TransDigm Group INC
Form 4
September 10, 2008

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Henderson Robert S
(Last) (First) (Middle)
ADELWIGGINS GROUP, 5000 TRIGGS STREET
(Street)
LOS ANGELES, CA 90022
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TransDigm Group INC [TDG]

3. Date of Earliest Transaction (Month/Day/Year)
09/10/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Exec.V.P.

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/10/2008		M		3,000	A	$ 2.34	3,000	D	
Common Stock	09/10/2008		S		3,000	D	$ 34.8195 (1)	0	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. D S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option	$ 2.34	09/10/2008		M			3,000	07/22/2003	01/01/2010	Common Stock	3,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Henderson Robert S ADELWIGGINS GROUP 5000 TRIGGS STREET LOS ANGELES, CA 90022			Exec.V.P.	

Signatures

Halle Fine Terrion as attorney in fact for Robert Henderson	09/10/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Price reported constitutes the average weighted price of shares sold. Shares were sold at varying prices in the range of $34.56 - $35.37. The reporting person hereby undertakes, upon request of the Commission, the issuer or a security holder of the issuer, to provide full information regarding the number of shares sold at each separate price.

Remarks:

All transactions reported hereunder made pursuant to an established 10b5-1 plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Depreciation

3,779

4,555

Amortization of purchased intangibles

379

1,927

Adjusted EBITDA

$
10,727

$
15,418

Year ended December 31, 2014 compared to Year Ended December 31, 2013

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	December 31, 2014	December 31, 2013	$ change	% change
Net sales	$97,108	$118,409	$(21,301)	(18)%
Gross profit	21,698	30,069	(8,371)	(27.8)%
Gross profit margin	22.3 %	25.4 %		
COSTS AND EXPENSES:				
General and administrative expenses	4,907	5,284	(377)	(7)%
Selling and distribution expenses	5,928	5,574	354	6 %
Amortization of purchased intangible assets	1,927	2,121	(194)	(9)%
Restructuring expenses	6,781	—	6,781	NM
Operating income (loss)	2,155	17,090	(14,935)	(87)%
Adjusted EBITDA	15,418	23,208	(7,790)	(34)%

Net sales NobelClad sales decreased 18.0% to $97,108 in 2014 (48% of total sales) from $118,409 in 2013 (59% of total sales). The decrease in Nobelclad sales this period relates primarily to the lower backlog and timing of shipments out of backlog.

Gross profit The decrease in gross margin rate relates principally to lower sales volume and unfavorable manufacturing overhead absorption compared with 2013.

General and administrative expenses The decrease relates principally to a $737 decrease in salaries, benefits, and payroll taxes compared with 2013.

Selling and distribution expenses The increase relates principally to a $436 increase in bad debt expense combined with a $255 increase in salaries, benefits and payroll taxes compared with 2013.

Amortization expense The decrease relates principally to the impact of foreign currency translation on intangible assets in our European operations.

Restructuring expense Restructuring expenses relate to our decision in the fourth quarter of 2014 to consolidate our NobelClad European operations. Clad metal plate production will be shifted from facilities in both Rivesaltes, France and Würgendorf, Germany to a new manufacturing facility in Germany. NobelClad's Rivesaltes plant will continue to produce transition joints with a reduced workforce while the Würgendorf site will be closed and its workers will be transferred to the new facility. The restructuring charges of $6,781 included severance of $2,466, non-cash impairment charges of $3,946 associated with the Würgendorf facility and leasehold improvements at a leased facility in France, both of which are being closed under the consolidation program, and other exit costs of $369.

Operating income The decrease was attributable to lower sales and related unfavorable manufacturing overhead absorption discussed above

Adjusted EBITDA The decrease was due to lower operating income offset by an additional add back for restructuring expenses. See explanation of the non GAAP measure of adjusted EBITDA under "Results of Operations".

	December 31, 2014	December 31, 2013
Income (loss) from operations	$2,155	$17,090
Adjustments:		
Restructuring	6,781	—
Depreciation	4,555	3,997
Amortization of purchased intangibles	1,927	2,121
Adjusted EBITDA	$15,418	$23,208

DynaEnergetics

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Year ended December 31, 2015 compared to Year Ended December 31, 2014

	December 31, 2015	December 31, 2014	$ change	% change
Net sales	$76,938	$105,453	$(28,515)	(27)%
Gross profit	18,662	40,030	(21,368)	(53)%
Gross profit margin	24.3%	38.0%		
COSTS AND EXPENSES:				
General and administrative expenses	8,423	9,483	(1,060)	(11%)
Selling and distribution expenses	12,706	11,892	814	7%
Amortization of purchased intangible assets	3,654	4,176	(522)	(13)%
Restructuring expenses	1,660	—	1,660	NM
Goodwill impairment charges	11,464	—	—	NM
Operating income (loss)	(19,245)	14,479	(33,724)	(233)%
Adjusted EBITDA	$8,127	$22,438	$(14,311)	(64)%

Net sales The decrease compared with 2014 was due to the steep decline in the North American rig count and capital spending cuts by exploration and production companies, significant pricing pressure in the second half of 2015 and unfavorable foreign currency exchange translation of $5,766.

Gross profit The decrease in gross profit and gross profit margin compared with 2014 primarily was driven by the impact of a $6,374 accrual for anti-dumping and countervailing duties resulting from an unfavorable scope ruling from the Department of Commerce on prior imports of metals primarily used for gun carrier tubing in DynaEnergetics. The decline also resulted from lower average selling prices, the impact of lower sales volume on fixed manufacturing overhead expenses, and $1,924 of inventory reserve charges taken during 2015 compared to $1,287 in 2014. The decline in gross profit margin partially was offset by favorable product mix from increased sales of new products and technologies.

General and administrative expenses The decrease compared with 2014 was primarily due to a $1,245 reduction in salaries, benefits and payroll taxes and a $115 decrease in travel expenses partially offset by a $481 increase in outside services.

Selling and distribution expenses The increase compared with 2014 was principally due to a $815 increase in outside sales agents commission expense due to regional product mix offset by a $163 increase in salaries.

Amortization expense The decrease compared with 2014 was due to the impact of foreign currency translation.

Restructuring expense Restructuring relates to the consolidation of perforating gun manufacturing centers, the closure of multiple distribution centers in North America, and the reduction of administrative workforce at the corporate offices in Troisdorf, Germany.

Goodwill impairment charge The impairment charge relates to fully writing-off DynaEnergetics' goodwill balance.

Operating loss Primarily as a result of lower revenue and gross profit as well as the goodwill impairment charge, DynaEnergetics had an operating loss compared with operating income in 2014.

Adjusted EBITDA The decrease was due to lower operating income partially offset by an additional add back for restructuring expenses. See explanation of the non GAAP measure of adjusted EBITDA under "Results of Operations".

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	December 31, 2015	December 31, 2014
Income (loss) from operations	$(19,245)	$14,479
Adjustments:		
Restructuring	1,660	—
Goodwill impairment charges	11,464	—
Accrued anti-dumping duties	6,205	—
DynaEnergetics inventory reserves	1,924	1,287
Depreciation	2,465	2,496
Amortization of purchased intangibles	3,654	4,176
Adjusted EBITDA	$8,127	$22,438

Year ended December 31, 2014 compared to Year Ended December 31, 2013

	December 31, 2014	December 31, 2013	$ change	% change
Net sales	$105,453	$83,651	$21,802	26%
Gross profit	40,030	28,369	11,661	41%
Gross profit margin	38.0%	33.9%		
COSTS AND EXPENSES:				
General and administrative expenses	9,483	9,258	225	2%
Selling and distribution expenses	11,892	10,378	1,514	15%
Amortization of purchased intangible assets	4,176	4,227	(51)	(1)%
Operating income (loss)	14,479	4,506	9,973	221%
Adjusted EBITDA	22,438	10,564	11,874	112%

Net sales The increase in sales was driven by increased demand and favorable product and customer mix primarily from sales of our DynaSelect selective perforating detonator switch.

Gross profit The full year gross profit margin improved due to favorable price and mix including DynaSelect sales.

General and administrative expenses Did not change significantly during the last year.

Selling and distribution expenses The higher level of selling and distribution expenses reflects the strategy, particularly in North America, maintaining 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 expense Amortization expense relates to the amortization of values assigned to intangible assets in connection with our prior years acquisitions of DynaEnergetics, LRI, the two Russian joint ventures, Austin Explosives and our January 3, 2012 acquisition of TRX, all part of our DynaEnergetics business segment. The decrease in 2014 amortization expenses reflects the impact of foreign currency translation effects and a slight decrease in Q4 2014 amortization expense associated with the DynaEnergetics acquisition based on the amortization schedule.

Operating income The increase in operating income for 2014 was largely attributable to the improved sales volumes and gross margin percentages as discussed above.

Adjusted EBITDA The increase was due to higher operating income. See explanation of the non GAAP measure of adjusted EBITDA under "Results of Operations".

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	December 31, 2014	December 31, 2013
Income (loss) from operations	$14,479	$4,506
Adjustments:		
Net income attributable to non-controlling interest	—	(92)
DynaEnergetics inventory reserves	1,287	1,320
Depreciation	2,496	1,923
Amortization of purchased intangibles	4,176	4,227
Adjusted EBITDA	$22,438	$11,884

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, dividends 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; (iii) continue selling products at attractive margins; and (iv) 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.

We declared and paid quarterly dividends aggregating $0.14 per share in 2015 and $0.16 per share in 2014. We may pay quarterly dividends subject to capital availability and periodic determinations that cash dividends are in the best interests of our stockholders. 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.

Debt facilities

On February 23, 2015, we entered into a five year $150,000 syndicated credit facility which amended and replaced our previous syndicated credit facility. On December 18, 2015, we amended the 2015 syndicated credit facility and reduced total borrowing capacity to $75,000. We also maintain a line of credit with a German bank for certain DynaEnergetics operations. This line of credit provides a borrowing capacity of 4,000 Euros.

As of December 31, 2015, U.S. dollar revolving loans of $27,500 were outstanding under our 2015 syndicated credit facility. While we had approximately $47,500 of unutilized revolving credit loan capacity as of December 31, 2015 under our various credit facilities, future borrowings are subject to compliance with financial covenants that could significantly limit availability. As of December 31, 2015, our available borrowing capacity under our syndicated credit facility was approximately $31,500.

There are two significant financial covenants under our credit facility, the leverage ratio and debt service coverage ratio requirements. 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, 2015 and 2014, Consolidated EBITDA approximated the Adjusted EBITDA that we reported for the respective periods. The maximum leverage ratio permitted by our credit facility is 3.75 to 1.0. The actual leverage ratio as of December 31, 2015 was 1.83 to 1.0.

The debt service coverage ratio, as defined in the credit facility, means, for any period, the ratio of Consolidated EBITDA less the sum of cash dividends, cash income taxes and capital expenditures to Debt Service Charges. Consolidated EBITDA is defined above and Debt Service Charges equals the sum of cash interest expense and scheduled principal payments of Consolidated Funded Indebtedness. Under our credit facility, the minimum debt service coverage ratio permitted by our credit facility is 1.35 to 1.0. The actual debt service coverage ratio for the trailing twelve months ended December 31, 2015 was 7.77 to 1.0.

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Our existing credit facilities 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, 2015, we were in compliance with all financial covenants and other provisions of our credit facilities.

Other contractual obligations and commitments

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, 2015:

	Payment Due by Period As of December 31, 2015				
Other Contractual Obligations	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Operating lease obligations (1)	1,511	2,105	1,186	487	5,289
License agreements obligations (2)	398	796	—	—	1,194
Purchase obligations (3)	16,395	—	—	—	16,395
Total	$18,304	$2,901	$1,186	$487	$22,878

(1) The operating lease obligations presented reflect future minimum lease payments due under non-cancelable portions of our leases as of December 31, 2015. Our operating lease obligations are described in Note 7 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements.

(2) The license agreements obligations presented reflect future minimum payments due under non-cancelable portions of our agreements as of December 31, 2015. Our license agreements obligations are described in Note 7 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements.

(3) 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.

As of December 31, 2015, we have $27,500 of outstanding borrowings under our U.S. dollar revolving line of credit at then current interest rates of 2.43%. For more information about our debt obligations, see Note 3 " Debt" to our Consolidated Financial Statements.

Cash flows from operating activities

Net cash provided by operating activities was $1,618 in 2015, which was entirely made up of net cash flows provided by continuing operations. This compares to net cash provided by operating activities of $23,313 for 2014 which consisted of net cash flows provided by continuing operations of $23,074 and net cash flows provided by discontinued operations of $239. The year-over-year decline of cash flow from continuing operations of $21,456 was driven by a decline in net income of $26,538, combined with a $7,364 increase in net working capital. We experienced unfavorable net working capital changes of $9,442 in 2015 compared to $2,078 in 2014. Unfavorable changes in our 2015 net working capital included increases of $2,394 and $3,570 in accounts receivable and prepaid expenses, respectively, and decreases of $4,765 and $857 in accrued expenses and other liabilities, primarily driven by ash payments related to restructuring programs, and customer advances, repectively. The unfavorable working capital changes partially were offset by a decrease in inventory of $1,386 and an increase in accounts payable of $758.

Net cash provided by operating activities was $23,313 in 2014 which consisted of net cash flows provided by continuing operations of $23,074 and net cash flows provided by discontinued operations of $239. This compares to net cash provided by operating activities of $32,016 for 2013 which consisted of net cash flows provided by continuing operations of $30,239 and net cash flows provided by discontinued operations of $1,777. The year-over-year decline of continuing operations operating cash flow of $7,165 was driven by a $9,883 increase in net working capital. We experienced unfavorable net working capital changes of $2,078 in 2014 compared to favorable changes in net working capital of $8,110 in 2013. Favorable changes in our 2014 net working capital included increases in customer advances and accrued expenses and other liabilities of $2,782 and $3,267, respectively, which were outweighed by increases of $3,459, $3,004 and $427 in inventory, prepaid expenses and accounts receivable, respectively, and a decrease in accounts payable of $932. The increases in net working capital were driven by higher sales in DynaEnergetics, timing of accounts payable and prepayment for raw materials with long lead times but favorable pricing.

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Net cash provided by operating activities was $32,016 in 2013 which consisted of net cash flows provided by continuing operations of $30,239 and net cash flows provided by discontinued operations of $1,777. Net cash flows provided by continuing operations increased by $10,775 over 2012, reflecting a $4,224 decrease in net income that was offset by favorable changes in net working capital of $13,803 and favorable changes in non-cash adjustments aggregating $1,196. We experienced net favorable changes in net working capital of $8,110 in 2013 compared to unfavorable changes in net working capital of $5,693 in 2012. Favorable changes in our 2013 net working capital included a decrease in inventories $6,750 and increases of $2,228 and $1,588 in accounts payable and accrued expenses and other liabilities, respectively. These favorable changes were partly offset by an increase in accounts receivable of $2,185 and decrease of $360 in customer advances. The large decrease in inventories reflects our focused efforts during 2013 to reduce overall inventory levels in our DynaEnergetics business, particularly within the North American distribution system. All other changes in working capital relate to typical fluctuations in our business flow and the related timing of cash payments and receipts.

Cash flows from investing activities

Net cash flows used in investing activities in 2015 totaled $5,326 and primarily consisted of capital expenditures of $1,376 for NobelClad and $3,668 for DynaEnergetics for property, plant, and equipment.

Net cash flows used in investing activities in 2014 totaled $13,383 which consisted of cash flows used in investing activities of continuing operations of $13,263 and $120 of net cash flows used in investing activities of discontinued operations. Net cash flows used in investing activities of continuing operations consisted of capital expenditures of $21,403 which includes $13,140 for the purchase of the new German facility and $4,782 for our greenfield investment in Russia to expand capacity in DynaEnergetics and net proceeds of $6,830 on the sale of AMK.

Net cash flows used in investing activities in 2013 totaled $18,240 which consisted of net cash flows used in investing activities of continuing operations of $16,892 and $1,348 of net cash flows used in investing activities of discontinued operations. Net cash flows of investing activities of continuing operations consisted almost entirely of capital expenditures. Our capital expenditures included $9,159 for our greenfield projects in Russia and North America.

Cash flows from financing activities

Net cash flows provided by financing activities for 2015 totaled $1,788, which included net borrowings on bank lines of credit of $5,003, payment of quarterly dividends of $2,260 and payment of deferred debt issuance costs of $1,222

Net cash flows used in financing activities for 2014 totaled $7,854, which included net repayments on bank lines of credit of $6,069 and payment of quarterly dividends of $2,226.

Net cash flows used in financing activities for 2013 totaled $11,587, which included net repayments on bank lines of credit of $9,592 and payment of quarterly dividends of $2,187.

Critical Accounting Policies and Estimates

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, and income taxes. 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.

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Revenue recognition

Sales of clad metal products 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 DynaEnergetics 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. Revenue from sales of consigned inventory is recognized upon the use of the product by the consignee or according to the terms of the contract.

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 manufacturing overhead. As necessary, we record provisions and maintain reserves for excess, slow moving and obsolete inventory. To determine reserve amounts, we regularly review inventory quantities on hand and values, and compare them to estimates of future product demand, market conditions, production requirements and technological developments.

Asset impairments

Finite-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We compare the expected undiscounted future operating cash flows associated with these finite-lived assets to their respective carrying values to determine if they are fully recoverable when indicators of impairment are present. If the expected future operating cash flows of an asset 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 carrying value exceeds fair value. Long-lived assets to be disposed of, if any, are reported at the lower of carrying amount or fair value less cost to sell.

In association with the 2015 goodwill impairment testing, we tested finite-lived assets for impairment, and found that the carrying amounts of assets at the lowest level of identifiable cash flows, in this case our reporting units, are fully recoverable.

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

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. The carrying value of goodwill is periodically reviewed for impairment (at a minimum annually) and whenever events or changes in circumstances indicate that the carrying amount of the asset 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.

Our reporting units for goodwill impairment testing are currently the same as our reportable business segments: NobelClad and DynaEnergetics. Each business segment represents separately managed strategic business units and our chief operating decision maker reviews financial results and evaluates operating performance at this level.

Goodwill impairment testing is performed annually as of December 31 for our NobelClad and DynaEnergetics reporting units. We utilize an income approach (discounted cash flow analysis) to determine the fair value of each reporting unit. We believe the discounted cash flow approach is the most reliable indicator of fair value for our reporting units. The key assumptions used in the discounted cash flows for both reporting units include, among other measures, expected future sales, operating income,

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working capital and capital expenditures. Discount rates are determined using a peer-based, risk-adjusted weighted average cost of capital. Our approach also includes reviewing for reasonableness the total market capitalization of the Company as of December 31 to the sum of the discounted cash flows for the combined reporting units. During the fourth quarter of 2015, we observed a decrease in the market capitalization of the Company, thereby providing a potential indicator of impairment, which coincided with our 2015 annual goodwill impairment tests. As a result of our impairment testing, we found that the fair value of the DynaEnergetics reporting unit was less than its carrying value by approximately 16% due primarily to the sustained decline in global oil prices, expected reduction in exploration and production activities of certain of our customers, and the impact these factors have on our expected future cash flows. We valued the assets of DynaEnergetics and, based on the results of that valuation, recorded a goodwill impairment charge of $11,464, representing the entire goodwill balance as of December 31, 2015. The NobelClad reporting unit, which has approximately $17,190 of goodwill as of December 31, 2015, had a fair value that exceeded carrying value by approximately 19%. No impairment of goodwill was identified in connection with our 2014 or 2013 annual goodwill impairment tests.

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 negatively impact our expectations of future results and or cause us to raise the discount rate percentage utilized in our discounted cash flow analysis. While we believe our most recent estimates were appropriate based on our view of then current business trends, no assurance can be provided that impairment charges will not be required in the future.

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. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. The deferred income tax impact of tax credits are recognized as an immediate adjustment to income tax expense. We recognize deferred tax assets for the expected future effects of all deductible temporary differences to the extent we believe these assets will more likely than not be realized. We record a valuation allowance when, based on current circumstances, it is more likely than not that all or a portion of the deferred tax assets will not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, recent financial operations and their associated valuation allowances, if any.

We recognize the tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position; the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the consolidated financial statements from such a position are measured as the largest benefit that is more likely than not of being realized upon ultimate resolution. We recognize interest and penalties related to uncertain tax positions in operating expense.

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 or as disclosed in the contractual obligation table above; 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.

Recent Accounting Pronouncements

Please refer to Note 2 "Significant Accounting Policies" to our Consolidated Financial Statements in this annual report for a discussion of recent accounting pronouncements and their anticipated effect on our business.

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 "Significant Accounting Policies" 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 23%, 32%, and 36%, of total sales for the years ended 2015, 2014, and 2013, respectively. 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. Our primary exposure to foreign currency risk is the Euro due to the percentage of our U.S. dollar revenue that is derived from countries where the Euro is the functional currency and the Russian Ruble due to our greenfield investment in Tyumen, Siberia.

ITEM 8. Financial Statements and Supplementary Data

DYNAMIC MATERIALS CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2015 and 2014 and for Each of the Three Years Ended
December 31, 2015, 2014 and 2013

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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 (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2015. 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 at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, 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.

As discussed in Note 2 to the consolidated financial statements, the Company has adopted ASU 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Dynamic Materials Corporation’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 10, 2016 expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
March 10, 2016

DYNAMIC MATERIALS CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Amounts in Thousands, Except Share and Per Share Data)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$6,291	$9,400
Accounts receivable, net of allowance for doubtful accounts of $974 and $542, respectively	35,798	35,501
Inventory, net	35,449	40,101
Prepaid expenses and other	8,916	6,123
Current deferred tax assets	—	3,971
Total current assets	86,454	95,096
PROPERTY, PLANT AND EQUIPMENT	106,523	109,733
Less - accumulated depreciation	(48,524)	(45,898)
Property, plant and equipment, net	57,999	63,835
GOODWILL, net	17,190	32,762
PURCHASED INTANGIBLE ASSETS, net	20,418	26,734
DEFERRED TAX ASSETS	—	587
OTHER ASSETS, net	805	315
TOTAL ASSETS	$182,866	$219,329

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

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DYNAMIC MATERIALS CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Amounts in Thousands, Except Share and Per Share Data)

	2015	2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$14,624	$14,076
Accrued expenses	3,972	5,638
Accrued anti-dumping duties	6,374	—
Dividend payable	284	559
Accrued income taxes	2,783	3,770
Accrued employee compensation and benefits	2,465	4,582
Customer advances	2,396	3,510
Current deferred tax liabilities	—	373
Total current liabilities	32,898	32,508
LINES OF CREDIT	27,500	22,782
DEFERRED TAX LIABILITIES	2,119	7,003
OTHER LONG-TERM LIABILITIES	1,928	2,121
Total liabilities	64,445	64,414
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 7)		
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; 14,212,115 and 13,997,076 shares issued and outstanding, respectively	711	700
Additional paid-in capital	70,408	67,088
Retained earnings	87,767	113,723
Other cumulative comprehensive loss	(40,465)	(26,596)
Total stockholders' equity	118,421	154,915
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$182,866	$219,329

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

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DYNAMIC MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Thousands, Except Share and Per Share Data)

	2015	2014	2013
NET SALES	$166,918	$202,561	$202,060
COST OF PRODUCTS SOLD	131,294	141,142	143,926
Gross profit	35,624	61,419	58,134
COSTS AND EXPENSES:			
General and administrative expenses	20,998	23,766	24,672
Selling and distribution expenses	18,745	18,104	16,136
Amortization of purchased intangible assets	4,033	6,103	6,348
Restructuring expenses	4,063	6,781	—
Goodwill impairment charge	11,464	—	—
Total costs and expenses	59,303	54,754	47,156
INCOME (LOSS) FROM OPERATIONS	(23,679)	6,665	10,978
OTHER INCOME (EXPENSE):			
Other income (expense), net	(669)	(313)	(528)
Interest expense	(1,745)	(551)	(648)
Interest income	4	38	7
INCOME (LOSS) BEFORE INCOME TAXES, DISCONTINUED OPERATIONS AND NON-CONTROLLING INTEREST	(26,089)	5,839	9,809
INCOME TAX PROVISION (BENEFIT)	(2,118)	3,913	3,736
INCOME (LOSS) FROM CONTINUING OPERATIONS	(23,971)	1,926	6,073
DISCONTINUED OPERATIONS:			
Income (loss) from operations of discontinued operations, net of tax	—	(77)	478
Gain on sale of discontinued operations, net of tax	—	718	—
Income from discontinued operations	—	641	478
NET INCOME (LOSS)	(23,971)	2,567	6,551
Less: Net income (loss) attributable to non-controlling interest	—	—	92
NET INCOME (LOSS) ATTRIBUTABLE TO DYNAMIC MATERIALS CORPORATION	$(23,971)	$2,567	$6,459
INCOME (LOSS) PER SHARE - BASIC:			
Continuing operations	$(1.72)	$0.13	$0.44
Discontinued operations	$—	$0.05	$0.03
Net income	$(1.72)	$0.18	$0.47
INCOME (LOSS) PER SHARE - DILUTED:			
Continuing operations	$(1.72)	$0.13	$0.44
Discontinued operations	$—	$0.05	$0.03
Net income	$(1.72)	$0.18	$0.47
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic	13,935,097	13,687,485	13,533,566
Diluted	13,935,097	13,689,707	13,537,525
DIVIDENDS DECLARED PER COMMON SHARE	$0.14	$0.16	$0.16

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

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DYNAMIC MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Thousands)

	2015	2014	2013
Net income (loss) including non-controlling interest	$(23,971)	$2,567	$6,551
Change in cumulative foreign currency translation adjustment	(13,869)	(22,612)	2,619
Total comprehensive income (loss)	(37,840)	(20,045)	9,170
Comprehensive income attributable to non-controlling interest	—	—	96
Comprehensive income (loss) attributable to Dynamic Materials Corporation	$(37,840)	$(20,045)	$9,074

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

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DYNAMIC MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Thousands, Except Share Data)

	Dynamic Materials Corporation Stockholders						
	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Other Cumulative Comprehensive Loss	Non-Controlling Interest	Total
Balances, December 31, 2012	13,519,555	$ 676	$ 60,158	$ 109,128	$ (6,599)	$ 84	$ 163,447
Net income	—	—	—	6,459	—	92	6,551
Change in cumulative foreign currency translation adjustment	—	—	—	—	2,615	4	2,619
Shares issued in connection with stock compensation plans	252,769	13	282	—	—	—	295
Tax impact of stock-based compensation	—	—	(907)	—	—	—	(907)
Stock-based compensation	—	—	3,401	—	—	—	3,401
Dividends declared	—	—	—	(2,197)	—	—	(2,197)
Purchasing remaining ownership in subsidiary	—	—	—	—	—	(180)	(180)
Balances, December 31, 2013	13,772,324	$ 689	$ 62,934	$ 113,390	$ (3,984)	$ —	$ 173,029
Net income	—	—	—	2,567	—	—	2,567
Change in cumulative foreign currency translation adjustment	—	—	—	—	(22,612)	—	(22,612)
Shares issued in connection with stock compensation plans	224,752	11	348	—	—	—	359
Tax impact of stock-based compensation	—	—	106	—	—	—	106
Stock-based compensation	—	—	3,700	—	—	—	3,700
Dividends declared	—	—	—	(2,234)	—	—	(2,234)
Balances, December 31, 2014	13,997,076	$ 700	$ 67,088	$ 113,723	$ (26,596)	$ —	$ 154,915
Net (loss)	—	—	—	(23,971)	—	—	(23,971)
Change in cumulative foreign currency translation adjustment	—	—	—	—	(13,869)	—	(13,869)
Shares issued in connection with stock compensation plans	215,039	11	261	—	—	—	272
Tax impact of stock-based compensation	—	—	(303)	—	—	—	(303)
Stock-based compensation	—	—	3,362	—	—	—	3,362
Dividends declared	—	—	—	(1,985)	—	—	(1,985)
Balances, December 31, 2015	14,212,115	$ 711	$ 70,408	$ 87,767	$ (40,465)	$ —	$ 118,421

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

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DYNAMIC MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Thousands)

	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$(23,971)	$2,567	$6,551
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (income) from discontinued operations, net of tax	—	77	(478)
Gain on sale of discontinued operations, net of tax	—	(718)	—
Depreciation (including capital lease amortization)	6,244	7,051	5,920
Amortization of purchased intangible assets	4,033	6,103	6,348
Amortization and write-off of deferred debt issuance costs	752	102	102
Stock-based compensation	2,826	3,588	3,401
Excess tax benefit from stock-based compensation	—	(156)	—
Deferred income tax benefit	(725)	(255)	(521)
(Gain) loss on disposal of property, plant and equipment	(23)	12	50
Restructuring and asset impairment expenses	4,063	6,781	756
Goodwill impairment charge	11,464	—	—
Accrued anti-dumping duties	6,374	—	—
Other	23	—	—
Change in:			
Accounts receivable, net	(2,394)	(427)	(2,185)
Inventory, net	1,386	(3,459)	6,750
Prepaid expenses and other	(3,570)	(3,004)	89
Accounts payable	758	(932)	2,228
Customer advances	(857)	2,782	(360)
Accrued expenses and other liabilities	(4,765)	2,962	1,588
Net cash flows provided by continuing operations	1,618	23,074	30,239
Net cash flows provided by discontinued operations	—	239	1,777
Net cash provided by operating activities	1,618	23,313	32,016
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	(5,433)	(21,403)	(16,223)
Net proceeds on sale of AMK Technical Services	—	6,830	—
Acquisition of minority interest	—	—	(180)
Change in other non-current assets	107	1,310	(489)
Net cash flows used in continuing operations	(5,326)	(13,263)	(16,892)
Net cash flows used in discontinued operations	—	(120)	(1,348)
Net cash used in investing activities	(5,326)	(13,383)	(18,240)

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

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DYNAMIC MATERIALS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Thousands)

	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings (repayments) on bank lines of credit, net	5,003	(6,069)	(9,592)
Payment on loans with former owners of LRI	—	(50)	(63)
Payment on capital lease obligations	(5)	(24)	(40)
Payment of dividends	(2,260)	(2,226)	(2,187)
Payment of deferred debt issuance costs	(1,222)	—	—
Net proceeds from issuance of common stock to employees and directors	272	359	295
Excess tax benefit from stock-based compensation	—	156	—
Other	—	—	—
Net cash provided by (used in) financing activities	1,788	(7,854)	(11,587)
EFFECTS OF EXCHANGE RATES ON CASH	(1,189)	(3,274)	191
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,109)	(1,198)	2,380
CASH AND CASH EQUIVALENTS, beginning of the period	9,400	10,598	8,218
CASH AND CASH EQUIVALENTS, end of the period	$6,291	$9,400	$10,598
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for -			
Interest	$624	$514	$631
Income taxes, net	$2,491	$3,586	$1,938

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

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DYNAMIC MATERIALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Amounts in Thousands, Except Share and 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 in 1997. DMC is headquartered in Boulder, Colorado and has manufacturing facilities in the United States, Germany, France, and Russia. Customers are located throughout the world. DMC currently operates two business segments: NobelClad and DynaEnergetics. NobelClad metallurgically joins or alters metals by using explosives. DynaEnergetics, which previously was included in the Oilfield Products segment with AMK Technical Services, manufactures, markets, and sells oilfield perforating equipment and explosives.

2014 sale of AMK Technical Services

On October 1, 2014, DMC completed the sale of its AMK Technical Services ("AMK") business. The operating results of AMK have been classified as discontinued operations in all periods presented. See Note 9 "Discontinued Operations" for additional disclosures regarding this sale.

Restructuring

In the fourth quarter of 2014 and throughout 2015, we restructured operations within NobelClad and DynaEnergetics as well as eliminating positions within our corporate office. See Note 10 "Restructuring" for additional disclosures regarding these restructuring plans.

2. 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. 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 other income (expense) 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.

Cash and Cash Equivalents

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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.

Accounts Receivable

We review our accounts receivable balance routinely to identify any specific customers with collectability issues. In circumstances where we are aware of a specific customer's inability to meets its financial obligation to us, we record a specific allowance for doubtful accounts (with the offsetting expense charged to our statement of operations) against the amounts due reducing the net recognized receivable to the amount we estimate will be collected.

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 manufacturing overhead. As necessary, we record provisions and maintain reserves for excess, slow moving and obsolete inventory. To determine reserve amounts, we regularly review inventory quantities on hand and values, and compare them to estimates of future product demand, market conditions, production requirements and technological developments.

In 2013 we changed our inventory management philosophy in order to reduce our investment in inventory. In connection with this, we identified certain slow-moving and obsolete inventories and therefore revised our assumptions for calculating estimated inventory reserves, resulting in a change in estimate which was primarily driven by specific quantitative analysis whereby inventory items which have not had movement for a certain duration are reserved against after a prescribed period. We determined that our December 31, 2013 inventory reserves for our DynaEnergetics business segment should be increased to adequately provide for estimated requirements and recorded corresponding expense in cost of products sold in our 2013 consolidated statement of operations.

For the twelve months ended December 31, 2015, 2014, and 2013, we increased our inventory reserves and recognized expenses in cost of products sold in our consolidated statement of operations as follows:

	2015	2014	2013
Increase in inventory reserve	$565	$1,146	$1,800
Expense recorded	1,952	1,287	1,800

Inventories, net of reserves of $3,682 and $3,117 most of which related to finished goods, consist of the following at December 31, 2015 and 2014 respectively:

	2015	2014
Raw materials	$14,513	$15,208
Work-in-process	8,112	11,528
Finished goods	12,320	12,782
Supplies	504	583
	$35,449	$40,101

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, except for assets acquired in acquisitions which are recorded at fair value. Additions and improvements 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) as follows:

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

Gross property, plant and equipment consist of the following at December 31, 2015 and 2014:

	2015	2014
Land	$3,380	$3,344
Buildings and improvements	41,429	39,489
Manufacturing equipment and tooling	38,599	40,433
Furniture, fixtures and computer equipment	16,777	14,813
Other	2,937	3,425
Construction in process	3,401	8,229
	$106,523	$109,733

Asset Impairments

Finite-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We compare the expected undiscounted future operating cash flows associated with these finite-lived assets to their respective carrying values to determine if they are fully recoverable when indicators of impairment are present. If the expected future operating cash flows of an asset 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 carrying value exceeds fair value. Long-lived assets to be disposed of, if any, are reported at the lower of carrying amount or fair value less cost to sell.

For the year ended December 31, 2015, we recognized an impairment charge of approximately $205 (recorded in restructuring expenses) associated with restructuring our DynaEnergetics operations in Canada and Colombia. The impairment charges are primarily associated with assets used in the perforating gun manufacturing facility and distribution center in Edmonton, Alberta and the distribution centers in Colombia, all of which are closed under the restructuring program (See Note 10 "Restructuring").

For the year ended December 31, 2014, we recognized an impairment charge of approximately $3,946 (recorded in restructuring expenses) associated with the restructuring of our NobelClad Europe operations. The impairment charges are primarily associated with the Würgendorf, Germany facility and leasehold improvements at a leased facility in France, both of which are being closed under the restructuring program (See Note 10 "Restructuring"). The impairment of the facility in Germany was determined by a third-party appraiser using a combination of the cost and sales comparison approach, which are fair value techniques in accordance with Financial Accounting Standards Board ("FASB") ASC Section 820 Fair Value Measurements and Disclosures.

For the year ended December 31, 2013 we recognized an impairment charge of approximately $756 (recorded in G&A expenses) associated with implementation costs for a systems implementation project at our Russian and Kazakhstan locations within our DynaEnergetics segment. We had subsequently made the strategic decision to abandon this system implementation project and, therefore, the impairment recognized represents writing down the carrying amount of this asset to zero.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. The carrying value of goodwill is periodically reviewed for impairment (at a minimum annually) and whenever events or changes in circumstances indicate that the carrying amount of the asset 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.

Our reporting units for goodwill impairment testing are currently the same as our reportable business segments: NobelClad and DynaEnergetics. Each business segment represents separately managed strategic business units and our chief operating decision maker reviews financial results and evaluates operating performance at this level.

During the fourth quarter of 2015, we observed a decrease in the market capitalization of the Company, thereby providing a potential indicator of impairment, which coincided with our 2015 annual goodwill impairment tests for our NobelClad and DynaEnergetics reporting units. We utilize an income approach (discounted cash flow analysis) to determine the fair value of each reporting unit. We believe the discounted cash flow approach is the most reliable indicator of fair value for our reporting units. The key assumptions used in the discounted cash flows for both reporting units include, among other measures, expected future sales, operating income, working capital and capital expenditures. Discount rates are determined using a peer-based, risk-adjusted weighted average cost of capital. Our approach also includes reviewing for reasonableness the total market capitalization of the Company as of December 31 to the sum of the discounted cash flows for the combined reporting units.

In connection with our 2015 annual goodwill impairment tests, we found that the fair value of the DynaEnergetics reporting unit was less than its carrying value due primarily to the sustained decline in global oil prices, expected reduction in exploration and production activities of certain of our customers, and the impact these factors have on our expected future cash flows. We valued the assets of DynaEnergetics with the assistance of a third-party valuation specialist using a combination of the market and cost approaches for tangible assets as well as the relief from royalty and multi-period excess earnings methods for intangible assets, which are fair value techniques in accordance with FASB ASC Section 820 Fair Value Measurements and Disclosures. Based on the results of that valuation, recorded a goodwill impairment charge of $11,464 to impair fully the goodwill related to the DynaEnergetics reporting unit. As of December 31, 2015 the fair value of the NobelClad reporting unit, with $17,190 of goodwill, exceeded the carrying value of its net assets.

No impairment of goodwill was identified in connection with our 2014 and 2013 annual goodwill impairment tests as our estimated fair values substantially exceeded the carrying values for both reporting units. A future impairment is possible at NobelClad and could occur if (i) operating results underperform what we have estimated or (ii) additional volatility of the capital markets or other factors negatively impact our expectations of future results and or cause us to raise the discount rate percentage utilized in our discounted cash flow analysis. While we believe our most recent estimates were appropriate based on our view of then current business trends, no assurance can be provided that impairment charges will not be required in the future.

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

	NobelClad	DynaEnergetics	Total
Goodwill balance at December 31, 2013	$22,238	$15,732	$37,970
Adjustment due to recognition of tax benefit of tax amortization of certain goodwill	$(318)	$(547)	$(865)
Adjustment due to exchange rate differences	$(2,502)	$(1,841)	$(4,343)
Goodwill balance at December 31, 2014	$19,418	$13,344	$32,762
Adjustment due to recognition of tax benefit of tax amortization of certain goodwill	(326)	(563)	(889)
Adjustment due to exchange rate differences	(1,902)	(1,317)	(3,219)
Goodwill impairment	—	(11,464)	(11,464)
Goodwill balance at December 31, 2015	$17,190	$—	$17,190

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 if impairment indicators are present. In association with the 2015 goodwill impairment testing, we tested finite-lived intangibles for impairment, and found that the carrying amounts of assets at the lowest level of identifiable cash flows, in this case our reporting units, are fully recoverable.

Finite lived intangible assets are amortized over the estimated useful life of the related assets which have a weighted average amortization period of 12 years in total. The weighted average amortization periods of the intangible assets by asset category are as follows:

Core technology	20 years
Customer relationships	9 years
Trademarks / Trade names	9 years

The following table presents details of our purchased intangible assets, other than goodwill, as of December 31, 2015:

	Gross	Accumulated Amortization	Net
Core technology	$18,524	$(7,528)	$10,996
Customer relationships	36,830	(27,701)	9,129
Trademarks / Trade names	1,988	(1,695)	293
Total intangible assets	$57,342	$(36,924)	$20,418

The following table presents details of our purchased intangible assets, other than goodwill, as of December 31, 2014:

	Gross	Accumulated Amortization	Net
Core technology	$20,667	$(7,360)	$13,307
Customer relationships	40,195	(27,270)	12,925
Trademarks / Trade names	2,216	(1,714)	502
Total intangible assets	$63,078	$(36,344)	$26,734

The change in the gross value of our purchased intangible assets from December 31, 2014 to December 31, 2015 is due solely to the impact of foreign currency translation adjustments.

Expected future amortization of intangible assets is as follows:

For the years ended December 31 -	
2016	$3,956
2017	3,936
2018	2,734
2019	1,538
2020	1,538
Thereafter	6,716
	$20,418

Other Assets

Included in other assets are net deferred debt issuance costs of $674 and $203 as of December 31, 2015 and 2014, respectively. On February 23, 2015, we entered into a five-year $150 million syndicated credit agreement (“credit facility”) which amended and replaced in its entirety our prior syndicated credit facility entered into on December 11, 2011. In conjunction with entering the credit facility, we wrote off $32 of previously deferred debt issuance costs, carried over $162 of costs related to the prior credit agreement, and incurred $1,042 of additional costs. On December 18, 2015, we amended the credit facility, and we wrote off $508 of previously deferred debt issuance costs, carried over $508 of costs related to the prior credit agreement, and incurred $180 of additional costs. Remaining deferred debt issuance costs are being amortized over the five-year term of the amended and restated credit agreement which expires on February 23, 2020.

Customer Advances

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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, 2015 and 2014 customer advances totaled $2,396 and $3,510, respectively, and originated from several customers.

Revenue Recognition

Sales of clad metal products 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 DynaEnergetics 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.

Research and Development

Research and development costs include expenses associated with developing new products and processes as well as improvements to current manufacturing processes. Research and development costs are included in our cost of products sold and are as follows for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
DynaEnergetics research and development costs	$2,357	$2,541	$1,706
NobelClad research and development costs	685	558	493
Total research and development costs	$3,042	$3,099	$2,199

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. Because we are in a net loss position for the year ended December 31, 2015, all potentially dilutive shares are anti-dilutive and are excluded from the determination of diluted EPS.

Computation and reconciliation of earnings per common share for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Numerator:			
Income (loss) from continuing operations, net of non-controlling interest	$(23,971)	$1,926	$6,073
Less income allocated to RSAs	—	(52)	(102)
Income (loss) from continuing operations allocated to common stock for EPS calculation	(23,971)	1,874	5,971
Income from discontinued operations	—	641	478
Net income (loss) allocated to common stock for EPS calculation	$(23,971)	$2,515	$6,449
Denominator:			
Weighted average common shares outstanding - basic	13,935,097	13,687,485	13,533,566
Dilutive stock-based compensation plans	—	2,222	3,959
Weighted average common shares outstanding - diluted	13,935,097	13,689,707	13,537,525
Income (loss) per share - Basic:			
Continuing operations	$(1.72)	$0.13	$0.44
Discontinued operations	—	0.05	0.03
Net income (loss) allocated to common stock for EPS calculation	$(1.72)	$0.18	$0.47
Income (loss) per share - Diluted:			
Continuing operations	$(1.72)	$0.13	$0.44
Discontinued operations	—	0.05	0.03
Net income (loss) allocated to common stock for EPS calculation	$(1.72)	$0.18	$0.47

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, trade accounts receivable and payable, accrued expenses and lines of credit approximate their fair value and are included in Level 1.

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.

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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. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. The deferred income tax impact of tax credits are recognized as an immediate adjustment to income tax expense. We recognize deferred tax assets for the expected future effects of all deductible temporary differences to the extent we believe these assets will more likely than not be realized. We record a valuation allowance when, based on current circumstances, it is more likely than not that all or a portion of the deferred tax assets will not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, recent financial operations and their associated valuation allowances, if any.

We recognize the tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position; the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the consolidated financial statements from such a position are measured as the largest benefit that is more likely than not of being realized upon ultimate resolution. We recognize interest and penalties related to uncertain tax positions in operating expense.

Concentration of Credit Risk and Off Balance Sheet Arrangements

Financial instruments, which potentially subject us to a concentration of credit risk, consist primarily of cash, cash equivalents, and accounts receivable. Generally, we do not require collateral to secure receivables. At December 31, 2015, we had no financial instruments with off-balance sheet risk of accounting losses.

Other Cumulative Comprehensive Loss

Other cumulative comprehensive loss as of December 31, 2015, 2014, and 2013 consisted entirely of currency translation adjustments including those in intra-entity foreign currency transactions that are long-term investments.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update (ASU) which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. This ASU will be effective beginning in the first quarter of 2019. Early adoption as of its issuance is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. We are currently evaluating the impact of adopting the new leases standard on our consolidated financial statements.

In November 2015, the FASB issued an accounting standards update which requires that deferred tax liabilities and assets be classified as noncurrent in the statement of financial position based on an analysis of each taxpaying component within a jurisdiction. This ASU would be effective for the Company December 1, 2017, however the Company has elected to early adopt prospectively beginning with the year ended December 31, 2015, as is permitted under the standard. Due to the prospective treatment, prior periods presented in these financial statements have not been adjusted. The adoption of this ASU did not have an impact on the Company's financial position.

In July 2015, the FASB issued an accounting standards update to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. This pronouncement is effective for reporting periods beginning after December 15, 2016. We currently are evaluating the potential impact the adoption of this standard will have on our financial statements.

In April 2015, the FASB issued an accounting standards update to revise the presentation of debt issuance costs. Under this pronouncement, entities will present debt issuance costs in their balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the deferred debt issuance costs will continue to be included in interest expense. The pronouncement, which is to be applied retrospectively to all prior periods, is effective for fiscal years beginning after December 15, 2015, with early adoption permitted for financial statements that have not been previously issued. We currently are evaluating the potential impact the adoption of this standard will have on our financial statements.

In June 2014, the FASB issued an accounting standards update to clarify the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The pronouncement is effective for reporting periods beginning after December 15, 2015. We currently are evaluating the potential impact the adoption of this standard will have on our financial statements.

In May 2014, the FASB issued an accounting standards update to clarify the principles of recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and IFRS. The pronouncement is effective for reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We currently are evaluating the potential impact the adoption of this standard will have on our financial statements.

3. DEBT

Lines of credit consisted of the following at December 31, 2015 and 2014:

	2015	2014
Syndicated credit agreement:		
U.S. Dollar revolving loan	$27,500	$19,500
Euro revolving loan	—	3,282
Canadian Dollar revolving loan	—	—
Commerzbank line of credit	—	—
	27,500	22,782
Less current portion	—	—
Long-term lines of credit	$27,500	$22,782

Syndicated Credit Agreement

On February 23, 2015, we entered into a five-year $150,000 syndicated credit agreement (“credit facility”) which amended and replaced in its entirety our prior syndicated credit facility entered into on December 11, 2011. The new credit facility allowed for revolving loans of $90,000 in US dollars, $10,000 in alternate currencies and a $50,000 US dollar term loan facility as well as a $100,000 accordion feature to increase the commitments in any of the three previous loan classes subject to approval by applicable lenders. We entered into the credit facility with a syndicate of four banks, with JP Morgan Chase Bank, N.A. acting as administrative agent for the U.S. and Canadian dollar loans and JP Morgan Europe Ltd. acting as administrative agent for the Euro and other alternate currency loans. The syndicated credit facility is secured by the assets of DMC including accounts receivable, inventory, and fixed assets, as well as guarantees and share pledges by DMC and its subsidiaries.

On December 18, 2015, we entered into an amendment which reduced the amount of U.S. borrowings available under the credit facility to $65,000 from $90,000 and eliminated the $50,000 term loan facility. The amendment increased the maximum debt-to-EBITDA leverage ratio from 3.00x to 3.75x, which will remain in effect through the June 30, 2016 reporting period. The maximum leverage ratio will then adjust to 3.25x through the September 30, 2016 reporting period, and will return to 3.00x as of December 31, 2016 and thereafter. If the leverage ratio is greater than 3.00x, the interest margin will be LIBOR plus 2.75%, and an undrawn fee of 0.50% will be applied. There were no other pricing modifications to the original agreement.

Borrowings under the $65,000 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 London Interbank Offered Rate (“LIBOR”) loans. ABR loans bear interest at the defined ABR rate plus an applicable margin (varying from 0.25% to 1.50%) and LIBOR loans bear interest at the applicable LIBOR rate plus an applicable margin (varying from 1.25% to 2.75%).

Borrowings under the $10,000 Alternate Currency revolving loans can be in Canadian Dollars, Euros, Pounds Sterling and any other currency that is freely transferable and convertible to U.S. Dollars. Alternative currency borrowings denominated in Canadian Dollars shall be comprised of Canadian Dealer Offered Rate (“CDOR”) Loans or Canadian Prime Loans, at our option, and bear interest at the CDOR rate plus applicable margin (varying from 1.25% to 2.75%) or the applicable Canadian Prime Rate plus an applicable margin (varying from 0.25% to 1.50%), respectively. Alternative currency borrowings denominated in Euros shall be comprised of Euro Interbank Offered Rate (“EURIBOR”) loans and bear interest at the EURIBOR rate plus an applicable

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margin (varying from 1.25% to 2.75%). Alternative currency borrowings denominated in any other alternate currency shall be comprised of Eurocurrency loans and bear interest at the LIBOR rate plus an applicable margin (varying from 1.25% to 2.75%).

The credit facility includes 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, 2015, we were in compliance with all financial covenants and other provisions of our debt agreements.

Line of Credit with German Bank

We maintain a line of credit with a German bank for certain DynaEnergetics operations. This line of credit provides a borrowing capacity of 4,000 Euros and is also used by DynaEnergetics to issue bank guarantees to its customers to secure advance payments made by them. As of December 31, 2015, we had no outstanding borrowings under this line of credit. As of December 31, 2015, we had bank guarantees secured by the line of credit of $1,220. The line of credit bears interest at a EURIBOR-based variable rate which at December 31, 2015 was 3.85%. The line of credit has open-ended terms and can be canceled by the bank at any time.

Scheduled Debt Maturity

We do not have any debt as of December 31, 2015 with scheduled maturity.

4. STOCK OWNERSHIP AND BENEFIT PLANS

On September 21, 2006, our stockholders approved, and we adopted, the 2006 Stock Incentive Plan ("2006 Plan"). On May 23, 2013, our stockholders approved an amendment to the 2006 Plan to increase the number of shares of common stock that may be issued under the 2006 Plan. 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 1,617,500 shares available for grant under the 2006 Plan. As of December 31, 2015, we have granted an aggregate of 1,416,360 shares of restricted stock and restricted stock units under the 2006 Plan, leaving 201,140 shares available for future grant.

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

	2015	2014	2013
Cost of products sold	$243	$309	$304
General and administrative expenses	2,240	2,995	2,913
Selling and distribution expenses	343	284	184
Restructuring expense	536	—	—
Stock-based compensation expense before income taxes and discontinued operations	3,362	3,588	3,401
Income tax benefit	(915)	(970)	(990)
Stock-based compensation expense before discontinued operations, net of income taxes	2,447	2,618	2,411
Discontinued operations	—	112	—
Income tax benefit	—	(38)	—
Stock-based compensation expense in discontinued operations, net of income taxes	—	74	—
Stock-based compensation expense, net of income taxes	2,447	2,692	2,411
Earnings per share impact - Basic:			
Continuing operations	$0.18	$0.19	$0.18
Discontinued operations	$—	$0.01	$—
Net income	$0.18	$0.20	$0.18
Earnings per share impact - Diluted:			
Continuing operations	$0.18	$0.19	$0.18
Discontinued operations	$—	$0.01	$—
Net income	$0.18	$0.20	$0.18

Our stock-based compensation expense results from restricted stock awards, restricted stock units and stock issued under the Employee Stock Purchase Plan. During the first quarter of 2013 and, as a result of Board actions taken in January 2013, we recorded a one-time expense of $2,965 associated with the retirements of our former President and Chief Executive Officer and another senior executive. This expense included $894 of stock-based compensation, with the remainder representing cash payments.

Restricted Stock Awards and Units: Restricted stock awards and restricted stock units are granted to employees and non-employee directors based on time-vesting and/or performance conditions. Stock awards with time-vesting only generally vest in one-third increments on the first, second, and third anniversary of the grant date. For stock awards with performance conditions, one-quarter of the shares vest on each of the first and second anniversaries of the grant date. On the third anniversary, all or a portion of the remaining one-half of the shares will vest based on a formula that takes into account the Company's achievement of Adjusted EBITDA compared to a target amount and the relative total return to the Company's stockholders in comparison to the total stockholder return of the Company's peer group of public companies. The fair value of restricted stock and restricted stock unit awards granted to employees and non-employee directors is based on the fair value of DMC's stock on the grant date.

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Stock awards granted to employees are amortized to compensation expense over the vesting period on a straight-line basis. Stock awards granted to non-employee directors are amortized to compensation expense over one year, which represents the term of their appointment.

A summary of the activity of our nonvested shares of restricted stock awards issued under the 2006 Plan for the years ended December 31, 2015, 2014, and 2013 is as follows:

	Shares		Weighted Average Grant Date Fair Value
Balance at December 31, 2012	242,385		$27.75
Granted	163,579		16.37
Vested	(216,851	)	27.95
Forfeited	(2,000	)	22.05
Balance at December 31, 2013	187,113		$17.63
Granted	157,680		21.31
Vested	(81,823	)	18.55
Forfeited	(250	)	22.05
Balance at December 31, 2014	262,720		$19.55
Granted	148,972		14.65
Vested	(157,673	)	18.81
Forfeited	(12,332	)	18.82
Balance at December 31, 2015	241,687		$17.04

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A summary of the activity of our nonvested restricted stock units for the years ended December 31, 2015, 2014, and 2013 is as follows:

	Share Units		Weighted Average Grant Date Fair Value
Balance at December 31, 2012	80,429		$20.41
Granted	56,217		15.67
Vested	(35,001	)	20.88
Forfeited	(2,300	)	19.01
Balance at December 31, 2013	99,345		$17.59
Granted	33,895		21.25
Vested	(48,674	)	18.87
Forfeited	—		—
Balance at December 31, 2014	84,566		$18.33
Granted	50,167		13.90
Vested	(38,405	)	17.58
Forfeited	(9,166	)	14.23
Balance at December 31, 2015	87,162		$16.54

As of December 31, 2015, there was $1,558 and $670 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 1.27 and 1.5 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 600,000 shares of which 81,872 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, 33,346; 20,148; and 22,689 shares of our stock were purchased during the years ended December 31, 2015, 2014, and 2013, respectively. Our total stock-based compensation expense for 2015, 2014, and 2013 includes $86, $92, and $76 respectively, in compensation expense associated with the ESPP.

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 $526, $523, and $485 for the years ended December 31, 2015, 2014 and 2013, respectively.

Defined Benefit Plans

We have defined benefit pension plans at certain foreign subsidiaries for which we have recorded an unfunded pension obligation of $1,009 and $1,143 as of December 31, 2015 and 2014, respectively, which is included in other long-term liabilities in the Consolidated Balance Sheets. All necessary adjustments to the obligation are based upon actuarial calculations are recorded directly to the statement of operations. We recognized net adjustments of $(16), $349 and $67, respectively, for the years ended December 31, 2015, 2014 and 2013.

5. INCOME TAXES

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The domestic and foreign components of income before tax for our operations for the years ended December 31, 2015, 2014 and 2013 are summarized below:

	2015	2014	2013
Domestic	$(16,167)	$(706)	$6,339
Foreign	(9,922)	6,545	3,470
	$(26,089)	$5,839	$9,809

The components of the provision (benefit) for income taxes for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Current - Federal	$(3,005)	$378	$1,144
Current - State	55	16	93
Current - Foreign	1,557	3,774	3,020
Current income tax expense (benefit)	(1,393)	4,168	4,257
Deferred - Federal	1,149	(236)	658
Deferred - State	217	(82)	(64)
Deferred - Foreign	(2,091)	63	(1,115)
Deferred income tax benefit	(725)	(255)	(521)
Income tax provision (benefit)	$(2,118)	$3,913	$3,736

A reconciliation of our income tax provision computed by applying the Federal statutory income tax rate of 35% in December 31, 2015, 2014, and 2013 to income before taxes is as follows:

	2015	2014	2013
Statutory U.S. federal income tax	$(9,131)	$2,042	$3,401
U.S. state income tax, net of federal benefit	(340)	(15)	85
Foreign rate differential	692	(1,558)	(1,259)
Domestic production activities deduction	—	(21)	(211)
Tax audit adjustments	—	(338)	812
Intercompany distributions	—	16	2,239
Foreign equity compensation	224	338	234
Deemed repatriation of foreign earnings	810	—	(908)
Current year tax credits	—	(156)	(628)
Impairment of goodwill	498	—	—
Other	(1,513)	(132)	(102)
Change in valuation allowances	6,642	3,737	73
Provision for income taxes	$(2,118)	$3,913	$3,736

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use existing deferred tax assets. Additionally, a three-year cumulative loss at a consolidated financial statements level may be viewed as negative evidence impacting a jurisdiction that by itself is not in a three-year cumulative loss position. At December 31, 2015, the company is in a consolidated three-year cumulative loss position.

Accordingly, we have evaluated the impact on all

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jurisdictions and have recorded a valuation allowance against the corresponding net deferred tax assets totaling $9,357 as of December 31, 2015. We recorded valuation allowances in the amounts of $6,642 and $3,737 in 2015 and 2014, respectively. The amount of the deferred tax assets considered realizable, however, could be adjusted in future periods if positive evidence such as current and expected future taxable income outweighs negative evidence.

In January 2013, the United States Congress authorized, and the President signed into law, legislation which retroactively changed federal tax laws for 2012. Since this legislation was enacted in 2013, the financial statement benefit from these changes, totaling $908, was reflected in the provision for income taxes in the consolidated statement of operations during the twelve months ended December 31, 2013.

Our deferred tax assets and liabilities at December 31, 2015 and 2014 consist of the following:

	2015	2014
Deferred tax assets:		
Net foreign operating loss carryforward	$8,162	$6,932
Inventory differences	1,044	2,337
Equity compensation	704	836
Investment in subsidiaries	903	935
Restructuring	2,166	1,265
Other, net	499	418
Gross deferred tax assets	13,478	12,723
Less valuation allowances	(9,357)	(3,032)
Total deferred tax assets	4,121	9,691
Deferred tax liabilities:		
Purchased intangible assets	(4,821)	(9,813)
Depreciation and amortization	(1,322)	(2,476)
Other, net	(97)	(220)
Total deferred tax liabilities	(6,240)	(12,509)
Net deferred tax liabilities	$(2,119)	$(2,818)

As of December 31, 2015, we had loss carryforwards for tax purposes totaling approximately $55,900, comprised of $46,690 foreign and $9,210 domestic state loss carryforwards, which will be available to offset future taxable income due to laws in certain foreign jurisdictions. If not used, the foreign tax loss carryforwards generally may be carried forward indefinitely or have at least a ten-year carryforward period. We have analyzed the foreign net operating losses and placed valuation allowance on those where we have determined the realization is not more likely than not to occur.

As a result of stock-based compensation in December 31, 2015 we decreased additional paid-in-capital by $303 for the tax impact and in December 31, 2014, and 2013, we increased additional paid-in-capital by $106, and decreased additional paid-in-capital by $907, 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, 2015, 2014 and 2013, income considered to be permanently reinvested in non-U.S. subsidiaries totaled approximately $30,726, $37,772 and $37,795, 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.

At December 31, 2015 and 2014, 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, 2015 and 2014, our accrual for interest and penalties related to uncertain tax positions was $0.

DMC files income tax returns in the U.S. federal jurisdiction, as well as various U.S. state and foreign jurisdictions. No income tax examinations are currently in progress either in the U.S. or any foreign jurisdiction. In the fourth quarter of 2015,

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German tax authorities announced an examination of the tax returns of our German tax authorities for the 2011 through 2014 tax years. This examination is expected to commence in the spring or summer of 2016.

Tax returns of our German subsidiaries were under routine examination by the German tax authorities for most of 2013. During 2013, German tax authorities proposed and we agreed to a settlement. The key provisions of the settlement resulted in a net reduction of the subsidiaries' loss carryforwards, which reduced the non-current deferred tax assets associated with these carryforwards that were recorded on our books. We recorded an additional $812 in income tax expense to reflect these reductions. DMC’s U.S. Federal tax returns for the tax years 2012-2015 remain open to examination while most of DMC’s state tax returns remain open to examination for the tax years 2011-2015. DMC’s foreign tax returns generally remain open to examination for the tax years 2011-2015, depending on jurisdiction.

6. BUSINESS SEGMENTS

Our business is organized in the following two segments: NobelClad and DynaEnergetics. The NobelClad 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 DynaEnergetics 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.

Prior to 2014, we were organized into three segments. At the beginning of 2014 management approved a change in operating structure whereby AMK will operate within and be managed as part of the Oilfield Products business segment. Consequently, we combined AMK and DynaEnergetics into one reportable business segment, Oilfield Products. AMK represented 3% of segment assets, 4% of consolidated sales and 2% of segment operating income as of and for the year ended December 31, 2013. All prior periods segment disclosures have been restated to conform to the 2014 presentation.

Due to the completed sale of AMK, as of December 31, 2014 the operating results of AMK have been classified as discontinued operations in all periods presented. All prior periods segment disclosures have been restated to conform to the 2014 presentation. Refer to Note 9 "Discontinued Operations" for further details.

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, 2015, 2014, and 2013 as follows:

	Year Ended December 31,		
	2015	2014	2013
Net sales:			
NobelClad	$89,980	$97,108	$118,409
DynaEnergetics	76,938	105,453	83,651
Consolidated net sales	$166,918	$202,561	$202,060

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Explanation of Responses:

	Year Ended December 31,		
	2015	2014	2013
Income (loss) before income taxes:			
NobelClad	$5,819	$2,155	$17,090
DynaEnergetics	(19,245)	14,479	4,506
Segment operating income (loss)	(13,426)	16,634	21,596
Unallocated corporate expenses	(6,891)	(6,381)	(7,217)
Stock-based compensation	(3,362)	(3,588)	(3,401)
Other income (expense)	(669)	(313)	(528)
Interest expense	(1,745)	(551)	(648)
Interest income	4	38	7
Consolidated income (loss) before income taxes	$(26,089)	$5,839	$9,809

	Year Ended December 31,		
	2015	2014	2013
Depreciation and Amortization:			
NobelClad	$4,158	$6,482	$6,118
DynaEnergetics	6,119	6,672	6,150
Segment depreciation and amortization	$10,277	$13,154	$12,268

	Year Ended December 31,		
	2015	2014	2013
Capital Expenditures:			
NobelClad	$1,376	$13,696	$2,425
DynaEnergetics	3,668	7,366	13,022
Segment capital expenditures	5,044	21,062	15,447
Corporate and other	389	341	776
Consolidated capital expenditures	$5,433	$21,403	$16,223

	Year Ended December 31,	
	2015	2014
Assets:		
NobelClad	$85,649	$93,383
DynaEnergetics	79,884	103,914
Segment assets	165,533	197,297
Cash and cash equivalents	6,291	9,400
Prepaid expenses and other assets	9,722	6,438
Deferred tax assets	—	4,558
Corporate property, plant and equipment	1,320	1,636
Consolidated assets	$182,866	$219,329

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

	As of December 31,	
	2015	2014
United States	$26,410	$26,291
Germany	20,631	21,210
Russia	8,030	9,556
France	2,490	4,440
Kazakhstan	216	461
Canada	185	1,655
Rest of the world	37	222
Total	$57,999	$63,835

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

	For the Years Ended December 31,		
	2015	2014	2013
United States	$81,634	$91,009	$88,532
Canada	13,000	23,532	18,142
United Arab Emirates	7,891	3,694	2,695
France	6,624	5,478	3,756
South Korea	5,709	7,362	11,642
Germany	5,182	7,721	9,208
Russia	4,937	7,992	5,992
India	4,566	7,617	8,888
Egypt	4,080	2,227	2,133
Spain	3,858	892	5,775
Iraq	3,758	11,348	4,243
China	2,426	1,800	606
Italy	2,327	2,350	4,119
Hong Kong	2,207	1,967	1,180
Sweden	1,699	1,227	1,547
Rest of the world	17,020	26,345	33,602
Total	$166,918	$202,561	$202,060

During the years ended December 31, 2015, 2014 and 2013, no one customer accounted for more than 10% of total net sales.

7. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

The Company records an accrual for contingent liabilities when a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, that amount is accrued. When no amount within a range of loss appears to be a better estimate than any other amount, the lowest amount in the range is accrued.

In June 2015, U.S. Customs and Border Protection (“U.S. Customs”) sent us a Notice of Action that proposed to classify certain of our imports as subject to anti-dumping duties pursuant to a 2010 anti-dumping duty (“AD”) order on Oil Country Tubular Goods (“OCTG”) from China. A companion countervailing duty (“CVD”) order on the same product is in effect as well. The Notice of Action covered one entry of certain raw material steel mechanical tubing made in China and imported into the U.S. from Canada by our DynaEnergetics segment during 2015 for use in manufacturing perforating guns.

In July 2015, we sent a response to U.S. Customs outlining the reasons our mechanical tubing imports do not fall within the scope of the AD order on OCTG from China and should not be subject to anti-dumping duties. U.S. Customs proposed to take similar action with respect to other entries of this product and requested an approximately $1,100 cash deposit or bond for AD/CVD duties.

In August 2015, we posted the bond of approximately $1,100 to U.S. Customs. Subsequently, U.S. Customs declined to conclude on the Company's assertion that the mechanical tubing the Company has been importing is not within the scope of the AD order on OCTG from China. As a result, on September 25, 2015 the Company filed a request for a scope ruling with the U.S. Department of Commerce ("Commerce Department").

On February 15, 2016, the Company received the Commerce Department’s scope ruling, which determined certain imports, primarily used for gun carrier tubing, are included in the scope of the AD/CVD orders on OCTG from China and thus is subject to AD/CVD duties.

The Company plans to appeal the Commerce Department’s ruling. In its financial statements for the year ended December 31, 2015 the Company recorded a $6.4 million reserve for AD/CVD duties and interest that the Company expects to pay if it is unsuccessful in its appeal. The Company will incur legal defense costs and could also be subject to additional interest and penalties. Accruals for potential penalties are not reflected in our financial statements for the year ended December 31, 2015 as they are neither probable nor estimable at this time.

Operating Leases

We lease certain office space, equipment, storage space, vehicles and other equipment under various non-cancelable lease agreements. Future minimum rental commitments under non-cancelable leases are as follows:

	Operating Leases
Year ended December 31 -	
2016	$1,511
2017	1,129
2018	976
2019	643
2020	543
Thereafter	487
Total minimum payments	$5,289

Total rental expense included in continuing operations was $3,403 $4,103, and $3,838 for the years ended December 31, 2015, 2014, and 2013, respectively.

During 2008, we entered into a license agreement and a risk allocation agreement related to our U.S. NobelClad business. These agreements, which were amended in 2012, 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 -	
2016	$398
2017	398
2018	398
2019	—
2020	—
Thereafter	—
Total minimum payments	$1,194

Litigation

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.

8. RETIREMENT EXPENSES

During the first quarter of 2013 and, as a result of Board actions taken in January 2013, we recorded a one-time expense of $2,965 associated with management retirements, the majority of which relates to the March 1, 2013 retirement of Yvon Cariou, our former President and Chief Executive Officer. This expense includes $894 of stock-based compensation, with the remainder representing cash payments.

9. DISCONTINUED OPERATIONS

On October 1, 2014 DMC completed the sale of its AMK business. The net proceeds were $6,830, after final purchase price adjustments, and the purchase was financed through $4,330 in cash consideration and the issuance of a $2,500 90-day secured

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promissory note to the Company which was paid in full by December 31, 2014. The excess of the selling price over the carrying value of $1,476 was recorded in our Statement of Operations in the fourth quarter 2014. The operating results of AMK have been classified as discontinued operations in all periods presented.
Operating results of the discontinued operations (formerly included in the DynaEnergetics segment) for the years ended December 31, 2015, 2014 and 2013 are summarized as follows:

	2015	2014	2013
Net sales	$—	$4,540	$7,513
Income (loss) from operations	$—	$(76)	$719
Tax provision	—	1	241
Income (loss) from operations, net of tax	$—	$(77)	$478
Gain on sale of discontinued operations	$—	$1,476	$—
Tax provision	—	758	—
Gain on sale of discontinued operations, net of tax	$—	$718	$—

10. RESTRUCTURING

NobelClad Restructuring
In October 2014, we signed an agreement to purchase a manufacturing facility in Liebenscheid, Germany and completed the purchase in November 2014. The facility significantly enhances NobelClad’s manufacturing capabilities and its ability to serve customers throughout Europe, the Middle East and Africa. In October 2014, management announced a plan to restructure our NobelClad European operations. In the second quarter of 2015, the majority of clad metal plate production was shifted from facilities in Rivesaltes, France and Würgendorf, Germany to the new manufacturing facility in Liebenscheid, Germany. We plan to continue to produce transition joints with a reduced workforce at NobelClad's Rivesaltes plant while the Würgendorf site was closed and its workers were transferred to the new facility. In the fourth quarter of 2015, we eliminated certain positions in the NobelClad corporate office and finalized certain bonus payments in Europe.

We incurred pretax restructuring and impairment charges of $6,781in the fourth quarter of 2014, $54 in the first quarter of 2015, $504 in the second quarter of 2015, $48 in the third quarter of 2015, and $144 in the fourth quarter of 2015 related to this program.

DynaEnergetics Restructuring
In the first quarter of 2015, we launched several initiatives to enhance DynaEnergetics’ operational efficiencies and align its production and distribution resources with the anticipated demands of the market. In January 2015, we closed two North American distribution centers. On February 24, 2015, we announced the closure of a perforating gun manufacturing facility and distribution center in Edmonton, Alberta. In the second quarter of 2015, North America perforating gun manufacturing was consolidated into DynaEnergetics' existing facility in Whitney, Texas. We also exited multiple other distribution centers in North America and Colombia. The Colombia market is now being served directly from our existing facilities in Texas. Two new centralized distribution centers replaced the smaller and less efficient distribution centers that were closed. In the fourth quarter of 2015, we closed another U.S. distribution center and undertook additional measures to reduce administrative costs including a reduction in force ("RIF") affecting 12 employees at DynaEnergetics' corporate offices in Troisdorf, Germany and the termination of certain consulting contracts. Additionally, during the fourth quarter of 2015 we recorded to the statement of operations foreign exchange gains that had previously been recorded to the balance sheet due to the substantial liquidation of our Colombian entity after closing the distribution centers.

We incurred pretax restructuring and impairment charges of $382 in the first quarter of 2015, $612 in the second quarter of 2015, $237 in the third quarter of 2015, and $429 in the fourth quarter of 2015 related to these programs.
Corporate Restructuring

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In the first quarter of 2015, we eliminated certain positions in our corporate office. We incurred restructuring charges of approximately $1,560 in the first quarter of 2015 associated with severance and expense related to the acceleration of unvested stock awards. Additionally, two of the nine members of our board of directors did not stand for re-election at our Annual meeting in May 2015. In the fourth quarter of 2015, we eliminated an additional position in our corporate office and incurred restructuring charges of approximately $93 associated with severance and expense related to the acceleration of unvested stock awards.

Restructuring charges associated with these programs are substantially complete. Total restructuring charges incurred to date for these programs are as follows and are reported in the Restructuring charges line item in our consolidated statement of operations for the years ended December 31, 2015 and 2014:

	2015					
	Severance	Asset Impairment	Contract Termination Costs	Equipment Moving Costs	Other Exit Costs	Total
NobelClad	$238	$—	$40	$476	$(4)	$750
DynaEnergetics	735	205	498	391	(169)	1,660
Corporate	1,653	—	—	—	—	1,653
Total	$2,626	$205	$538	$867	$(173)	$4,063

	2014			
	Severance	Asset Impairment	Other Exit Costs	Total
NobelClad	$2,466	$3,946	$369	$6,781
Total	$2,466	$3,946	$369	$6,781

The changes to the restructuring liability within accrued expenses associated with these programs is summarized below:

	Balance at December 31, 2014	Expense	Payments	Currency Adjustments	Balance at December 31, 2015
Severance	$2,406	$2,090	$(3,750)	$(294)	$452
Contract termination costs	44	538	(272)	(28)	282
Equipment moving costs	—	867	(868)	1	—
Other exit costs	36	130	(149)	(17)	—
Total	$2,486	$3,625	$(5,039)	$(338)	$734

As of December 31, 2014 we recorded a liability for restructuring charges of $2,486 primarily related to accrued severance.

11. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected unaudited quarterly financial data for the years ended December 31, 2015 and 2014 are presented below:

The financial statements for the year ended December 31, 2014 reflect the financial results of AMK as discontinued operations due to the completed sale of AMK on October 1, 2014. See Note 9 "Discontinued Operations" for further details. For the year ended December 31, 2014, AMK represented less than 5% of consolidated assets, consolidated sales and consolidated operating income.

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	2015			
	Quarter ended March 31,	Quarter ended June 30,	Quarter ended September 30,	Quarter ended December 31,
Net sales	$40,819	$44,741	$39,508	$41,850
Gross profit	$10,703	$12,585	$10,289	$2,047
Net income (loss)	$(2,377)	$(1,319)	$(4,233)	$(16,042)
Net income (loss) per share - basic				
Continuing operations	$(0.17)	$(0.10)	$(0.30)	$(1.15)
Net income (loss)	$(0.17)	$(0.10)	$(0.30)	$(1.15)
Net income (loss) per share - diluted				
Continuing operations	$(0.17)	$(0.10)	$(0.30)	$(1.15)
Net income (loss)	$(0.17)	$(0.10)	$(0.30)	$(1.15)

	2014			
	Quarter ended March 31,	Quarter ended June 30,	Quarter ended September 30,	Quarter ended December 31,
Net sales	$46,769	$51,911	$51,886	$51,995
Gross profit	$14,714	$15,898	$15,083	$15,724
Income (loss) from continuing operations	$1,803	$2,097	$2,322	$(4,296)
Income (loss) from discontinued operations	$(316)	$219	$20	$718
Net income (loss)	$1,487	$2,316	$2,342	$(3,578)
Net income per share - basic				
Continuing operations	$0.13	$0.15	$0.17	$(0.32)
Discontinued operations	$(0.02)	$0.02	$—	$0.05
Net income	$0.11	$0.17	$0.17	$(0.27)
Net income per share - diluted				
Continuing operations	$0.13	$0.15	$0.17	$(0.32)
Discontinued operations	$(0.02)	$0.02	$—	$0.05
Net income	$0.11	$0.17	$0.17	$(0.27)

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12. SUBSEQUENT EVENTS

U.S. Commerce Department Ruling and Appeal

In February 2016, the Company received a scope ruling from the Commerce Department which determined certain imports which occurred prior to December 31, 2015, primarily used for gun carrier tubing by DynaEnergetics, are subject to AD and CVD duties.

The Company plans to appeal the Commerce Department's ruling. In its financial statements for the year ended December 31, 2015, the Company recorded a $6.4 million reserve for AD/CVD duties and interest that the Company expects to pay if it is unsuccessful in its appeal.

Please refer to Note 7 "Commitments and Contingencies" to our Consolidated Financial Statements in this annual report for a discussion of the matter with U.S. Customs and the Commerce Department.

Facility Purchase

On February 18, 2016 we signed an agreement to purchase for €1,850 a manufacturing facility located adjacent to our existing site in Liebenscheid, Germany. The acquisition provides us with flexibility to further consolidate our European operations and increases the scale and capabilities of our flagship campus in Germany.

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, 2015.

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 that evaluation and as a result of the material weakness in internal control over financial reporting as set forth below, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2015. Our management's annual report on internal control over financial reporting is set forth below.

Management's Report on Internal Control over Financial Reporting

The management of Dynamic Materials Corporation and subsidiaries ("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, 2015 based on the 2013 framework in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014 a material weakness in our controls over deferred income tax accounting was identified during the course of the 2014 external audit of the accounts and related controls. As a result of the significance of the accounting errors resulting from the deficient controls, we restated 2012 and 2013 financial statements included in our Form 10-K for the year ended December 31, 2014. In 2015, we took steps to remediate the material weakness, including:

- Hired a new Global Tax Director.
- Engaged third-party tax advisors to assist with designing and implementing processes and procedures to compile, reconcile and review income tax accounts.
- Provided income tax training and development to tax personnel.

Although we implemented new processes and procedures in 2015, we concluded that the material weakness was not remediated as of December 31, 2015 as the existing controls were not in place for an adequate period of time to ensure proper operation and additional controls are required to be implemented for our income tax accounting. In an effort to complete the remediation of the material weakness in 2016 management will design, implement and test additional internal controls related to deferred income tax and related income tax expense accounts. We'll also continue to provide income tax training to key tax and finance personnel.

The remediation efforts are subject to ongoing senior management review, as well as Audit Committee oversight. Although we plan to complete this remediation process as quickly as possible, we cannot at this time estimate how long it will take and our initiatives may not prove to be successful in remediating this material weakness. Management believes the already implemented actions, along with the additional controls will effectively remediate the material weakness. As we continue to evaluate and work to improve our internal control over financial reporting, management may execute additional measures to address potential control deficiencies or modify the remediation plan described above. Management will continue to review and make necessary changes to the overall design of our internal controls.

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2015, our internal controls over financial reporting were not effective due to the material weakness in our controls over deferred income tax accounting.

DMC's internal control over financial reporting as of December 31, 2015, has also been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report which expressed an adverse opinion and is included elsewhere herein.

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Changes in Internal Control Over Financial Reporting

Except as described above, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fourth quarter of 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

/s/ Kevin Longe
Kevin Longe
President and Chief Executive Officer
March 10, 2016

/s/ Michael Kuta
Michael Kuta
Chief Financial Officer
March 10, 2016

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Report of Independent Registered Public Accounting Firm

The Stockholders and the
Board of Directors of Dynamic Materials Corporation

We have audited Dynamic Materials Corporation's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Dynamic Materials Corporation's 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified and reported a material weakness in controls related to the Company's accounting for income tax expense and related deferred taxes.

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 as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2015 financial statements, and this report does not affect our report dated March 10, 2016, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Dynamic Materials Corporation has not maintained effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

/s/ Ernst & Young LLP

Denver, Colorado
March 10, 2016

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ITEM 9B. Other Information

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Item 10 incorporates information by reference to our Proxy Statement for the 2016 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 2015.

ITEM 11. Executive Compensation

Item 11 incorporates information by reference to our Proxy Statement for the 2016 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 2015.

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

Item 12 incorporates information by reference to our Proxy Statement for the 2016 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 2015.

For information regarding securities authorized for issuance under our equity compensation plans see the Proxy Statement for our 2015 Annual Meeting of Shareholders, 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 Proxy Statement for the 2016 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 2015.

ITEM 14. Principal Accounting Fees and Services

Item 14 incorporates information by reference to our Proxy Statement for the 2016 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 2015.

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 84 of this Annual Report on Form 10-K.

(a)(3) Exhibits

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Exhibit Number	Description
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q filed with the Commission on July 29, 2014).
3.2	Bylaws of the Company (incorporated by reference to Exhibit 4.2 to the Company’s Quarterly report on Form 10-Q/A filed with the Commission on May 14, 2004).
10.1	Second Amended and Restated Credit Agreement dated as of February 23, 2015, by and among the Company, the borrowers party thereto, the Guarantors party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian agent, KeyBank National Association, as syndication agent, and Wells Fargo Bank, National Association, as documentation agent. (incorporated by reference to Exhibit 10.1 to the Company’s Form 10-K filed with the Commission on March 16, 2015)
10.2	First Amendment to the Second Amended and Restated Credit Facility dated December 18, 2015 among the Company, JP Morgan Chase Bank, N.A. and the other parties named therein (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed with the Commission on December 18, 2015).
10.3	Employment Agreement, dated as of March 1, 2013, by and between the Company and Kevin Longe (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K filed with the Commission on March 14, 2013). *
10.4	Employment Offer Letter dated February 23, 2014, from the Company to Michael L. Kuta (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed with the Commission on March 31, 2014).*
10.5	Dynamic Materials Corporation 2006 Stock Incentive Plan, as amended by Amendment No. 1 to Dynamic Materials Corporation 2006 Stock Inventive Plan dated March 11, 2013 (incorporated by reference to Exhibit 10.5 to the Company’s Annual Report on Form 10-K filed with the Commission on March 7, 2014).*
10.6	Dynamic Materials Corporation Performance-Based Plan (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed with the Commission on May 24, 2013). *
10.7	Dynamic Materials Corporation Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed with the Commission on November 24, 2014).*
10.8	Form of Executive Officer Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 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 Exhibit 10.2 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 Exhibit 10.4 to the Company’s Form 8-K filed with the Commission on January 24, 2011). *
10.11	Lease of Dunbar, Pennsylvania clad metal shooting site
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 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 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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The following materials from the Annual Report on Form 10-K of Dynamic Materials Corporation. For the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statement of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.**

* Management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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

March 10, 2016

By: /s/ Michael Kuta
Michael Kuta
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
/s/ Kevin Longe Kevin Longe	President and Chief Executive Officer (Principal Executive Officer)	March 10, 2016
/s/ Michael Kuta Michael Kuta	Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2016
/s/ Gerard Munera Gerard Munera	Chairman and Director	March 10, 2016
/s/ David Aldous David Aldous	Director	March 10, 2016
Yvon Pierre Cariou	Director	March 10, 2016
/s/ Robert A. Cohen Robert A. Cohen	Director	March 10, 2016
/s/ James J. Ferris James J. Ferris	Director	March 10, 2016
/s/ Richard P. Graff Richard P. Graff	Director	March 10, 2016

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DYNAMIC MATERIALS CORPORATION AND SUBSIDIARIES
INDEX TO SCHEDULE II

AS OF DECEMBER 31, 2014

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

Year ended -	Balance at beginning of period	Additions charged to income	Accounts receivable written off	Other Adjustments	Balance at end of period
December 31, 2013	$406	$221	$(13)	$(195)	$419
December 31, 2014	$419	$140	$—	$(17)	$542
December 31, 2015	$542	$1,072	$(191)	$(449)	$974

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

Year ended -	Balance at beginning of period	Additions charged to income	Repairs allowed	Other Adjustments	Balance at end of period
December 31, 2013	$421	$—	$(117)	$(116)	$188
December 31, 2014	$188	$162	$(216)	$(4)	$130
December 31, 2015	$130	$339	$(308)	$(31)	$130

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

Year ended -	Balance at beginning of period	Additions charged to income	Inventory write-offs	Other Adjustments	Balance at end of period
December 31, 2013	$337	$1,800	$(408)	—	$1,729
December 31, 2014	$1,729	$1,287	$(77)	178	$3,117
December 31, 2015	$3,117	$1,952	$(1,160)	(227)	$3,682