



2011

EXPLOSIVE METALWORKING  
OILFIELD PRODUCTS  
AMK WELDING

# ANNUAL REPORT



## About the Cover

The cover image features electrical transition joints (ETJs) produced at DMC's Nobelclad Explosive Metalworking facility in Rivesaltes, France. ETJs are used primarily in the aluminum smelting process. The ETJ2000 products featured in the cover picture are composed of aluminum, a titanium interlayer, and steel. The Rivesaltes facility – DMC's center of excellence for the production of ETJs – shipped approximately 275,000 of the joints during 2011.

The image on this page is of a computerized tensile bench, which is testing steel that is used as a backer in DMC's clad plates.

## ABOUT THE COMPANY

Dynamic Materials Corporation (DMC) is a diversified provider of industrial products and services, and the world's leading manufacturer of explosion-welded clad metal plates. The Company's Explosive Metalworking business, which generated 60 percent of DMC's fiscal 2011 revenue, uses specialized explosive processes to clad metal and alloy plates, which are then utilized in a broad spectrum of industrial capital projects.

The Explosive Metalworking segment serves a variety of industries, including chemical, oil and gas, metals and mining, marine, power generation, alternative energy, industrial refrigeration, transportation, and defense and protection.

DMC also operates an Oilfield Products segment, which manufactures, markets and sells specialized explosive components and systems used to perforate oil and gas wells. The segment, which generated 35 percent of DMC's 2011 revenue, also distributes a line of explosive-related seismic products that support oil and gas exploration activities.

DMC's third business segment, AMK Welding, utilizes various technologies to weld components for use in power-generation turbines, as well as commercial and military jet engines. AMK was responsible for 5 percent of the Company's 2011 revenue.

Based in Boulder, Colorado, DMC has production facilities in Mt. Braddock, Pennsylvania; Rivesaltes, France; Burbach, Germany; Troisdorf, Germany; Edmonton, Alberta; Tyumen, Russia; South Windsor, Connecticut; and Whitney, Texas.

The Company's stock trades on Nasdaq under the symbol "BOOM."

## CONSOLIDATED STATEMENT OF OPERATIONS HIGHLIGHTS

(Dollars in thousands except per share amounts)

	Years ended December 31, 2011	Years ended December 31, 2010
Net sales	\$ 208,891	\$ 154,739
Gross profit	\$ 55,446	\$ 36,950
Income from operations	\$ 18,219	\$ 6,789
Income before income taxes	\$ 16,810	\$ 6,388
Net income	\$ 12,491	\$ 5,265
Net income per share - diluted	\$ 0.93	\$ 0.40
Weighted average number of shares outstanding - diluted	13,099,121	12,881,754
Dividends declared per common share	\$ 0.16	\$ 0.16

## BALANCE SHEET HIGHLIGHTS

(Dollars in thousands)

	December 31,	
	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,276	\$ 4,572
Accounts receivable, net	\$ 36,368	\$ 27,567
Total current assets	\$ 91,189	\$ 72,735
Total assets	\$ 213,426	\$ 201,393
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Total current liabilities	\$ 29,310	\$ 38,392
Lines of credit	\$ 26,462	\$ —
Long-term debt	\$ 118	\$ 14,579
Deferred tax liabilities	\$ 10,185	\$ 12,083
Other long-term liabilities	\$ 1,308	\$ 1,255
Stockholders' equity	\$ 146,043	\$ 135,084
Total liabilities and stockholders' equity	\$ 213,426	\$ 201,393

## FINANCIAL HIGHLIGHTS



# STOCKHOLDER LETTER

***“The performance of our two core business segments led to full-year financial results that were well ahead of our initial forecasts.”***



## Dear Stockholders,

Last year in this space, I noted we were seeing encouraging signs that demand was picking up within several markets served by our flagship Explosive Metalworking business. As it turned out, those early signals marked the beginning of a sustained improvement in our explosion welding business that continued throughout 2011

and through the time of this writing. This rebound was augmented by the continued strong performance of our Oilfield Products segment, which has been capitalizing on demand from a very active global energy industry.

The performance of these two core business segments led to full-year financial results that were well ahead of our initial forecasts. We originally projected 2011 sales growth of 20% to 25% versus 2010. Ultimately, sales advanced 35% to \$208.9 million. In addition, gross profit margin improved to 27% from 24%, reflecting a more favorable product mix at our Explosive Metalworking segment and greater contributions from our higher-margin Oilfield Products segment.

From a profit perspective, operating income increased 168% to \$18.2 million, and net income improved 137% to \$12.5 million, or \$0.93 per diluted share. Our adjusted EBITDA\* advanced 56% to \$32.9 million.

## Explosive Metalworking Review

Increased capital spending within several of our largest explosion-welding end markets drove a 28% improvement in clad plate sales during fiscal 2011. Demand from the chemical industry – one of the earliest markets to employ explosion-clad equipment – was particularly strong. This was an encouraging development, as excess chemical processing capacity had resulted in several years of relatively muted spending from this sector. We also saw robust order flow from the upstream oil and gas sector, reflecting the strong price environment in the oil industry and increased production of hot, sour crudes. Markets such as aluminum smelting, power generation and shipbuilding also were quite active.

We are optimistic that market conditions will remain strong for the foreseeable future. Our “hot list” of potential high-value orders con-

tains an array of large, international infrastructure projects and is as healthy as we have seen it in several years. Like last year, many of the projects we are tracking are in the chemical and petrochemical sectors, where we see less competition from other cladding technologies and generally get better pricing. The geographic breadth of these potential projects also is encouraging. Major new processing facilities are being planned in the Middle East, Europe, Asia and the United States, and these have led to continued strong quoting activity.

DMC has a long track record of successfully entering new industrial end markets, and we believe there are additional opportunities to broaden the use of explosion-welded components. We are currently working on research and development of new clad applications for use in the broader energy industry. While it is too early to predict the outcome of these efforts, the potential market acceptance of these offerings could have positive implications to the future growth of our explosion welding business.

We also are working to expand our geographic presence and view certain Asian markets as having high strategic value. For instance in China, where explosion welding is a widely used industrial process, we believe there could be room for additional players at the high end of the competitive spectrum. We have made a number of inroads in Asia during the past several years, and are optimistic about establishing a physical presence in the region at some point in the future.

## Oilfield Products Review

Exploration and production activity within the international oil and gas industry continued at a healthy pace during 2011, and resulted in strong demand for our broad line of well-perforating and seismic explosive products. Sales at our Oilfield Products segment – known by customers as DYNAenergetics – increased by 61% during 2011. Even when excluding contributions from acquired operations, this segment achieved organic growth of 48% versus 2010.

Our ability to grow faster than the oilfield products industry as a whole speaks to the breadth of our product offering and the strength of our international distribution network. We believe our logistical advantages – deploying the right products to the right places at the right time – have allowed us to capture market share from competitors. We intend to build on these advantages during the coming year, and are investing approximately \$20 million in the construction of new shaped charge and gun manufacturing facilities in both North America and Russia. We expect these facilities will be on line late next year and early in 2014.



We also will take an opportunistic view of potential new acquisitions, as we did in January with our purchase of Texas-based TRX Industries. TRX, which now operates under the DYNAenergetics US banner, manufactures perforating guns and is a long-time supplier to our North American operations.

### AMK Welding

Fiscal 2011 represented a year of transition at AMK, as we began to wind down work on a long-time customer's ground based turbines. With this multi-year program nearly complete, we believe there are new market opportunities beyond AMK's core work in the aircraft engine and ground power arenas. We recently hired a talented new divisional president who is focused on establishing new customer relationships and driving our market expansion initiatives.

### Positioned for Growth

After our strong rebound in fiscal 2011, we are anticipating continued sales growth during the coming year. We also are expecting that our earnings growth could outpace our top-line performance, as we capitalize on the fixed cost structure and a more favorable product mix at our Explosive Metalworking segment, and realize even stronger contributions from our Oilfield Products business.

Our longer-range prospects appear even more encouraging. When you consider the expanding roster of high-value projects appearing on our hot list, our R&D efforts on new clad applications, our geographic expansion plans and the start up of our new Oilfield Products production facilities, you can see why we believe 2013 could be a year of even greater promise for DMC.

An important component in long-range growth is strong leadership. With this in mind, we hope to make a key addition to our management team during 2012.

The financial success and strategic progress we achieved during fiscal 2011 is attributable to DMC's dedicated workforce and a highly supportive Board of Directors. I want to acknowledge both of these groups for their ongoing commitment to DMC's success. I also want to thank you, our shareholders, for your continued support of the Company.

Sincerely,

  
Yvon Cariou

\* Adjusted EBITDA is a non-GAAP (generally accepted accounting principle) financial measure used by DMC management to measure operating performance. See additional information about adjusted EBITDA, including a reconciliation of adjusted EBITDA to GAAP measures, beginning on page 33 of the enclosed Form 10-K.







**Dynamic Materials Board of Directors, from left to right:**  
Gerard Munera, James Ferris, Richard P. Graff, Dean K. Allen, Yvon Pierre Cariou, Robert A. Cohen, Bernard Hueber, Rolf Rospek

## DIRECTORS

**Mr. Dean K. Allen**

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

**Mr. Yvon Pierre Cariou**

President and Chief Executive Officer, Dynamic Materials Corporation

**Mr. Robert A. Cohen**

Managing Partner, Joranel LLC; former President and CEO, Korea First Bank

**Dr. James Ferris**

Former Director and President/Group Chief Executive Officer, CH2M Hill Companies Ltd.; former President and Chief Executive Officer, Ebasco Environmental

**Mr. Richard P. Graff**

Retired Partner, PricewaterhouseCoopers

**Mr. Bernard Hueber**

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

**Mr. Gerard Munera**

General Manager, Synergex

**Mr. Rolf Rospek**

Chief Executive Officer, DYNAenergetics

## EXECUTIVE MANAGEMENT

**Mr. Yvon Pierre Cariou**

President and Chief Executive Officer

**Mr. Richard A. Santa**

Sr. Vice President and Chief Financial Officer

**Mr. John G. Banker**

Sr. Vice President, Customers and Technology

**Mr. Rolf Rospek**

Chief Executive Officer, DYNAenergetics



**Dynamic Materials Executive Management, from left to right:**  
Yvon Pierre Cariou, Richard A. Santa, John G. Banker, Rolf Rospek

## Headquarters

& Clad Metal Sales  
Dynamic Materials Corporation  
5405 Spine Road  
Boulder, Colorado USA 80301  
Phone: 303.665.5700  
Fax: 303.665.1897  
www.dynamicmaterials.com

# CORPORATE DATA

### Independent Auditors

Ernst & Young, LLP  
Denver, Colorado

### Legal Counsel

Bryan Cave LLP  
Denver, Colorado

### Transfer Agent

Computershare Investor Services  
350 Indiana Street  
Golden, Colorado 80401  
Phone: 800.835.8778

### Investor Relations Counsel

Pfeiffer High Investor Relations, Inc.  
3235 East Second Avenue  
Denver, Colorado 80206  
Phone: 303.393.7044

### Annual Meeting

The Annual Meeting of Stockholders will be held in Boulder, Colorado on May 24, 2012, at 8:30am at the St. Julien Hotel.

### Form 10-K

Included herein

### Offices

#### Dynamic Materials Corporation

Mt. Braddock Facility  
P.O. Box 317  
1138 Industrial Park Drive  
Mt. Braddock, Pennsylvania 15465  
Phone: 724.277.9710

#### Nobelclad Europe

Espace Entreprise Mediterranee—  
1 allée Alfred Nobel  
66600 Rivesaltes - France  
Phone: 33 4 68 64 56 56

#### Dynaplat

Dr.-Hermann-Fleck-Allee 8  
DE-57299 Burbach  
Germany  
Phone: 49 2736 50978 0

#### DYNAenergetics Oilfield Products

Kaiserstr. 3  
D-53840 Troisdorf  
Germany  
Phone: 49 5102 6757 0

#### DYNAenergetics US Inc.

P.O. Box 341090  
3317 N Highway 620  
Austin, Texas 78734  
Phone: 512.327.2043

#### DYNAenergetics Canada

5911 56 Ave. Edmonton, Alberta  
Canada T6B 3E2  
Phone: 780.490.0939

#### Perfoline

Yamskaya str. 105  
Tyumen  
625017 Russia  
Phone: 7 3452 434058

#### DYNAenergetics Rus

Russia  
115230 Moscow  
Varshavskoye Chaussee,  
d.36, str.8, 2-nd floor  
Phone: 7 495 9330047

#### KazDYNAenergetics

Republic of Kazakhstan  
Aktobe City, 030000  
8, Abai av. ap #4  
Phone 7 7132 55-26-76

#### AMK Welding

283 Sullivan Avenue  
South Windsor, CT 06074  
Phone: 860.289.5634



Headquarters & Clad Metal Sales  
Dynamic Materials Corporation  
5405 Spine Road • Boulder, CO USA 80301  
PH: 303.665.5700 • FAX: 303.665.1897