electronics, telecommunications, medical and other technologically advanced markets. Although the telecommunications and electronics end markets have suffered during the economic downturn, this acquisition is vital to our long-term success with our customers in these industries.

More recently, on February 6, 2003, we completed a strategic acquisition to augment Barnes Distribution by purchasing Kar Products LLC. Kar Products is a full-service distributor of MRO supplies to industrial, construction, transportation and other markets. In much the same vein as the Curtis Industries acquisition we made in 2000, Kar Products — which has the same expediter selling model as Barnes Distribution — will add significant scale to our distribution business, positioning us as a top-20 industrial distributor in North America. During 2003 and early 2004, we expect to recognize substantial cost savings as the infrastructures of Kar Products and Barnes Distribution are consolidated.

Review of Operations

For a third consecutive year, we set a new record for revenues for the Company. Earnings improved substantially from 2001, as a number of cost reduction initiatives implemented in the past two years by our operating management teams have come to fruition. Cash flow this past year was excellent. We generated approximately $54 million in cash from operations, providing funding to reinvest in our businesses while at the same time enabling us to reduce our debt by more than $16 million. While earnings may fluctuate from year to year, as stewards of your capital in the Company, we are committed to generating strong cash flow in both good times and bad.

Looking at our three operations, each performed well given the state of its end markets. At Associated Spring, the top line grew by more than $40 million, as internal growth in our products for the transportation and nitrogen gas spring markets and the two recent acquisitions helped offset a continued slide in demand for telecommunications and electronics products. Operating profit margin also expanded: efforts to control costs made by the management team at Associated Spring in the past few years were apparent, even as some one-time purchase accounting costs related to inventory in the acquired businesses dampened profitability. The team at Associated Spring worked diligently and rapidly to integrate the two new businesses, and with that effort complete, the emphasis going forward will be on capitalizing upon new customer opportunities with our expanded capabilities.

The second-half recovery that most economists anticipated as we entered 2002 failed to materialize. Industrial activity contracted for the second straight year, putting pressure on Barnes Distribution's top line. However, we indicated in our last letter that management at Barnes Distribution was working on a number of initiatives to improve profitability, and these were realized in 2002 as operating profit increased sharply even as sales declined. In our last letter, we also described Barnes Distribution's focus on developing new national and regional accounts in 2002. The results of that initiative have been very positive: 116 new national and regional accounts were opened, with a potential sales value of $10 million to $20 million per year. By comparison, just 18 new national accounts were opened in 2001. Barnes Distribution also successfully rolled out several new electronic commerce initiatives to better serve our customers. One of these initiatives, called *e*nabledMRO™, is now beginning to capture a piece of the industrial distribution market that was previously untapped: customers who want to more directly control the ordering of their MRO supplies. Although still in its nascent stages, we see some excellent potential for *e*nabledMRO™ to complement our traditional selling

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