,891 | \$ 4,351 | \$ 471 | \$ 10,713 |
| Income from operations | \$ 5,039 | \$ 2,747 | \$ 2,504 | \$ 10,290 |
| Equity in earnings of joint ventures | \$ — | \$ 255 | \$ — | 255 |
| Unallocated amounts: | | | | |
| Stock-based compensation | | | | (3,501) |
| Other income | | | | 2,326 |
| Interest expense | | | | (3,046) |
| Interest income | | | | 74 |
| Consolidated income before income taxes | | | | \$ 6,398 |
| Segment assets | \$ 96,344 | \$ 89,169 | \$ 5,403 | \$ 190,916 |
| Assets not allocated to segments: | | | | |
| Cash and cash equivalents | | | | 4,572 |
| Prepaid expenses and other assets | | | | 4,600 |
| Deferred tax assets | | | | 1,305 |
| Consolidated total assets | | | | \$ 201,393 |
| Capital expenditures | \$ 2,407 | \$ 832 | \$ 288 | \$ 3,527 |

75

| | Explosive Metalworking Group | Oilfield Products | AMK Welding | Total |
|---|------------------------------------|----------------------|----------------|------------|
| As of and for the year ended December 31, 2009: | | | | |
| Net sales | \$ 134,096 | \$ 21,764 | \$ 9,038 | \$ 164,898 |
| Depreciation and amortization | \$ 5,988 | \$ 3,662 | \$ 456 | \$ 10,106 |
| Income (loss) from operations | \$ 20,835 | \$ (2,742) | \$ 1,570 | \$ 19,663 |
| Equity in earnings of joint ventures | \$ — | \$ 221 | \$ — | 221 |
| Unallocated amounts: | | | | |
| Stock-based compensation | | | | (3,425) |
| Other expense | | | | (275) |
| Interest expense | | | | (3,473) |
| Interest income | | | | 216 |
| Consolidated income before income taxes | | | | \$ 12,927 |
| Segment assets | \$ 114,501 | \$ 76,325 | \$ 5,715 | \$ 196,541 |
| Assets not allocated to segments: | | | | |
| Cash and cash equivalents | | | | 22,411 |
| Prepaid expenses and other assets | | | | 3,840 |
| Deferred tax assets | | | | 2,384 |
| Consolidated total assets | | | | \$ 225,176 |
| Capital expenditures | \$ 3,017 | \$ 743 | \$ 157 | \$ 3,917 |

| | Explosive Metalworking Group | Oilfield Products | AMK Welding | Total |
|---|------------------------------------|----------------------|----------------|------------|
| As of and for the year ended December 31, 2008: | | | | |
| Net sales | \$ 194,999 | \$ 27,833 | \$ 9,745 | \$ 232,577 |
| Depreciation and amortization | \$ 7,585 | \$ 3,893 | \$ 435 | \$ 11,913 |
| Income (loss) from operations | \$ 37,454 | \$ 1,472 | \$ 2,363 | \$ 41,289 |
| Equity in earnings of joint ventures | \$ — | \$ 274 | \$ — | 274 |
| Unallocated amounts: | | | | |
| Stock-based compensation | | | | (3,237) |
| Other expense | | | | (269) |
| Interest expense | | | | (5,472) |
| Interest income | | | | 689 |
| Consolidated income before income taxes | | | | \$ 33,274 |
| Segment assets | \$ 134,665 | \$ 69,397 | \$ 5,325 | \$ 209,387 |
| Assets not allocated to segments: | | | | |
| Cash and cash equivalents | | | | 14,360 |
| Prepaid expenses and other assets | | | | 4,405 |
| Deferred tax assets | | | | 1,434 |
| Consolidated total assets | | | | \$ 229,586 |
| Capital expenditures | \$ 8,859 | \$ 879 | \$ 187 | \$ 9,925 |

The geographic location of our property, plant and equipment, net of accumulated depreciation, is as follows:

| | As of December 31, | | |
|---------------|--------------------|------------------|------------------|
| | 2010 | 2009 | 2008 |
| United States | \$ 20,784 | \$ 21,393 | \$ 22,840 |
| Germany | 9,234 | 10,388 | 9,465 |
| France | 5,742 | 6,402 | 6,463 |
| Canada | 2,145 | 2,311 | 76 |
| Sweden | 1,321 | 1,537 | 1,578 |
| Russia | 331 | — | — |
| Kazakhstan | 249 | 21 | 35 |
| Total | \$ 39,806 | \$ 42,052 | \$ 40,457 |

All of our sales are from products shipped from our manufacturing facilities and distribution centers located in the United States, Germany, France, Canada, Sweden and Russia. The following represents our net sales based on the geographic location of the customer:

| | For the years ended December 31, | | |
|-------------------------|----------------------------------|-------------------|-------------------|
| | 2010 | 2009 | 2008 |
| United States | \$ 44,587 | \$ 62,955 | \$ 82,036 |
| Canada | 29,907 | 12,991 | 11,685 |
| Germany | 25,109 | 11,702 | 24,449 |
| South Korea | 10,309 | 5,424 | 12,938 |
| Russia | 7,067 | 4,649 | 3,604 |
| France | 5,425 | 5,788 | 10,447 |
| United Arab Emirates | 3,907 | 2,227 | 600 |
| Mexico | 2,612 | 1,073 | 2,396 |
| Spain | 2,314 | 3,001 | 7,208 |
| India | 2,283 | 14,395 | 7,237 |
| Netherlands | 1,999 | 2,736 | 4,093 |
| China | 1,797 | 7,122 | 8,203 |
| Italy | 1,381 | 6,570 | 9,517 |
| Switzerland | 1,358 | 3,252 | 1,922 |
| Nigeria | 1,331 | 792 | — |
| Iraq | 1,212 | 637 | — |
| South Africa | 838 | 919 | 3,381 |
| Kuwait | 744 | 994 | 137 |
| Saudi Arabia | 718 | — | 29 |
| Poland | 619 | 379 | 27 |
| Romania | 594 | 709 | 2,548 |
| Norway | 546 | 800 | 1,699 |
| United Kingdom | 512 | 1,275 | 3,184 |
| Australia | 499 | 3,229 | 11,307 |
| Other foreign countries | 7,071 | 11,279 | 23,930 |
| Total | \$ 154,739 | \$ 164,898 | \$ 232,577 |

During the years ended December 31, 2010, 2009, and 2008, no one customer accounted for more than 10% of total net sales.

(9) COMMITMENTS AND CONTINGENCIES

We lease certain office space, equipment, storage space, vehicles and other equipment under various non-cancelable lease agreements. Certain of these leases (primarily equipment related) are recorded as capital leases. Amortization expense associated with the capital leases is combined with depreciation expense of fixed assets. Details of capitalized leased assets as of December 31, 2010 and 2009 are as follows:

| | 2010 | 2009 |
|--|---------------|---------------|
| Manufacturing equipment and tooling | \$ 1,368 | \$ 1,348 |
| Furniture, fixtures and computer equipment | 107 | 130 |
| Total | 1,475 | 1,478 |
| Less: Accumulated amortization | (841) | (625) |
| Net capitalized leased assets | \$ 634 | \$ 853 |

Future minimum rental commitments under non-cancelable leases are as follows:

| Year ended December 31 - | Capital Leases | Operating Leases |
|--------------------------|----------------|------------------|
| 2011 | \$ 305 | \$ 1,535 |
| 2012 | 73 | 1,272 |
| 2013 | 55 | 1,179 |
| 2014 | 23 | 672 |
| 2015 | — | 428 |

| | | |
|--|---------------|-----------------|
| Total minimum payments | 456 | \$ <u>5,086</u> |
| Amounts representing interest | (29) | |
| Present value of net minimum lease payments | 427 | |
| Current portion of capital lease obligations | (272) | |
| Capital lease obligations | \$ <u>155</u> | |

Total rental expense included in operations was \$2,295, \$1,713, and \$1,341 for the years ended December 31, 2010, 2009, and 2008, respectively.

During 2008, we entered into a license agreement and a risk allocation agreement related to our U.S. Explosive Metalworking business. These agreements provide us with the ability to perform our explosive shooting process at a second shooting site in Pennsylvania. Future minimum payments required to be made by us under these agreements are as follows:

| Year ended December 31 - | | |
|--------------------------|--|-----------------|
| 2011 | | \$ 232 |
| 2012 | | 232 |
| 2013 | | 232 |
| 2014 | | 232 |
| 2015 | | 232 |
| Thereafter | | <u>696</u> |
| Total minimum payments | | \$ <u>1,856</u> |

78

In the normal course of business, we are party to various contractual disputes and claims. After considering our evaluations by legal counsel regarding pending actions, we are of the opinion that the outcome of such actions will not have a material adverse effect on the financial position or results of operations.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in or disagreements with accountants on accounting and financial disclosure for the fiscal year ended December 31, 2010.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on such evaluation, such officers have concluded that our disclosure controls and procedures are effective at the reasonable assurance level as of the end of the period covered by this Annual Report. There have been no changes in internal control over financial reporting during the fourth quarter of 2010.

79

Management's Report on Internal Control over Financial Reporting

The management of Dynamic Materials Corporation ("DMC") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of DMC's management, including its Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of DMC's internal control over financial reporting as of December 31, 2010 based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In designing and evaluating the internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on that evaluation, management concluded that DMC's internal control over financial reporting was effective as of December 31, 2010.

DMC's internal control over financial reporting as of December 31, 2010, has also been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report which is included elsewhere herein.

/s/ Yvon Pierre Cariou
 Yvon Pierre Cariou
 President and Chief Executive Officer
 February 28, 2011

/s/ Richard A. Santa
 Richard A. Santa
 Senior Vice President and Chief Financial Officer
 February 28, 2011

80

Report of Independent Registered Public Accounting Firm

The Stockholders and the
Board of Directors of Dynamic Materials Corporation:

We have audited Dynamic Materials Corporation and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Dynamic Materials Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Dynamic Materials Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Dynamic Materials Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated February 28, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 28, 2011

81

ITEM 9B. Other Information

Not applicable.

82

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Item 10 incorporates information by reference to our 2010 Proxy Statement for the Annual for the Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission within 120 days of the close of fiscal year 2010.

ITEM 11. Executive Compensation

Item 11 incorporates information by reference to our 2010 Proxy Statement for the Annual for the Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission within 120 days of the close of fiscal year 2010.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 12 incorporates information by reference to our 2010 Proxy Statement for the Annual for the Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission within 120 days of the close of fiscal year 2010.

For information regarding securities authorized for issuance under our equity compensation plans see the 2010 Proxy Statement, which information is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Item 13 incorporates information by reference to our 2010 Proxy Statement for the Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission within 120 days of the close of fiscal year 2010.

ITEM 14. Principal Accountant Fees and Services

Item 14 incorporates information by reference to our 2010 Proxy Statement for the Annual for the Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission within 120 days of the close of fiscal year 2010.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules**(a)(1) Financial Statements**

See Index to Financial Statements in Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

(a)(2) Financial Statement Schedules

See Schedule II beginning on page 87 of this Annual Report on Form 10-K.

(a)(3) Exhibits

| Exhibit Number | Description |
|-------------------|---|
| 3.1 | Certificate of Incorporation of the Company (incorporated by reference to the Company's Quarterly report on Form 10-Q/A for the quarter ended March 31, 2004). |
| 83 | |
| 3.2 | Bylaws of the Company (incorporated by reference to the Company's Quarterly report on Form 10-Q/A for the quarter ended March 31, 2004). |
| 10.1 | Credit Agreement dated November 16, 2007, by and among the Company, Dynamic Materials Luxembourg 2 Sàrl, the guarantors party thereto, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent for the revolving loan and the term loan, J.P. Morgan Europe Limited, as administrative agent for the euro term loan and JPMorgan Securities Inc., as sole bookrunner and lead arranger (incorporated by reference to the Company's Form 8-K/A filed with the Commission on September 11, 2009). |
| 10.2 | Employment Agreement, dated as of April 23, 2008, by and between the Company and Yvon Cariou, as amended (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2009). * |
| 10.3 | Employment Agreement, dated as of April 23, 2008, by and between the Company and Richard A. Santa, as amended (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2009). * |
| 10.4 | Employment Agreement, dated as of April 23, 2008, by and between the Company and John G. Banker, as amended (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2009). * |
| 10.5 | Employment Agreement dated January 19, 2011, among DYNAenergetics Holding GmbH, the Company and Rolf Rospek (incorporated by reference to the Company's Form 8-K filed with the Commission on January 24, 2011). * |
| 10.6 | Dynamic Materials Corporation 2006 Stock Incentive Plan (incorporated by reference to the Company's Form 10-Q filed with the Commission on November 2, 2006). * |
| 10.7 | Dynamic Materials Corporation Performance-Based Plan (incorporated by reference to Appendix A to the Company's Proxy Statement filed with the Commission on April 23, 2009). * |
| 10.8 | Form of Executive Officer Restricted Stock Award Agreement (incorporated by reference to the Company's Form 8-K filed with the Commission on June 12, 2007). * |
| 10.9 | Form of Non-Executive Director Restricted Stock Award Agreement (incorporated by reference to the Company's Form 8-K filed with the Commission on June 12, 2007). * |
| 10.10 | Form of Indemnification Agreement (incorporated by reference to the Company's Form 8-K filed with the Commission on January 24, 2011). * |
| 21.1 | Subsidiaries of the Company. |
| 23.1 | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm |
| 31.1 | Certification of the President and Chief Executive Officer pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Vice President and Chief Financial Officer pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

* Management contract or compensatory plan or arrangement.

84

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYNAMIC MATERIALS CORPORATION

February 28, 2011

By: /s/ Richard A. Santa
Richard A. Santa
Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

| SIGNATURE | TITLE | DATE |
|---|--|-------------------|
| <u>/s/ Yvon Pierre Cariou</u> Yvon Pierre Cariou | President and Chief Executive Officer (Principal Executive Officer) | February 28, 2011 |
| <u>/s/ Richard A. Santa</u> | Senior Vice President and Chief Financial Officer | February 28, 2011 |

| | | |
|---|--|-------------------|
| <u>Richard A. Santa</u> | (Principal Financial and Accounting Officer) | |
| <u>/s/ John G. Banker</u> John G. Banker | Senior Vice President, Customers and Technology (Executive Officer) | February 28, 2011 |
| <u>/s/ Dean K. Allen</u> Dean K. Allen | Chairman and Director | February 28, 2011 |
| <u>/s/ Robert A. Cohen</u> Robert A. Cohen | Director | February 28, 2011 |
| <u>/s/ James J. Ferris</u> James J. Ferris | Director | February 28, 2011 |
| <u>/s/ Richard P. Graff</u> Richard P. Graff | Director | February 28, 2011 |
| <u>/s/ Bernard Hueber</u> Bernard Hueber | Director | February 28, 2011 |
| <u>/s/ Gerard Munera</u> Gerard Munera | Director | February 28, 2011 |
| <u>/s/ Rolf Rospek</u> Rolf Rospek | Director | February 28, 2011 |

85

DYNAMIC MATERIALS CORPORATION
INDEX TO SCHEDULE II
AS OF DECEMBER 31, 2010

| | |
|-----------------|-------------|
| | <u>PAGE</u> |
| Schedule II (a) | 87 |
| Schedule II (b) | 87 |
| Schedule II (c) | 87 |

86

DYNAMIC MATERIALS CORPORATION
SCHEDULE II(a) - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
ALLOWANCE FOR DOUBTFUL ACCOUNTS

| Year ended - | <u>Balance at beginning of period</u> | <u>Additions charged to income</u> | <u>Accounts receivable written off</u> | <u>Other Adjustments</u> | <u>Balance at end of period</u> |
|-------------------|---|--|--|------------------------------|---|
| December 31, 2008 | \$ 534 | \$ 80 | \$ — | \$ — | \$ 614 |
| December 31, 2009 | \$ 614 | \$ — | \$ — | \$ (224) | \$ 390 |
| December 31, 2010 | \$ 390 | \$ — | \$ — | \$ (12) | \$ 378 |

DYNAMIC MATERIALS CORPORATION
SCHEDULE II(b) - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
WARRANTY RESERVE

| Year ended - | <u>Balance at beginning of period</u> | <u>Additions charged to income</u> | <u>Repairs allowed</u> | <u>Other Adjustments</u> | <u>Balance at end of period</u> |
|-------------------|---|--|----------------------------|------------------------------|---|
| December 31, 2008 | \$ 413 | \$ 23 | \$ (83) | \$ — | \$ 353 |
| December 31, 2009 | \$ 353 | \$ 50 | \$ (105) | \$ — | \$ 298 |
| December 31, 2010 | \$ 298 | \$ 463 | \$ (164) | \$ — | \$ 597 |

DYNAMIC MATERIALS CORPORATION
SCHEDULE II(c) - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
INVENTORY RESERVE

| <u>Balance at beginning of period</u> | <u>Additions charged to income</u> | <u>Inventory write-offs</u> | <u>Balance at end of period</u> |
|---|--|---------------------------------|---|
|---|--|---------------------------------|---|

| Year ended - | | | | | | | | |
|-------------------|----|-----|----|-----|----|-------|----|-----|
| December 31, 2008 | \$ | 265 | \$ | 235 | \$ | (310) | \$ | 190 |
| December 31, 2009 | \$ | 190 | \$ | 214 | \$ | (148) | \$ | 256 |
| December 31, 2010 | \$ | 256 | \$ | 210 | \$ | (241) | \$ | 225 |

SUBSIDIARIES OF THE COMPANY

| Name of subsidiary | Location |
|--|------------------------|
| DYNAenergetics Canada Inc | Alberta, Canada |
| DYNAenergetics Beteiligungs GmbH | Burbach, Germany |
| DYNAenergetics GmbH & Co KG | Burbach, Germany |
| DYNAenergetics Holding GmbH | Burbach, Germany |
| DYNAenergetics NA, LLC | Colorado, USA |
| DYNAenergetics RUS | Moscow, Russia |
| DYNAenergetics US, Inc | Texas, USA |
| Dynamic Materials Luxembourg 1 S.a r.L | Luxembourg, Luxembourg |
| Dynamic Materials Luxembourg 2 S.a r.L | Luxembourg, Luxembourg |
| Dynaplat GmbH & Co KG | Burbach, Germany |
| Dynaplat Holdings GmbH | Burbach, Germany |
| Nitro Metall Aktiebolag | Likenas, Sweden |
| Nobelclad Europe S.A. | Rivesaltes, France |
| Perfoline | Tyumen, Russia |

**CONSENT OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements of Dynamic Materials Corporation:

- (1) Form S-8 No. 333-115563
- (2) Form S-8 No. 333-143355
- (3) Form S-3 No. 333-150231

of our reports dated February 28, 2011, with respect to the consolidated financial statements and schedules of Dynamic Materials Corporation and the effectiveness of internal control over financial reporting of Dynamic Materials Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

/s/ Ernst & Young LLP

Denver, Colorado
February 28, 2011

CERTIFICATIONS

I, Yvon Pierre Cariou, certify that:

1. I have reviewed this annual report on Form 10-K of Dynamic Materials Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 28, 2011

/s/ Yvon Pierre Cariou
Yvon Pierre Cariou
President and Chief Executive Officer
of Dynamic Materials Corporation

CERTIFICATIONS

I, Richard A. Santa, certify that:

1. I have reviewed this annual report on Form 10-K of Dynamic Materials Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 28, 2011

/s/ Richard A. Santa

Richard A. Santa
Senior Vice President and Chief Financial Officer
of Dynamic Materials Corporation

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Dynamic Materials Corporation (the "Company") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yvon Pierre Cariou, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2011

/s/ Yvon Pierre Cariou
Yvon Pierre Cariou
President and Chief Executive Officer
of Dynamic Materials Corporation

A signed original of this written statement required by Section 906 has been provided to Dynamic Materials Corporation and will be retained by Dynamic Materials Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Dynamic Materials Corporation (the "Company") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard A. Santa, Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2011

/s/ Richard A. Santa
Richard A. Santa
Senior Vice President and Chief Financial Officer
of Dynamic Materials Corporation

A signed original of this written statement required by Section 906 has been provided to Dynamic Materials Corporation and will be retained by Dynamic Materials Corporation and furnished to the Securities and Exchange Commission or its staff upon request.