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236

Excess tax benefit related to stock options

57

57

Stock-based compensation	798
	798
Net income	4,916

4,916

4,916

Derivative valuation adjustment, net of tax of $22

38

38

38

Change in cumulative foreign currency translation adjustment

(5,918

)

(5,918

)

(5,918

)

Balances, March 31, 2009

12,851

$

643

$

43,137

$

82,958

$

(8,109

)

$

118,629

$

(964

)

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

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DYNAMIC MATERIALS CORPORATION & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(Dollars in Thousands)

(unaudited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,916	$ 5,245
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation (including capital lease amortization)	1,267	1,113
Amortization of purchased intangible assets	1,183	2,361
Amortization of capitalized debt issuance costs	69	60
Stock-based compensation	798	664
Deferred income tax benefit	(605)	(1,174)
Equity in (earnings) losses of joint ventures	49	(16)
Change in -		
Restricted cash		377
Accounts receivable, net	(2,702)	5,968
Inventories	(2,721)	(670)
Prepaid expenses and other	460	(580)
Accounts payable	2,388	(3,837)
Customer advances	(961)	(2,144)
Accrued expenses and other liabilities	(904)	(118)
Net cash provided by operating activities	3,237	7,249
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(1,170)	(2,361)
Change in other non-current assets	8	15
Net cash used in investing activities	(1,162)	(2,346)

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

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DYNAMIC MATERIALS CORPORATION & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(Dollars in Thousands)

		2009		2008
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payment on syndicated term loans		(3,862)		
Payment on Nord LB term loans		(233)		(265)
Borrowings on bank lines of credit, net		4,215		3,665
Payment of capital lease obligations		(71)		(105)
Payment of deferred debt issuance costs		(19)		(125)
Change in other long-tem liabilities				16
Net proceeds from issuance of common stock to employees and directors		236		93
Excess tax benefit related to exercise of stock options		57		
Net cash provided by financing activities		323		3,279
EFFECTS OF EXCHANGE RATES ON CASH		(480)		383
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,918		8,565
CASH AND CASH EQUIVALENTS, beginning of the period		14,360		9,045
CASH AND CASH EQUIVALENTS, end of the period	$	16,278	$	17,610

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

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DYNAMIC MATERIALS CORPORATION & SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, Except Share and Per Share Data)

(unaudited)

1. BASIS OF PRESENTATION

The information included in the Condensed Consolidated Financial Statements is unaudited but includes all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the interim periods presented. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements that are included in the Company s Annual Report filed on Form 10-K for the year ended December 31, 2008. Certain prior year balances in the consolidated financial statements and notes have been reclassified to conform to the 2009 presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company 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 entities where we do not have a controlling interest. All significant intercompany accounts, profits, and transactions have been eliminated in consolidation.

Foreign Operations and Foreign Exchange Rate Risk

The functional currency for the Company s foreign operations is the applicable local currency for each affiliate company. Assets and liabilities of foreign subsidiaries 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 the Company s 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.

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Revenue Recognition

Sales of clad metal products and welding services are generally based upon customer specifications set forth in customer purchase orders and require the Company 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, the Company will account for such anticipated loss.

Fair Value of Financial Instruments

In September 2006, the Financial Accounting Standards Boards (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). Although this statement does not require any new fair value measurements, in certain cases its application has changed previous practice in determining fair value. SFAS 157 became effective for the Company beginning January 1, 2008 as it relates to fair value measurements of financial assets and liabilities and non-financial assets and liabilities that are recognized at fair value in its financial statements on a recurring basis (at least annually).

On January 1, 2009, the Company adopted the deferred provisions of SFAS 157 as defined by FASB Staff Position (FSP) No. 157-2, *Effective Date of FASB Statement No. 157,* (FSP No. 157-2). FSP No. 157-2 deferred the adoption date for certain non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. The adoption in 2009 of SFAS 157 for certain non-financial assets and liabilities did not have any impact on the Company s results of operations or financial position.

SFAS 157 defines fair value 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. It establishes a 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.

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SFAS 157 assigns the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As discussed in Note 6, the Company uses an interest rate swap agreement to mitigate interest rate risk on portions of its variable rate term loan debt.   The swap agreement is not exchange listed and is therefore valued with models that use Level 2 inputs. The degree to which the Company s credit worthiness impacts the value does require some management judgment but as of March 31, 2009 and December 31, 2008, the impact of this assessment on the overall value of the outstanding interest rate swap was not significant and the Company s valuation of the agreement is classified within Level 2 of the hierarchy.

Related Party Transactions

The Company has related party transactions with its unconsolidated joint ventures, as well as with the minority shareholder of one of its consolidated joint ventures. A summary of related party balances as of March 31, 2009 and December 31, 2008 is summarized below:

	As of March 31, 2009			As of December 31, 2008		
	Accounts receivable from and loan to	**Accounts payable to and loan from**	**Other long-term loan from**	**Accounts receivable from and loan to**	**Accounts payable to and loan from**	**Other long-term loan from**
Perfoline	$ 461	$ 16	$	$ 449	$ 17	$
DYNAenergetics RUS	1,419			1,582		
Minority Interest Partner	490	5	318	580		303
Total	$ 2,370	$ 21	$ 318	$ 2,611	$ 17	$ 303

A summary of those transactions for the three months ended March 31, 2009 and 2008 is summarized below:

	3 months ended March 31, 2009		3 months ended March 31, 2008	
	Sales to	**Interest income from**	**Sales to**	**Interest income from**
Perfoline	$ 40	$ 10	$ 33	$ 13
DYNAenergetics RUS	42			
Minority Interest Partner	298		524	
Total	$ 380	$ 10	$ 557	$ 13

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Earnings Per Share

In 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities,* and it became effective for the Company beginning January 1, 2009. Under this standard, 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). Under the two-class method required by EITF 03-6-1, 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. This FSP requires retrospective applications for periods prior to the effective date and as a result, all prior period earnings per share data presented herein have been adjusted to conform to these provisions. The Company s adoption of this FSP resulted in a $.01 per share reduction to the previously reported basic EPS and diluted EPS for the three months ended March 31, 2008.

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

	For the Three Months Ended March 31, 2009			For the Three Months Ended March 31, 2008		
	Income	Shares	EPS	Income	Shares	EPS
Basic earnings per share:						
Net income	$ 4,916			$ 5,245		
Less income allocated to RSAs	103			89		
Net income allocated to common stock for EPS calculation	$ 4,813	12,527,452	$ 0.38	$ 5,156	12,377,019	$ 0.42
Adjust shares for Dilutives: Stock-based compensation plans		42,427			144,717	
Diluted earnings per share:						
Net income	$ 4,916			$ 5,245		
Less income allocated to RSAs	103			88		
Net income allocated to common stock for EPS calculation	$ 4,813	12,569,879	$ 0.38	$ 5,157	12,521,736	$ 0.41

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* and SFAS No. 160, *Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements*, an amendment of ARB No. 51. These new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS Nos. 141(R) and 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. The adoption of these standards in 2009 did not have any impact on the Company s results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS 161 requires additional disclosures related to the use of derivative instruments, the accounting for derivatives and how derivatives impact financial statements. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The

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adoption of SFAS No. 161 in the first quarter of 2009 did not have any impact on the Company s results of operations or financial position.

3. INVESTMENT IN JOINT VENTURES

Operating results include the Company s proportionate share of income from unconsolidated joint ventures, which are accounted for under the equity method. These investments (all of which resulted from the acquisition of DYNAenergetics and pertain to the Company s Oilfield Products business segment) include the following: (1) 65.19% interest in Perfoline, which is a Russian manufacturer of perforating gun systems and (2) 55% interest in DYNAenergetics RUS which is a Russian trading company that sells the Company s oilfield products. Due to certain minority interest veto rights that allow the minority interest shareholders to participate in ordinary course of business decisions, these joint ventures have been accounted for under the equity method instead of being consolidated in these financial statements. Investments in these joint ventures totaled $744 and $970 as of March 31, 2009 and December 31, 2008, respectively.

Summarized unaudited financial information for the joint ventures accounted for under the equity method as of March 31, 2009 and December 31, 2008 and for the three months ended March 31, 2009 and 2008 is as follows:

	March 31, 2009	December 31, 2008
Current assets	$ 3,756	$ 4,667
Noncurrent assets	622	714
Total assets	$ 4,378	$ 5,381
Current liabilities	$ 1,730	$ 2,064
Noncurrent liabilities	748	830
Equity	1,900	2,487
Total liabilities and equity	$ 4,378	$ 5,381

	Three Months Ended March 31,	
	2009	2008
Net sales	$ 1,106	$ 2,203
Operating income	$ 79	$ 171
Net loss	$ (90)	$ (14)
Equity in earnings (losses) of joint ventures	$ (49)	$ 16

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4. INVENTORY

The components of inventory are as follows at March 31, 2009 and December 31, 2008:

	March 31, 2009	December 31, 2008
Raw materials	$ 12,862	$ 11,610
Work-in-process	18,536	18,950
Finished goods	4,372	3,903
Supplies	727	837
	$ 36,497	$ 35,300

5. PURCHASED INTANGIBLE ASSETS

The following table presents details of our purchased intangible assets, other than goodwill, as of March 31, 2009:

	Gross	Accumulated Amortization	Net
Core technology	$ 22,108	$ (1,520)	$ 20,588
Customer relationships	29,830	(4,558)	25,272
Trademarks / Trade names	2,408	(495)	1,913
Total intangible assets	$ 54,346	$ (6,573)	$ 47,773

The following table presents details of our purchased intangible assets, other than goodwill, as of December 31, 2008:

	Gross	Accumulated Amortization	Net
Core technology	$ 23,596	$ (1,327)	$ 22,269
Customer relationships	31,837	(3,980)	27,857
Trademarks / Trade names	2,570	(432)	2,138
Total intangible assets	$ 58,003	$ (5,739)	$ 52,264

The decrease in the gross value of our purchased intangible assets from December 31, 2008 to March 31, 2009 is due to the impact of foreign currency translation. The decrease in goodwill from $43,066 at December 31, 2008 to $40,176 at March 31, 2009 is also due to the impact of foreign currency translation.

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6. DEBT

Lines of credit consist of the following at March 31, 2009 and December 31, 2008:

	March 31, 2009	December 31, 2008
Syndicated credit agreement revolving loan	$ 2,800	$
Commerzbank line of credit	428	
Nord LB line of credit	1,001	
	4,229	
Less current portion	(1,429)	
Long-term lines of credit	$ 2,800	$

Long-term debt consists of the following at March 31, 2009 and December 31, 2008:

	March 31, 2009	December 31, 2008
Syndicated credit agreement term loan	$ 37,756	$ 40,500
Syndicated credit agreement Euro term loan	15,514	17,763
Nord LB 3,000 Euro term loan	1,981	2,326
Nord LB 500 Euro term loan		39
	55,251	60,628
Less current maturities	(10,316)	(14,450)
Long-term debt	$ 44,935	$ 46,178

Loan Covenants and Restrictions

The Company s 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. As of March 31, 2009, the Company was in compliance with all financial covenants and other provisions of its debt agreements.

Swap Agreement

On November 17, 2008, the Company entered into a two-year interest rate swap agreement that effectively converted the LIBOR based variable rate US borrowings under the $45,000 term loan to a fixed rate of 4.87% (4.62% effective April 1, 2009 due to an improvement in the Company s leverage ratio). The Company has designated the swap agreement as an effective cash flow hedge with matched terms in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* 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.

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The Company has recorded the fair value of its interest rate swap agreement as follows:

Interest rate swap liability	March 31, 2009 Balance sheet location		Fair value	December 31, 2008 Balance sheet location		Fair value
Current portion	Accrued expenses	$	874	Accrued expenses	$	759
Long-term portion	Other long-term liabilities		472	Other long-term liabilities		647
		$	1,346		$	1,406

7. BUSINESS SEGMENTS

The Company 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 products of this group are clad metal plates which are used by customers in the fabrication of pressure vessels, heat exchangers and other equipment for various industries, including upstream oil and gas, oil refinery, petrochemicals, alternative energy, hydrometallurgy, power generation, industrial refrigeration, and similar industries and internally to produce transition joints for use in the aluminum production and shipbuilding 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. The Company s 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 three months ended March 31, 2009 and 2008 as follows:

		Explosive Metalworking Group		Oilfield Products		AMK Welding		Total
For the three months ended March 31, 2009:								
Net sales	$	43,472	$	4,034	$	2,253	$	49,759
Depreciation and amortization	$	1,488	$	848	$	114	$	2,450
Income from operations	$	9,412	$	(694)	$	375	$	9,093
Equity in losses of joint ventures	$		$	(49)	$			(49)
Unallocated amounts:								
Stock-based compensation								(798)
Other expense								(117)
Interest expense								(902)
Interest income								65
Consolidated income before income taxes							$	7,292

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		Explosive Metalworking Group		Oilfield Products		AMK Welding		Total
For the three months ended March 31, 2008:								
Net sales	$	51,644	$	4,450	$	2,299	$	58,393
Depreciation and amortization	$	2,384	$	982	$	108	$	3,474
Income from operations	$	9,982	$	(565)	$	637	$	10,054
Equity in earnings of joint ventures	$		$	16	$			16
Unallocated amounts:								
Stock-based compensation								(664)
Other expense								(149)
Interest expense								(1,279)
Interest income								239
Consolidated income before income taxes							$	8,217

During the three months ended March 31, 2009, no sales to any one customer accounted for more than 10% of total net sales. During the three months ended March 31, 2008, sales to one customer represented $5,974 (10.2%) of total net sales.

8. COMPREHENSIVE INCOME

The Company s comprehensive income for the three months ended March 31, 2009 and 2008 was as follows:

	Three Months Ended March 31, 2009	2008
Net income for the period	$4,916	$5,245
Interest rate swap valuation adjustment, net of tax	38	(285)
Foreign currency translation adjustment	(5,918)	7,260
Comprehensive income (loss)	$(964)	$12,220

Accumulated other cumulative comprehensive (loss) as of March 31, 2009 and December 31, 2008 consisted of the following:

		March 31, 2009		December 31, 2008
Currency translation adjustment	$	(7,261)	$	(1,343)
Interest rate swap valuation adjustment, net of tax of $498 and $520, respectively		(848)		(886)
	$	(8,109)	$	(2,229)

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ITEM 2. 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 that are included in the Company s Annual Report filed on Form 10-K for the year ended December 31, 2008.

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, Oilfield Products, and AMK Welding. For the three months ended March 31, 2009, Explosive Metalworking accounted for 87% of our net sales and 104% of our income from continuing 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 8% and 5%, respectively, of our first quarter 2009 net sales.

Our net sales for the three months ended March 31, 2009 decreased by $8,634 (14.8%) compared to the first three months of 2008, reflecting year-to-year net sales decreases of $8,172 (15.8%), $416 (9.3%), and $46 (2.0%) for our Explosive Metalworking, Oilfield Products, and AMK Welding segments, respectively. The sales decrease of approximately $8.6 million includes a sales volume decrease of approximately $5.0 million and an unfavorable foreign exchange translation adjustment of approximately $3.6 million on our European sales relating to the increased value of the U.S. dollar against the Euro. Income from operations decreased by 11.7% to $8,295 in the first three months of 2009 from $9,390 in the first three months of 2008, reflecting declines in Explosive Metalworking s, Oilfield Products , and AMK Welding s operating income of $570, $129, and $262, respectively, and a $134 increase in stock-based compensation expense. Our net income decreased by 6.3% to $4,916 for the three months ended March 31, 2009 from $5,245 in the same period of 2008.

Impact of Current Economic Situation on the Company

The Company was only minimally impacted in 2008 by the global economic slow down. During the Fourth Quarter of 2008, our sales decreased slightly from historic levels. As a result of the decline in our Explosive Metalworking backlog from $97,247 at December 31, 2008 to $74,174 at March 31, 2009, we now expect our net consolidated sales in 2009 to decrease approximately 17% to 23% (previous guidance was for a decrease of 12% to 20%) from the amount we achieved in 2008. In light of the slow down in order inflow that we are experiencing, we have deferred some of our previous planned capital expenditures and are continuing to carefully manage expenses. We generated cash flow from operations of $3,237 during the first quarter of 2009 and expect to generate positive cash flow from operations during the remaining three quarters of 2009. As of March 31, 2009, we had over $16,000 in cash and cash equivalents as well as approximately $38,000 of borrowing capacity available under our existing credit facilities.

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

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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 booster sand 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 products on time, and competing aggressively on the basis of price.

Gross profit and cost of products sold

Cost of products sold for Explosive Metalworking include 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 include 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 32.6% for the first three months of 2009 from 36.2% for the same period of 2008. Income tax provisions on the earnings of Nobelclad, Nitro Metall, DYNAenergetics and our German and Luxembourg holding companies have been provided based upon the respective French, Swedish, German and Luxembourg statutory tax rates. Going forward, based upon existing tax regulations and current federal, state and foreign statutory tax rates, we expect our full year 2009 effective tax rate on our projected consolidated pre-tax income to range between 30% and 32%.

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Backlog

We use backlog as a primary means of measuring the immediate outlook for our 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 decreased to $74,174 at March 31, 2009 from $97,247 at December 31, 2007. As a result of this significant decline in backlog that reflects a slow down in new order inflow during the first quarter of 2009, we are now forecasting that our consolidated net sales for fiscal 2009 will decline between 17% and 23% from those reported in fiscal 2008. This anticipated sales decline is attributable to uncertainty associated with current global economic conditions, the slow down we have already seen in the chemical, petrochemical, and hydrometallurgy sectors, and the difficulty in predicting the timing of large orders that we continue to quote.

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

Net sales

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Change	Percentage Change
Net sales	$ 49,759	$ 58,393	$ (8,634)	(14.8)%

Net sales for the first quarter of 2009 decreased 14.8% to $49,759 from $58,393 in the first quarter of 2008. Explosive Metalworking sales decreased 15.8% to $43,472 in the three months ended March 31, 2009 (87% of total sales) from $51,644 in the same period of 2008 (88% 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 $3.0 million of unfavorable foreign exchange translation adjustments.

Oilfield Products contributed $4,034 to first quarter 2009 sales (8% of total sales), which represents a 9.3% decrease from sales of $4,450 in the first quarter of 2008 (8% of total sales). The $416 decline in sales reflects a modest volume increase offset by $564 in unfavorable foreign exchange adjustments.

AMK Welding contributed $2,253 to first quarter 2009 sales (5% of total sales), which represents a 2.0% decrease from sales of $2,299 in the first quarter of 2008 (4% of total sales).

Gross profit

	Three Months Ended March 31, 2009	2008	Change	Percentage Change
Gross profit	$ 15,328	$ 17,711	$ (2,383)	(13.5)%
Consolidated gross profit margin rate	30.8%	30.3%		

Gross profit decreased by 13.5% to $15,328 for the three months ended March 31, 2009 from $17,711 for the three months ended March 31, 2008. Our first quarter 2009 consolidated gross profit margin rate slightly increased to 30.8% from 30.3% in the first quarter of 2008. The gross profit margin rate for Explosive Metalworking increased from 30.6% in the first quarter of

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2008 to 31.8% in the first quarter of 2009. The increased first quarter 2009 gross profit margin rate for Explosive Metalworking relates primarily to higher proportionate first quarter 2009 sales by our U.S. division than was the case in 2008. Historically, gross margins for our European explosion welding divisions have generally been lower than those reported by our U.S. division due to less efficient fixed manufacturing cost structures associated with our smaller European facilities. As has been the case historically, we expect to see continued fluctuations in Explosive Metalworking s quarterly gross margin rates during 2009 that result from anticipated fluctuations in quarterly sales volume and changes in product mix. Due largely to the expected decline in 2009 sales and resultant less favorable absorption of fixed manufacturing overhead expenses, we currently expect second quarter and full year 2009 gross margins for Explosive Metalworking to be in a range of 27% to 29%.

Oilfield Products reported a gross profit margin rate of 24.7% for the first quarter 2009 compared to a gross profit margin rate of 25.3% for the first quarter of 2008. For the full year 2009, we expect Oilfield Products   gross margin to be comparable to the 31.9% gross margin that it reported in 2008.

The gross profit margin rate for AMK Welding decreased to 26.1% in the first quarter of 2009 from 36.4% in the first quarter of 2008. The decrease in AMK Welding gross margin relates principally to an increase in manufacturing overhead associated with internal and external engineering and product development expenses as AMK seeks to expand both its service offerings and customer base. We expect AMK Welding s full year 2009 gross margin to meet or exceed the 32.9% gross margin that it reported in 2008.

General and administrative expenses

	Three Months Ended March 31, 2009	2008	Change	Percentage Change
General & administrative expenses	$ 3,526	$ 3,119	$ 407	13.0%
Percentage of net sales	7.1%	5.3%		

General and administrative expenses increased by $407, or 13.0%, to $3,526 in the first quarter of 2009 from $3,119 in the first quarter of 2008. This increase includes $348 from annual salary adjustments and staffing changes, an $80 increase in stock-based compensation, an increase of $56 for incentive compensation and net increases of $85 in other spending categories. The foregoing increases were partially offset by a favorable foreign exchange translation adjustment of $162. As a percentage of net sales, general and administrative expenses increased to 7.1% in the first quarter of 2009 from 5.3% in the first quarter of 2008.

Selling expenses

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Change	Percentage Change
Selling expenses	$ 2,324	$ 2,841	$ (517)	(18.2)%
Percentage of net sales	4.7%	4.9%		

Selling expenses, which include sales commissions of $383 in 2009 and $454 in 2008, decreased by 18.2% to $2,324 in the first quarter of 2009 from $2,841 in the first quarter of 2008.

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The $517 decrease in our consolidated selling expenses includes decreased selling expenses of $674 at our European divisions offset by increased selling expenses of $157 in our U.S. divisions. The large decrease in European selling expenses relates principally to staff reductions within our European explosion welding divisions and non-recurring expenses in the first quarter of 2008 relating to the termination of contracts with former sales agents, but it also includes $222 of favorable foreign exchange translation adjustments. The $157 increase in our U.S. selling expenses includes increased commissions of $107, an impact of $75 from annual salary adjustments and a $35 increase in stock-based compensation that were offset by net reductions of $60 in other spending categories. As a percentage of net sales, selling expenses decreased to 4.7% in the first quarter of 2008 from 4.9% in the first quarter of 2008.

Amortization expenses

	Three Months Ended March 31, 2009	2008	Change	Percentage Change
Amortization expense of purchased intangible assets	$ 1,183	$ 2,361	$ (1,178)	(49.9)%
Percentage of net sales	2.4%	4.0%		

Amortization expense relates entirely to the amortization of values assigned to intangible assets in connection with the November 15, 2007 acquisition of DYNAenergetics. Amortization expense for the three months ended March 31, 2009 includes $821, $274 and $89 relating to values assigned to customer relationships, core technology and trademarks/trade names, respectively. Amortization expense for the three months ended March 31, 2008 includes $1,006, $940, $313 and $102 relating to values assigned to order backlog, customer relationships, core technology and trademarks/trade names, respectively. Amortization expense for 2009 (as measured in Euros) is expected to approximate 3,620, a reduction from the 2008 amount of 4,962 due to the full amortization in 2008 of the value assigned to acquired order backlog.

Operating income

	Three Months Ended March 31, 2009	2008	Change	Percentage Change
Operating income	$ 8,295	$ 9,390	$ (1,095)	(11.7)%

Income from operations (operating income) decreased by 11.7% to $8,295 in the first quarter of 2009 from $9,390 in the first quarter of 2008. Explosive Metalworking reported operating income of $9,412 in the first quarter of 2009 as compared to $9,982 in the first quarter of 2008. This 5.7% decrease in Explosive Metalworking operating income is largely attributable to the 15.8% decrease in net sales discussed above.

Oilfield Products reported an operating loss of $694 for the first quarter of 2009 as compared to a loss from operations of $565 for the first three months of 2008.

AMK Welding reported operating income of $375 for the three months ended March 31, 2009 as compared to $637 for the same period of 2008.

Operating income for the three months ended March 31, 2009 and 2008 includes $798 and $664, respectively, of stock-based compensation. This expense is not allocated to our business

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segments and thus is not included in the above first quarter operating income or loss totals for Explosive Metalworking, Oilfield Products and AMK Welding.

Interest income (expense), net

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Change	Percentage Change
Interest income (expense), net	$ (837)	$ (1,040)	$ 203	(19.5)%

We recorded net interest expense of $837 in the three months ended March 31, 2009 compared to net interest expense of $1,040 in the same time period of 2008. This decrease in net interest expense reflects term debt reductions and lower interest rates.

Income tax provision

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Change	Percentage Change
Income tax provision	$ 2,376	$ 2,972	$ (596)	(20.1)%
Effective tax rate	32.6%	36.2%		

We recorded an income tax provision of $2,376 in the first quarter of 2009 compared to $2,972 in the first quarter of 2008. The effective tax rate decreased to 32.6% in the first quarter of 2009 from 36.2% in the first quarter of 2008. The income tax provisions for the three months ended March 31, 2009 and 2008 include $2,122 and $2,951, respectively, related to U.S. taxes, with the remainder relating to foreign taxes and foreign tax benefits associated with the operations of Nobelclad and its Swedish subsidiary, Nitro Metall, as well as the DYNAenergetics division and related holding companies in Germany and Luxembourg. Our blended effective tax rate for 2009 is expected to range from 30% to 32% based on projected pre-tax income.

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. In connection with the acquisition of DYNAenergetics, we entered into a five-year syndicated credit agreement. The credit agreement, which provides 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. The credit facility in the approximate amount of $100,000 expires on November 16, 2012. As of March 31, 2009, term loans of $37,756 and 11,746 Euros ($15,514) were outstanding under the credit facility and $1,981 was outstanding under term loan obligations of DYNAenergetics. We also had $2,800 in outstanding borrowings under our revolving credit agreement and $1,429 outstanding under our line of credit agreements for DYNAenergetics as of March 31, 2009. We have approximately $38,000 available for borrowing under these facilities.

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

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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 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, use of cash for acquisitions, and maintenance of specified financial ratios. As of March 31, 2009, we were in compliance with all financial covenants and other provisions of our debt agreements.

The Company s principal cash flows related to debt obligations and other contractual obligations and commitments have not materially changed since December 31, 2008.

Cash flows from operating activities

Net cash flows provided by operating activities for the first quarter of 2009 totaled $3,237. Significant sources of operating cash flow included net income of $4,916, non-cash depreciation and amortization expense of $2,519 and stock-based compensation of $798. These sources of operating cash flow were partially offset by a deferred income tax benefit of $605 and net negative changes in various components of working capital in the amount of $4,440. Net negative changes in working capital included increases in accounts receivable and inventories of $2,702 and $2,721, respectively, and decreases in customer advances and accrued expenses of $961 and $904, respectively. These negative changes in working capital were partially offset by decreases in prepaid expenses of $460 and an increase in accounts payable of $2,388.

Net cash flows provided by operating activities for the first quarter of 2008 totaled $7,249. Significant sources of operating cash flow included net income of $5,245, non-cash depreciation and amortization expense of $3,534 and stock-based compensation of $664. These sources of operating cash flow were partially offset by a deferred income tax benefit of $1,174 and net negative changes in various components of working capital in the amount of $1,004. Net negative changes in working capital included increases in inventories and prepaid expenses of $670 and $580, respectively, and decreases in accounts payable and customer advances of $3,837 and $2,144, respectively. These negative changes in working capital were partially offset by decreases in restricted cash and accounts receivable of $377 and $5,968, respectively.

Cash flows from investing activities

Net cash flows used by investing activities for the first quarter of 2009 totaled $1,162 and consisted almost entirely of capital expenditures.

Net cash flows used by investing activities for the first quarter of 2008 totaled $2,346 and consisted almost entirely of capital expenditures.

Cash flows from financing activities

Net cash flows provided by financing activities for the first quarter of 2009 were $323, which consisted primarily of net borrowings on bank lines of credit of $4,215 and $236 in net proceeds from the issuance of common stock relating to the exercise of stock options. These sources of cash flow were almost entirely offset by $3,862 in required prepayments of term loans

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under our syndicated credit agreement from excess cash flow that we generated in fiscal year 2008, $233 in principal payments on Nord LB term loans, payments of deferred debt issuance costs of $19 and payment on capital lease obligations of $71.

Net cash flows provided by financing activities for the first quarter of 2008 were $3,279, which consisted primarily of net borrowings on bank lines of credit of $3,665 and $93 in net proceeds from the issuance of common stock relating to the exercise of stock options. These sources of cash flow were partially offset by a $265 principal payment on a Nord LB term loan, payments of deferred debt issuance costs of $125 and payment on capital lease obligations of $105.

Payment of Dividends

We paid annual dividends in 2008 and may continue to pay annual dividends in the future subject to capital availability and periodic determinations that cash dividends are in compliance with our debt covenants and 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, changes in federal income tax laws, or any other factors that our board of directors deems relevant. Any decision to pay cash dividends is and will continue to be at the discretion of board of directors.

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. Interpretation of the existing rules must be done 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, inventory valuation and impact of foreign currency exchange rate risks. 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

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units included in each individual shipment. If, as a contract proceeds toward completion, projected total cost on an individual contract indicates a probable loss, the Company 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 accounted for our business acquisition in accordance with the provisions of SFAS No. 141, *Business Combinations*, using the purchase method of accounting. We allocated 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 identified and attributed values and estimated lives to the intangible assets acquired. These determinations involved 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 required considerable judgment. Our estimates and assumptions were 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 based 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

In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), we test goodwill for impairment on a reporting unit level as defined by reference to SFAS No. 131, *Disclosures about Segments of an Enterprise and Related*

Information, 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:

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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 2008 had not resulted in a determination that any of our goodwill is impaired; however, the passing margin of the first step of our goodwill impairment testing relative to the Oilfield Products business segment as of December 31, 2008 was minimal (estimated fair value was less than 10% greater than the carrying value). Future impairment is possible and will occur if (i) the unit s operating results underperform what we have estimated or (ii) additional volatility of the capital markets cause us to raise the 16 percent discount rate utilized in our discounted cash flow analysis or decrease the multiples utilized in our market-based analysis. We did not observe any indicators in the quarter ended March 31, 2009 that would necessitate interim impairment testing of goodwill.

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.

Intangible assets subject to amortization

An intangible asset that is subject to amortization is reviewed when impairment indicators are present in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. 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. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on our financial results.

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 account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS 109), which requires the recognition of 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.

Stock-Based Compensation Expense

We account for stock-based compensation in accordance with the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R). Under the fair value recognition provisions of SFAS 123R, stock-based compensation cost is estimated at the grant date based on the value of the award and is recognized as expense ratably over the requisite service period of the award. The fair value of restricted stock awards is based on the fair value of the Company s stock on the date of grant. Determining the appropriate fair value model and calculating the fair value of stock options at the grant date requires judgment, including estimating stock price volatility, forfeiture rates, and expected option life.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* and SFAS No. 160, *Accounting and Reporting of Noncontrolling Interest in Consolidated Financial Statements*, an amendment of ARB No. 51. These new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS Nos. 141(R) and 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. The adoption of these standards in 2009 did not have any impact on the Company s results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS 161 requires additional disclosures related to the use of derivative

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instruments, the accounting for derivatives and how derivatives impact financial statements. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 in the first quarter of 2009 did not have any impact on the Company s results of operations or financial position.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no events that materially affect our quantitative and qualitative disclosure about market risk from that reported in our Annual Report on Form 10-K for the year ended December 31, 2008.

ITEM 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company s Exchange Act reports is accurately recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily applied its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2009, the Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based on that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective. There have been no changes in the Company s internal controls during the quarter ended March 31, 2009 or in other factors that could materially affect the Company s internal controls over financial reporting.

The Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, does not expect that the Company s disclosure controls or its internal controls will prevent all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. As a result of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Accordingly, the Company s disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the disclosure controls and procedures are met.

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Part II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Our 2008 Annual Report on Form 10-K includes a detailed discussion of our risk factors. The information presented below updates and should be read in conjunction with the risk factors and information disclosed in our Form 10-K.

We have seen a recent slowdown in some of our markets and anticipate sales will decline during 2009.

During the fourth quarter of 2008 and first quarter of 2009, we have seen a slowdown in DMC Clad sales to some of the markets we serve and anticipate our sales to decrease by approximately 17% - 23% for the full year in 2009 from the amount we achieved in 2008. 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. Indeed, we have already seen a slowdown in the chemical, petrochemical and hydrometallurgy sectors. An 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 the industry. If demand from such industries were to decline 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

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Item 5. Other Information

None.

Item 6.

Exhibits

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.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	DYNAMIC MATERIALS CORPORATION (Registrant)
Date: May 1, 2009	/s/ Richard A. Santa Richard A. Santa, Senior Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)