

BARNES GROUP INC
Form S-3
October 17, 2005

As filed with the Securities and Exchange Commission on October 17, 2005.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

BARNES GROUP INC.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of incorporation or organization)

06-0247840
(I.R.S. Employer Identification No.)

123 Main Street

Bristol, Connecticut 06010-0489 (860) 583-7070

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Signe S. Gates, Esq.

Senior Vice President, General

Counsel and Secretary

Barnes Group Inc.

123 Main Street

Bristol, Connecticut 06010-0489

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Phone: (860) 583-7070/Facsimile: (860) 585-5396

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Richard F. Langan, Jr., Esq.

Nixon Peabody LLP

437 Madison Avenue

New York, New York 10022

Phone: (212) 940-3000/Facsimile: (212) 940-3111

Approximate date of commencement of proposed sale to public:

from time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

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Title of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Aggregate Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount Of Registration Fee
3.75% Convertible Senior Subordinated Notes due 2025	\$100,000,000	100%	\$100,000,000	\$11,770(2)
Common Stock	2,370,290 shares(3)			(4)

- (1) Equals the aggregate principal amount of the notes being registered.
- (2) Calculated pursuant to Section 6(b)(5) and Rule 457(o) under the Securities Act of 1933.
- (3) Represents the aggregate number of shares of our common stock that are issuable upon conversion of the notes at an initial conversion rate of 23.7029 shares per \$1,000 principal amount of notes, subject to adjustment in certain circumstances. Pursuant to Rule 416 under the Securities Act of 1933, we are also registering an indeterminate number of shares of common stock that may be issued from time to time upon conversion of the notes in connection with a stock split, stock dividend, recapitalization or similar event or as a result of the anti-dilution provisions of the notes.
- (4) Pursuant to Rule 457(i) under the Securities Act of 1933, there is no additional filing fee with respect to the shares of common stock issuable upon conversion of the notes because no additional consideration will be received by the registrant in connection with the exercise of the conversion right.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer and sale is not permitted.

Prospectus (Subject to Completion),

Issued October 17, 2005

\$100,000,000

Barnes Group Inc.

3.75% CONVERTIBLE SENIOR SUBORDINATED NOTES DUE 2025 AND SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION THEREOF

The Notes and Common Stock

On August 1, 2005, we issued and sold \$100,000,000 aggregate principal amount of our 3.75% Convertible Senior Subordinated Notes due 2025 in a private offering.

Interest on the notes is payable on February 1 and August 1 of each year, beginning February 1, 2006.

The notes mature on August 1, 2025 unless earlier converted, redeemed or repurchased.

The selling security holders identified in this prospectus will use this prospectus to resell the notes and the underlying shares of our common stock issuable upon conversion of the notes. If required, we will set forth the names of any other selling security holders in a post-effective amendment to the registration statement of which this prospectus is a part.

We will not receive any proceeds from the sale of the notes or shares of common stock issuable upon conversion of the notes by any of the selling security holders. The notes and the shares of common stock may be offered in negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices. In addition, shares of our common stock may be offered from time to time through ordinary brokerage transactions on the New York Stock Exchange. See Plan of Distribution.

Conversion Notes

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Holders may convert the notes into shares of our common stock at a conversion rate of 23.7029 shares per \$1,000 principal amount of notes, subject to adjustment, before the close of business on July 31, 2025 under the following circumstances:

1. during any fiscal quarter commencing after September 30, 2005, if the closing sale price of our common stock exceeds 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;
2. prior to August 1, 2024, during the five business day period after any five consecutive trading day period, or measurement period, in which the trading price per \$1,000 principal amount of notes for each day of such measurement period was less than 98% of the product of the closing price of our common stock and the applicable conversion rate for the notes;
3. if the notes have been called for redemption and the redemption has not yet occurred; or
4. upon the occurrence of certain corporate transactions.

Redemption and Repurchase of the Notes

Prior to February 7, 2011, the notes will not be redeemable. On or after February 7, 2011, we may, at our option, redeem some or all of the notes in cash, at any time, upon at least 30 days' notice at a price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including the date of redemption.

Holders may require us to repurchase for cash all or a portion of the notes on February 1, 2011, February 1, 2016 and February 1, 2021 at a repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including, the date of repurchase.

Ranking of the Notes

The notes are our direct, unsecured senior subordinated debt obligations and rank junior in right of payment with all of our existing and future senior indebtedness and equal in right of payment with any other future senior subordinated indebtedness. The notes effectively rank junior in right of payment to the existing and future indebtedness and other liabilities of our subsidiaries, including trade payables.

Listing

The notes issued in the initial private offering are eligible for trading in the Private Offerings, Resales and Trading through Automatic Linkages Market, commonly referred to as the PORTAL Market, of The National Association of Securities Dealers, Inc. However, the notes sold using this prospectus will no longer be eligible for trading in the PORTAL system. We do not intend to list the notes for trading on any automated interdealer quotation system or national securities exchange.

Our common stock is traded on the New York Stock Exchange under the symbol **B**. On October 14, 2005, the reported last sale price of our common stock on the New York Stock Exchange was \$35.02 per share.

Investing in our securities involves risks. See Risk Factors beginning on page 13.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2005.

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IMPORTANT NOTICE TO READERS

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration process, the selling security holders may, from time to time, offer notes or shares of our common stock issued upon conversion of the notes owned by them. Each time the selling security holders offer notes or common stock under this prospectus, they are required to provide to potential investors a copy of this prospectus and, if applicable, a copy of a prospectus supplement. You should read both this prospectus, and, if applicable, any prospectus supplement together with the information incorporated by reference in this prospectus. See Where You Can Find More Information for more information.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from the information contained in or incorporated by reference in this prospectus. This document may be used only in jurisdictions where offers and sales of these securities are permitted. You should not assume that information contained in this prospectus or in any document incorporated by reference is accurate as of any date other than the date of the document that contains the information, regardless of when this prospectus is delivered or when any sale of our securities occurs.

As used in this prospectus, Barnes Group, Barnes, we, our, and us refers to Barnes Group Inc. and its subsidiaries, unless stated otherwise or context requires otherwise, and Barnes Distribution, Associated Spring, and Barnes Aerospace refers to each of those individual business units of Barnes, but not to separate corporate entities.

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The notes and our common stock issuable upon their conversion have not been approved or recommended by any U.S. federal, state or foreign securities commission or regulatory authority. Furthermore, those authorities have not been requested to confirm the accuracy or determine the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

FORWARD-LOOKING STATEMENTS

You should carefully consider the risk factors included under the heading "Risk Factors" in this prospectus, and in the risk factors incorporated in this prospectus by reference. This prospectus, including the documents incorporated by reference in this prospectus, includes certain statements that may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. You can identify these statements by forward-looking words such as "anticipate," "believe," "budget," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "should," "will" and "would." You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future financial position or results of operations or state other forward-looking information. We believe that it is important to communicate our future expectations to our investors and potential investors. However, there may be events in the future that we are not able to predict or control accurately. The risk factors included in this prospectus, including in the documents incorporated by reference in this prospectus, and any cautionary language in this prospectus and in the documents incorporated by reference in this prospectus provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors, elsewhere in this prospectus and in the documents incorporated by reference in this prospectus could have a material adverse effect on our business, results of operations and financial position. You should assume that the information appearing in or incorporated by reference into this prospectus is accurate only as of the date on the front cover of this prospectus or the date of the document incorporated by reference, as applicable. Neither we, nor any of the selling security holders, undertake to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

INDUSTRY AND MARKET DATA

Market data and certain industry statistics used throughout this prospectus and the documents incorporated by reference, including information relating to market share and trends, are based on our good faith estimates. These estimates were based on independent industry publications and other publicly available information. Although we believe these sources are reliable, we have not independently verified the information and neither we nor any of the selling security holders make any representation as to the accuracy or completeness of such information.

INCORPORATION OF DOCUMENTS FILED WITH THE SEC

We incorporate by reference the documents, which have been filed with the SEC, listed below:

our Current Report on Form 8-K, filed on February 23, 2005;

our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed on February 28, 2005;

our Current Report on Form 8-K, filed on March 11, 2005;

our Definitive Proxy Statement on Schedule 14A, filed on March 16, 2005;

our Current Report on Form 8-K/A, filed on April 1, 2005;

our Current Report on Form 8-K, filed on April 26, 2005;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 6, 2005;

our two Current Reports on Form 8-K, filed on July 25, 2005, other than Exhibit 99.1 to the first such Form 8-K filed on such date;

our Current Report on Form 8-K, filed on July 26, 2005;

our Current Report on Form 8-K, filed on July 27, 2005;

our Current Report on Form 8-K, filed on August 2, 2005;

our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, filed on August 5, 2005; and

our Current Report on Form 8-K, filed on September 6, 2005.

All documents we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before all of the notes offered pursuant to this prospectus are sold are incorporated by reference in this prospectus from the date of filing of the documents, except for information furnished under Items 2.02 and 7.01 of Form 8-K, which is not deemed filed and not incorporated by reference herein. Information that we file with the SEC will automatically update and may replace information in this prospectus and information previously filed with the SEC.

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Any statement contained or incorporated by reference in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein, or in any subsequently filed document which also is incorporated by reference herein, modifies or supersedes such earlier statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may obtain any of these incorporated documents from us without charge, excluding any exhibits to these documents unless the exhibit is specifically incorporated by reference in such document, by requesting them from us in writing or by telephone at the following address:

Barnes Group Inc.

123 Main St.

Bristol, CT 06010-0489

Attention: General Counsel

(860) 583-7070

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in or incorporated by reference into this prospectus. This summary is not complete and does not contain all of the information that you should consider before making an investment decision. For a more complete understanding of our company and this offering, we encourage you to read this entire document, including Risk Factors, the financial and other information included in or incorporated by reference into this prospectus and the documents to which we have referred.

Our Company

Overview

We are a diversified international manufacturer of precision metal components and assemblies and distributor of industrial supplies, serving a wide range of markets and customers. Our company consists of three businesses:

Barnes Distribution, an international, full-service distributor of maintenance, repair, operating and production supplies, which generated 42% of our sales in 2004;

Associated Spring, one of the world's largest manufacturers of precision mechanical and nitrogen gas springs and a global supplier of retaining rings, reed valves and injection-molded plastic components and assemblies, which generated 37% of our sales in 2004; and

Barnes Aerospace, a manufacturer and repairer of highly engineered components and assemblies for aircraft engines, airframes and land-based industrial gas turbines, which generated 21% of our sales in 2004.

Barnes Distribution

Barnes Distribution is an industry leader in the distribution of maintenance, repair, operating and production, or MROP, supplies. We provide a wide variety of high-volume replacement parts and other products, and inventory management services to a well-diversified customer base. We distribute products in 31 countries and are supported by distribution/sales centers in the United States, Canada, United Kingdom, France, Spain, Mexico, Singapore, Brazil and China.

Barnes Distribution distributes replacement parts and other products under the brand names of Bowman[®], Curtis[®], Kar[®] Products, Mechanics Choice[®], Autoliaisons and Motalink. These parts and products include fasteners, electrical supplies, hydraulic components, chemicals and security products. Die springs and nitrogen gas springs, mechanical struts and standard parts, such as coil and flat springs, are distributed under the brand names of Raymond[®] and SPEC[®].

We position ourselves as a partner in the operations of our customers and help them increase their profitability by using innovative methods and technologies to solve supply management problems. Barnes Distribution offers an array of service options, built around a vendor-managed inventory business model, which are designed to improve the productivity of our customers while substantially reducing their procurement and transaction costs. Barnes Distribution's products are sold through our sales force of approximately 1,500 employees and through our distributors.

Associated Spring

Associated Spring is the largest precision mechanical and nitrogen gas spring manufacturer in North America and one of the largest precision spring manufacturers in the world. We are equipped to produce virtually

every type of precision spring, from fine hairsprings for electronics and instruments to large heavy-duty springs for machinery. Associated Spring also manufactures nitrogen gas manifold systems used to precisely control stamping presses; retaining rings that position parts on a shaft or other axis; reed valves that are custom-engineered critical components used in compressors; and injection-molded plastic-on-metal and metal-in-plastic components and assemblies used in electronics, medical devices and consumer products. Most of the products are highly-engineered, custom solutions that we design and develop in collaboration with our customers from concept to manufacturing. Our products are purchased primarily by durable goods manufacturers in industries such as transportation, consumer products, farm equipment, telecommunications, medical devices, home appliances and electronics.

We have manufacturing operations in the United States, Brazil, Canada, China, Germany, Mexico, Singapore, Sweden, Thailand and the United Kingdom, and have retained a minority interest of 15% in our former subsidiary in Argentina.

Barnes Aerospace

Barnes Aerospace produces precision-machined and fabricated components and assemblies for original equipment manufacturers, or OEMs, turbine engine, airframe and industrial gas turbine builders throughout the world and the United States military.

Barnes Aerospace's machining and fabrication operations, with facilities in Arizona, Connecticut, Michigan, Ohio, Utah and Singapore, produce critical engine and airframe parts through technically advanced processes such as creep-feed grinding and multi-axis milling and turning. We specialize in hot and cold forming of complex parts made from difficult materials such as titanium, cobalt, inconel and other aerospace alloys. Customers include airframe and gas turbine engine manufacturers for commercial, military and business jets, and land-based industrial gas turbines. Our capabilities have enabled us to build long-standing customer relationships and to participate in the design phase of components and assemblies, where we provide our customers with manufacturing research, testing and evaluation. By doing so, Barnes Aerospace positions itself to be a long-term supplier of components and assemblies to the engine or airframe projects in which it participates. For example, we have significant content on the GE90-115B engine, which is the exclusive engine for the Boeing 777-300ER and 200LR aircraft, and growing content on the Airbus A380 aircraft.

Barnes Aerospace's aftermarket facilities, located at Connecticut, Ohio and Singapore, specialize in the refurbishment of jet engine components such as cases, rotating air seals, honeycomb air seals and housings, as well as repair services. Customers include major airline and engine overhaul businesses and the United States military.

Barnes Aerospace participates in aftermarket Revenue Sharing Programs, or RSPs, with a large aerospace manufacturer under which Barnes Aerospace receives the exclusive right to supply designated aftermarket parts for the life of the related aircraft engine program. Total commitments in RSP participation fees as of June 30, 2005 equaled \$117.0 million of which \$72.5 million had been paid at such time.

Competitive Strengths

Leadership Positions in Each of Our Three Businesses. We enjoy leadership positions within the industrial distribution, precision mechanical and nitrogen gas spring, and aerospace industries. We believe that Barnes Distribution is one of the largest industrial distributors in the highly fragmented North American market. Associated Spring is the largest precision spring manufacturer in North America and one of the largest precision spring manufacturers in the world. Barnes Aerospace has content on virtually all major commercial aircraft engine programs and performs repairs on many engine models currently in service. We believe that the leading positions we enjoy as a result of our engineering and technical expertise and sales and marketing infrastructure, built through a combination of our historical operations, investments and acquisitions,

provide us with a significant competitive advantage.

Established Customer Relationships. We have established long-standing relationships with customers in a variety of industries. We work collaboratively with our customers from the development stage to manufacture products that meet their individual performance and cost requirements. Barnes Distribution has developed close ties with our customers through recurring contact in the course of providing inventory management services over extended periods. Associated Spring's Product Development Center provides engineering and other resources to customers relating to design of new components and trouble shooting for existing designs. Barnes Aerospace's research and development team also works with customers to improve the design and manufacturability of components and assemblies. We are one of only a few suppliers with an on-site sales office or open access to the facilities of the major aerospace OEMs, positioning us to be a primary resource for new products and technical support.

A Diverse Business Mix and Customer Base. We provide our products and services to a wide range of industries and customers. The industries we serve include transportation, aerospace and defense, electronics, telecommunications, consumer goods, home appliances, agriculture, food processing, construction, energy, logistics and general industrial. This diversification reduces our dependence on any given industry segment or geographic area and mitigates the impact of cyclical downturns. Within our distribution group, we provide over 70,000 regularly-stocked items to more than 130,000 customers through distribution facilities, sales offices and other selling arrangements around the world. Within our Associated Spring division, we sell more than 40,000 separate parts to more than 15,000 different customers. Within Barnes Aerospace, we sell a broad portfolio of products to a mix of OEM and aftermarket customers, and have a broad exposure to commercial and military markets.

Global Manufacturing, Sales and Distribution Capabilities. As of June 30, 2005, we had 28 manufacturing facilities, of which 12 are located outside the United States, supported by a global sales force. We distribute products in 31 countries and are supported by distribution/sales centers in the United States, Canada, United Kingdom, France, Spain, Mexico, Singapore, Brazil and China. The international scope of our manufacturing, sales and distribution operations provides us with the ability to efficiently serve our global customer base. Our latest effort in this area has been Barnes Aerospace's expansion of manufacturing operations in Singapore, with a new plant that produces precision aerospace components.

Strong Cash Flows to Support Future Growth. Over the past three fiscal years, we generated approximately \$169 million in cash flows from operating activities. We seek to maximize cash flows by aggressively managing working capital and expenses on an ongoing basis throughout the organization. Our strong cash flows from operations allow us to continue to grow our business both organically by investing in capital expenditures and new internal programs, as well as through strategic acquisitions.

Experienced and Committed Management Team. Our executive management team possesses extensive operational, sales, finance and marketing experience in distribution, manufacturing or aerospace organizations. Further, our executive management team has extensive experience in identifying acquisition candidates, structuring acquisitions and rapidly integrating acquired businesses. Our executive management and employees are significant holders of our common stock. As of January 1, 2005, our executive officers and directors beneficially owned 16.0% of our common stock. Additionally, annual cash incentive targets for our management are set through measures similar to an economic value added measure, or through targets for sales and earnings per share growth.

Business Strategy

Our goal is to build lasting value for our stockholders by generating sustainable, profitable growth. We seek to achieve this goal by pursuing the following strategies:

Generate Internal Growth and Profitability through Worldwide Service: Providing the right products and services to meet our customers' needs is essential for building lasting value. We seek to provide the necessary

worldwide service capabilities to our customers through our geographically dispersed manufacturing and distribution facilities and our strategic international alliances and acquisitions. Our commitment to providing full-service distribution capabilities and precision manufactured components and assemblies worldwide, and procuring raw material and products from global suppliers at competitive prices, is intended to provide the right products and services for our customers and solidifies our relationships with them as their supplier or distributor of choice.

Pursue Acquisitions and Strategic Relationships that Profitably Add Customers, Products, Technology or Geographic Presence. In the six years leading up to June 30, 2005, we invested over \$330 million in nine strategic acquisitions and, as of June 30, 2005, had \$117.0 million of commitments in aftermarket business alliances. This strategy has expanded the scope of our operations, added complementary products or product lines, increased our customer base and expanded our geographic presence. We will continually seek acquisition opportunities in each of our three businesses that will add customers, product offerings, technology or geographic reach to our existing base of business and increase our profitability. We will also continue to seek business arrangements which foster long-term business relationships, such as our aftermarket RSP agreements.

Continue to Expand Our Global Capabilities. Our customer base is global in nature, and we are committed to continuing to expand our global presence to meet our customers' needs. As of June 30, 2005, we distributed products in 31 countries, and we had 60 manufacturing, sales and distribution sites across four continents. In the past four years we have added manufacturing operations in such places as China, Singapore and Mexico. We intend to continue to take advantage of lower labor and production costs associated with international manufacturing and global sourcing capabilities. Additionally, we continue to invest in our global sales and marketing functions to position us to reach new customers and to increase our sales to existing customers.

Promote Continuous Improvement Initiatives. We undertake initiatives in each of our three businesses to continuously improve our processes, strengthening our competitive advantage. At Barnes Distribution, our initiatives focus on decreasing order processing costs and optimizing inventory levels for our customers. In our Associated Spring and Barnes Aerospace businesses, our initiatives are heavily focused on lean manufacturing strategies and techniques. We aggressively promote a culture where process improvements are encouraged and often implemented throughout all levels of the organization as part of daily operations.

Leverage Training and Education to Strengthen the Focus on Long-term Profitability. We use sophisticated, internally developed measurement tools to gauge the performance of our three operations. In 2002, we began a program to educate approximately 1,400 employees on the use of these tools in their day-to-day decision making, empowering them to think like owners of the business. These tools encourage employees to focus on operating profitability as well as the various inputs of capital into a business that can affect the long-term success of the organization.

Recent Developments

On August 9, 2005, we announced our acquisition of the stock of Toolcom Supplies Ltd., an Edinburgh, Scotland-based distributor of maintenance, repair, and operating, or MRO, supplies and replacement parts in the United Kingdom for a purchase price of \$13.4 million from available cash. Toolcom Supplies Ltd. will be integrated into our Barnes Distribution business, which we believe will strengthen our market presence in the UK.

On August 25, 2005, we announced our agreement to acquire the assets of Service Plus Distributors, Inc., a Bristol, Pennsylvania-based distributor of gas springs, dampers and hardware to equipment and vehicle manufacturer at a purchase price of approximately \$13.7 million. We completed this acquisition on September 30, 2005. Service Plus Distributors, Inc. is now a part of Barnes Distribution's Raymond division, which we believe represents a strong product line addition for Barnes Distribution.

On September 6, 2005, we announced that we have been awarded Pioneer Status, which provides tax benefits in exchange for capital investment and employment commitments, by the Ministry of Trade and Industry in the Republic of Singapore for the production of aircraft turbine engine components for OEMs and the spare parts market. We currently have two Barnes Aerospace facilities in Singapore, one for aftermarket operations and the second for OEM manufacturing. We believe that our Singapore operations are an integral part of Barnes Aerospace's strategy to improve overall competitiveness, leverage existing infrastructures, and provide global manufacturing capabilities to support production of new aircraft engine components and aftermarket spares.

On October 3, 2005, we announced that we have entered into our seventh RSP with a large aerospace manufacturer.

Our principal executive offices are located at 123 Main Street, Bristol, Connecticut 06010. Our telephone number is (860) 583-7070. Our common stock is listed on the New York Stock Exchange under the symbol B. We maintain a website at www.barnesgroupinc.com, however, the information on our website is not part of this prospectus, and you should only rely on the information contained in this prospectus and in the documents incorporated by reference into this prospectus when making a decision as to whether to invest or not to invest in our securities.

The Offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus contains a more detailed description of the terms and conditions of the notes.

Issuer	Barnes Group Inc., a Delaware corporation.
Notes Offered	\$100,000,000 aggregate principal amount of 3.75% Convertible Senior Subordinated Notes due 2025.
Maturity	August 1, 2025, unless earlier converted, redeemed or repurchased.
Ranking	<p>The notes are our direct, unsecured, senior subordinated obligations and will rank junior in right of payment with all of our existing and future senior indebtedness and equal in right of payment with any other future senior subordinated indebtedness. The notes are effectively junior to our subsidiaries' existing and future indebtedness and other liabilities, including trade payables.</p> <p>At June 30, 2005, we and our subsidiaries had approximately \$270.0 million aggregate principal amount of consolidated debt and capitalized lease obligations outstanding (\$273.5 million as adjusted to take into account the notes offered pursuant to this prospectus and related use of proceeds to pay down our revolving credit facility), excluding intercompany indebtedness, all of which (\$173.5 million as so adjusted) would be senior indebtedness or effectively senior in right of payment to the notes.</p>
Interest Payment	3.75% per year on the principal amount, payable semi-annually in arrears on February 1 and August 1 of each year, beginning February 1, 2006.
Contingent Interest	Beginning with the period commencing on February 7, 2011 to July 31, 2011, and for each six-month interest period thereafter (from August 1 to and including January 31 and from February 1 to and including July 31), we will pay contingent interest during the applicable interest period if the average trading price of the notes during the five trading days ending on the second trading day immediately preceding the first day of the applicable interest period equals or exceeds 120% of the principal amount of the notes. The amount of contingent interest payable per \$1,000 principal amount of notes during the applicable interest period will equal an annual rate of 0.25% of the average trading price of such \$1,000 principal amount of notes during the applicable five-trading-day reference period, payable in arrears.
Conversion Rights	You may convert the notes into cash and shares of our common stock, if any, at a conversion rate of 23.7029 shares per \$1,000 principal amount of notes (equal to a conversion price of approximately \$42.19 per share), subject to adjustment, prior to the

close of business on the business day immediately preceding stated maturity only under the following circumstances:

during any fiscal quarter commencing after September 30, 2005, if the closing price of our common stock is greater than or equal to 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;

prior to August 1, 2024, during the five business day-period after any five consecutive trading day period, or the measurement period, in which the trading price per \$1,000 principal amount of notes for each day of such measurement period was less than 98% of the product of the closing price of our common stock and the applicable conversion rate for the notes;

if we have called the notes for redemption and the redemption has not yet occurred; or

upon the occurrence of specified corporate transactions described under Description of Notes Conversion Rights Conversion upon Specified Corporate Transactions.

You will not receive any cash payment or additional shares representing accrued and unpaid interest upon conversion of a note, except in limited circumstances. Instead, interest, including contingent interest and additional amounts, if any, will be deemed paid by the cash and common stock, if any, delivered to you upon conversion. Once we have called the notes for redemption, you may surrender your notes for conversion prior to the close of business on the business day immediately preceding the redemption date.

Upon a surrender of your notes for conversion, we will deliver cash equal to the lesser of the aggregate principal amount of notes to be converted and our total conversion obligation with regard to those notes. We will deliver cash or shares of our common stock, at our election, in respect of the remainder, if any, of our conversion obligation as described under Description of Notes Conversion Procedures Payment upon Conversion.

If you elect to convert your notes in connection with certain corporate transactions that occur on or prior to February 7, 2011, we will increase the conversion rate by a number of additional shares of common stock upon conversion as described under Description of Notes Conversion Rights Conversion Rate Adjustments Make Whole Amount and Adjustments for Conversion After a Public Acquirer Change of Control or, in lieu thereof, we may in certain circumstances elect to adjust the conversion rate and related conversion obligation so that the notes are convertible into shares of the acquiring or surviving company.

Optional Redemption

Prior to February 7, 2011, the notes are not redeemable. On or after February 7, 2011, we may, at our option, redeem some or all of the notes in cash, at any time, upon at least 30 days notice at a price

equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including the date of redemption.

Repurchase of Notes at the Option of the Holder You may require us to repurchase for cash all or a portion of your notes on February 1, 2011, February 1, 2016 and February 1, 2021 at a repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including, the date of repurchase.

Fundamental Change If we undergo a fundamental change (as defined in this prospectus) prior to maturity of the notes, you will have the right, subject to certain conditions, to require us to repurchase for cash all or a portion of your notes at a repurchase price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but excluding the date of repurchase.

Use of Proceeds We will not receive any of the proceeds from the resale by the selling security holders of the notes or the common stock issuable upon conversion of the notes. See Use of Proceeds.

Registration Rights We filed the shelf registration statement of which this prospectus is a part pursuant to a registration rights agreement, dated as of August 1, 2005, between the initial purchasers of the notes and us. We also agreed to use our reasonable best efforts to have the registration statement declared effective by January 27, 2006 and to use our reasonable best efforts to keep the registration statement effective until either of the following has occurred:

the sale pursuant to the shelf registration statement or Rule 144 under the Securities Act of all of the notes and any shares of our common stock issued upon their conversion; or

the expiration of the holding period applicable to the notes and the shares of our common stock issued or issuable upon their conversion held by persons that are not our affiliates under Rule 144(k) under the Securities Act, or any similar rule that may be adopted by the SEC.

If we do not fulfill certain of our obligations under the registration rights agreement, we will be required to pay additional amounts to holders of the notes. In no event will additional amounts be payable to holders of the notes or holders of common stock issuable upon conversion of the notes in connection with a registration default relating to the common stock issuable upon conversion of the notes. If you convert some or all of your notes into common stock when there exists a registration default with respect to the notes, you will receive, on the settlement date for any notes submitted for conversion during a registration default, accrued and unpaid

additional amounts to the conversion date relating to such settlement date. See Description of Notes Registration Rights.

U.S. Federal Income Tax Considerations	<p>Under the indenture governing the notes, absent administrative pronouncements or judicial decisions to the contrary, we and each holder have agreed to treat the notes as indebtedness for U.S. federal income tax purposes that is subject to the Treasury regulations governing contingent payment debt instruments. For U.S. federal income tax purposes, interest income on the notes accrues at the rate of 8.50% compounded semi-annually, which rate represents our determination of the yield at which we could issue a comparable noncontingent, nonconvertible, fixed-rate debt instrument with terms and conditions otherwise similar to the notes. A U.S. holder will be required to accrue interest income on a constant yield to maturity basis at this rate (subject to certain adjustments), with the result that a U.S. holder may recognize interest income significantly in excess of stated interest payments received while the notes are outstanding.</p> <p>A U.S. holder will also recognize gain or loss on the sale, exchange, conversion, repurchase or redemption of a note in an amount equal to the difference between the amount realized on the sale, exchange, conversion, repurchase or redemption of a note, including the fair market value of our common stock received upon a conversion, if any, and the U.S. holder's adjusted tax basis in the note. Any gain recognized on the sale, exchange, conversion, repurchase or redemption of a note generally will be ordinary interest income. Any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See Certain U.S. Federal Income Tax Considerations.</p>
Trustee, Paying Agent and Conversion Agent	The Bank of New York Trust Company, N.A.
Book-Entry Form	The notes have been issued in book-entry form and are represented by a global certificate or certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes are shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities except in limited circumstances.
Trading	The notes issued in the initial private offering are eligible for trading in the Private Offerings, Resales and Trading through Automatic Linkages Market, commonly referred to as the PORTAL Market, of The National Association of Securities Dealers, Inc. However, the notes sold using this prospectus will no longer be eligible for trading in the PORTAL system and we cannot guarantee the liquidity or the development of any trading market for the notes. We do not intend to list the notes for trading on any automated interdealer quotation system or national securities exchange.

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Trading Symbol for Our Common Stock	Our common stock is listed on the New York Stock Exchange under the trading symbol B.
Indenture and Trustee	We have issued the notes under an indenture, dated as of August 1, 2005, between The Bank of New York Trust Company, N.A., as trustee, and us.
Risk Factors	You should carefully consider the information set forth in the section of this prospectus entitled Risk Factors as well as the other information included in or incorporated by reference into this prospectus before deciding whether to invest in the notes.

Summary Historical Consolidated Financial Information

The following summary historical consolidated financial information as of and for each of the years ended December 31, 2002, 2003 and 2004 and as of and for each of the six month periods-ended June 30, 2004 and 2005 has been derived from, and should be read together with, our consolidated financial statements, and the related notes, which are incorporated by reference in this prospectus.

In the opinion of management, all adjustments considered necessary for a fair disclosure of our interim results and financial position have been included in our interim results and financial position for the six months-ended June 30, 2004 and 2005. Interim results are not necessarily indicative of the results that can be expected for a full fiscal year. The information should also be read together with Management's Discussion and Analysis of Financial Conditions and Results of Operations included in our first of two Current Reports on Form 8-K filed with the SEC on July 25, 2005 and in our Quarterly Report on Form 10-Q for the six months ending June 30, 2005, which are incorporated by reference into this prospectus.

EBITDA is a measurement not in accordance with generally accepted accounting principles, or GAAP. We define EBITDA as net income plus income taxes, interest expense and depreciation and amortization. We do not intend EBITDA to represent cash flows from operations as defined by GAAP, and you should not consider it as an alternative to net income, net cash provided by operating activities or any other items calculated in accordance with GAAP, or as an indicator of our operating performance. Our definition of EBITDA may not be comparable with EBITDA as defined by other companies. We believe EBITDA is commonly used by financial analysts and others in the industries in which we operate and, thus, provides useful information to investors. Our non-GAAP measure of EBITDA excludes income taxes, depreciation and amortization, and interest expense which we incur in the normal course of business. Accordingly, our calculation has limitations depending on its use.

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of pre-tax income from continuing operations, before income or loss from equity investees, plus fixed charges, plus amortization of capitalized interest, plus distributed income of equity investees, less interest capitalized. Fixed charges consists of interest on indebtedness, including amounts capitalized, amortization of debt financing costs and that portion of rental expense that we believe to be a reasonable estimate of the interest factor (deemed to be 33% of rental expense).

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004 H2	2005 H2
Statements of Income (in millions except per share data)					
Net sales	\$ 784.0	\$ 890.8	\$ 994.7	\$ 499.2	\$ 554.3
Cost of sales	530.6	577.0	652.9	326.3	354.5
Selling and administrative expenses	209.1	262.0	284.2	139.3	154.8
Operating income	44.3	51.8	57.6	33.5	45.0
Other income	3.7	3.3	2.1	1.4	9.5
Interest expense	14.8	15.8	15.4	7.5	8.5
Other expenses	0.6	1.1	1.3	0.2	0.6
Income before income taxes	32.5	38.2	43.0	27.2	45.4
Income taxes	5.7	5.3	8.6	6.3	13.9
Net income	\$ 26.8	\$ 32.9	\$ 34.4	\$ 20.9(2)	\$ 31.5(2)
Per Common Share					

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Net income(1)					
Basic	\$ 1.43	\$ 1.53	\$ 1.49	\$ 0.91	\$ 1.35
Diluted	1.40	1.49	1.44	0.88	1.31
Dividends	0.80	0.80	0.80	0.40	0.40

- (1) Net income per common share is based on weighted average common shares outstanding during each period presented.
(2) Numbers may not add up due to rounding.

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004 H2	2005 H2
Average common shares outstanding (in millions)					
Basic	18.8	21.5	23.1	23.1	23.4
Diluted	19.2	22.1	23.8	23.9	24.0
Balance Sheet Data (in millions)					
Cash and cash equivalents	\$ 28.4	\$ 49.8	\$ 36.3	\$ 39.2	\$ 32.3
Working capital	120.1	133.0	126.7	149.7	156.4
Property, plant and equipment, net	159.4	154.1	166.3	154.4	157.4
Total assets	660.2	838.4	937.0	897.2	963.1
Long-term debt and notes payable	221.0	241.0	268.0	260.8	270.0
Stockholders' equity	215.9	329.4	350.5	344.0	375.9
Operations by Business Segment (in millions)					
Net Sales					
Barnes Distribution	\$ 286.7	\$ 400.7	\$ 424.8	\$ 213.6	\$ 226.9
Associated Spring	321.7	333.1	373.5	188.2	221.0
Barnes Aerospace	183.0	165.7	205.9	102.8	111.9
Intersegment sales	(7.4)	(8.7)	(9.5)	(5.4)	(5.5)
Total net sales	\$ 784.0	\$ 890.8	\$ 994.7	\$ 499.2	\$ 554.3
Operating profit					
Barnes Distribution	\$ 7.1	\$ 16.5	\$ 13.8	\$ 8.9	\$ 12.5
Associated Spring	28.1	26.7	23.4	15.7	20.0
Barnes Aerospace	10.6	10.6	21.4	9.6	12.6
Total operating profit	\$ 45.8	\$ 53.8	\$ 58.6	\$ 34.2	\$ 45.1
Other Financial Data (in millions)					
Capital expenditures	19.4	18.4	28.5	16.8	11.6
Depreciation and amortization	33.6	34.6	34.1	16.8	17.6
Net cash provided (used) by operating activities	54.4	60.1	54.2	10.7	9.4
EBITDA Reconciliation (in millions)					
Net income	\$ 26.8	\$ 32.9	\$ 34.4	\$ 20.9	\$ 31.5
Income taxes	5.7	5.3	8.6	6.3	13.9
Depreciation and amortization	33.6	34.6	34.2	16.8	17.6
Interest expense	14.8	15.8	15.4	7.5	8.5
Earnings before interest, taxes, depreciation and amortization	\$ 81.0	\$ 88.6	\$ 92.6	\$ 51.5	\$ 71.5
Ratio of Earnings to Fixed Charges	2.7	2.9	3.1	3.7	5.2

RISK FACTORS

*An investment in the notes involves a high degree of risk. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of the notes and our common stock could decline due to any of these risks, and you may lose all or part of your investment. In addition, please read *Forward-Looking Statements* in this prospectus, where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference in this prospectus. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere contained or incorporated by reference in this prospectus. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.*

Risks Related to the Industries in Which We Operate

We operate in very competitive markets. We may not be able to compete effectively with our competitors, and competitive pressures could adversely affect our business, financial condition and results of operations.

Our three businesses compete with a number of larger and smaller companies in the markets we serve. Some of our competitors have greater financial, production, research and development or other resources than we do. Within Barnes Aerospace, certain of our OEM customers compete with us in the context of our repair and overhaul business. Some of our OEM customers in the aerospace industry also compete with us where they have the ability to manufacture the components and assemblies that we supply to them but have chosen, for capacity limitations, cost considerations or other reasons, to outsource the manufacture to us. Our three businesses compete on the basis of price, service, quality, reliability of supply, technology, innovation and, in the case of Associated Spring and Barnes Aerospace, design. We must continue to make investments to maintain and improve our competitive position. We cannot assure you that we will have sufficient resources to continue to make such investments or that we will be successful in maintaining our competitive position. Our competitors may develop products or services, or methods of delivering those products or services, that are superior to our products, services or methods. Our competitors may also adapt more quickly than we to new technologies or evolving customer requirements. Pricing pressures could cause us to adjust the prices of certain of our products to stay competitive. We cannot assure you that we will be able to compete successfully with our existing or future competitors. Also, if consolidation of our existing competitors occurs, we expect the competitive pressures we face to increase. Our failure to compete successfully could adversely affect our business, financial condition, results of operations and cash flows.

Our customers' businesses are generally cyclical. Weaknesses in the industries in which our customers operate could impact our revenues and profitability.

The transportation, aerospace, durable goods, telecommunications, electronics and other industries to which we sell our products are cyclical and tend to decline in response to overall declines in industrial production. Associated Spring is dependent on the transportation industry, and Barnes Aerospace is heavily dependent on the aerospace industry. As a result, our business is also cyclical and impacted by overall levels of industrial production and fluctuations in the transportation and aerospace industries. In addition, many of our customers have historically experienced periodic downturns, which often have had a negative effect on demand for our products. For example, lower production rates in the transportation markets and reduced overall sales of telecommunications and electronics products adversely affect the volume and price of orders placed for products used to manufacture these products, including our springs. Prior industry downturns have negatively affected our net sales, gross margin, net income and cash flows. In particular, the aerospace industry suffered in the wake of the events of September 11, 2001, resulting in a sharp decrease globally in new commercial aircraft deliveries and order cancellations or deferrals by the major airlines. This decrease has reduced the demand for our aerospace components and the grounding of planes due to lower air traffic and has reduced the demand for our

aerospace overhaul and repair services. While there has been a recovery in commercial air traffic, the commercial airline industry continues to be subject to financial difficulties, which could adversely affect our business, financial condition, results of operations and cash flows.

Original equipment manufacturers in the automotive and aerospace industries have significant pricing leverage over suppliers and may be able to achieve price reductions over time.

There is substantial and continuing pressure from OEMs in the automotive and aerospace industries to reduce the prices they pay to suppliers. We attempt to manage such downward pricing pressure, while trying to preserve our business relationships with our customers, by seeking to reduce our production costs through various measures, including purchasing raw materials and components at lower prices and implementing cost-effective process improvements. However, our suppliers, in the past, have resisted and, in the future, may resist pressure to lower their prices and may seek to impose price increases. In 2004, our efforts to convince our key automotive OEM customers to share in raw material price increases were met with limited success. If we are unable to offset OEM price reductions through these measures, our gross margins, profitability and cash flows could be adversely affected. In addition, OEMs have substantial leverage in setting purchasing and payment terms, including the terms of accelerated payment programs under which payments are made prior to the account due date in return for an early payment discount. OEMs can unexpectedly change their purchasing policies or payment practices, which could have a negative impact on our short-term working capital.

Demand for our defense-related products depends on government spending.

An increasing portion of Barnes Aerospace's sales are derived from the military market. The military market is largely dependent upon government budgets, particularly the U.S. defense budget. The funding of government programs is subject to Congressional appropriation. Although multi-year contracts may be authorized in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may be expected to continue for several years. Consequently, programs are often only partially funded and additional funds are committed only as Congress makes further appropriations. We cannot assure you that an increase in defense spending will be allocated to programs that would benefit our business. Moreover, we cannot assure you that new military aircraft programs in which we participate will enter full-scale production as expected. A decrease in levels of defense spending or the government's termination of, or failure to fully fund, one or more of the contracts for the programs in which we participate could have a material adverse effect on our financial position and results of operations.

A downturn in the automotive industry could adversely affect our business and financial results.

During 2004, we derived a significant portion of our sales from sales to the automotive industry. Recently, the automotive industry has suffered from certain financial pressures which have had negative consequences for companies in or with customers in the automotive industry. The automotive industry has generally suffered from unfavorable pricing pressures in North America and Europe. The operation of our business within the automotive industry subjects us to the pressures applicable to all companies operating in the automotive industry. While the precise effects of such instability on the automotive industry are difficult to determine, they may negatively impact our business, financial condition, results of operations and cash flows.

The consolidation occurring in the industries in which we operate could adversely affect our business and financial results.

The industries in which we operate have been experiencing consolidation, particularly in the aerospace industry. There has been consolidation of both suppliers, including us and our competitors, and the customers we serve. Supplier consolidation is in part attributable to OEMs more

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frequently awarding long-term sole source or preferred supplier contracts to the most capable suppliers in an effort to reduce the total number of suppliers from whom components and systems are purchased. We cannot assure you that our business, financial condition, results of operations or cash flows will not be adversely impacted as a result of consolidation by our competitors or customers.

The aerospace industry is highly regulated. Complications related to aerospace regulations may adversely affect Barnes Aerospace.

A substantial portion of our income is derived from our aerospace business. The aerospace industry is highly regulated in the United States by the Federal Aviation Administration, or FAA, and in other countries by similar regulatory agencies. We must be certified by these agencies and, in some cases, by individual OEMs in order to engineer and service systems and components used in specific aircraft models. If material authorizations or approvals were revoked or suspended, Barnes Aerospace would be adversely affected. New or more stringent governmental regulations may be adopted, or industry oversight heightened, in the future, and we may incur significant expenses to comply with any new regulations or any heightened industry oversight.

Environmental regulations impose costs and regulatory requirements on our operations. Environmental compliance may be more costly than we expect, and we may be subject to material environmental-based claims in the future.

Our past and present business operations and past and present ownership and operations of real property subject us to extensive and changing federal, state and local environmental laws and regulations, as well as those of other countries, pertaining to the discharge of materials into the environment, the handling and disposition of wastes (including hazardous wastes) or otherwise relating to protection of the environment. We have experienced, and expect to continue to experience, costs to comply with environmental laws and regulations. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become subject to new or increased liabilities that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We use and generate hazardous substances and wastes in our operations. In addition, many of our current and former properties are or have been used for industrial purposes. Accordingly, we monitor hazardous waste management and applicable environmental permitting and reporting for compliance with applicable laws at our locations in the ordinary course of our business. We may be subject to potential material liabilities relating to any investigation and clean-up of our locations or properties where we delivered hazardous waste for handling or disposal that may be contaminated and to claims alleging personal injury.

High Fuel Prices May Impact Our Operating Results

In late summer 2005, severe hurricanes struck the Gulf Coast of the United States, including Louisiana, Texas and Mississippi, causing extensive damage. These hurricanes caused widespread disruption to oil production, refinery operations and pipeline capacity in certain areas of the United States, and, as a result, the price of jet fuel has increased significantly since late August 2005. Fuel costs constitute a significant portion of operating expenses for companies in the aerospace industry. Because many of our customers and we are in the aerospace industry, increased fuel costs could have a material adverse effect on our financial condition or results of operations.

Risks Related to Our Business

The global nature of our business exposes us to foreign currency fluctuations that may affect our future revenues and profitability.

We have manufacturing, sales and distribution facilities around the world, and the majority of our foreign subsidiaries use the local currency as their functional currency. These include, among others, the Canadian dollar, Euro, British pound, Singapore dollar, Swedish krona, Mexican

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peso and Brazilian real. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies expose us to translation risk when the local currency financial statements are translated to U.S. dollars, our functional currency. Changes in currency exchange rates may also expose us to transaction risk.

We may buy protecting or offsetting positions or hedges in certain currencies to reduce our exposure to currency exchange fluctuations; however, these transactions may not be adequate or effective to protect us from the exposure for which they are purchased. We have not engaged in any speculative hedging activities. Currency fluctuations may impact our revenues and profitability in the future.

Changes in the availability or price of materials and energy resources could adversely affect our costs and profitability.

We may be adversely affected by commodity price changes, especially related to certain manufacturing operations that utilize high-grade steel spring wire and titanium. The availability and price of raw materials and energy resources may be subject to curtailment or change due to, among other things, new laws or regulations, global economic or political events including strikes, terrorists attacks and war, suppliers allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. Although we are not dependent upon any single source for any of our principal raw materials or products for resale, and such materials and products have, historically, been readily available, we cannot assure you that such raw materials and products will continue to be readily available. We are currently re-negotiating certain of our steel supply contracts. Disruption in the supply of raw materials, products or energy resources or our inability to come to a favorable agreement with our suppliers could impair our ability to manufacture, sell and deliver our products and require us to pay higher prices. Any increase in prices for such raw materials, products or energy resources could materially affect our costs and our profitability.

We depend on revenues from a small number of significant customers. Any loss, cancellation, reduction or delay in purchases by these customers could harm our business.

In 2004, our net sales to General Electric Co. and its subsidiaries accounted for 12% of our total sales, as compared to 10% in 2003. Approximately 25% of Associated Spring's sales in 2004 were from Associated Spring's three largest customers, and approximately 72% of Barnes Aerospace's sales in 2004 were from General Electric Co. and four other OEMs in the aerospace business. Our success will depend on our continued ability to develop and manage relationships with significant customers. We cannot assure you that we will be able to retain our largest customers. Some of our customers may in the future shift their purchases from us to our competitors, in-house or to other sources. While we have long-term agreements with most of our significant customers, the terms of some of these agreements provide that until a firm order is placed by a customer for a particular product, the customer may unilaterally reduce or discontinue its projected purchases without penalty. The loss of one or more of our largest customers, any reduction or delay in sales to these customers, our inability to successfully develop relationships with new customers, or future price concessions we make to retain customers could significantly reduce our sales and profitability.

Our operations depend on our manufacturing, distribution, sales and service facilities in various parts of the world. These manufacturing, distribution and service facilities are subject to physical and other risks that could disrupt our operations.

During 2004, approximately 27% of our sales were from facilities outside of the United States. Also, we have twelve manufacturing facilities and seven distribution centers outside the United States. The international scope of our business subjects us to risks such as a threat of war, terrorism or instability of governments and legal systems in countries in which we or our customers conduct business. The terrorist attacks of September 11, 2001 adversely impacted the U.S. and world economies and a wide range of industries. These terrorist attacks and the war in the Middle East may lead to future acts of terrorism and additional hostilities, including possible retaliatory attacks, as well as financial, economic and political instability. In addition, because we depend upon our information systems to help process orders, to manage inventory and accounts receivables collections, to purchase, sell and ship products efficiently and on a timely basis, to maintain cost-effective operations, and to help provide superior service to our customers, any disruption in the operation of our information systems,

including widespread power outages such as those that affected the northeastern and midwest United States in August 2003, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Although we have obtained property damage and business interruption insurance, a major catastrophe such as an earthquake or other natural disaster at any of our sites, or significant labor strikes, work stoppages, political unrest, or any of the events described above, some of which may not be covered by our insurance, in any of the areas where we conduct operations could result in a prolonged interruption of our business. Any disruption resulting from these events could cause significant delays in the manufacture or shipment of products or the provision of repair and other services that may result in our loss of sales and customers. Our insurance will not cover all potential risks, and we cannot assure you that we will have adequate insurance to compensate us for all losses that result from any insured risks. Any material loss not covered by insurance could have a material adverse effect on our financial condition, results of operations and cash flows. We cannot assure you that insurance will be available in the future at a cost acceptable to us or at a cost that will not have a material adverse effect on our gross margins, net income and cash flows.

Our significant international operations and assets subject us to additional financial and regulatory risks.

We have operations and assets in various parts of the world. In addition, we sell our products and services in foreign countries and seek to increase our level of international business activity. Accordingly, we are subject to various risks, including: U.S.-imposed embargoes of sales to specific countries; foreign import controls (which may be arbitrarily imposed or enforced); export regulations (which require us to comply with stringent licensing regimes); anti-dumping regulations; price and currency controls; exchange rate fluctuations; dividend remittance restrictions; expropriation of assets; war, civil uprisings and riots; government instability; the necessity of obtaining governmental approval for new and continuing products and operations; legal systems or decrees, laws, taxes, regulations, interpretations and court decisions that are not always fully developed and that may be retroactively or arbitrarily applied; and difficulties in managing a global enterprise. We have experienced minor or technical violations of some of these regulations, including export regulations, in the past, none of which have had or, we believe, will have a material adverse effect on our business. However, any significant violations of these regulations in the future could result in a civil or criminal sanctions, the loss of export or other licenses which could have a material adverse effect on our business. We may also be subject to unanticipated income taxes, excise duties, import taxes, export taxes or other governmental assessments. In addition, our organizational structure may limit our ability to transfer funds between countries, particularly into and out of the United States, without incurring adverse tax consequences. Any of these events could result in a loss of business or other unexpected costs that could reduce sales or profits and have a material adverse effect on our financial condition, results of operations and cash flows.

Declines in the stock market, prevailing interest rates and rising medical costs may cause an increase in our pension and other post-retirement expense in the future and result in reductions in our pension fund asset values and increases in our pension and other post-retirement obligations. These changes have caused and may continue to cause a significant reduction in our net worth and may require us to make higher cash contributions to our pension and post-retirement plans in the future.

We recorded a non-cash minimum pension liability adjustment for underfunded pension plans of \$24.1 million at December 31, 2003 which increased to \$35.2 million at December 31, 2004, representing the excess of the accumulated benefit obligation over the fair value of pension plan assets. Recognition of the minimum pension liability resulted in an after-tax charge of \$16.8 million in 2002 and \$8.9 million in 2004 partially offset by an after-tax benefit of \$5.7 million in 2003, all of which are included in accumulated other non-owner changes in equity, which is part of stockholders' equity. The principal cause of the minimum pension liability adjustment was the decline in the value, in certain years prior to 2003, of equity securities held by the pension trusts as well as a significant decline in the discount rate. Our discount rate used to determine net pension expense fell from 7.25% in 2002 to 6.25% in 2004. The rate we are using for pension expense in 2005 is 5.73% which is also the

rate used to determine the accumulated benefit obligations at December 31, 2004. This reduction in the discount rate to 5.73% is expected to increase our pension expense in 2005 by approximately \$1.0 million. The expected rate of return on pension assets used to calculate pension expense was 9.5% in both 2004 and 2003. If our actual investment returns fall below our revised assumptions, we may be forced to recognize a pension expense in future periods, which could have a substantial negative effect on our profitability. Additional declines in the fair value of our pension plans' assets and/or decreases in prevailing interest rates may require us to take additional charges to accumulated other non-owner changes to equity, thereby significantly reducing our stockholders' equity and affecting our ability to maintain the required net worth ratios under our debt arrangements. In addition, approximately \$4.6 million in cash contributions were made by us to our various pension plans in 2004, including the required contributions to our unqualified U.S. pension plans. We expect to contribute approximately \$3.3 million to our various plans in 2005.

In addition to pension plans, we provide certain other medical, dental and life insurance post retirement benefits for a majority of our retired employees in the United States and Canada. We fund these benefit obligations as incurred. The expenses for these benefits are impacted by the trend in medical costs as well as changes in the discount rate. A one percentage point increase in our assumed healthcare cost trend rate would increase our other post retirement benefit obligation by \$2.0 million and increase our expense by \$0.1 million annually.

In summary, changing economic conditions, pension investment returns, lower discount rates and higher medical costs or other factors may require us to make additional cash contributions to our pension plans and other post-retirement plans in the future, preventing us from using such cash for other purposes.

We have significant indebtedness that could affect our operations and financial condition.

At June 30, 2005, we had net consolidated debt and capitalized lease obligations, minus cash and cash equivalents, of \$237.7 million, representing approximately 39% of our total capital (net indebtedness plus stockholders' equity) as of that date. We may incur additional indebtedness to finance future acquisitions. Our level of indebtedness and the significant debt servicing costs associated with that indebtedness could have important effects on our operations and financial condition and may adversely affect the value or trading price of our outstanding equity securities and debt securities. For example, our indebtedness could:

require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing the amount of our cash flows available for working capital, capital expenditures, acquisitions, dividends and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in the industries in which we compete;

place us at a competitive disadvantage compared to our competitors, some of whom have lower debt service obligations and greater financial resources than we do;

limit our ability to borrow additional funds; and

increase our vulnerability to general adverse economic and i