NASDAQ Premium Income & Growth Fund Inc.
Form N-Q
November 29, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21983

NASDAQ Premium Income & Growth Fund Inc.

(Exact name of registrant as specified in charter)
Nuveen Investments

333 West Wacker Drive, Chicago, Illinois 60606
(Address of principal executive offices) (Zip code)
Kevin J. McCarthy

Vice President and Secretary
333 West Wacker Drive, Chicago, Illinois 60606
(Name and address of agent for service)

Registrant s telephone number, including area code: 312-917-7700
Date of fiscal year end: 12/31
Date of reporting period: 9/30/2012

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments

Portfolio of Investments (Unaudited)
NASDAQ Premium Income & Growth Fund Inc. (QQQX)
September 30, 2012

Shares	Description (1)		Value
	Common Stocks 101.9%		
	Aerospace & Defense 0.6%		
8,234	General Dynamics Corporation	$	544,432
2,843	Lockheed Martin Corporation		265,479
2,019	Precision Castparts Corporation		329,783
8,828	United Technologies Corporation		691,144
	Total Aerospace & Defense		1,830,838
	Air Freight & Logistics 0.3%		
2,768	FedEx Corporation		234,228
8,274	United Parcel Service, Inc., Class B		592,170
4,069	UTI Worldwide, Inc.		54,809
	Total Air Freight & Logistics		881,207
	Airlines 0.1%		
6,915	Ryanair Holdings PLC		223,009
	Auto Components 0.2%		
1,406	Autoliv Inc.		87,130
1,182	BorgWarner Inc., (2)		81,688
10,993	Gentex Corporation		186,991
1,182	Johnson Controls, Inc.		32,387
4,227	Lear Corporation		159,738
	Total Auto Components		547,934
	Automobiles 0.0%		
1,370	Tesla Motors Inc.		40,114
2,084	Thor Industries, Inc.		75,691
	Total Automobiles		115,805
	Beverages 0.1%		
4,447	Brown-Forman Corporation		290,167
1,705	PepsiCo, Inc.		120,663
	Total Beverages		410,830
	Biotechnology 6.5%		
14,421	Alkermes Inc., (2)		299,236
11,732	BioMarin Pharmaceutical Inc.		472,448
65,433	Celgene Corporation, (2)		4,999,081
9,456	Cubist Pharmaceuticals Inc.		450,862
3,182	Dendreon Corporation, (2)		15,369
2,256	Emergent BioSolutions, Inc., (2)		32,058
3,162	Enzon Inc.		22,008
2,955	Exelixis, Inc., (2)		14,243
3,743	Genomic Health, Inc., (2)		129,845
24,340	Geron Corporation		41,378
120,884	Gilead Sciences, Inc., (2)		8,018,236
14,073	Grifols SA		321,287
5,317	Halozyme Therapeutics, Inc., (2)		40,197
6,049	Immunogen, Inc., (2)		88,315
9,571	Incyte Pharmaceuticals Inc., (2)		172,757
872	Intermune, Inc., (2)		7,822
10,136	ISIS Pharmaceuticals, Inc.		142,614
36,642	Lexicon Genetics, Inc.		85,009
7,053	MannKind Corporation, (2)		20,313
12,904	Myriad Genentics Inc., (2)		348,279
5,158	Onyx Pharmaceuticals Inc.		435,851
4,703	Opko Health Inc., (2)		19,659
5,683	Regeneron Pharmaceuticals, Inc., (2)		867,567
12,177	Seattle Genetics, Inc.		328,170
3,054	Theravance Inc., (2)		79,129
6,117	United Therapeutics Corporation, (2)		341,818
25,630	Vertex Pharmaceuticals Inc., (2)		1,433,999
	Total Biotechnology		19,227,550
	Capital Markets 0.3%		

409	Affiliated Managers Group Inc., (2)	50,307
1,498	Franklin Resources, Inc.	187,355
11,627	SEI Investments Company	249,399
5,883	T. Rowe Price Group Inc.	372,394
5,152	TD Ameritrade Holding Corporation	79,186
	Total Capital Markets	938,641
	Chemicals 0.4%	
2,138	Air Products & Chemicals Inc.	176,813
5,970	Ecolab Inc.	386,916
7,810	Methanex Corporation	222,897
1,163	Monsanto Company	105,856
3,448	Praxair, Inc.	358,178
	Total Chemicals	1,250,660
	Commercial Services & Supplies 0.6%	
3,842	Cintas Corporation	159,251
5,162	Copart Inc., (2)	143,142
2,670	Iron Mountain Inc.	91,074
7,605	KAR Auction Services Inc.	150,123
1,951	Republic Services, Inc.	53,672
3,753	Rollins Inc.	87,783
15,000	Tetra Tech, Inc., (2)	393,900
1,389	Tyco International Ltd.	78,145
3,738	United Stationers, Inc.	97,263
4,788	Waste Connections Inc.	144,837
9,417	Waste Management, Inc.	302,097
	Total Commercial Services & Supplies	1,701,287
	Communications Equipment 7.8%	
1,419	ADTRAN, Inc.	24,520
2,808	Arris Group Inc., (2)	35,914
604,206	Cisco Systems, Inc.	11,534,293
21,858	LM Ericsson Telefonaktiebolget, Sponsored ADR	199,564
184,022	QUALCOMM, Inc.	11,499,535
10,352	Tellabs Inc.	36,646
	Total Communications Equipment	23,330,472
	Computers & Peripherals 22.4%	
94,500	Apple, Inc., (3)	63,056,070
216,218	Dell Inc., (2)	2,131,909
8,806	EMC Corporation, (2)	240,140
10,243	Hewlett-Packard Company	174,746
4,837	Logitech International SA	44,259
24,822	SanDisk Corporation, (2)	1,078,019
	Total Computers & Peripherals	66,725,143
	Containers & Packaging 0.1%	
3,876	Silgan Holdings, Inc.	168,645
	Distributors 0.3%	
40,470	LKQ Corporation, (2)	748,695
	Diversified Consumer Services 0.1%	
5,783	Career Education Corporation, (2)	21,802
3,940	Education Management Corporation, (2)	12,253
1,285	Strayer Education Inc.	82,690
1,212	Weight Watcher s International Inc.	63,994
	Total Diversified Consumer Services	180,739
	Diversified Financial Services 0.1%	
1,389	Moody s Corporation	61,352
3,537	MSCI Inc., Class A Shares, (2)	126,589
	Total Diversified Financial Services	187,941
	Diversified Telecommunication Services 0.3%	
11,623	AT&T Inc.	438,187
12,086	Verizon Communications Inc.	550,759
4,072	Windstream Corporation	41,168
	Total Diversified Telecommunication Services	1,030,114
	Electronic Equipment & Instruments 0.3%	
995	Amphenol Corporation, Class A	58,586
3,675	Arrow Electronics, Inc., (2)	123,884
5,960	Avnet Inc., (2)	173,376
13,756	National Instruments Corporation	346,239
1,870	Plexus Corporation	56,642
	Total Electronic Equipment & Instruments	758,727
	Food & Staples Retailing 0.6%	
2,453	Casey s General Stores, Inc.	140,164

5,132	CVS Caremark Corporation	248,491
1,862	Fresh Market Inc.	111,683
20,370	Kroger Co.	479,510
1,050	PriceSmart, Inc.	79,506
14,549	Safeway Inc.	234,093
14,234	Walgreen Co.	518,687
1,360	Weis Markets Inc.	57,569
	Total Food & Staples Retailing	1,869,703
	Health Care Equipment & Supplies 0.7%	
4,453	Baxter International, Inc.	268,338
2,926	Becton, Dickinson and Company	229,867
7,605	Boston Scientific Corporation, (2)	43,653
1,655	C. R. Bard, Inc.	173,196
6,787	Covidien PLC	403,284
1,123	Idexx Labs Inc., (2)	111,570
9,210	Medtronic, Inc.	397,135
2,552	Saint Jude Medical Inc.	107,516
3,714	Stryker Corporation	206,721
1,202	Varian Medical Systems, Inc., (2)	72,505
2,561	Zimmer Holdings, Inc.	173,175
	Total Health Care Equipment & Supplies	2,186,960
	Health Care Providers & Services 1.8%	
7,890	AmerisourceBergen Corporation	305,422
7,457	Cardinal Health, Inc.	290,599
1,584	Catamaran Corporation	155,184
63,658	Express Scripts, Inc., (2)	3,989,447
5,773	McKesson HBOC Inc.	496,651
1,606	Patterson Companies, Inc.	54,989
	Total Health Care Providers & Services	5,292,292
	Health Care Technology 0.1%	
8,481	Allscripts Healthcare Solutions Inc., (2)	105,419
13,136	Quality Systems Inc.	243,673
	Total Health Care Technology	349,092
	Hotels, Restaurants & Leisure 1.2%	
3,330	Cheesecake Factory Inc.	119,048
2,690	Darden Restaurants, Inc.	149,968
13,940	McDonald s Corporation	1,278,995
1,773	Panera Bread Company, (2)	302,988
13,593	Wynn Resorts Ltd	1,569,176
	Total Hotels, Restaurants & Leisure	3,420,175
	Household Durables 0.0%	
100	NVR Inc., (2)	84,450
	Household Products 0.1%	
985	Colgate-Palmolive Company	105,612
3,724	Procter & Gamble Company	258,297
	Total Household Products	363,909
	Industrial Conglomerates 0.1%	
1,793	3M Co.	165,709
3,005	Danaher Corporation	165,726
	Total Industrial Conglomerates	331,435
	Insurance 0.0%	
5,268	CNA Financial Corporation	141,182
	Internet & Catalog Retail 5.7%	
50,848	Amazon.com, Inc., (2)	12,931,663
1,604	Hosting Site Network, Inc.	78,676
1,547	MakeMyTrip Limited	26,345
6,208	Priceline.com Incorporated, (2)	3,841,076
	Total Internet & Catalog Retail	16,877,760
	Internet Software & Services 11.6%	
31,371	Baidu.com, Inc., Sponsored ADR, (2)	3,664,760
1,468	Digital River, Inc., (2)	24,457
147,828	eBay Inc., (2)	7,156,353
28,325	Google Inc., Class A, (2)	21,371,213
11,128	IAC/InterActiveCorp.	579,324
4,807	J2 Global Inc.	157,766
1,436	Mercadolibre, Inc.	118,542
7,516	Netease.com, Inc., (2)	421,948
4,376	NIC, Incorporated, (2)	64,765
5,556	Open Text Corporation	306,358
1,782	Rackspace Hosting Inc., (2)	117,772

1,733	Sina Corporation	112,090
2,032	Sohu.com Inc.	85,527
8,335	ValueClick, Inc., (2)	143,279
5,270	WebMD Health Corporation, Class A, (2)	73,938
	Total Internet Software & Services	34,398,092
	IT Services 1.9%	
4,453	Acxiom Corporation	81,356
27,590	Amdocs Limited	910,194
10,704	Computer Sciences Corporation	344,776
5,989	CSG Systems International Inc., (2), (3)	134,693
1,114	Gartner Inc.	51,344
19,208	Genpact Limited	320,389
1,448	Global Payments Inc.	60,570
19,648	Henry Jack and Associates Inc.	744,659
9,723	International Business Machines Corporation (IBM)	2,017,036
8,650	ManTech International Corporation, Class A	207,600
3,931	NeuStar, Inc., (2)	157,358
20,035	SAIC, Inc.	241,221
6,846	Sapient Corporation	72,978
2,118	Teradata Corporation, (2)	159,718
8,580	Total System Services Inc.	203,346
	Total IT Services	5,707,238
	Life Sciences Tools & Services 0.7%	
4,788	Charles River Laboratories International, Inc., (2)	189,605
14,460	ICON plc	352,390
5,980	Luminex Corporation, (2)	116,251
20,567	Techne Corporation	1,479,590
1,133	Thermo Fisher Scientific, Inc.	66,654
	Total Life Sciences Tools & Services	2,204,490
	Machinery 0.4%	
2,571	AGCO Corporation, (2)	122,071
4,955	CNH Global N.V.	192,105
1,251	Deere & Company	103,195
4,297	Eaton Corporation	203,076
7,181	Makita Corporation, ADR	277,833
3,641	Nordson Corporation	213,435
2,114	WABCO Holdings Inc., (2)	121,914
1,585	Woodward Governor Company	53,858
	Total Machinery	1,287,487
	Marine 0.0%	
985	Kirby Corporation	54,451
	Media 5.6%	
225,171	Comcast Corporation, Class A	8,054,367
3,044	Comcast Corporation, Special Class A	105,931
1,123	Discovery Communications inc., Class A Shares, (2)	66,964
1,399	Dreamworks Animation SKG Inc., (2)	26,903
6,138	Focus Media Holding, Limited, (2)	143,629
2,045	Lamar Advertising Company, (2)	75,788
616	Liberty Media Corporation, Liberty Capital Class A Tracking Stock, (2)	64,169
205,331	News Corporation, Class A	5,036,769
23,585	News Corporation, Class B	584,908
11,375	Omnicom Group, Inc.	586,495
2,345	Scripps Networks Interactive, Class A Shares	143,584
25,207	Thomson Corporation	727,474
9,988	Walt Disney Company	522,173
6,836	WPP Group PLC	465,737
	Total Media	16,604,891
	Metals & Mining 0.1%	
1,901	Rangold Resources Limited	233,823
	Multiline Retail 1.0%	
2,039	Big Lots, Inc., (2)	60,314
7,979	Dollar General Corporation, (2)	411,238
5,152	Family Dollar Stores, Inc.	341,578
4,059	J.C. Penney Company, Inc., (2)	98,593
11,978	Kohl s Corporation	613,513
10,757	Macy s, Inc.	404,678
2,818	Nordstrom, Inc.	155,497
11,919	Target Corporation	756,499
	Total Multiline Retail	2,841,910
	Office Electronics 0.1%	

29,579	Xerox Corporation	217,110
1,872	Zebra Technologies Corporation, Class A, (2)	70,275
	Total Office Electronics	287,385
	Personal Products 0.0%	
1,862	Herbalife, Limited	88,259
	Pharmaceuticals 1.9%	
11,141	Abbott Laboratories	763,827
4,275	Allergan, Inc.	391,505
3,606	Bristol-Myers Squibb Company	121,703
16,076	Eli Lilly and Company	762,163
8,946	Endo Pharmaceuticals Holdings Inc., (2)	283,767
12,362	Forest Laboratories, Inc., (2)	440,211
966	Hospira Inc., (2)	31,704
9,693	Johnson & Johnson	667,945
13,525	Merck & Company Inc.	609,978
3,555	Optimer Pharmaceuticals, Inc., (2)	50,197
24,094	Pfizer Inc.	598,736
6,009	Shire Pharmaceuticals Group	532,998
5,980	ViroPharma, Inc.	180,716
1,753	Watson Pharmaceuticals Inc., (2)	149,285
	Total Pharmaceuticals	5,584,735
	Professional Services 0.3%	
6,314	Equifax Inc.	294,106
2,798	IHS Inc., (2)	272,385
808	Manpower Inc.	29,734
2,197	Robert Half International Inc.	58,506
1,389	Towers Watson & Company, Class A Shares	73,686
3,901	Verisk Analytics Inc, Class A Shares, (2)	185,727
	Total Professional Services	914,144
	Real Estate Investment Trust 0.5%	
20,439	American Tower REIT Inc.	1,459,140
345	Public Storage, Inc.	48,014
	Total Real Estate Investment Trust	1,507,154
	Road & Rail 0.4%	
3,987	CSX Corporation	82,730
19,779	Heartland Express, Inc.	264,247
4,374	J.B. Hunt Transports Services Inc.	227,623
9,051	Landstar System	427,931
8,819	Werner Enterprises, Inc.	188,462
	Total Road & Rail	1,190,993
	Semiconductors & Equipment 7.6%	
15,495	Advanced Micro Devices, Inc., (2)	52,218
9,078	Aixtron AG, Aachen SH	120,011
9,086	Amkor Technology Inc.	39,978
21,237	Analog Devices, Inc.	832,278
10,098	ARM Holdings PLC	282,542
2,443	ASM International NV	82,598
13,719	ASM Lithography Holding NV	736,436
4,315	Atmel Corporation, (2)	22,697
2,227	Cabot Microelectronics Corporation, (2)	78,257
5,293	Cree, Inc., (2)	135,130
1,754	Cymer, Inc., (2)	89,559
2,485	Cypress Semiconductor Corporation, (2)	26,639
5,040	Hittite Microwave Corporation, (2)	279,569
6,984	Integrated Device Technology, Inc., (2)	41,066
632,809	Intel Corporation, (3)	14,352,108
5,743	International Rectifier Corporation, (2)	95,851
11,540	Intersil Holding Corporation, Class A	100,975
4,477	Lam Research Corporation, (2)	142,301
17,996	LSI Logic Corporation, (2)	124,352
2,198	Mellanox Technologies, Limited	223,163
121,609	Micron Technology, Inc., (2)	727,830
8,107	Microsemi Corporation	162,707
72,634	NVIDIA Corporation, (2)	968,938
7,270	NXP Semiconductors NV	181,823
27,886	ON Semiconductor Corporation, (2)	172,057
8,442	PMC-Sierra, Inc., (2)	47,613
5,933	Power Integrations Inc.	180,541
11,023	Rambus Inc.	61,067
5,950	Semtech Corporation	149,643

10,146	Silicon Laboratories Inc.	372,967
44,749	Siliconware Precision Industries Company Limited	246,567
8,537	Skyworks Solutions Inc., (2)	201,174
4,167	Spansion Inc., Class A, (2)	49,671
2,614	Spreadtrum Communications, Inc.	53,744
7,657	Tessera Technologies Inc.	104,748
41,988	Texas Instruments Incorporated	1,156,769
2,197	TriQuint Semiconductor, Inc., (2)	11,095
	Total Semiconductors & Equipment	22,706,682
	Software 15.5%	
1,606	ACI Worldwide, Inc.	67,870
5,000	Advent Software Inc., (2)	122,850
7,378	Ansys Inc., (2)	541,545
3,584	Ariba Inc.	160,563
2,847	Blackbaud, Inc.	68,100
18,065	Cadence Design Systems, Inc., (2)	232,406
941	CommVault Systems, Inc., (2)	55,237
16,834	Compuware Corporation	166,825
3,694	Concur Technologies, Inc.	272,359
1,596	FactSet Research Systems Inc.	153,886
4,334	Informatica Corporation, (2)	150,867
1,468	JDA Software Group, (2)	46,653
15,000	Micros Systems, Inc., (2)	736,800
760,000	Microsoft Corporation, (3)	22,632,800
1,584	Microstrategy Inc.	212,367
1,330	NetSuite Inc., (2)	84,854
564,163	Oracle Corporation, (3)	17,765,493
12,402	Parametric Technology Corporation	270,364
1,035	Pegasystems, Inc.	30,056
6,511	Progress Software Corporation	

Adjust shares for Dilutives:								
Stock-based compensation plans			13,094				93,260	
Diluted earnings per share:								
Net income	$	1,096			$	7,223		
Less income allocated to RSAs		22				112		
Net income allocated to common stock for EPS calculation	$	1,074	12,645,500	$ 0.08	$	7,111	12,556,320	$ 0.57

	For the Nine Months Ended September 30, 2009			For the Nine Months Ended September 30, 2008		
	Income	Shares	EPS	Income	Shares	EPS
Basic earnings per share:						
Net income	$ 7,527			$ 18,683		
Less income allocated to RSAs	148			295		
Net income allocated to common stock for EPS calculation	$ 7,379	12,597,023	$ 0.59	$ 18,388	12,426,369	$ 1.48
Adjust shares for Dilutives:						
Stock-based compensation plans		24,947			120,374	
Diluted earnings per share:						
Net income	$ 7,527			$ 18,683		
Less income allocated to RSAs	148			292		

Net income allocated to common stock for EPS calculation	$	7,379	12,621,970	$	0.58	$	18,391	12,546,743	$	1.47

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued authoritative guidance on business combinations and the accounting for noncontrolling interests. This new guidance significantly changed the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements on January 1, 2009. The adoption of this guidance in 2009 did not have a significant impact on the Company s results of operations or financial position.

In March 2008, the FASB issued authoritative guidance on the disclosures about derivative instruments and hedging activities. This guidance requires additional disclosures related to the use of derivative instruments, the accounting for derivatives and how derivatives impact financial statements on January 1, 2009. The adoption of this guidance in 2009 did not have any impact on the Company s results of operations or financial position.

In April 2009, the FASB issued authoritative guidance requiring disclosures about the fair value of financial instruments for interim financial statements of publicly traded companies. This guidance became effective for interim reporting periods ending after June 15, 2009 and the adoption of it in the second quarter of 2009 did not have any impact on the Company s results of operations or financial position.

In May 2009, the FASB issued authoritative guidance that provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2009 and will be applied prospectively. The Company adopted this guidance in the periods ended June 30, 2009 and has evaluated for subsequent events through October 30, 2009, the issuance date of the Company s September 30, 2009 consolidated financial statements. Besides the amendment to our credit agreement and the acquisition of a Canadian-based LRI Oil Tools company discussed in Notes 6 and 9, respectively, no other recognized or non-recognized subsequent events were noted.

3. INVESTMENT IN JOINT VENTURES

Operating results include the Company s proportionate share of income from unconsolidated joint ventures, which are accounted for under the equity method. These investments (all of which resulted from the acquisition of DYNAenergetics and pertain to the Company s Oilfield Products business segment) include the following: (1) 65.19% interest in Perfoline, which is a Russian manufacturer of perforating gun systems and (2) 55% interest in DYNAenergetics RUS which is a Russian trading company that sells the Company s oilfield products. Due to certain noncontrolling interest veto rights that allow the noncontrolling interest shareholders to participate in ordinary course of business decisions, these joint ventures have been accounted for under the equity method instead of being consolidated in these financial statements. Investments in these joint ventures totaled $1,182 and $970 as of September 30, 2009 and December 31, 2008, respectively.

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Summarized unaudited financial information for the joint ventures accounted for under the equity method as of September 30, 2009 and December 31, 2008 and for the three and nine months ended September 30, 2009 and 2008 is as follows:

	September 30, 2009	December 31, 2008
Current assets	$ 4,070	$ 4,667
Noncurrent assets	672	714
Total assets	$ 4,742	$ 5,381
Current liabilities	$ 1,531	$ 2,064
Noncurrent liabilities	651	830
Equity	2,560	2,487
Total liabilities and equity	$ 4,742	$ 5,381

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net sales	$ 1,645	$ 1,875	$ 4,427	$ 6,600
Operating income	$ 233	$ 120	$ 596	$ 908
Net income	$ 168	$ 60	$ 310	$ 595
Equity in earnings (losses) of joint ventures	$ 91	$ (19)	$ 170	$ 270

4. INVENTORY

The components of inventory are as follows at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Raw materials	$ 10,671	$ 11,610
Work-in-process	16,154	18,950
Finished goods	4,913	3,903
Supplies	827	837
	$ 32,565	$ 35,300

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5. PURCHASED INTANGIBLE ASSETS

The following table presents details of our purchased intangible assets, other than goodwill, as of September 30, 2009:

	Gross	Accumulated Amortization	Net
Core technology	$ 24,424	$ (2,290)	$ 22,134
Customer relationships	32,955	(6,866)	26,089
Trademarks / Trade names	2,660	(746)	1,914
Total intangible assets	$ 60,039	$ (9,902)	$ 50,137

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

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

The increase in the gross value of our purchased intangible assets from December 31, 2008 to September 30, 2009 is due solely to the impact of foreign currency translation. The increase in goodwill from $43,066 at December 31, 2008 to $44,045 at September 30, 2009 is also due solely to the impact of foreign currency translation.

6. DEBT

Long-term debt consists of the following at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Syndicated credit agreement term loan	$ 37,756	$ 40,500
Syndicated credit agreement Euro term loan	17,140	17,763
Nord LB 3,000 Euro term loan	1,751	2,326
Nord LB 500 Euro term loan		39
	56,647	60,628
Less current maturities	(10,690)	(14,450)
Long-term debt	$ 45,957	$ 46,178

Loan Covenants and Restrictions

The Company s existing loan agreements include various covenants and restrictions, certain of which relate to the incurrence of additional indebtedness; mortgaging, pledging or disposition of

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major assets; limits on capital expenditures; and maintenance of specified financial ratios. As of September 30, 2009, the Company was in compliance with all financial covenants and other provisions of its debt agreements.

On October 21, 2009, the Company s syndicated credit agreement (credit facility) was amended, effective September 30, 2009, to revise the leverage ratios and fixed charge coverage ratios that the Company is required to satisfy on a quarterly basis throughout the term of the credit facility, which expires on November 16, 2012. These revised ratios will ease the Company s ability to comply with certain covenants of the credit agreement. The pricing grid applicable to drawn and undrawn amounts under the credit facility was also amended and will increase our going forward effective interest rate on outstanding borrowings by 1.5% per annum.

Swap Agreement

On November 17, 2008, the Company entered into a two-year interest rate swap agreement with an initial notional amount of $40,500 (decreasing to $33,750 in November 2009) that effectively converted the LIBOR based variable rate US borrowings under the syndicated credit agreement to a fixed rate of 4.87% (4.62% effective May 15, 2009 due to an improvement in the Company s leverage ratio). The Company had designated the swap agreement as an effective cash flow hedge with matched terms and, as a result, changes in the fair value of the swap agreement were recorded in other comprehensive income with the offset as a swap agreement asset or liability. During the quarter ended June 30, 2009, the Company made an unanticipated repayment of $2,744 on its variable rate US borrowings and elected to de-designate this portion of the cash flow hedge. Settlements and changes in the fair value related to the de-designated portion of the cash flow hedge are recorded as realized and unrealized gains/losses on swap agreement within other income in the Company s statement of operations.   The Company recorded an immaterial loss of less than $100 during the quarter ended June 30, 2009 and less than $10 during the quarter ended September 30, 2009.

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

	September 30, 2009			December 31, 2008		
Interest rate swap liability	**Balance sheet location**		**Fair value**	**Balance sheet location**		**Fair value**
Current portion	Accrued expenses	$	894	Accrued expenses	$	759
Long-term portion	Other long-term liabilities		136	Other long-term liabilities		647
		$	1,030		$	1,406

7. BUSINESS SEGMENTS

The Company is organized in the following three segments: Explosive Metalworking, Oilfield Products, and AMK Welding. The Explosive Metalworking segment uses explosives to perform metal cladding and shock synthesis of industrial diamonds. The most significant products of this group are clad metal plates which are used by customers in the fabrication of pressure vessels, heat exchangers and other equipment for various industries, including upstream oil and gas, oil refinery, petrochemicals, alternative energy, hydrometallurgy, power generation, industrial refrigeration, and similar industries and internally to produce transition joints for use in the aluminum production and shipbuilding industries. The Oilfield Products segment manufactures, markets and sells oilfield perforating equipment and explosives, including detonating cords, detonators, bi-

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directional boosters and shaped charges, and seismic related explosives and accessories. AMK Welding utilizes a number of welding technologies to weld components for manufacturers of jet engine and ground-based turbines.

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

Segment information is presented for the three and nine months ended September 30, 2009 and 2008 as follows:

	Explosive Metalworking Group	Oilfield Products	AMK Welding	Total
For the three months ended September 30, 2009:				
Net sales	$ 27,327	$ 5,123	$ 2,240	$ 34,690
Depreciation and amortization	$ 1,527	$ 912	$ 114	$ 2,553
Income from operations	$ 3,370	$ (414)	$ 441	$ 3,397
Equity in earnings of joint ventures	$	$ 91	$	91
Unallocated amounts:				
Stock-based compensation				(897)
Other expense				(633)
Interest expense				(752)
Interest income				41
Consolidated income before income taxes				$ 1,247

	Explosive Metalworking Group	Oilfield Products	AMK Welding	Total
For the three months ended September 30, 2008:				
Net sales	$ 42,703	$ 6,756	$ 2,921	$ 52,380
Depreciation and amortization	$ 1,574	$ 947	$ 109	$ 2,630
Income from operations	$ 8,593	$ 725	$ 874	$ 10,192
Equity in losses of joint ventures	$	$ (19)	$	(19)
Unallocated amounts:				
Stock-based compensation				(820)
Other expense				(268)
Interest expense				(1,469)
Interest income				153
Consolidated income before income taxes				$ 7,769

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	Explosive Metalworking Group	Oilfield Products	AMK Welding	Total
For the nine months ended September 30, 2009:				
Net sales	$ 102,403	$ 13,171	$ 6,694	$ 122,268
Depreciation and amortization	$ 4,452	$ 2,616	$ 342	$ 7,410
Income from operations	$ 17,381	$ (2,013)	$ 1,122	$ 16,490
Equity in earnings of joint ventures	$	$ 170	$	170
Unallocated amounts:				
Stock-based compensation				(2,657)
Other expense				(560)
Interest expense				(2,521)
Interest income				145
Consolidated income before income taxes				$ 11,067

	Explosive Metalworking Group	Oilfield Products	AMK Welding	Total
For the nine months ended September 30, 2008:				
Net sales	$ 147,344	$ 19,128	$ 7,485	$ 173,957
Depreciation and amortization	$ 6,619	$ 2,866	$ 324	$ 9,809
Income from operations	$ 28,393	$ 775	$ 2,096	$ 31,264
Equity in earnings of joint ventures	$	$ 270	$	270
Unallocated amounts:				
Stock-based compensation				(2,363)
Other expense				(227)
Interest expense				(4,203)
Interest income				477
Consolidated income before income taxes				$ 25,218

During the three months ended September 30, 2009, sales to one customer represented approximately $4,033 (11.6%) of total net sales. During the nine months ended September 30, 2009, no sales to any one customer accounted for more than 10% of total sales. During the three and nine months ended September 30, 2008, no sales to any one customer accounted for more than 10% of total net sales.

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8. COMPREHENSIVE INCOME

The Company s comprehensive income for the three and nine months ended September 30, 2009 and 2008 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income for the period	$ 1,096	$ 7,223	$ 7,527	$ 18,683
Interest rate swap valuation adjustment, net of tax	104	167	301	77
Foreign currency translation adjustment	3,942	(9,117)	3,747	(2,010)
Comprehensive income	$ 5,142	$ (1,727)	$ 11,575	$ 16,750

Other cumulative comprehensive income (loss) as of September 30, 2009 and December 31, 2008 consisted of the following:

	September 30, 2009	December 31, 2008
Currency translation adjustment	$ 2,404	$ (1,343)
Interest rate swap valuation adjustment, net of tax of $335 and $520, respectively	(585)	(886)
	$ 1,819	$ (2,229)

9. SUBSEQUENT EVENT

On October 1, 2009, the Company acquired all of the stock of Alberta, Canada based LRI Oil Tools Inc. (LRI). The purchase price was comprised of cash of $500 Canadian dollars (CAD), 9,584 shares of the Company s restricted common stock (valued at approximately $200 CAD) and the assumption of approximately $8,400 CAD of LRI s liabilities. Immediately following the closing of the transaction, the Company repaid $1,200 CAD of loans payable to the former shareholders of LRI. These loans were included in the debt assumed by the Company.

LRI produces and distributes perforating equipment for use by the oil and gas exploration and production industry. The business has had a long-term strategic relationship with the Company s Oilfield Products segment, and has served for several years as its sole Canadian distributor.

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ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our historical consolidated financial statements and notes, as well as the selected historical consolidated financial data that are included in the Company s Annual Report filed on Form 10-K for the year ended December 31, 2008.

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

Executive Overview

Our business is organized into three segments: Explosive Metalworking, Oilfield Products, and AMK Welding. For the nine months ended September 30, 2009, Explosive Metalworking accounted for 84% of our net sales and 105% of our income from continuing operations before consideration of stock-based compensation expense, which is not allocated to our business segments. Our Oilfield Products and AMK Welding segments accounted for 11% and 5%, respectively, of our year-to-date 2009 net sales.

Our net sales for the nine months ended September 30, 2009 decreased by $51,689 (29.7%) compared to the same period of 2008, reflecting year-to-year net sales decreases of $44,941 (30.5%), $5,957 (31.1%), and $791 (10.6%) for our Explosive Metalworking, Oilfield Products, and AMK Welding segments, respectively. The sales decrease of approximately $51.7 million includes a sales volume decrease of approximately $42.8 million and an unfavorable foreign exchange translation adjustment of approximately $8.9 million on our European sales as a result of the increased value of the U.S. dollar against the Euro. Income from operations decreased 52.1% to $13,833 in the nine months ended September 30, 2009 from $28,901 in the same period of 2008. This $15,068 decrease reflects declines in Explosive Metalworking s, Oilfield Products , and AMK Welding s operating income of $11,012, $2,788, and $974, respectively, and a $294 increase in stock-based compensation expense. Our net income decreased by 59.7% to $7,527 for the nine months ended September 30, 2009 from $18,683 for the same period of 2008.

Impact of Current Economic Situation on the Company

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

As a result of the 29.7% decline in our net sales during the nine months ended September 30, 2009 and the decrease in our Explosive Metalworking backlog from $97,247 at December 31, 2008 to $62,912 at September 30, 2009, we now expect our consolidated net sales in 2009 to decrease approximately 29% to 31% from the amount we achieved in 2008. In light of the

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slowdown in order inflow that we are experiencing, we are continuing to carefully manage expenses. We generated cash flow from operations of $23,414 during the nine months ended September 30, 2009 and expect to generate additional positive cash flow from operations over the next several quarters.

Net sales

Explosive Metalworking s revenues are generated principally from sales of clad metal plates and sales of transition joints, which are made from clad plates, to customers that fabricate industrial equipment for various industries, including oil and gas, petrochemicals, alternative energy, hydrometallurgy, aluminum production, shipbuilding, power generation, industrial refrigeration, and similar industries. While a large portion of the demand for our clad metal products is driven by new plant construction and large plant expansion projects, maintenance and retrofit projects at existing chemical processing, petrochemical processing, oil refining, and aluminum smelting facilities also account for a significant portion of total demand.

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

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

Gross profit and cost of products sold

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

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

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

Income taxes

Our effective income tax rate increased to 32% for the nine months ended September 30, 2009 from 25.9% for the same period of 2008. Going forward, based upon existing tax regulations and current federal, state and foreign statutory tax rates, we expect our full year 2009 effective tax rate on our projected consolidated pre-tax income to range between 32% and 33%.

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Backlog

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

Our backlog with respect to the Explosive Metalworking segment decreased to $62,912 at September 30, 2009 from $97,247 at December 31, 2008 but increased slightly from the $57,090 in backlog that we reported at June 30, 2009. As a result of the lower sales that we reported during the first nine months of 2009 and shipments that we expect to make in the fourth quarter from our September 30 backlog, we are now forecasting that our consolidated net sales for fiscal 2009 will decline approximately 29% to 31% from those reported for fiscal 2008.

Three and Nine Months Ended September 30, 2009 Compared to Three and Nine Months Ended September 30, 2008

Net sales

	Three Months Ended September 30,			
	2009	2008	Change	Percentage Change
Net sales	$ 34,690	$ 52,380	$ (17,690)	(33.8)%

	Nine Months Ended September 30,			
	2009	2008	Change	Percentage Change
Net sales	$ 122,268	$ 173,957	$ (51,689)	(29.7)%

Net sales for the third quarter of 2009 decreased 33.8% to $34,690 from $52,380 for the third quarter of 2008. Explosive Metalworking sales decreased 36.0% to $27,327 for the three months ended September 30, 2009 (79% of total sales) from $42,703 for the same period of 2008 (81% of total sales). The decrease in Explosive Metalworking sales reflects a business slowdown in several of the industries that this business segment serves and includes approximately $1.0 million of unfavorable foreign exchange translation adjustments.

Oilfield Products contributed $5,123 to third quarter 2009 sales (15% of total sales), which represents a 24.2% decrease from sales of $6,756 for the third quarter of 2008 (13% of total sales). The $1,633 decline in sales reflects a significant volume decrease as well as approximately $300,000 in unfavorable foreign exchange adjustments.

AMK Welding contributed $2,240 to third quarter 2009 sales (6% of total sales), which represents a 23.3% decrease from sales of $2,921 for the third quarter of 2008 (6% of total sales).

Net sales for the nine months ended September 30, 2009 decreased 29.7% to $122,268 from $173,957 for the same period of 2008. Explosive Metalworking sales decreased 30.5% to $102,403 for the nine months ended September 30, 2009 (84% of total sales) from $147,344 for the same period of 2008 (85% of total sales). The decrease in Explosive Metalworking sales reflects a business slowdown in several of the industries that this business segment serves and includes approximately $7.0 million of unfavorable foreign exchange translation adjustments.

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Oilfield Products contributed $13,171 to the nine months ended September 30, 2009 sales (11% of total sales), which represents a 31.1% decrease from sales of $19,128 for the same period of 2008 (11% of total sales). The $5,957 decline in sales reflects both a volume decrease and a negative impact of approximately $1.9 million from unfavorable foreign exchange adjustments.

AMK Welding contributed $6,694 to the nine month ended September 30, 2009 sales (5% of total sales), which represents a 10.6% decrease from sales of $7,485 for the same period of 2008 (4% of total sales).

Gross profit

	Three Months Ended September 30,			
	2009	**2008**	**Change**	**Percentage Change**
Gross profit	$ 8,754	$ 17,025	$ (8,271)	(48.6)%
Consolidated gross profit margin rate	25.2%	32.5%		

	Nine Months Ended September 30,			
	2009	2008	Change	Percentage Change
Gross profit	$ 33,236	$ 53,786	$ (20,550)	(38.2)%
Consolidated gross profit margin rate	27.2%	30.9%		

Gross profit decreased by 48.6% to $8,754 for the three months ended September 30, 2009 from $17,025 for the three months ended September 30, 2008. Our third quarter 2009 consolidated gross profit margin rate decreased to 25.2% from 32.5% for the third quarter of 2008. For the nine months ended September 30, 2009, gross profit decreased to $33,236 from $53,786 for the same period of 2008. Our year to date consolidated gross profit margin rate decreased to 27.2% from 30.9% for the same period of 2008.

The gross profit margin rate for Explosive Metalworking decreased from 31.9% for the third quarter of 2008 to 25.8% for the third quarter of 2009. The decreased third quarter 2009 gross profit margin rate for Explosive Metalworking relates entirely to our European cladding operations where the gross margin rate for the quarter was 59% lower than the gross margin rate reported for the third quarter of 2008 on a year to year sales decline of 53%. Our U.S. clad division reported only a slightly lower gross margin rate (32% vs. 33%) for the third quarter of 2009 versus the comparable period of 2008 despite a 24% drop in sales. Our year to date gross profit margin rate for Explosive Metalworking decreased to 28.3% from 30.6%. Historically, gross margins for our European explosion welding divisions have been lower than those reported by our U.S. division due to less efficient fixed manufacturing cost structures associated with our smaller European facilities. We are taking steps to reduce fixed manufacturing overhead costs at all of our facilities but the benefit of these actions will not be fully reflected in our gross margin performance until 2010 and will likely be muted by the expected continuation of a very competitive pricing environment. As has been the case historically, we expect to see continued fluctuations in Explosive Metalworking s quarterly gross margin rates in the fourth quarter of 2009 and throughout 2010 that result from anticipated fluctuations in quarterly sales volume and changes in product mix. Based upon the volume and mix of product that we expect to ship in the fourth quarter of 2009, we currently expect fourth quarter gross margins for Explosive Metalworking to be in a range of 23% to 25% and full year gross margins to be in a range of 26% to 27%.

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Oilfield Products reported a gross profit margin rate of 22.4% for the third quarter of 2009 compared to a gross profit margin rate of 35.6% for the third quarter of 2008. Oilfield Products reported a gross profit margin rate of 21.7% for the nine months ended September 30, 2009 compared to a gross profit margin rate of 32.4% for the same period of 2008. The large decrease in Oilfield Products third quarter and year to date gross margin relate principally to third quarter and year to date sales declines of 24.2% and 31.1%, respectively, and resultant less favorable absorption of fixed manufacturing overhead expenses but also include the impact of non-recurring costs associated with the relocation of certain production activities during the second quarter and changes in product/customer mix. Based upon the expected improvement in this segment s sequential quarterly sales and gross margin performance during the fourth quarter of 2009, we expect Oilfield Products to report a gross margin in the range of 23% to 25% for the full year 2009.

The gross profit margin rate for AMK Welding decreased to 29.7% for the third quarter of 2009 from 37.9% for the third quarter of 2008. The gross profit margin rate for AMK Welding decreased to 26.5% for the nine months ended September 30, 2009 from 36.3% for the same period of 2008. The decrease in AMK Welding s gross margin relates principally to an increase in manufacturing overhead associated with engineering and product development expenses as AMK seeks to expand both its service offerings and customer base. We expect AMK Welding s fourth quarter sales and gross margins to be comparable to those reported in the third quarter of 2009.

General and administrative expenses

	Three Months Ended September 30,			
	2009	**2008**	**Change**	**Percentage Change**
General & administrative expenses	$ 2,749	$ 3,679	$ (930)	(25.3)%
Percentage of net sales	7.9%	7.0%		

	Nine Months Ended September 30,			
	2009	2008	Change	Percentage Change
General & administrative expenses	$ 9,318	$ 10,612	$ (1,294)	(12.2)%
Percentage of net sales	7.6%	6.1%		

General and administrative expenses decreased by $930, or 25.3%, to $2,749 in the third quarter of 2009 from $3,679 in the third quarter of 2008. This decrease includes a $199 decrease in accrued incentive compensation, a decrease of $331 in legal, audit and consulting expenses, and a net decrease of $399 in all other expenses categories that reflects the impact of tight controls over discretionary spending as well as certain non-recurring professional service fees that we incurred in 2008 relating to the integration of DYNAenergetics. The $930 decrease in total general and administrative expenses also reflects the positive effect of $70 in favorable foreign exchange translation adjustments. As a percentage of net sales, general and administrative expenses increased to 7.9% in the third quarter of 2009 from 7.0% in the third quarter of 2008.

General and administrative expenses for the nine months ended September 30, 2009 totaled $9,318 compared to $10,612 for the same period of 2008. General and administrative expenses of our European divisions decreased by $687, or 15.5%, as a result of a 5.2% decrease in net expenses as measured in Euros and $463 in favorable foreign exchange translation adjustments. Our U.S. general and administrative expenses decreased by $607 or 9.8%. The U.S. decrease reflects a $367 decrease in accrued incentive compensation and a $307 decrease in legal, audit and

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consulting expenses. As a percentage of net sales, general and administrative expenses increased to 7.6% in the nine months ended September 30, 2009 from 6.1% in the same period of 2008.

Selling expenses

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Change	Percentage Change
Selling expenses	$ 2,212	$ 2,611	$ (399)	(15.3)%
Percentage of net sales	6.4%	5.0%		

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Change	Percentage Change
Selling expenses	$ 6,376	$ 8,085	$ (1,709)	(21.1)%
Percentage of net sales	5.2%	4.6%		

Selling expenses, which include sales commissions of $237 in 2009 and $157 in 2008, decreased by 15.3% to $2,212 in the third quarter of 2009 from $2,611 in the third quarter of 2008. The $399 decrease in our consolidated selling expenses includes decreased selling expenses of $219 and $180 at our European and U.S. divisions, respectively. The decrease in European selling expenses relates principally to staff reductions within our European explosion welding divisions and also includes $81 of favorable foreign exchange translation adjustments. The $180 decrease in our U.S. selling expenses reflects decreased sales commissions of $36, a $68 decrease in bad debt expense, a $68 decrease in accrued incentive compensation and a net decrease of $8 in other spending categories. As a percentage of net sales, selling expenses increased to 6.4% in the third quarter of 2009 from 5.0% in the third quarter of 2008.

Selling expenses decreased by 21.1% to $6,376 in the nine months ended September 30, 2009 from $8,085 in the same period of 2008. These selling expenses include sales commissions of $1,045 and $1,209 for 2009 and 2008, respectively. The $1,709 decrease in our consolidated selling expenses includes decreased year to date selling expenses of $1,320 and $389 at our European and U.S. divisions, respectively. The decrease in European selling expenses relates principally to staff reductions within our European explosion welding divisions and non-recurring expenses in the first quarter of 2008 relating to the termination of contracts with former sales agents and also includes $478 of favorable foreign exchange translation adjustments. The $389 decrease in our U.S. selling expenses reflects decreased sales commissions of $103, a $120 decrease in bad debt expense, a $166 decrease in accrued incentive compensation, a $109 decrease in travel expenses and a $141 reduction in business development, advertising and promotional expenses that were partially offset by a $100 increase in salary expense, a $68 increase in stock-based compensation and a net increase of $82 in other spending categories. As a percentage of net sales, selling expenses increased to 5.2% in the nine months ended September 30, 2009 from 4.6% in the same period of 2008.

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Amortization expenses

	Three Months Ended September 30, 2009	2008	Change	Percentage Change
Amortization expense of purchased intangible assets	$ 1,293	$ 1,363	$ (70)	(5.1)%
Percentage of net sales	3.7%	2.6%		

	Nine Months Ended September 30, 2009	2008	Change	Percentage Change
Amortization expense of purchased intangible assets	$ 3,709	$ 6,188	$ (2,479)	(40.1)%
Percentage of net sales	3.0%	3.6%		

Amortization expense relates entirely to the amortization of values assigned to intangible assets in connection with the November 15, 2007 acquisition of DYNAenergetics. Amortization expense for the three months ended September 30, 2009 includes $897, $299 and $97 relating to values assigned to customer relationships, core technology and trademarks/trade names, respectively. Amortization expense for the three months ended September 30, 2008 includes $945, $315 and $103 relating to values assigned to customer relationships, core technology and trademarks/trade names, respectively.

Amortization expense for the nine months ended September 30, 2009 includes $2,572, $858 and $279 relating to values assigned to customer relationships, core technology and trademarks/trade names, respectively. Amortization expense for the nine months ended September 30, 2008 includes $2,055, $2,866, $956 and $311 relating to values assigned to order backlog, customer relationships, core technology and trademarks/trade names, respectively. The value assigned to order backlog was fully amortized during the first six months of 2008. Amortization expense variances for the other categories of purchased intangible assets relate to foreign exchange translation adjustments. Amortization expense for 2009 (as measured in Euros) is expected to approximate 905 for the remaining quarter of 2009 and is expected to remain at this level for most of calendar year 2010.

Operating income

	Three Months Ended September 30, 2009	2008	Change	Percentage Change
Operating income	$ 2,500	$ 9,372	$ (6,872)	(73.3)%

	Nine Months Ended September 30, 2009	2008	Change	Percentage Change
Operating income	$ 13,833	$ 28,901	$ (15,068)	(52.1)%

Income from operations (operating income) decreased by 73.3% to $2,500 in the third quarter of 2009 from $9,372 in the third quarter of 2008. For the nine months ended September 30, 2009 operating income decreased by 52.1% to $13,833 from $28,901 for the same period of 2008.

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Explosive Metalworking reported operating income of $3,370 in the third quarter of 2009 as compared to $8,593 in the third quarter of 2008. This 60.8% decrease in Explosive Metalworking operating income is largely attributable to the 36% decrease in net sales discussed above. Explosive Metalworking reported operating income of $17,381 in the nine months ended September 30, 2009 as compared to $28,393 in the same period of 2008. This 38.8% decrease in Explosive Metalworking operating income is largely attributable to the 30.5% decrease in net sales discussed above.

Oilfield Products reported an operating loss of $414 for the third quarter of 2009 as compared to operating income of $725 for the third quarter of 2008. For the nine months ended September 30, 2009, Oilfield Products reported an operating loss of $2,013 as compared to operating income of $775 for the same period of 2008.

AMK Welding reported operating income of $441 for the three months ended September 30, 2009 as compared to $874 for the same period of 2008. AMK Welding reported operating income of $1,122 for the nine months ended September 30, 2009 as compared to $2,096 for the same period of 2008.

Operating income for the three and nine months ended September 30, 2009 includes $897 and $2,657, respectively, of stock-based compensation compared to stock-based compensation expense for the three and nine months ended September 30, 2008 of $820 and $2,363, respectively. This expense is not allocated to our business segments and thus is not included in the above first quarter operating income or loss totals for Explosive Metalworking, Oilfield Products and AMK Welding.

Other income (expense), net

	Three Months Ended September 30,			
	2009	**2008**	**Change**	**Percentage Change**
Other income (expense), net	$ (633)	$ (268)	$ (365)	136.2%

	Nine Months Ended September 30,			
	2009	**2008**	**Change**	**Percentage Change**
Other income (expense), net	$ (560)	$ (227)	$ (333)	146.7%

Net other expense for the three months ended September 30, 2009 was $633 compared to net other expense of $268 for the same period of 2008. For year to date 2009, we recorded net other expense of $560 compared to net other expense of $227 for the same period of 2008. The large increase in net other expense for the three and nine month periods relates principally to realized and unrealized foreign exchange losses recognized in the third quarter of 2009 by consolidated subsidiaries that prepare their financial statements in functional currencies other than the U.S. dollar. The foreign exchange losses recorded by our Swedish, German and Kazakhstan subsidiaries during the third quarter reflect the weakening of the Euro against the Swedish Krona, the weakening of the U.S. Dollar against the Euro and weakening of the Kazakhstan Tenge against the Euro, respectively.

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Interest income (expense), net

	Three Months Ended September 30, 2009	2008	Change	Percentage Change
Interest income (expense), net	$ (711)	$ (1,316)	$ 605	(46.0)%

	Nine Months Ended September 30, 2009	2008	Change	Percentage Change
Interest income (expense), net	$ (2,376)	$ (3,726)	$ 1,350	(36.2)%

We recorded net interest expense of $711 in the three months ended September 30, 2009 compared to net interest expense of $1,316 in the same time period of 2008. We recorded net interest expense of $2,376 in the nine months ended September 30, 2009 compared to net interest expense of $3,726 in the same period of 2008. This decrease in net interest expense reflects term debt reductions and lower interest rates.

Income tax provision

	Three Months Ended September 30, 2009	2008	Change	Percentage Change
Income tax provision	$ 151	$ 546	$ (395)	(72.3)%
Effective tax rate	12.1%	7.0%		

	Nine Months Ended September 30, 2009	2008	Change	Percentage Change
Income tax provision	$ 3,540	$ 6,535	$ (2,995)	(45.8)%
Effective tax rate	32.0%	25.9%		

We recorded an income tax provision of $151 in the third quarter of 2009 compared to $546 in the third quarter of 2008. The effective tax rate increased to 12.1% in the third quarter of 2009 from 7.0% in the third quarter of 2008. The income tax provisions for the three months ended September 30, 2009 and 2008 include $1,079 and $83, respectively, related to U.S. taxes, with the remainder relating to foreign taxes and foreign tax benefits associated with the operations of Nobelclad and its Swedish subsidiary, Nitro Metall, as well as the DYNAenergetics and Dynaplat divisions and related holding companies in Germany and Luxembourg.

The third quarter 2009 effective tax rate of 12.1% represents a significant deviation from the expected full year 2009 effective tax rate of 34% to 35% that was disclosed at the end of the second quarter. The deviation arose primarily from adjustments that were identified during the third quarter 2009 preparation and filing of our 2008 income tax returns and from a more tax-favorable blend of 2009 pre-tax income expected in foreign jurisdictions relative to that expected in the U.S. The book-to-return adjustments favorably impacted the third quarter tax provision by approximately $200 and related primarily to federal and state tax credits and changes in German law on interest expense. The third quarter 2008 effective tax rate of 7.0% represented a

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significant deviation from the then expected full year 2008 effective tax rate of 32% to 33% that was disclosed at the end of the second quarter of 2008. The deviation arose primarily from the completion during the third quarter of an Internal Revenue Service examination and from adjustments that were identified during the third quarter 2008 preparation and filing of our 2007 federal and state tax returns. The closure of the Internal Revenue Service examination enabled the Company to record previously unrecognized tax benefits of approximately $300. The book-to-return adjustments favorably impacted the third quarter tax provision by approximately $1,100 and related primarily to apportionment factors utilized to compute state income taxes. As a result of these third quarter tax provision adjustments, we then expected our full year 2008 blended effective tax rate on our consolidated pre-tax income to approximate 27%. Our blended effective tax rate for 2009 is expected to increase to a range from 32% to 33%.

For the nine months ended September 30, 2009, we recorded an income tax provision of $3,540 compared to $6,535 in the same period of 2008. The effective tax rate increased to 32.0% in the nine months ended September 30, 2009 from 25.9% in the same period of 2008. The income tax provisions for the nine months ended September 30, 2009 and 2008, include $4,250 and $5,643, respectively, related to U.S. taxes, with the remainder relating to foreign taxes and foreign tax benefits associated with the operations of Nobelclad and its Swedish subsidiary, Nitro Metall, as well as the DYNAenergetics and Dynaplat divisions and related holding companies in Germany and Luxembourg.

Liquidity and Capital Resources

We have historically financed our operations from a combination of internally generated cash flow, revolving credit borrowings, various long-term debt arrangements, and the issuance of common stock. In connection with the acquisition of DYNAenergetics, we entered into a five-year syndicated credit agreement. The credit agreement, which provided term loans of $45,000 and 14,000 Euros and revolving credit loan availability of $25,000 and 7,000 Euros, is through a syndicate of seven banks. On October 21, 2009, the credit agreement was amended to revise the leverage ratios and fixed charge coverage ratios that we are required to satisfy on a quarterly basis throughout the term of the credit facility, which expires on November 16, 2012. These revised ratios will ease the Company s ability to comply with certain covenants of the credit agreement. The pricing grid applicable to drawn and undrawn amounts under the credit facility was also amended and will increase our going forward effective interest rate on outstanding borrowings by 1.5% per annum.

As of September 30, 2009, term loans of $37,756 and 11,746 Euros ($17,140) were outstanding under the credit facility and an additional $1,751 was outstanding under term loan obligations of DYNAenergetics. We had no outstanding revolving credit borrowings under our syndicated credit agreement or under our separate DYNAenergetics line of credit agreements. While we had approximately $41,600 of unutilized revolving credit loan capacity as of September 30, 2009 under our various credit facilities, future borrowings are subject to compliance with financial covenants that could limit availability.

We believe that cash flow from operations and funds available under our current credit facilities and any future replacement thereof will be sufficient to fund the working capital, debt service, and capital expenditure requirements of our current business operations for the foreseeable future. Nevertheless, our ability to generate sufficient cash flows from operations will depend upon our success in executing our strategies. If we are unable to (i) realize sales from our backlog; (ii) secure new customer orders at attractive prices; and (iii) continue to implement cost-effective internal processes, our ability to meet cash requirements through operating activities could be

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impacted. Furthermore, any restriction on the availability of borrowings under our credit facilities could negatively affect our ability to meet future cash requirements.

Debt and other contractual obligations and commitments

Our existing loan agreements include various covenants and restrictions, certain of which relate to the payment of dividends or other distributions to stockholders, redemption of capital stock, incurrence of additional indebtedness, mortgaging, pledging or disposition of major assets, use of cash for acquisitions, and maintenance of specified financial ratios. As of September 30, 2009, we were in compliance with all financial covenants and other provisions of our debt agreements.

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

Cash flows from operating activities

Net cash flows provided by operating activities for the nine months ended September 30, 2009 totaled $23,414. Significant sources of operating cash flow included net income of $7,527, non-cash depreciation and amortization expense of $7,625, stock-based compensation of $2,657 and net positive changes in various components of working capital in the amount of $7,650. These sources of operating cash flow were partially offset by a deferred income tax benefit of $1,875. Net positive changes in working capital included decreases in accounts receivable, inventories and prepaid expenses of $13,632, $3,334 and $496, respectively, and an increase in customer advances of $246. These positive changes in working capital were partially offset by decreases in accounts payable and accrued expenses of $5,980 and $4,078, respectively.

Net cash flows provided by operating activities for the nine months ended September 30, 2008 totaled $24,805. Significant sources of operating cash flow included net income of $18,683, non-cash depreciation and amortization expense of $10,019 and stock-based compensation of $2,363. These sources of operating cash flow were partially offset by a deferred income tax benefit of $2,735, $270 in equity in losses of joint ventures and net negative changes in various components of working capital in the amount of $3,255. Net negative changes in working capital included increases in prepaid expenses of $2,549 and decreases in accounts payable and accrued expenses and other liabilities of $3,771 and $5,046, respectively. These negative changes in working capital were partially offset by decreases in accounts receivable and inventories of $7,631 and $262, respectively, and increases in customer advances of $218.

Cash flows from investing activities

Net cash flows used by investing activities for the nine months ended September 30, 2009 totaled $3,196 and consisted almost entirely of capital expenditures.

Net cash flows used by investing activities for the nine months ended September 30, 2008 totaled $7,275 and consisted almost entirely of capital expenditures.

Cash flows from financing activities

Net cash flows used in financing activities for the nine months ended September 30, 2009 were $4,805, which consisted primarily of $3,912 in required prepayments of term loans under our syndicated credit agreement from excess cash flow that we generated in fiscal year 2008, $653 in principal payments on Nord LB term loans, payment of quarterly dividends of $513 and payment

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on capital lease obligations of $132. These uses of cash flow were slightly offset by $373 in net proceeds from the issuance of common stock relating to the exercise of stock options.

Net cash flows provided by financing activities for the first nine months of 2008 were $3,969, which included net borrowings on bank lines of credit of $7,247 and $333 in net proceeds from the issuance of common stock relating to the exercise of stock options. These sources of cash flow were partially offset by payment of annual dividends of $1,894, a final principal payment on a term loan with French bank of $441, an $810 principal payment on a Nord LB term loan, payments of deferred debt issuance costs of $167 and payment on capital lease obligations of $308.

Payment of Dividends

On June 8, 2009, our board of directors declared a quarterly cash dividend of $.04 per share which was paid on July 15, 2009. The dividend totaled $513 and was payable to shareholders of record as of June 30, 2009. On September 17, 2009, our board of directors declared a quarterly cash dividend of $.04 per share which was paid on October 15, 2009. The dividend totaled $515 and was payable to shareholders of record as of September 30, 2009. We paid an annual cash dividend in 2008 of $0.15 per share.

We may continue to pay quarterly dividends in the future subject to capital availability and periodic determinations that cash dividends are in compliance with our debt covenants and are in the best interests of our stockholders, but we cannot assure you that such payments will continue. Future dividends may be affected by, among other items, our views on potential future capital requirements, future business prospects, debt covenant compliance, changes in federal income tax laws, or any other factors that our board of directors deems relevant. Any decision to pay cash dividends is and will continue to be at the discretion of board of directors.

Critical Accounting Policies

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

In management s opinion, the more significant reporting areas impacted by management s judgments and estimates are revenue recognition, asset impairments, impact of foreign currency exchange rate risks 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.

Revenue recognition

Sales of clad metal products and welding services are generally based upon customer specifications set forth in customer purchase orders and require us to provide certifications relative to metals used, services performed and the results of any non-destructive testing that the customer has requested be performed. All issues of conformity of the product to specifications are resolved

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before the product is shipped and billed. Products related to the oilfield products segment, which include detonating cords, detonators, bi-directional boosters and shaped charges, as well as, seismic related explosives and accessories, are standard in nature. In all cases, revenue is recognized only when all four of the following criteria have been satisfied: persuasive evidence of an arrangement exists; the price is fixed or determinable; delivery has occurred; and collection is reasonably assured. For contracts that require multiple shipments, revenue is recorded only for the units included in each individual shipment. If, as a contract proceeds toward completion, projected total cost on an individual contract indicates a probable loss, the Company will account for such anticipated loss.

Asset impairments

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

Business Combinations

We accounted for our business acquisition using the purchase method of accounting. We allocated the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we identified and attributed values and estimated lives to the intangible assets acquired. These determinations involved significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models and therefore required considerable judgment. Our estimates and assumptions were based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. We based our fair value estimates on assumptions we believe to be reasonable but are inherently uncertain.

Effective January 1, 2009 we will account for business acquisitions in accordance with new Financial Accounting Standards Board (FASB) guidance which applies prospectively to business acquisitions with a closing date following the effective date. This new guidance significantly changes the financial accounting and reporting of business combinations.

Goodwill and Other Intangible Assets

We review the carrying value of goodwill at least annually to assess impairment because it is not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples of such events or changes in circumstances, many of which are subjective in nature, include significant negative industry or economic trends, significant changes in the manner of our use of the acquired assets or our strategy, a significant decrease in the market value of the asset, and a significant change in legal factors or in the business climate that could affect the value of the asset. We assess impairment by comparing the fair value of an identifiable intangible asset or goodwill with its carrying value. The determination of fair value involves significant management judgment as described further below. Impairments are expensed when incurred. Specifically, we test for impairment as follows:

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Goodwill

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

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

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

Our impairment testing in the fourth quarter of 2008 did not result in a determination that any of our goodwill was impaired; however, the passing margin of the first step of our goodwill impairment testing relative to the Oilfield Products reporting unit as of December 31, 2008 was minimal (estimated fair value was less than 10% greater than the carrying value). Future impairment is possible and will occur if (i) the unit s operating results underperform what we have estimated or (ii) additional volatility of the capital markets cause us to raise the 16 percent discount rate utilized in our discounted cash flow analysis or decrease the multiples utilized in our market-based analysis. We did not observe any indicators in the nine months ended September 30, 2009 that would necessitate interim impairment testing of goodwill.

The use of different estimates or assumptions within our discounted cash flow model when determining the fair value of our reporting units or using methodologies other than as described above could result in different values for reporting units and could result in an impairment charge.

Intangible assets subject to amortization

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

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Impact of foreign currency exchange rate risks

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

Income taxes

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

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued authoritative guidance on business combinations and the accounting for noncontrolling interests. This new guidance significantly changed the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements on January 1, 2009. The adoption of this guidance in 2009 did not have a significant impact on the Company s results of operations or financial position.

In March 2008, the FASB issued authoritative guidance on the disclosures about derivative instruments and hedging activities. This guidance requires additional disclosures related to the use of derivative instruments, the accounting for derivatives and how derivatives impact financial statements on January 1, 2009. The adoption of this guidance in 2009 did not have any impact on the Company s results of operations or financial position.

In April 2009, the FASB issued authoritative guidance requiring disclosures about the fair value of financial instruments for interim financial statements of publicly traded companies. This guidance became effective for interim reporting periods ending after June 15, 2009 and the adoption of it in the second quarter of 2009 did not have any impact on the Company s results of operations or financial position.

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In May 2009, the FASB issued authoritative guidance that provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after June 15, 2009 and will be applied prospectively. The Company adopted this guidance in the periods ended June 30, 2009 and has evaluated for subsequent events through October 30, 2009, the issuance date of the Company s September 30, 2009 consolidated financial statements. Besides the amendment to our credit agreement and the acquisition of a Canadian-based LRI Oil Tools company discussed in Note 6 and 9, respectively, no other recognized or non-recognized subsequent events were noted.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

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

ITEM 4. Controls and Procedures

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

As of September 30, 2009, the Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based on that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective at the reasonable assurance level. There have been no changes in the Company s internal controls during the quarter ended September 30, 2009 or in other factors that could materially affect the Company s internal controls over financial reporting.

The Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, does not expect that the Company s disclosure controls or its internal controls will prevent all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the

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Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. As a result of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Accordingly, the Company s disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the disclosure controls and procedures are met.

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Part II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

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

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

During the fourth quarter of 2008 and first nine months of 2009, we have seen a slowdown in our Explosive Metalworking sales to some of the markets we serve and anticipate our sales to decrease by approximately 29% to 31% for the full year in 2009 from the amount we achieved in 2008. The explosion-weld cladding market is dependent upon sales of products for use by customers in a limited number of heavy industries, including oil and gas, alternative energy, chemicals and petrochemicals, hydrometallurgy, aluminum production, shipbuilding, power generation, and industrial refrigeration. These industries tend to be cyclical in nature and the current worldwide economic downturn has affected many of these markets. Indeed, we have already seen a slowdown in the chemical, petrochemical and hydrometallurgy sectors. An economic slowdown in one or all of these industries whether due to traditional cyclicality, general economic conditions or other factors could impact capital expenditures within the industry. If demand from such industries were to decline or to experience reduced growth rates, our sales would be expected to be affected proportionately, which may have a material adverse effect on our business, financial condition, and results of operations.

Our backlog figures may not accurately predict future sales.

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

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Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of the President and Chief Executive Officer pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Vice President and Chief Financial Officer pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

	DYNAMIC MATERIALS CORPORATION (Registrant)
Date: October 30, 2009	/s/ Richard A. Santa Richard A. Santa, Senior Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)