



**A Promising Future
A Strong Foundation**

1999 Barnes Group Inc. Annual Report

Company Profile

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Founded in 1857, Barnes Group Inc. (NYSE: B) is a multinational manufacturer and distributor of precision metal parts and industrial supplies. Headquartered in Bristol, Connecticut, Barnes Group operates three separate business segments: one the manufacturer of precision mechanical and nitrogen gas springs, the second a supplier of engine and airframe components and assemblies in the aerospace industry, and the third a distributor of maintenance, repair, and operating (MRO) supplies. Associated Spring, Barnes Aerospace, and Bowman Distribution each operate autonomously, but all share the benefits of the corporate structure and the resources of talented and capable employees.

Associated Spring is North America's largest supplier of precision springs. Today, highly engineered and complex precision stampings and assemblies produced by Associated Spring can be found in a wide variety of consumer and industrial products in the transportation, electronics, communications, aerospace, nuclear and petrochemical markets. The group's nitrogen gas business is one of the world's leading suppliers of nitrogen gas springs and manifold systems for the automotive, appliance and other metal-forming industries. Associated Spring maintains advanced automated systems and research facilities, and highly specialized capabilities and services to meet the needs of its growing customer base.

Barnes Aerospace is an international supplier of machined and fabricated components and assemblies for aircraft engine and airframe original equipment manufacturers (OEM). In addition, it provides engine-component overhaul and repair services for many of the world's major commercial and military aircraft manufacturers and operators. The Barnes Aerospace OEM machining operation produces critical engine parts, and its OEM fabrication operation specializes in hot and cold forming of complex parts from titanium and other aerospace alloys. The overhaul and repair business of Barnes Aerospace refurbishes complex jet engine components. Barnes Aerospace will continue to grow by developing unique and refined capabilities to meet the critical production needs of future lightweight, high-speed, cost-efficient aircraft now in the planning stages at aerospace OEM manufacturers.

Bowman Distribution has been an industry leader in the distribution of MRO supplies since 1927. It is one of the world's largest MRO distributors and has grown into an international logistics management business serving thousands of customers in North America and Europe. Bowman uses innovative methods to solve customer issues. It has excelled over the years by focusing on inventory management services, technical support programs and superior quality products and services tailored to customer needs. Bowman has created a series of inventory management services and technical support programs that have improved efficiency and lowered operating costs for many of its customers. As a result, Bowman is considered a critical partner in the operation and profitability of its customers.

To Our Stockholders

As we started 1999, we anticipated that it would be a year of substantial transition and change — and it was. Our focus was on setting the future platform for Barnes Group rather than on short-term earnings. We repositioned two of our businesses to align with growth sectors — Associated Spring and Barnes Aerospace — and we completed a difficult but essential enterprise system installation at Bowman Distribution. At the same time, we transformed the culture of the organization to one capable of driving growth: identifying the people and financial investments that will support and ultimately accelerate growth initiatives, both internally and by acquisition. The management team is now redirected, focusing on profitable growth for the future.

While we expected mediocre financial results during the 1999 transition period, few inside or outside of the Company anticipated the stock market's sharp downturn in our segment or in Barnes Group's stock in particular. We believe that the Company's value today — and in the future — will ultimately reward our stockholders. At the end of the day, this is the best and perhaps only true measure of our performance.

Both Associated Spring and Barnes Aerospace enjoy strong positions in their defined markets. In 1999, we began a process of capitalizing on these strengths by broadening our product offerings to existing customers and aggressively marketing our traditional products to new domestic and international customers. While both businesses tend to have long order cycles, we were pleased with the positive order input from these strategies during the last quarter of 1999.

Bowman Distribution struggled during 1999 with a difficult system conversion from an old legacy batch system to an integrated on-line

business system. In fact, the business struggled through two conversions. The first was unsuccessful and had to be aborted in the second quarter. The second was implemented under the pressure of inadequate time before conversion in the fourth quarter of 1999. This second system did not possess all the elements necessary for the high level of customer service that is so critical in the distribution business. In the past two months, the management team at Bowman has made progress in implementing essential enhancements, resulting in continuing customer service improvements and capability to handle internal growth as well as acquisition growth.

A critical achievement in 1999 was the beginning of an orderly but urgent program that will facilitate acquisition and internal growth. After developing a clear direction for each business, the next important element was to invest in the people who can accomplish the overall program objectives. Signe Gates, Senior Vice President, General Counsel and Secretary, Phil Goodrich, Vice President, Business Development and Greg Milzciik, President, Barnes Aerospace, joined our team during 1999, each with strong backgrounds in growing companies as well as acquisitions. We have a team who can evaluate, acquire and integrate businesses: a difficult process — but one that can, if accomplished successfully, generate significant wealth for our stockholders.

The acquisition of the instantly accretive nitrogen gas springs business by Associated Spring is an example of the type of bold acquisition that will build the growth platform.

Also last year, we added sales and marketing positions in each business, putting more feet and more emphasis on the street. These sales and marketing investments were funded by “enablers,” or productivity

improvements generated by the individual businesses. The use of productivity improvements to fund growth initiatives — not short-term earnings “jumps” — is a critical and important element of our program. Other key enablers to fund growth are a reduction of our working capital and our high tax rate. Joe DeForte, our new Vice President, Tax, working with our operating team, is developing specific programs that will lead to more appropriate tax rates in the future.

In last year's stockholders' letter, we stated that the measure of our success is how well we grow the value of Barnes Group for our stockholders. This continues to be our guiding objective as we begin the new millennium. Our goal is to accelerate our momentum, creating value for our stockholders by growing sales, operating income and earnings per share. We expect to be measured by that standard.

Thomas O. Barnes
Chairman of the Board

Edmund M. Carpenter
President and Chief Executive Officer

Five-Year Operating Results

Associated Spring

<i>(Dollars in millions)</i>	1999	1998	1997	1996	1995
Net sales	\$ 282.6	\$ 262.1	\$ 259.0	\$ 256.8	\$ 257.4
Operating profit	33.5	23.2	24.5	27.0	25.7
Assets (average for the year)	210.4	156.4	154.5	149.3	133.4
Capital expenditures	9.8	18.3	18.3	21.3	23.8
Depreciation and amortization expense	16.5	15.3	14.3	12.8	11.4
Order backlog (at year-end)	55.7	45.1	53.9	47.8	56.7
Yardsticks of profitability:					
Operating profit margin	11.8%	8.8%	9.4%	10.5%	10.0%
Return on average assets	15.9%	14.8%	15.8%	18.1%	19.3%

Barnes Aerospace

<i>(Dollars in millions)</i>	1999	1998	1997	1996	1995
Net sales	\$ 121.3	\$ 154.6	\$136.6	\$103.1	\$ 97.3
Operating profit	5.3	12.8	9.9	2.5	2.7
Assets (average for the year)	86.0	93.7	95.5	91.2	85.6
Capital expenditures	7.1	8.3	7.9	9.4	7.8
Depreciation and amortization expense	7.8	7.5	8.5	9.3	10.3
Order backlog (at year-end)	79.9	124.8	131.4	103.4	54.4
Yardsticks of profitability:					
Operating profit margin	4.4%	8.3%	7.2%	2.4%	2.7%
Return on average assets	6.1%	13.7%	10.4%	2.7%	3.1%

Bowman Distribution

<i>(Dollars in millions)</i>	1999	1998	1997	1996	1995
Net sales	\$ 230.4	\$246.9	\$258.8	\$ 248.2	\$250.5
Operating profit	9.9	35.0	32.6	28.2	22.9
Assets (average for the year)	90.7	87.9	85.9	84.4	86.7
Capital expenditures	9.4	7.5	7.0	3.1	4.0
Depreciation and amortization expense	6.0	5.4	5.1	4.3	4.8
Yardsticks of profitability:					
Operating profit margin	4.3%	14.2%	12.6%	11.3%	9.1%
Return on average assets	11.0%	39.8%	38.0%	33.4%	26.4%

Management's Discussion and Analysis

Our Business

Barnes Group is a worldwide manufacturer of precision metal parts and a provider of industrial maintenance logistics solutions. The Company is comprised of three business segments. The Associated Spring segment is a manufacturer of assemblies, high precision mechanical springs, nitrogen gas springs, manifold systems, wireforms and stampings for the transportation, industrial, electronics and communications markets. The Barnes Aerospace segment supplies precision components and fabricated assemblies for commercial and military aircraft as well as overhaul and repair services in support of the global airline industry. The Bowman Distribution segment provides consumable repair and replacement products for industrial, heavy equipment and transportation maintenance markets. Its Raymond Distribution operation also distributes close-tolerance engineered metal components manufactured principally by Associated Spring. Through these three businesses, Barnes Group works with its customers' organizations to help them realize the benefits of its manufacturing capabilities and logistics management to enhance their competitiveness and responsiveness.

Acquisition of Nitrogen Gas Springs Business

On August 30, 1999, Barnes Group purchased substantially all of the assets and liabilities of the nitrogen gas springs business of the Teledyne Fluid Systems Division of Teledyne Industries, Inc., for a total cost of \$92.2 million. This operation is a major supplier of nitrogen gas springs and manifold systems for the metal forming markets. The acquisition of the nitrogen gas springs business was recorded using the purchase method of accounting and is included in the Associated Spring business segment. This strategic acquisition provides Associated Spring with new spring technologies and allows it to continue to develop and expand products, markets and services. The operation's results have been included in Barnes Group's consolidated financial statements from the date of acquisition.

The funds used to purchase the business were borrowed initially under the Company's revolving credit agreement. In November 1999, Barnes Group refinanced a portion of these borrowings through the issuance of \$70 million of long-term private placement senior notes. This debt ranges in maturity from eight to eleven years at an average annual interest rate of 7.75%.

Results of Operations

For 1999, Barnes Group reported net sales of \$622 million, down 4% from the record sales of \$651 million in 1998. The reduction in sales was attributable to shortfalls at Bowman Distribution and Barnes Aerospace, partially offset by increased sales at Associated Spring. In addition, the newly acquired nitrogen gas springs business provided incremental sales of \$16 million in 1999. In 1998, sales were up \$8.5 million from 1997 levels, primarily a result of improvements at Barnes Aerospace.

Operating income in 1999 was \$45.3 million, versus \$55.2 million in 1998. The decline in 1999 operating income was driven by the sales volume shortfalls at Bowman Distribution and Barnes Aerospace. Additionally, non-Y2K system implementation issues resulted in higher expense levels at Bowman Distribution's North American operation, which negatively impacted profit. The reduced profit at Bowman Distribution and Barnes Aerospace was partially offset by results at Associated Spring, where profit improved 44% over 1998, and a \$12.9 million expense, included in 1998, for the accelerated retirement package for the Company's retired president. Associated Spring's performance was driven by higher sales volume, productivity improvements and the additional profits generated from the newly acquired nitrogen gas springs business. Operating income in 1998 declined \$10.5 million from 1997 as a result of the \$12.9 million expense related to the accelerated retirement package for the Company's retired president. Part of the \$12.9 million of expense is \$2.7 million for accelerated retirement benefits which are included in the 1998 pension expense.

Operating margin in 1999 declined to 7.3% from 8.5% in 1998 and 10.2% in 1997. In 1999, cost of sales as a percentage of sales increased to 68.3% from 66.9% in 1998, as Bowman Distribution's North American operation incurred higher distribution costs as a result of inefficiencies generated during the implementation of the new distribution management system. Selling and administrative expenses as a percentage of sales declined slightly in 1999 due to the \$12.9 million of expense for the accelerated retirement package for the Company's retired president in 1998. Excluding the cost of the accelerated retirement package, selling and administrative expenses as a percentage of sales increased in 1999, reflecting the impact of higher administrative costs associated with the Bowman system implementation coupled with a higher investment in sales resources, throughout the Company, for the purpose of increasing future sales growth. The decline in operating margin in 1998, compared to 1997, is attributable to the \$12.9 million retirement package expense incurred in 1998.

Segment Review ~ Sales and Operating Profit

Associated Spring sales for 1999 were \$283 million, up \$20.5 million from 1998. Sales in 1997 were \$259 million. In 1999, sales at Associated Spring's North American operations increased, reflecting the continued strength of the domestic economy and continued penetration in both automotive and non-automotive markets. Excluding the acquisition, Associated Spring's international operations sales kept pace with 1998 levels, despite a 9% sales decline in its Brazil operation, a direct fallout of the devaluation of the Brazilian currency in early 1999. Additionally, the acquisition of the nitrogen gas springs business contributed to sales increases both domestically and internationally. Associated Spring's 1998 sales increased slightly over 1997 on the strength of its North American operations, partially offset by sales declines in its international operations.

Management's Discussion and Analysis

Associated Spring reported profit of \$33.5 million in 1999, compared to \$23.2 million in 1998 and \$24.5 million in 1997. The significant improvement in 1999 over 1998 results from the addition of the nitrogen gas springs business, stabilization of the economic situation in the Asia/Pacific region, manufacturing efficiencies and lower operating expenses at Associated Spring's headquarters. Profits declined in 1998, reflecting the adverse impact of the General Motors strike, the turmoil within the Asia/Pacific region and the cost of product line rationalization. Partially offsetting the 1998 decline was the solid year-over-year performance at Associated Spring's North American operations and the strong turnaround at its Mexican operation.

Barnes Aerospace sales were \$121 million in 1999, compared to \$155 million in 1998 and \$137 million in 1997. Both the original equipment manufacturing (OEM) business and the overhaul and repair business were impacted by a slowdown in the aerospace markets, which resulted in an industry-wide decline in new orders and the cancellation or rescheduling of existing orders. Though sales were down, Barnes Aerospace continued to effectively penetrate new markets and customers. In 1998, sales were up 13% over 1997, driven by its OEM machining operation and overhaul and repair units. This growth was partially offset by lower sales at its OEM fabrication operation in Ogden, Utah, which was impacted by reduced customer backlog and changes in customer requested delivery schedules.

Barnes Aerospace profit was \$5.3 million, as compared to \$12.8 million in 1998 and \$9.9 million in 1997. The shortfalls in profit and margin were a direct result of the sales volume decline. Effective cost and expense control by Barnes Aerospace minimized the adverse impact on profits from the sharp falloff in sales volume. The increase in profits for 1998, compared to 1997, reflected higher sales volume coupled with ongoing productivity improvements and cost containment.

Bowman Distribution sales for 1999 were \$230 million, compared to \$247 million in 1998 and \$259 million in 1997. Bowman's North American operation 1999 sales decline was due to complications encountered in a planned implementation of the fully integrated distribution management system initiated in the first half of 1999. This system installation encountered a number of unanticipated software and implementation issues that negatively impacted warehouse efficiency, administrative costs and sales in 1999. Bowman expects customer service levels to improve through the first half of 2000 as system issues are identified and process changes are implemented. Bowman will continue to incur increased costs for warehousing and administration until such improvements are fully implemented. Bowman expects to fully restore service levels to its customers' satisfaction in 2000. In Europe, Bowman Distribution's sales were down primarily from the loss of a large customer and management's refocus from smaller, less profitable accounts to larger industrial accounts. Bowman's Raymond business reported an increase in sales in 1999 as it continued to penetrate new international markets. In 1998, Bowman's sales were down 5% from 1997, primarily the result of its North American business losing a major customer and the continued refocus of its sales efforts to meet the changing requirements of larger customers.

Bowman Distribution's profit in 1999 was \$9.9 million, compared to \$35.0 million in 1998 and \$32.6 million in 1997. The sharp decline in profits in 1999 was attributable to the sales volume decline, as well as significantly higher warehousing and administrative costs incurred in its North American business to address operational issues caused by the new system implementation. The 7.4% improvement in profits in 1998 as compared to 1997 resulted from lower operating expenses in both Bowman's North American operation and Raymond Distribution.

Other income totaled \$5.9 million in 1999, compared to \$5.6 million in 1998 and \$6.0 million in 1997. The increase over 1998 reflects a higher gain on the sale of underutilized assets and net foreign exchange transaction gains. Partially offsetting the increase in other income was lower equity income from the Company's NASCO joint venture. The decrease in other income in 1998, as compared to 1997, resulted from lower foreign exchange gains offset by an increase in equity income from the Company's NASCO joint venture.

Interest expense and other expenses increased in 1999 as a result of the acquisition of the nitrogen gas springs business. Specifically, interest expense increased as a result of additional borrowings used to fund the acquisition. Other expenses increased with the additional goodwill amortization associated with the acquisition. Interest expense in 1998 declined compared to 1997, reflecting lower debt levels and lower interest rates.

The Company's effective income tax rate has declined steadily over the last six years. The Company's effective tax rate was 33.0% in 1999, compared with 36.9% in 1998 and 37.3% in 1997. The lower rate in 1999 was due to lower state taxes, higher percentage of foreign income with tax rates lower than the U.S. statutory tax rate, and foreign tax benefits associated with the acquisition of the nitrogen gas springs business.

Consolidated net income was \$28.6 million in 1999, \$34.5 million in 1998 and \$40.4 million in 1997. Basic earnings per share were \$1.47 in 1999, compared to \$1.72 in 1998 and \$2.00 in 1997. Diluted earnings per share were \$1.46 in 1999, compared to \$1.69 in 1998 and \$1.96 in 1997. The 1998 earnings included an after-tax charge of \$7.7 million, or \$0.38 per share, related to the accelerated retirement package of the Company's retired president.

In April 1997, stockholders approved an increase in authorized common shares from 20 million to 60 million and a three-for-one stock split. All per share data reflect the stock split.

Non-Operating Income/Expense

Income Taxes

Net Income and Net Income Per Share

Management's Discussion and Analysis

Inflation

Management believes that during 1997-1999, inflation did not have a material impact on the Company's historical financial statements.

Liquidity and Capital Resources

The Company's ability to generate cash from operations in excess of its internal operating needs is one of its financial strengths. In 1999, the Company continued to effectively manage working capital, and its efforts in accounts receivable, inventories and accounts payable generated nearly \$18 million in positive cash flow. Management will continue to aggressively manage cash flows and anticipates that operating activities in 2000, combined with aggressive asset management, will provide sufficient cash to take advantage of opportunities for internal business expansion and to meet the Company's current financial commitments. External business expansion will be funded with a combination of new debt and internal cash.

Management assesses the Company's liquidity in terms of its overall ability to generate cash to fund its operating and investing activities. Of particular importance in the management of liquidity are cash flows generated from operating activities, capital expenditure levels, dividends, capital stock transactions, effective utilization of surplus cash positions overseas and adequate bank lines of credit.

Operating activities are the principal source of cash flow for the Company, generating \$62.8 million in 1999, down from the record of \$76.0 million in 1998 and \$71.6 million in 1997. The decrease in operating cash flows is primarily related to the decline in the Company's operating results, as well as the cash payment of \$7.8 million in 1999 associated with the accelerated retirement package for the Company's retired president. During the past three years, operating activities provided over \$210 million in cash, which the Company used, in part, to pay dividends to stockholders, repurchase Company stock and fund significant investments in new equipment. Continued emphasis on asset management eliminated the need for additional investments in working capital during the past three years.

Investing activities used cash of \$117.0 million in 1999, compared with \$35.3 million in 1998 and \$34.2 million in 1997. The increase in cash used in 1999 is attributable to the purchase of the nitrogen gas springs business. In 1999, the Company reduced its capital spending following five years of heavy investments by all three business segments. The Company's capital spending program continues to focus on business growth and improvements in productivity and quality. The Company expects capital spending in 2000 to continue at a strong pace.

In 1999, the Company's financing activities generated cash of \$58.8 million, compared to cash usage of \$31.9 million in 1998 and \$26.6 million in 1997. Cash was generated primarily through the issuance of \$89.0 million of long-term debt to fund the purchase of the nitrogen gas springs business. The increase in cash from borrowings was also partially used to repurchase \$22.4 million of Company stock. Cash dividends increased in 1999 for the fifth consecutive year, to \$0.75 per share. As a result, total cash used to pay 1999 dividends to stockholders increased to \$14.6 million.

The Company has utilized and will continue to use cash from non-U.S. subsidiaries to fund international cash requirements, including acquisitions, when it is cost effective. The repatriation of certain cash balances to the U.S. could have adverse tax consequences; however, those balances are generally available to fund business needs outside the U.S.

In November 1999, the Company financed a portion of the nitrogen gas springs business acquisition through issuance of \$70 million of private placement senior notes (the Notes). The Notes, placed with seven insurance companies, range in maturity from eight to eleven years and bear an average annual interest rate of 7.75%. The balance of the acquisition purchase price is financed through borrowings under the Company's long-term revolving credit agreement. The issuance of the Notes and usage of the Company's long-term revolving credit agreement will result in both higher interest expense and higher debt-to-capitalization ratios in the future.

To supplement internal cash generation, the Company maintains substantial bank borrowing facilities. At December 31, 1999, the Company had \$150 million of borrowing capacity available under a revolving credit agreement, of which \$32.5 million was borrowed at an interest rate of 6.5%. Additionally, the Company had \$4.5 million in borrowings under uncommitted short-term bank credit lines at an interest rate of 6.8%. The Company believes its bank credit facilities, including the new Notes, coupled with cash generated from operations, are adequate for its anticipated future requirements.

Market Risk

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. The Company's financial results could be impacted by changes in interest rates, foreign currency exchange rates and commodity price changes. The Company uses financial instruments to reduce its cost of debt, and to hedge its exposure to fluctuations in interest rates and foreign exchange rates.

The Company's long-term debt portfolio consists of fixed-rate and variable-rate instruments and is managed to reduce the overall cost of borrowing while also reducing the effect of changes in interest rates on near-term earnings. The Company's primary interest rate risk is derived from its outstanding variable-rate debt obligations. At December 31, 1999, the result of a hypothetical 1% increase in the average cost of the Company's variable-rate debt, including the interest rate exchange agreement, would not have had a material impact on the pretax profit of the Company or the fair value of the interest rate exchange agreement.

Management's Discussion and Analysis

In September 1999, the Company entered into a three-year, \$70 million cross-currency exchange agreement. In effect, the agreement converts the Company's U.S. dollar-denominated interest and principal liabilities into Swedish krona-denominated liabilities at a fixed interest rate for a three-year period ending October 2002. Additionally, as part of managing its debt portfolio, the Company maintains an interest rate exchange agreement to convert a portion of its 9.47% fixed-rate Senior Notes to variable-rate debt. These agreements are viewed by the Company as risk management tools and are not used for speculative or trading purposes. The overall objectives are to reduce the exposure associated with currency fluctuations between the U.S. dollar and the Swedish krona and to reduce the exposure to variable-rate debt. The effect on 1999 earnings of the U.S. dollar and Swedish krona cross-currency exchange agreement and interest rate exchange agreement was to decrease the Company's expense by \$0.2 million.

At December 31, 1999, the fair value of the Company's fixed-rate debt was \$106.8 million, compared to its carrying amount of \$107.3 million. The Company estimates that a 1% decrease in market interest rates at December 31, 1999 would have increased the fair value of the Company's fixed-rate debt to \$112.5 million.

The Company has manufacturing, sales and distribution facilities around the world and thus makes investments and conducts business transactions denominated in various currencies. Foreign currency commitments and transaction exposures are managed at the operating units as an integral part of their businesses. Residual exposures that cannot be offset may be hedged. The Company does not hedge its foreign currency net asset exposure.

The currencies that the Company was primarily exposed to on December 31, 1999, were the Singapore dollar, Mexican peso, Brazilian real, Canadian dollar and Swedish krona. Based on a 10% adverse movement in all currencies, the potential loss in fair value from the Company's financial instruments at the end of 1999 would have resulted in reducing pretax profit by \$2.4 million.

The Company's exposure to commodity price changes relates primarily to certain manufacturing operations that utilize steel spring wire and titanium. The Company manages its exposure to changes in those prices through its procurement and sales practices. The Company is not dependent upon any single source for any of its principal raw materials or products for resale, and all such materials and products are readily available.

Future Accounting Changes

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires that the Company recognize derivatives on the balance sheet at fair value. In June 1999, the statement's effective date was delayed by one year, and it will be effective January 1, 2001, for the Company. Management believes that adoption of this standard will not have a material impact on the Company's financial position, results of operations or cash flows.

Year 2000 Readiness

The Company's program to address the Y2K issue consisted of the following phases: assessment, remediation, testing and contingency planning. Barnes Group met its commitment to be fully Y2K ready with all of its critical business systems as of the end of 1999.

The costs specific to addressing the Y2K readiness project were those directly related to upgrading existing systems to be Y2K ready and costs related to outside consultants assisting the Y2K project. These costs were expensed as incurred and approximated \$0.6 million in 1998 and \$1.9 million in 1999. However, a significant portion of the Company's overall information technology (IT) expense approximating \$11.5 million in 1998 and \$13.8 million in 1999 was either directly or indirectly included to address Y2K readiness either through software remediation or implementation. In addition, capitalized IT-related hardware and software expenditures approximated \$12 million in both 1998 and 1999. Subsequent to 1999, additional costs specific to ensuring the Company is Y2K ready are not expected to be significant.

The Company completed its assessment of its Y2K risks related to significant relationships with its critical third-party suppliers and customers. Despite these efforts, the Company can provide no assurance that all supplier and customer Y2K compliance plans were successfully completed in a timely manner, although it is not currently aware of any problems which would significantly impact its future operations.

The foregoing Y2K readiness statements are designated as a "Readiness Disclosure" within the meaning of the Year 2000 Information and Readiness Disclosure Act of 1998.

Forward-Looking Statements

The Company cautions readers that certain factors may affect the Company's results for future fiscal periods. These factors involve risks and uncertainties that could cause future results to differ materially from those expressed or implied in any forward-looking statements made on behalf of the Company. For this purpose, any statement other than one of historical fact may be considered a forward-looking statement. Some important factors that could cause actual results to vary materially from those anticipated in forward-looking statements include economic volatility, currency fluctuations, interest rate fluctuations, regulatory changes and technological changes, all of which may affect the Company's operations, products and markets.

Consolidated Statements of Income

(Dollars in thousands, except per share data)

Years ended December 31,	1999	1998	1997
Net sales	\$622,356	\$651,183	\$642,660
Cost of sales	424,945	435,918	426,550
Selling and administrative expenses	152,161	160,044	150,344
	577,106	595,962	576,894
Operating income	45,250	55,221	65,766
Other income	5,919	5,617	5,969
Interest expense	6,093	4,106	4,864
Other expenses	2,378	2,069	2,369
Income before income taxes	42,698	54,663	64,502
Income taxes	14,086	20,169	24,079
Net income	\$ 28,612	\$ 34,494	\$ 40,423

Per common share:

Net income:

Basic	\$ 1.47	\$ 1.72	\$ 2.00
Diluted	1.46	1.69	1.96
Dividends	0.75	0.69	0.65

Average common shares outstanding	19,417,856	20,095,710	20,236,884
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See accompanying notes.

Consolidated Balance Sheets

(Dollars in thousands)

December 31,	1999	1998
Assets		
Current assets		
Cash and cash equivalents	\$ 43,632	\$ 40,206
Short-term investments	—	2,566
Accounts receivable, less allowances (1999 - \$3,329; 1998 - \$2,413)	91,701	82,809
Inventories	66,351	64,404
Deferred income taxes	9,398	11,660
Prepaid expenses	8,103	5,583
Total current assets	219,185	207,228
Deferred income taxes	23,797	25,136
Property, plant and equipment	145,105	139,247
Goodwill	88,562	18,224
Other assets	39,633	29,069
Total assets	\$516,282	\$418,904
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	\$ 12,136	\$ 6,766
Accounts payable	57,458	38,439
Accrued liabilities	46,426	52,934
Guaranteed ESOP obligation	—	2,205
Total current liabilities	116,020	100,344
Long-term debt	140,000	51,000
Accrued retirement benefits	66,973	68,129
Other liabilities	12,675	10,757
Commitments and contingencies		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Authorized: 60,000,000 shares		
Issued: 22,037,769 shares at par value	220	220
Additional paid-in capital	49,786	49,231
Treasury stock at cost (1999 - 3,187,242 shares; 1998 - 2,202,417 shares)	(63,893)	(42,893)
Retained earnings	218,388	204,364
Accumulated other comprehensive income	(23,887)	(20,043)
Guaranteed ESOP obligation	—	(2,205)
Total stockholders' equity	180,614	188,674
Total liabilities and stockholders' equity	\$516,282	\$418,904

See accompanying notes.

Consolidated Statements of Cash Flows

(Dollars in thousands)

Years ended December 31,	1999	1998	1997
Operating activities:			
Net income	\$ 28,612	\$34,494	\$40,423
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	30,602	28,431	28,123
(Gain) loss on sale of property, plant and equipment	(857)	(741)	735
Changes in assets and liabilities:			
Accounts receivable	(1,731)	7,726	(4,786)
Inventories	1,980	(3,766)	3,150
Accounts payable	17,356	980	8,036
Accrued liabilities	(9,524)	6,488	781
Deferred income taxes	3,655	(2,536)	(1,215)
Other	(7,296)	4,960	(3,607)
Net cash provided by operating activities	62,797	76,036	71,640
Investing activities:			
Proceeds from sale of property, plant and equipment	1,929	4,266	1,442
Capital expenditures	(27,222)	(34,571)	(33,398)
Acquisition of nitrogen gas springs business	(92,239)	—	—
Redemption of short-term investments	2,566	—	—
Purchase of short-term investments	—	(2,605)	—
Other	(2,019)	(2,340)	(2,266)
Net cash used by investing activities	(116,985)	(35,250)	(34,222)
Financing activities:			
Net increase in notes payable	5,249	4,539	813
Payments on long-term debt	—	(9,000)	(10,000)
Proceeds from the issuance of long-term debt	89,000	—	—
Proceeds from the issuance of common stock	1,486	3,598	6,476
Common stock repurchases	(22,351)	(17,042)	(10,673)
Dividends paid	(14,564)	(13,951)	(13,187)
Net cash provided (used) by financing activities	58,820	(31,856)	(26,571)
Effect of exchange rate changes on cash flows	(1,206)	(1,254)	(2,303)
Increase in cash and cash equivalents	3,426	7,676	8,544
Cash and cash equivalents at beginning of year	40,206	32,530	23,986
Cash and cash equivalents at end of year	\$ 43,632	\$40,206	\$32,530

See accompanying notes.

Consolidated Statements of Changes in Stockholders' Equity

<i>(Dollars in thousands)</i>	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Guaranteed ESOP Obligation	Stockholders' Equity
January 1, 1997	\$ 15,737	\$ 28,347	\$ (26,040)	\$ 156,698	\$ (10,087)	\$(7,491)	\$ 157,164
Comprehensive income:							
Net income				40,423			40,423
Other comprehensive income				—	(5,754)		(5,754)
Comprehensive income				40,423	(5,754)		34,669
Reduction in par value	(15,517)	15,517					—
Dividends paid				(13,187)			(13,187)
Common stock repurchases			(10,673)				(10,673)
Employee stock plans		3,143	7,280	(181)			10,242
Guaranteed ESOP obligation						2,540	2,540
Income tax benefits on unallocated ESOP dividends				104			104
December 31, 1997	220	47,007	(29,433)	183,857	(15,841)	(4,951)	180,859
Comprehensive income:							
Net income				34,494			34,494
Other comprehensive income				—	(4,202)		(4,202)
Comprehensive income				34,494	(4,202)		30,292
Dividends paid				(13,951)			(13,951)
Common stock repurchases			(17,042)				(17,042)
Employee stock plans		2,224	3,582	(100)			5,706
Guaranteed ESOP obligation						2,746	2,746
Income tax benefits on unallocated ESOP dividends				64			64
December 31, 1998	220	49,231	(42,893)	204,364	(20,043)	(2,205)	188,674
Comprehensive income:							
Net income				28,612			28,612
Other comprehensive income				—	(3,844)		(3,844)
Comprehensive income				28,612	(3,844)		24,768
Dividends paid				(14,564)			(14,564)
Common stock repurchases			(22,351)				(22,351)
Employee stock plans		555	1,351	(44)			1,862
Guaranteed ESOP obligation						2,205	2,205
Income tax benefits on unallocated ESOP dividends				20			20
December 31, 1999	\$ 220	\$49,786	\$(63,893)	\$218,388	\$(23,887)	\$ —	\$180,614

See accompanying notes.

Notes to Consolidated Financial Statements

(All dollar amounts included in the notes are stated in thousands except per share data and the tables in Note 13.)

Summary of Significant Accounting Policies

General: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of 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 those estimates.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Consolidation: The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. Intercompany transactions and account balances have been eliminated. The Company accounts for its 45% investment in the common stock of NASCO, an automotive suspension spring company jointly owned with NHK Spring Co., Ltd., of Japan, under the equity method. Other income in the accompanying income statements includes income of \$1,714, \$2,573 and \$1,763 for the years 1999, 1998 and 1997, respectively, from the Company's investment in NASCO. The Company received dividends from NASCO totaling \$1,006, \$732 and \$596 in 1999, 1998 and 1997, respectively.

Revenue recognition: Sales and related cost of sales are recognized when products are shipped to customers.

Cash and cash equivalents and short-term investments: Cash in excess of operating requirements is invested in short-term, highly liquid, income producing investments. All highly liquid investments purchased with an original maturity of three months or less are cash equivalents, while other investments with an original maturity of one year or less are classified as short-term investments. Both cash equivalents and short-term investments are carried at fair market value.

Inventories: Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method was used to accumulate the cost of the majority of U.S. inventories, which represent 71% of total inventories. The cost of all other inventories was determined using the first-in, first-out (FIFO) method.

Property, plant and equipment: Property, plant and equipment is stated at cost. Depreciation is recorded over estimated useful lives, ranging from twenty to fifty years for buildings and three to seventeen years for machinery and equipment. The straight-line method of depreciation was adopted for all property, plant and equipment placed into service after March 31, 1999. For property, plant and equipment placed into service prior to April 1, 1999, depreciation is provided using accelerated methods. The change in accounting principle was made to reflect improvements in the design and durability of machinery and equipment. Management believes that the straight-line method results in a better matching of revenues and costs, and the new method is prevalent in the industries in which the Company operates. Additionally, in 1999, the Company adopted AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which requires capitalization of certain costs incurred in the development of internal-use software. The change to straight-line depreciation and the adoption of the AICPA Statement of Position 98-1 did not have a material impact on the Company's financial position, results of operations or cash flows.

Goodwill: Goodwill represents the excess purchase price over the net assets of companies acquired in business combinations. Goodwill acquired since 1970 is being amortized on a straight-line basis over forty years; similar investments for businesses acquired prior to 1970 (approximately \$5,200) are not being amortized. On a periodic basis, the Company estimates future undiscounted cash flows of the businesses to which goodwill relates to ensure that the carrying value of goodwill has not been impaired. Goodwill resulting from the purchase of the nitrogen gas springs business was \$71,482. At December 31, 1999 and 1998, accumulated amortization was \$10,536 and \$9,391, respectively.

Foreign currency translation: Assets and liabilities of foreign operations, except those in countries with high rates of inflation, are translated at year-end rates of exchange; revenues and expenses are translated at average annual rates of exchange. The resulting translation gains and losses are reflected in accumulated other comprehensive income within stockholders' equity.

For operations in countries with high rates of inflation, translation gains and losses are included in net income. These translation effects, along with foreign currency transactions, generated net gains of \$752, \$240 and \$2,095 in 1999, 1998 and 1997, respectively.

Net income per common share: Earnings per share are computed in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share." Basic earnings per share are based on the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the assumed exercise and conversion of all dilutive securities. Shares held by the Guaranteed Stock Plan are considered outstanding for both basic and diluted earnings per share.

There are no adjustments to net income for purposes of computing income available to common shareholders for the years ended December 31, 1999, 1998 and 1997. For purposes of computing diluted earnings per share, the weighted average number of shares outstanding was increased by 224,899 shares, 330,659 shares and 419,433 shares for 1999, 1998 and 1997, respectively, representing the potential dilutive effects of stock-based incentive plans.

Notes to Consolidated Financial Statements

2 Acquisition of Nitrogen Gas Springs Business

On August 30, 1999, the Company purchased substantially all of the assets and liabilities of the nitrogen gas springs business of the Teledyne Fluid Systems Division of Teledyne Industries, Inc., pursuant to an Asset Purchase and Sale Agreement dated July 27, 1999. The acquisition of the nitrogen gas springs business was recorded using the purchase method of accounting and is included in the Associated Spring business segment. The \$92.2 million acquisition cost has been allocated to tangible and intangible assets and liabilities of the nitrogen gas springs business based upon estimates of their respective fair market values. The resulting goodwill will be amortized over 40 years. The funds used to purchase the assets and liabilities were initially borrowed under the Company's \$150 million revolving credit agreement. On November 12, 1999, the Company financed a portion of the acquisition through the issuance of \$70 million of long-term private placement debt. The debt ranges in maturity from eight to eleven years at an average annual interest rate of 7.75%. The issuance of the long-term debt and use of the Company's long-term revolving credit agreement will result in both higher interest expense and higher debt-to-capitalization ratios in the future. Additionally, the consolidation of the nitrogen gas springs business will reduce the Company's effective tax rate as a result of the associated income being taxed at lower foreign tax rates, as well as the result of certain foreign tax benefits.

The following table reflects the operating results of the Company for the years ended December 31, 1999 and 1998 on a pro forma basis, which gives effect to the acquisition of the nitrogen gas springs business at the beginning of each of the years presented. The pro forma results are not necessarily indicative of the operating results that would have occurred had the acquisition been effective either January 1, 1999 or January 1, 1998, nor are they intended to be indicative of results that may occur in the future. The underlying pro forma information includes the amortization expense associated with the assets acquired, the Company's financing arrangements, certain purchase accounting adjustments and related income tax effects.

(Unaudited)	1999	1998
Net sales	\$652,486	\$698,591
Income before income taxes	43,507	55,088
Net income	31,673	38,644
Per common share:		
Basic	\$ 1.63	\$ 1.92
Diluted	1.61	1.89

3 Inventories

Inventories at December 31 consisted of:

	1999	1998
Finished goods	\$ 39,573	\$ 34,784
Work-in-process	12,861	15,309
Raw materials and supplies	13,917	14,311
	\$ 66,351	\$ 64,404

Inventories valued by the LIFO method aggregated \$47,098 and \$48,705 at December 31, 1999 and 1998, respectively. If LIFO inventories had been valued using the FIFO method, they would have been \$13,995 and \$14,097 higher at those dates.

4 Property, Plant and Equipment

Property, plant and equipment at December 31 consisted of:

	1999	1998
Land	\$ 3,467	\$ 3,292
Buildings	65,136	64,421
Machinery and equipment	299,588	283,080
	368,191	350,793
Less accumulated depreciation	223,086	211,546
	\$145,105	\$139,247

Notes to Consolidated Financial Statements

5 Accrued Liabilities

Accrued liabilities at December 31 consisted of:

	1999	1998
Payroll and other compensation	\$ 12,547	\$ 13,413
Postretirement/postemployment benefits	8,103	15,001
Accrued income taxes	4,583	5,546
Other	21,193	18,974
	\$ 46,426	\$ 52,934

6 Debt and Commitments

Long-term debt at December 31 consisted of:

	1999		1998
	Carrying Amount	Fair Value	Carrying Amount
9.47% Notes	\$ 12,308	\$ 12,644	\$ 18,462
7.13% Notes	25,000	24,199	25,000
7.66% Notes	24,500	24,500	—
7.80% Notes	45,500	45,500	—
Revolving Credit	25,692	25,692	—
Industrial Revenue Bond	7,000	7,000	7,000
Other	—	—	538
	\$140,000	\$139,535	\$ 51,000

The 9.47% Notes are payable in thirteen semiannual payments of \$3,077 that began on September 16, 1995, while the 7.13% Notes are payable in four equal annual payments of \$6,250, beginning on December 5, 2002. On November 12, 1999, the Company issued \$70,000 of privately placed debt securities comprising \$24,500 of 7.66% Notes, payable in 2007, and \$45,500 of 7.80% Notes, payable in three equal annual payments of \$15,167, beginning in 2008. The Notes are not redeemable prior to maturity. Proceeds from the 7.66% and 7.80% Notes, in addition to borrowings under the Company's revolving credit agreement, were used to fund the acquisition of the nitrogen gas springs business. The fair values of these Notes are determined using discounted cash flows based upon the Company's estimated current interest cost for similar types of borrowings. The carrying values of other long-term debt and notes payable approximate their fair market value.

The Company has a revolving credit agreement with five banks that allows borrowings up to \$150,000 under Notes due December 6, 2002. A fee of 0.115% per annum is paid on the unused portion of the commitments. Under this agreement, the Company had \$32,500 borrowed at an interest rate of 6.5% at December 31, 1999, of which \$25,692 is classified as long-term debt. The Company has available approximately \$35,000 in short-term bank credit lines, of which \$4,500 was in use at both December 31, 1999 and 1998. The interest rate on these borrowings was 6.8% and 5.6% at December 31, 1999 and 1998, respectively.

The Industrial Revenue Bond, due in 2008, has a variable interest rate. The interest rate on this borrowing was 5.75% and 5.25% at December 31, 1999 and 1998, respectively.

At December 31, 1999, the Company classified \$6,154 of its 9.47% Notes due within one year as long-term debt. The Company has both the intent and the ability, through its revolving credit agreement, to refinance these amounts on a long-term basis.

Long-term debt is payable as follows: \$44,250 in 2002, \$6,250 in 2003, \$6,250 in 2004 and \$83,250 thereafter.

The Company had outstanding an interest rate swap (swap), a form of derivative, which effectively converted half of its fixed-rate 9.47% Notes to variable-rate debt with interest equal to London Interbank Offered Rate (LIBOR) plus 83 basis points. The effective interest rate on the floating rate portion was 7.0% and 6.1% at December 31, 1999 and 1998, respectively. This swap decreases as the Notes are repaid. The fair value of the swap is determined based upon current market prices and was \$251 at December 31, 1999. On September 7, 1999, the Company entered into a three-year, \$70 million cross-currency exchange agreement to convert U.S. dollar-denominated interest and principal liabilities into Swedish krona-denominated liabilities at a fixed interest rate during the three-year period. The fair value of this foreign currency swap was determined using current market prices and was \$2,197 at December 31, 1999. The Company does not use derivatives for speculative or trading purposes.

Notes to Consolidated Financial Statements

In addition, the Company had outstanding letters of credit totaling \$4,066 at December 31, 1999.

Certain of the Company's debt arrangements contain requirements as to maintenance of minimum levels of working capital and net worth, and place certain restrictions on dividend payments and acquisitions of the Company's common stock. Under the most restrictive covenant in any agreement, \$28,784 was available for dividends or acquisitions of common stock at December 31, 1999.

Interest paid was \$5,505, \$4,947 and \$5,554 in 1999, 1998 and 1997, respectively. Interest capitalized was \$264, \$711 and \$472 in 1999, 1998 and 1997, respectively, and is being depreciated over the lives of the related fixed assets.

7 Income Taxes

The components of income before income taxes and the income tax provision follow:

	1999	1998	1997
Income before income taxes:			
U.S.	\$27,585	\$42,009	\$49,517
International	15,113	12,654	14,985
	\$42,698	\$54,663	\$64,502
Income tax provision:			
Current:			
U.S. - federal	\$ 5,233	\$15,256	\$16,339
U.S. - state	529	3,110	4,050
International	4,669	4,339	4,905
	10,431	22,705	25,294
Deferred:			
U.S. - federal	2,973	(2,214)	(821)
U.S. - state	1,109	(94)	(217)
International	(427)	(228)	(177)
	3,655	(2,536)	(1,215)
	\$14,086	\$20,169	\$24,079

Deferred income tax assets and liabilities at December 31 consist of the tax effects of temporary differences related to the following:

	Assets		Liabilities	
	1999	1998	1999	1998
Allowance for doubtful accounts	\$ 921	\$ 829	\$ —	\$ —
Depreciation and amortization	(6,293)	(6,513)	3,727	2,527
Inventory valuation	6,400	5,039	613	468
Postretirement/postemployment costs	25,852	26,771	(333)	(306)
Foreign tax loss carryforwards	9,923	9,517	—	—
Other	4,020	8,718	3,634	1,390
	40,823	44,361	7,641	4,079
Valuation allowance	(7,628)	(7,565)	—	—
	\$33,195	\$36,796	\$7,641	\$ 4,079
Current deferred income taxes	\$ 9,398	\$11,660	\$ 594	\$ 455
Noncurrent deferred income taxes	23,797	25,136	7,047	3,624
	\$33,195	\$36,796	\$7,641	\$ 4,079

The deferred income tax assets will be realized through reversals of existing taxable temporary differences with the remainder, net of the valuation allowance, dependent on future income. Management believes that sufficient income will be earned in the future to realize the remaining net deferred income tax assets. The tax loss carryforwards have remaining carryforward periods ranging from five years to unlimited.

Notes to Consolidated Financial Statements

The Company has not recognized deferred income taxes on \$106,562 of undistributed earnings of its international subsidiaries, since such earnings are considered to be reinvested indefinitely. If the earnings were distributed in the form of dividends, the Company would be subject, in certain cases, to both U.S. income taxes and foreign withholding taxes. Determination of the amount of this unrecognized deferred income tax liability is not practicable.

A reconciliation of the U.S. federal statutory income tax rate to the consolidated effective income tax rate follows:

	1999	1998	1997
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
State taxes (net of federal benefit)	2.5	3.6	3.9
Foreign losses without tax benefit	1.2	1.0	0.6
Foreign tax rates	(3.7)	(1.6)	(1.5)
NASCO equity income	(0.9)	(1.0)	(0.6)
Foreign sales corporation	(0.8)	(0.4)	—
Other	(0.3)	0.3	(0.1)
Consolidated effective income tax rate	33.0%	36.9%	37.3%

Income taxes paid, net of refunds, were \$15,781, \$18,473 and \$25,337 in 1999, 1998 and 1997, respectively.

8 Common Stock

In 1999, 1998 and 1997, 105,189 shares, 270,854 shares and 566,077 shares, respectively, of common stock were issued from treasury for the exercise of stock options, purchases by the Employee Stock Purchase Plan and various other incentive awards. In 1999, 1998 and 1997, the Company acquired 1,090,014 shares, 598,160 shares and 395,179 shares, respectively, of the Company's common stock at a cost of \$22,351, \$17,042 and \$10,673, respectively. These acquired shares were placed in treasury.

On April 2, 1997, the stockholders approved an amendment to the Company's restated certificate of incorporation providing for an increase in the number of authorized common shares from 20 million to 60 million and a reduction in the par value of common and preferred stock from \$1.00 to \$0.01 per share. This enabled the Company to effect a three-for-one stock split for stockholders of record on April 3, 1997. All references to shares and per share amounts in the consolidated financial statements and accompanying notes have been adjusted retroactively for the three-for-one stock split. Stockholders' equity at December 31, 1999, 1998 and 1997, reflects the effect of the stock split and change in par value per share. These changes reduced the common stock account by \$15,517 and increased the additional paid-in capital account by a like amount in 1997.

In December 1996, the Company adopted a new shareholder rights plan. Under the new plan, each share of common stock contains one right (Right) which entitles the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, for two hundred dollars. The Rights generally will not become exercisable unless and until, among other things, any person or group acquires beneficial ownership of 35% or more of the outstanding stock. The new Rights are generally redeemable at \$0.01 per Right at any time until ten days following a public announcement that a 35% or greater position in the Company's common stock has been acquired and will expire, unless earlier redeemed or exchanged, on December 23, 2006.

If, following the acquisition by a person or group of 35% or more of the outstanding shares of the Company's common stock, the Company is acquired in a merger or other business combination or 50% or more of the Company's assets or earnings power is sold or transferred, each outstanding Right becomes exercisable for common stock or other securities of the acquiring entity having a value of twice the exercise price of the Right.

9 Preferred Stock

At December 31, 1999 and 1998, the Company had 3,000,000 shares of preferred stock authorized, none of which were outstanding. As discussed in Note 8, the par value of preferred stock was reduced from \$1.00 to \$0.01 per share in 1997.

Notes to Consolidated Financial Statements

10 Stock Plans

All U.S. salaried and non-union hourly employees are eligible to participate in the Company's Guaranteed Stock Plan (GSP). The GSP provides for the investment of employer and employee contributions in the Company's common stock. The Company guarantees a minimum rate of return on certain GSP assets. At December 31, 1999, the Company's guarantee on these assets was \$2,321. This amount will only become a liability for the Company if, and to the extent, the value of the related Company stock does not cover the guaranteed asset value on the day an employee withdraws from the plan.

The GSP was a leveraged ESOP until mid-1999. In 1989, the GSP purchased 1,737,930 shares of the Company's common stock at a cost of \$21,000 using the proceeds of a loan guaranteed by the Company. These shares were held in trust and were issued to employees' accounts in the GSP as the loan was repaid. The loan interest was based on LIBOR and generated interest costs of \$32, \$212 and \$387 in 1999, 1998 and 1997, respectively. Contributions and certain dividends received were used in part by the GSP to service its debt. Contributions included both employee and Company contributions.

The Company contributions were equal to the amount required by the GSP to pay the principal and interest due under the GSP loan plus that required to purchase any additional shares required to be allocated to employee accounts, less the sum of employee contributions and dividends received by the GSP. Effective July 2, 1999, the GSP is no longer leveraged. The Company now contributes 50% of employee contributions up to 6% of eligible compensation plus any guarantee payments. Employees may elect to contribute additional amounts up to a total of 10% of eligible compensation. The GSP used \$1,012, \$1,899 and \$1,781 of Company dividends for debt service in 1999, 1998 and 1997, respectively. The Company expenses all cash contributions made to the GSP. The Company recognized expense of \$1,115 in 1999 and income of \$403 and \$498 in 1998 and 1997, respectively. As of December 31, 1999, the GSP held 3,060,386 shares of the Company's common stock. For financial statement purposes, the Company reflected its guarantee of the GSP's debt as a liability with a like amount reflected as a reduction of stockholders' equity.

The Company has an Employee Stock Purchase Plan (ESPP) under which eligible employees may elect to have up to 10% of base compensation deducted from payroll for the purchase of the Company's common stock at 85% of market value on the date of purchase. The maximum number of shares which may be purchased under the ESPP is 2,025,000. The number of shares purchased under the ESPP was 62,868, 45,599 and 46,600 in 1999, 1998 and 1997, respectively. As of December 31, 1999, 457,011 additional shares may be purchased.

The 1991 Barnes Group Stock Incentive Plan (1991 Plan) authorizes the granting of incentives to executive officers, directors and key employees in the form of stock options, stock appreciation rights, incentive stock rights and performance unit awards. A predecessor plan that provided for similar incentives expired in 1991. Options granted under that plan continue to be exercisable, and any options which terminate without being exercised become available for grant under the 1991 Plan. A maximum of 2,384,826 common shares are subject to issuance under this plan after December 31, 1999. Compensation cost related to these plans was \$610, \$1,596 and \$1,150 in 1999, 1998 and 1997, respectively. The Company recorded, in additional paid-in capital, tax benefits related to stock options of \$40, \$1,573 and \$2,404 in 1999, 1998 and 1997, respectively.

In 1998, 60,000 Incentive Stock Rights and 75,000 stock options were granted outside of the 1991 Plan. The options are included in the tables below.

Data relating to options granted under these plans follow:

	1999		1998		1997	
	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
Outstanding, January 1	1,238,587	\$22.39	979,444	\$16.13	1,088,991	\$10.98
Granted	827,820	\$19.20	566,770	\$29.13	441,190	\$22.96
Exercised	24,727	\$18.96	224,332	\$11.02	505,113	\$10.79
Canceled	232,905	\$24.57	83,295	\$25.24	45,624	\$18.44
Outstanding, December 31	1,808,775	\$20.70	1,238,587	\$22.39	979,444	\$16.13
Exercisable, December 31	696,965	\$18.91	574,966	\$16.94	478,680	\$10.77

Notes to Consolidated Financial Statements

The following table summarizes information about stock options outstanding at December 31, 1999:

Options Outstanding					Options Exercisable	
Range of Exercise Prices	Number of Shares	Average Remaining Life (Years)	Average Exercise Price	Number of Shares	Average Exercise Price	
\$ 7 to \$14	365,979	4.5	\$11.50	335,979	\$11.24	
\$15 to \$20	652,266	9.2	\$19.04	2,700	\$19.44	
\$21 to \$23	313,840	7.7	\$22.28	161,885	\$22.32	
\$24 to \$32	476,690	8.3	\$28.99	196,401	\$29.21	

As of December 31, 1999 and 1998, there were 412,024 shares and 928,050 shares, respectively, available for future grant under the 1991 Plan and its predecessor plan.

Incentive Stock Rights entitle the holder to receive, without payment, incentive stock units (units), each of which is equivalent to one share of the Company's common stock, after the lapse of the incentive period. Certain units are also subject to the satisfaction of established performance goals. Additionally, holders are credited with dividend equivalents, which are converted into additional units. All units granted have up to a five-year incentive period. In 1999, 5,000 units were granted; 8,612 units were credited to holders for dividend equivalents; 16,144 units, which include dividend equivalents, were converted to an equivalent number of shares of common stock; and 92,501 units were forfeited. Additionally, 125,199 units, which include dividend equivalents, were terminated in 1998 in conjunction with the accelerated retirement agreement for the Company's retired president. As of December 31, 1999, there were 299,027 units outstanding.

Under the Non-Employee Director Deferred Stock Plan, each non-employee director is awarded 6,000 shares of the Company's common stock upon retirement. There were no shares issued under this plan in 1999 and 1998, while 12,000 shares were issued in 1997. Additionally, 6,000 shares were canceled as of December 31, 1999. There are 48,000 shares reserved for issuance under this plan.

Total shares reserved for issuance under all stock plans aggregated 2,889,837 at December 31, 1999.

The Company applies APB Opinion 25 to account for stock-based compensation. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1999	1998	1997
Net income:			
As reported	\$28,612	\$34,494	\$40,423
Pro forma	27,053	33,543	39,898
Basic earnings per share:			
As reported	\$ 1.47	\$ 1.72	\$ 2.00
Pro forma	1.39	1.67	1.97
Diluted earnings per share:			
As reported	\$ 1.46	\$ 1.69	\$ 1.96
Pro forma	1.38	1.64	1.93

The fair value of each stock option grant has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	1999	1998	1997
Risk-free interest rate	5.35%	5.35%	6.17%
Expected life	6 years	6 years	6 years
Expected volatility	30%	20%	20%
Expected dividend yield	3.54%	3.75%	4.00%

The weighted-average grant date fair values of options granted during 1999, 1998 and 1997 were \$5.07, \$5.63 and \$4.97, respectively.

Notes to Consolidated Financial Statements

Pension and Other Postretirement Benefits

Defined benefit pension plans cover a majority of the Company's worldwide employees at Associated Spring, Bowman Distribution and its Executive Office. Plan benefits for salaried and non-union hourly employees are based on years of service and average salary. Plans covering union hourly employees provide benefits based on years of service. The Company funds U.S. pension costs in accordance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Plan assets consist primarily of common stocks and fixed income investments, including 384,048 shares of Company stock. Additionally, the Company has a defined contribution plan covering employees of Barnes Aerospace and field sales employees of Bowman Distribution's U.S. operation. Company contributions under this plan are based primarily on the performance of the business units and employee compensation. Contribution expense under this plan was \$1,292, \$2,029 and \$2,593 in 1999, 1998 and 1997, respectively.

The Company provides certain other medical, dental and life insurance postretirement benefits for a majority of its retired employees in the U.S. and Canada. It is the Company's practice to fund these benefits as incurred.

A reconciliation of the beginning benefit obligations to the ending benefit obligations follows:

	Pensions		Other Postretirement Benefits	
	1999	1998	1999	1998
Benefit obligations, January 1	\$252,036	\$233,952	\$63,957	\$59,983
Service cost	6,218	5,645	629	521
Interest cost	16,944	16,908	4,445	4,359
Amendments	(484)	2,889	746	—
Actuarial (gain) loss	(28,231)	7,925	(3,953)	4,720
Benefits paid from plan assets	(15,316)	(15,283)	(5,503)	(5,626)
Benefit obligations, December 31	\$231,167	\$252,036	\$60,321	\$63,957
Benefit obligations related to plans				
with benefit obligations in excess of assets	\$ 8,868	\$ 9,881	\$60,321	\$63,957

A reconciliation of the beginning fair value of plan assets to the ending fair value of plan assets follows:

	Pensions	
	1999	1998
Fair value of plan assets, January 1	\$318,358	\$299,632
Actual return on plan assets	40,742	34,150
Company contributions	391	379
Benefits paid	(15,316)	(15,283)
Translation gains (losses)	272	(520)
Fair value of plan assets, December 31	\$344,447	\$318,358
Assets related to plans with benefit		
obligations in excess of plan assets	\$ —	\$ 487

Notes to Consolidated Financial Statements

A reconciliation of the funded status of the plans with the amounts recognized in the accompanying balance sheets is set forth below:

	Pensions		Other Postretirement Benefits	
	1999	1998	1999	1998
Funded status	\$113,280	\$ 66,321	\$(60,321)	\$(63,957)
Adjustments for unrecognized:				
Net (gains) losses	(107,041)	(60,445)	491	4,536
Prior service costs (benefits)	6,332	5,583	(4,852)	(6,953)
Net asset at transition	(2,425)	(4,055)	—	—
Prepaid (accrued) benefit cost	\$ 10,146	\$ 7,404	\$(64,682)	\$(66,374)

Significant assumptions used in determining pension and other postretirement expense and the funded status of the plans were:

	Pensions			Other Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Weighted average discount rate	8.00%	7.00%	7.50%	8.00%	7.00%	7.50%
Long-term rate of return on plan assets	9.75%	9.25%	9.00%	—	—	—
Increase in compensation	4.75%	4.75%	5.25%	4.75%	4.75%	5.00%

Pension and other postretirement benefit expenses consisted of the following:

	Pensions			Other Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Service cost	\$ 6,218	\$ 5,645	\$ 5,384	\$ 629	\$ 521	\$ 506
Interest cost	16,944	16,908	16,668	4,445	4,359	4,320
Return on plan assets (expected)	(24,441)	(22,264)	(20,965)	—	—	—
Amortization of transition assets	(1,643)	(1,643)	(1,660)	—	—	—
Recognized (gains) losses	(753)	2,898	(531)	45	—	—
Prior service cost	1,048	861	872	(1,355)	(1,422)	(1,422)
Benefit (credit) cost	\$ (2,627)	\$ 2,405	\$ (232)	\$ 3,764	\$ 3,458	\$ 3,404

The Company's accumulated postretirement benefit obligations, exclusive of pensions, take into account certain cost-sharing provisions. The annual rate of increase in the cost of covered benefits (that is, healthcare cost trend rate) is assumed to be 6.0% for 1999, reducing to 5.0% by the year 2001. A one percentage point increase in the assumed healthcare cost trend rate would increase the accumulated benefit obligations by approximately \$2,188 at December 31, 1999, and would have increased the 1999 aggregate of the service and interest cost components of postretirement benefit expense by approximately \$167. A one percentage point decrease in the assumed healthcare cost trend rate would decrease the accumulated benefit obligations by approximately \$2,122 at December 31, 1999, and would have decreased the 1999 aggregate of the service and interest cost components of postretirement benefit expense by approximately \$125.

Leases 12

The Company has various noncancellable operating leases for buildings, office space and equipment. Capital leases were not significant. Rent expense was \$7,712, \$7,133 and \$7,178 for 1999, 1998 and 1997, respectively. Minimum rental commitments under noncancellable leases in years 2000 through 2004 are \$6,097, \$5,802, \$4,678, \$3,660, \$3,063 and \$7,246 thereafter.

Notes to Consolidated Financial Statements

13 Information on Business Segments

The Company's reportable segments are strategic business groups that offer different products and services. Each segment is managed separately because each business requires different technology and marketing strategies. Specifically, the Company operates three reportable business segments:

Associated Spring manufactures custom-made mechanical and nitrogen gas springs, manifold systems and other close-tolerance engineered metal components, principally for the transportation, electronics and industrial markets. Associated Spring's custom metal parts are sold in the United States and through its international subsidiaries. International manufacturing operations are located in Brazil, Sweden, Canada, Mexico and Singapore. The automotive and automotive parts industries constitute Associated Spring's largest markets.

Bowman Distribution distributes fast-moving, consumable repair and replacement products for industrial, heavy equipment and transportation maintenance markets. Additionally, it distributes close-tolerance engineered metal components principally manufactured by Associated Spring. Bowman Distribution's operations and markets are located primarily in the United States. Other important locations include Canada and Europe.

Barnes Aerospace supplies precision machined and fabricated components and assemblies for the aerospace industry. Additionally, it refurbishes jet engine components for many of the world's commercial airlines and the military. Barnes Aerospace's operations are primarily in the United States, with additional locations in Europe and Singapore. Its markets are located in the United States, Europe and Asia.

The Company evaluates the performance of its reportable segments based on operating profit of the respective businesses. In 1999, segment operating profit was modified to follow the accounting policies described in Note 1. The equity income from the Company's investment in the NASCO joint venture is incorporated into the segment results of Associated Spring. The Company evaluates the performance of its reportable segments based on the operating profit of the respective businesses, which includes net sales, cost of sales, selling and administrative expenses and certain components of other income and other expenses, as well as the allocation of corporate overhead expenses. Sales between the business segments and between the geographic areas are accounted for on the same basis as sales to unaffiliated customers. Additionally, revenues are attributed to countries based on location of manufacturing or distribution facilities.

The following tables set forth information about the Company's operations by its three reportable business segments and by geographic area.

Notes to Consolidated Financial Statements

Operations by Business Segment

<i>(Dollars in millions)</i>	Associated Spring	Bowman Distribution	Barnes Aerospace	Other	Total
Revenues					
1999	\$282.6	\$230.4	\$121.3	\$(11.9)	\$622.4
1998	262.1	246.9	154.6	(12.4)	651.2
1997	259.0	258.8	136.6	(11.7)	642.7
Operating profit					
1999	\$ 33.5	\$ 9.9	\$ 5.3	\$ —	\$ 48.7
1998	23.2	35.0	12.8	(12.9)	58.1
1997	24.5	32.6	9.9	—	67.0
Assets					
1999	\$260.6	\$ 94.8	\$ 79.7	\$ 81.2	\$516.3
1998	160.1	86.7	92.3	79.8	418.9
1997	152.8	89.1	95.1	71.0	408.0
Depreciation & amortization					
1999	\$ 16.5	\$ 6.0	\$ 7.8	\$ 0.3	\$ 30.6
1998	15.3	5.4	7.5	0.2	28.4
1997	14.3	5.1	8.5	0.2	28.1
Capital expenditures					
1999	\$ 9.8	\$ 9.4	\$ 7.1	\$ 0.9	\$ 27.2
1998	18.3	7.5	8.3	0.5	34.6
1997	18.3	7.0	7.9	0.2	33.4

Notes:

In 1999, sales from any one customer did not exceed 10% of the Company's total revenues. In 1998, one customer accounted for 11.8% of the Company's total revenues.

"Other" revenues represent intersegment sales, of which the majority are sales by Associated Spring to Bowman Distribution.

The operating profit of Associated Spring includes income from its equity investment in NASCO of \$1.7 million, \$2.6 million and \$1.8 million in 1999, 1998 and 1997, respectively.

"Other" operating profit in 1998 includes the \$12.9 million charge related to the accelerated retirement package for the Company's retired president.

The assets of Associated Spring include the NASCO investment of \$9.5 million, \$9.2 million and \$7.8 million in 1999, 1998 and 1997, respectively.

"Other" assets include corporate controlled assets, the majority of which are cash and deferred tax assets.

A reconciliation of the total reportable segments' operating profit to income before income taxes follows:

	1999	1998	1997
Operating profit	\$48.7	\$58.1	\$67.0
Interest income	1.0	1.4	1.2
Interest expense	(6.1)	(4.1)	(4.9)
Other income (expense)	(0.9)	(0.7)	1.2
Income before income taxes	\$42.7	\$54.7	\$64.5

Notes to Consolidated Financial Statements

Operations by Geographic Area

(Dollars in millions)

Revenues	Domestic	International	Inter-Geographical	Total
1999	\$488.2	\$147.0	\$(12.8)	\$622.4
1998	526.8	138.3	(13.9)	651.2
1997	515.0	139.5	(11.8)	642.7

Long-lived assets

1999	\$164.5	\$109.1	\$ —	\$273.6
1998	144.6	41.9	—	186.5
1997	137.7	43.2	—	180.9

Notes:

International sales derived from any one country did not exceed 10% of total revenues.

Intergeographical sales are equally distributed between domestic and international.

Report of Independent Accountants

PRICEWATERHOUSECOOPERS 

To the Board of Directors and Stockholders of Barnes Group Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Barnes Group Inc. and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PriceWaterhouseCoopers LLP

Hartford, Connecticut
February 8, 2000

Quarterly Data (Unaudited)

<i>(Dollars in millions, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
1999					
Net sales	\$ 162.2	\$ 156.3	\$ 154.0	\$ 149.9	\$ 622.4
Gross profit ⁽¹⁾	52.7	49.0	50.4	45.3	197.4
Operating income	14.8	12.5	13.4	4.6	45.3
Net income	10.0	8.2	8.9	1.5	28.6
Per common share:					
Net income:					
Basic	0.50	0.42	0.46	0.08	1.47
Diluted	0.50	0.41	0.45	0.08	1.46
Dividends	0.18	0.19	0.19	0.19	0.75
Market prices (high-low)	\$ 30.00-15.88	\$ 25.50-18.56	\$ 23.69-18.31	\$ 22.75-15.25	\$ 30.00-15.25
1998					
Net sales	\$ 168.8	\$ 169.2	\$ 158.3	\$ 154.9	\$ 651.2
Gross profit ⁽¹⁾	57.5	57.0	50.8	50.0	215.3
Operating income ⁽²⁾	19.3	6.9	16.9	12.1	55.2
Net income ⁽²⁾	11.9	4.6	10.7	7.3	34.5
Per common share:					
Net income:					
Basic ⁽²⁾	0.59	0.23	0.53	0.37	1.72
Diluted ⁽²⁾	0.58	0.23	0.52	0.36	1.69
Dividends	0.167	0.167	0.180	0.180	0.694
Market prices (high-low)	\$ 33.44-21.25	\$ 34.00-26.50	\$ 30.63-23.63	\$ 31.88-24.56	\$ 34.00-21.25

⁽¹⁾ Sales less cost of sales.

⁽²⁾ Includes the \$12.9 million pretax, \$7.7 million after-tax charge (\$0.38 per share) against income related to the accelerated retirement package for the retired president of the Company, recorded in the second quarter.

Selected Financial Data

	1999	1998 ⁽³⁾	1997	1996	1995
Per common share ⁽¹⁾⁽²⁾					
Net Income					
Basic	\$ 1.47	\$ 1.72	\$ 2.00	\$ 1.63	\$ 1.40
Diluted	1.46	1.69	1.96	1.61	1.38
Dividends paid	0.75	0.69	0.65	0.60	0.53
Stockholders' equity (at year-end)	9.58	9.51	8.97	7.86	6.55
Stock price (at year-end)	16.31	29.25	22.75	20.00	12.00
For the year (in thousands)					
Net sales	\$622,356	\$651,183	\$642,660	\$594,989	\$592,509
Operating income	45,250	55,221	65,766	55,316	48,804
As a percent of sales	7.3%	8.5%	10.2%	9.3%	8.2%
Income before income taxes	\$ 42,698	\$ 54,663	\$ 64,502	\$ 52,310	\$ 45,450
Income taxes	14,086	20,169	24,079	19,742	17,966
Net income	28,612	34,494	40,423	32,568	27,484
As a percent of average stockholders' equity	15.4%	18.4%	23.4%	22.8%	22.6%
Depreciation and amortization	\$ 30,602	\$ 28,431	\$ 28,123	\$ 26,626	\$ 26,750
Capital expenditures	27,222	34,571	33,398	33,892	35,820
Average common shares outstanding — basic	19,418	20,096	20,237	19,924	19,640
Year-end financial position (in thousands)					
Working capital	\$103,165	\$106,884	\$113,092	\$109,476	\$ 95,280
Current ratio	1.9 to 1	2.1 to 1	2.3 to 1	2.4 to 1	2.2 to 1
Property, plant and equipment	\$145,105	\$139,247	\$133,830	\$131,071	\$122,870
Total assets	516,282	418,904	407,978	389,956	361,549
Long-term debt	140,000	51,000	60,000	70,000	70,000
Guaranteed ESOP obligation — long-term portion	—	—	2,205	4,951	7,491
Stockholders' equity	180,614	188,674	180,859	157,164	128,841
Debt as a percent of total capitalization ⁽⁴⁾	45.7%	24.1%	27.1%	33.5%	38.4%
Year-end statistics					
Employees	4,020	3,847	3,872	3,761	3,880

⁽¹⁾ All per share data, other than earnings per common share, are based on common shares outstanding at the end of each year. Earnings per common share are based on weighted average common shares outstanding during each year.

⁽²⁾ All per share data have been adjusted for the three-for-one stock split effective April 1997.

⁽³⁾ Includes the \$12.9 million pretax, \$7.7 million after-tax charge (\$0.38 per share) against income related to the accelerated retirement package for the retired president of the Company.

⁽⁴⁾ Debt includes all interest-bearing debt including the guaranteed ESOP obligation, and total capitalization includes interest-bearing debt and stockholders' equity.

About the Company

Board of Directors

Thomas O. Barnes
Chairman of the Board

Edmund M. Carpenter
*President and
Chief Executive Officer*

Robert J. Callander
*Executive in Residence,
Columbia University
School of Business,
New York, New York*

Gary G. Benanav
*Chairman and
Chief Executive Officer,
New York Life
International, Inc.,
and Vice Chairman,
New York Life
Insurance Company,
New York, New York*

George T. Carpenter
*President,
The S. Carpenter
Construction Co.
Bristol, Connecticut*

William S. Bristow, Jr.
*President,
W.S. Bristow & Associates, Inc.
Rollinsford, New Hampshire*

Frank E. Grzelecki
*Former Vice Chairman,
Handy & Harman
Rye, New York*

Robert W. Fiondella
*Chairman, President and
Chief Executive Officer,
Phoenix Home Life Mutual
Insurance Co.
Hartford, Connecticut*

Officers

Executive Office

Edmund M. Carpenter
*President and
Chief Executive Officer*

John R. Arrington
*Senior Vice President,
Human Resources*

Francis C. Boyle, Jr.
*Vice President, Controller
and Acting Chief
Financial Officer*

Joseph D. DeForte
Vice President, Tax

Signe S. Gates
*Senior Vice President,
General Counsel and Secretary*

Philip A. Goodrich
*Vice President,
Business Development*

John J. Locher
Vice President, Treasurer

Operations

Cedric D. Beckett
*Vice President,
Barnes Group Inc.,
and President,
Bowman Distribution*

Leonard M. Carlucci
*Vice President,
Barnes Group Inc.,
and President,
Associated Spring*

Gregory F. Milzcik
*Vice President,
Barnes Group Inc.,
and President,
Barnes Aerospace*

Harry G. Saddock, Jr.
*Vice President,
Barnes Group Inc.,
and Vice President, Operations,
Associated Spring*

Corporate Information

Transfer Agent and Registrar

ChaseMellon
Shareholder Services, L.L.C.
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
Phone: 1-800-801-9519
(Continental U.S. only)
or 1-201-329-8660
www.chasemellon.com
For the hearing-impaired:
1-800-231-5469

Use the above address
and phone numbers for
information on the following
services:

**Stockholder Inquiries/
Address Changes/
Consolidations**

**Lost Certificates/
Replacements**

Certificate Transfers:
All certificates should be sent
certified or registered mail.

**Dividend Investment/
Stockholder Investment Plans:**
Dividends on Barnes Group
common stock may be
automatically invested in
additional shares.

Hand Deliveries:
ChaseMellon
Shareholder Services, L.L.C.
120 Broadway, 13th Floor
New York, NY 10271

Stock Exchange

New York Stock Exchange
Stock Trading Symbol: B
Listed on the
S&P SmallCap 600 Index

Independent Accountants

PricewaterhouseCoopers LLP
100 Pearl Street
Hartford, CT 06103

Annual Meeting

Barnes Group Inc.'s annual
meeting of stockholders
will be held at 11:00 AM,
Wednesday, April 12, 2000,
at The Country Club of
Farmington, Farmington,
Connecticut.

Investor Information

Barnes Group welcomes
inquiries from stockholders,
analysts and prospective
investors. 10-K's and other
information pertaining to the
Company are available on
request. Please note that the
Company is no longer required
to provide quarterly reports to
stockholders. Those wishing to
receive this information can
obtain it over the Internet
(see address below) or by
requesting it from the Company
at the phone or fax numbers
listed below.

Contact: Phillip J. Penn
(for investor relations)
or Monique B. Marchetti
(for stockholder relations)
Barnes Group Inc.
123 Main St., P.O. Box 489
Bristol, CT 06011-0489 USA
Phone: 1-860-583-7070
Fax: 1-860-589-3507

Communication

For press releases and
other information about
the Company, go to our
Internet address,
www.barnesgroupinc.com
or call our Fax-on-Demand
Service at 1-800-311-4606.

BARNES
GROUP INC

