Barnes GROUP INC

Company Overview

February 2020

Driving Growth Through Innovation.

Safe Harbor Statement

THIS PRESENTATION CONTAINS FORWARD-LOOKING STATEMENTS

Forward-looking statements are made based upon management's good faith expectations and beliefs concerning future developments and their potential effect upon the Company.

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed in the forward-looking statements, including the risks and uncertainties set forth under our full disclosure located at the end of this presentation and included in our SEC filings.

Any forward-looking statements speak only as of the date on which it is made, and the Company assumes no obligation to update our forward-looking statements.

References to adjusted financial results are non-GAAP measures. You will find GAAP reconciliation tables at the end of this presentation.

"EPS" refers to diluted earnings per share.

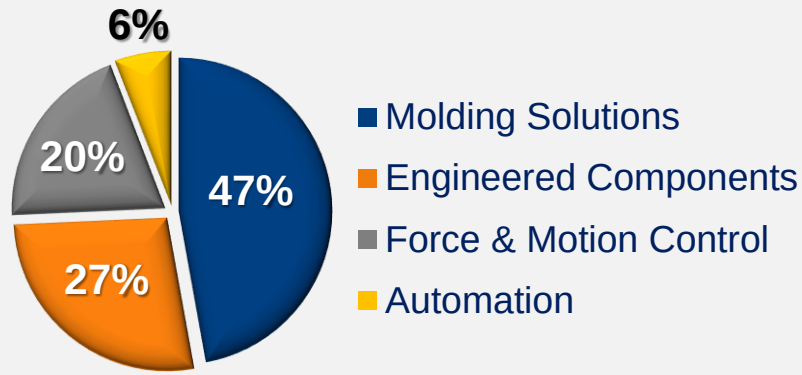
Barnes Group at a Glance

Global Provider of Highly Engineered Products, Differentiated Industrial Technologies, and Innovative Solutions Serving Diversified End Markets

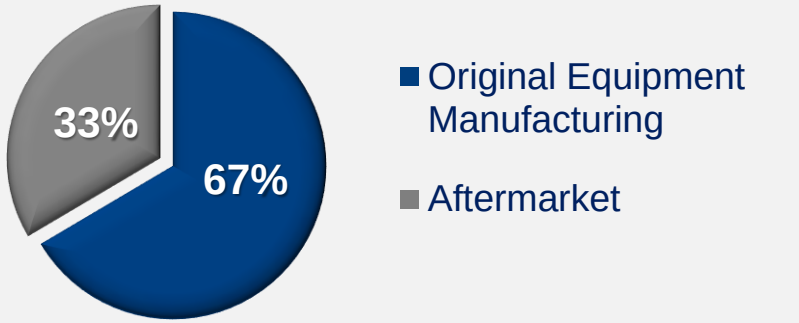
KEY STATISTICS

Headquarters	**Bristol, CT USA**
Total 2019 Revenue	**$1.5B**
Employees	**~5,500**
Dividend History[2]	**86 Years**

INDUSTRIAL | 63%[1]



AEROSPACE | 37%[1]

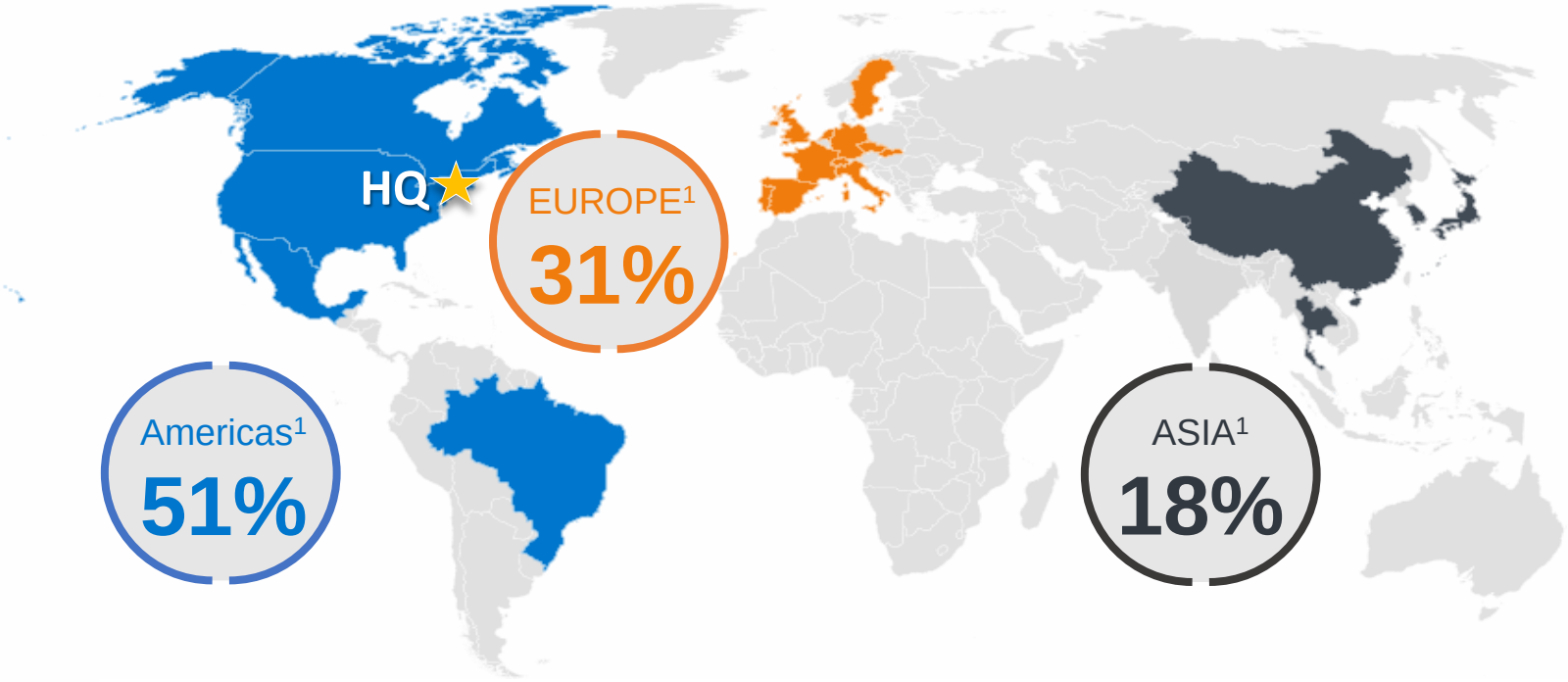


[1] % of 2019 Revenues. [2] Consecutive years of paying a dividend.

Growing Our Global Presence

LOCATIONS

	Sales & Technical Service	Manufacturing
INDUSTRIAL	62	28
AEROSPACE	3	17



Expand Footprint via Acquisitions and Globalization

Focus on Local for Local

Increase Aftermarket Services/ Field Support

[1] Percent of 2019 Destination Sales. Company estimates.

Creating Superior Value for Our Customers; Aligned with Industry Leaders

Providing Differentiated Service through Global Network and Capabilities

Delivering Highly Valued Engineering and Manufacturing Expertise from Initial Concept to Production

INDUSTRIAL

Engineered Solutions that Enhance Performance

Applied Research and Technical Service Centers

Active Onsite Customer Engagement

AEROSPACE

Concurrent Engineering, Complex Fabrication and Machining Expertise

OEM Certified Spare Parts and Repair Services; Life of Engine Support

GE
Rolls-Royce
Collins Aerospace
BOEING
GM
Ford
BMW
Johnson & Johnson
BD
P&G

Barnes GROUP INC

Portfolio Aligned with Several Long-Term Macro Drivers

Rising Rate of Diabetes and COPD

Greater Demand for Medical & Pharmaceutical Devices

Accelerating Technology Innovation

Product Safety & Effectiveness

Rise in Home Healthcare

Vehicle Fuel Efficiency / Light-weighting

Advanced Metal-forming Applications

Carbon Fiber Reinforced Polymers

Increased Utilization of Plastics in Automobiles

Vehicle Electrification

Safety / Design

High Volume Packaging Applications

Multi-material Plastic Assemblies

Thin-wall Technology

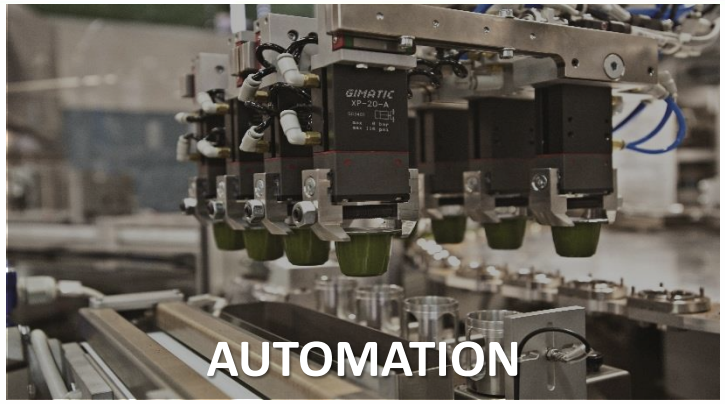
Portfolio Aligned with Several Long-Term Macro Drivers (Continued)

Increasing Air Travel

Next Generation Aircraft

Growing Aftermarket for Repairs & Spares

Intra-Region Travel Demand Driving Narrowbody Production



Large & Growing Installed Base of Industrial Robots

Emergence of Intelligent Robotic Handling Solutions

Enhanced Manufacturing Control and Repeatability

Perform More Complex Tasks at Higher Speeds

Greater Affordability of Robotics

Advanced Digitalization and Smart Connectivity

Smart Connected Factories to Drive Productivity

Connected Services to Augment Core Value

Advanced Robotics and Automation

3D Printing / Additive Manufacturing

Barnes GROUP INC

Recent Portfolio Additions Drive Significant Financial Results
(Last 5 Years)

Added to Molding Solutions 2015 to 2017

THERMOPLAY HotRunnerSystems — A business of BARNES GROUP INC

FOBOHA — A business of BARNES GROUP INC

PRIAMUS — A business of BARNES GROUP INC

Gammaflux — A business of BARNES GROUP INC

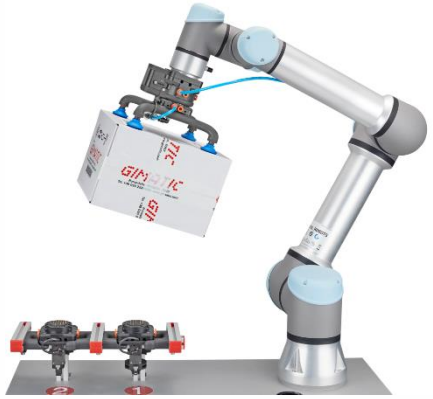
Launched Automation 2018

GIMATIC — A business of BARNES GROUP INC

Established Force & Motion Control 2019

IGS INDUSTRIAL GAS SPRINGS — A business of BARNES GROUP INC

2015	Metric	2019	Change
$1,194M	Sales	$1,492M	+ 25%
$188.9M	Adj. Op. Inc.[1]	$244.1M	+ 29%
15.8%	Adj. Op. Margin[1]	16.4%	+ 60 BPS
$35.39	Share Price[2]	$61.96	+ 75%
$1.9B	Market Cap[2]	$3.1B	+ 65%



Barnes GROUP INC

[1] References to adjusted operating income and adjusted operating margin are non-GAAP measures. For a reconciliation to the appropriate GAAP measure, see the Appendix of this presentation.
[2] Share Price and Market Cap as of December 31, 2015 and 2019.

A Decade of Reinventing Barnes Group

	WHERE WE WERE	WHERE WE ARE
PORTFOLIO COMPOSITION	3 Segments	2 Segments
PORTFOLIO PROFILE	Cyclical	More Secular
GEOGRAPHIC EXPOSURE	Overweight U.S.	Globally Balanced
PATENTS	~300	~1,500
CORE COMPETENCY	Manufacturing	Design, Applications, Manufacturing & Service
IP OWNERSHIP	Primarily Process	Process, Products & Systems
NEW MARKETS	-	Auto Model Changes, Medical, Personal Care & Packaging, Automation

Barnes GROUP INC

Barnes Group Strategy

1 Build a World-class Company Focused on High Margin, High Growth Businesses

- Actively Manage Portfolio with a Focus on Multiple Platforms/Market Channels
- Identify End Markets with Long-term Sustainable, Profitable Growth
- Create Superior Value for Our Customers
- Target Global Expansion Aligned with Macro Trends

2 Leverage BES to be a Significant Competitive Advantage

- Achieve Commercial, Operational and Financial Excellence
- Drive Margin Expansion through Relentless Focus on Productivity
- Invigorate Employee Development, Empowerment and Engagement

3 Expand and Protect Our Core IP to Deliver Differentiated Solutions

- Build on Intellectual Property (IP) as Core Differentiator
- Drive Innovation in Processes, Products and Systems
- Share Best Practices through Global Innovation Forum

4 Effectively Allocate Capital to Drive Top Quartile TSR[1]

- Drive Profitable Growth
  - Investment in Core to Drive Organic Growth
  - Disciplined, Strategic M&A
- Return Cash to Shareholders via Dividends and Buybacks

[1] Total Shareholder Return, Top quartile within the Russell 2000 Index

Acquisitions Result in Stronger, More Diversified Portfolio

	YEAR	IP/CRITICAL PROCESS TECHNOLOGY	MARKET LEADERSHIP	ADDED END MARKET DIVERSITY	GLOBAL PRESENCE	CONSUMABLES/ RECURRING REVENUES
Synventive molding solutions	2012	✓	✓	✓	✓	✓
männer SOLUTIONS FOR PLASTICS	2013	✓	✓	✓	✓	✓
THERMOPLAY HotRunnerSystems	2015	✓		✓	✓	✓
PRIAMUS	2015	✓	✓		✓	
FOBOHA	2016	✓	✓	✓	✓	✓
Gammaflux	2017	✓	✓		✓	
IGS INDUSTRIAL GAS SPRINGS	2018	✓		✓	✓	✓
GIMATIC	2018	✓	✓	✓	✓	✓

✓ Some capability at time of acquisition.

Barnes GROUP INC

Created a Technology-Focused Portfolio with Global Growth Opportunity

Barnes Enterprise System (BES) is Our Fully Integrated Operating System

Promotes a **CULTURE** of Employee Engagement and Empowerment Reflecting Our Strong Corporate Values

Drives **ALIGNMENT** across the Organization around a Common Vision

Fosters **CONTINUOUS IMPROVEMENT** and Innovation in All of Our Business Processes

Achieves **RESULTS** that Drive Sustainable, Long-term Profitable Growth

Building a Foundation of Excellence, Empowerment, and Growth

Barnes GROUP INC

BES: Productivity Goals Focused on Five Main Areas

EARLY STAGE → OPPORTUNITY → MORE MATURE

- Revenue Focus
- Cost Focus

1. **SALES EFFECTIVENESS**
   Volume and Pricing
2. **LEVERAGE TECHNOLOGY**
   Innovation and New Product Introductions
3. **GLOBAL SOURCING**
   Supply Chain and Logistics
4. **OPERATIONAL EXCELLENCE**
   Performance and Quality
5. **FUNCTIONAL EXCELLENCE**
   SG&A Optimization

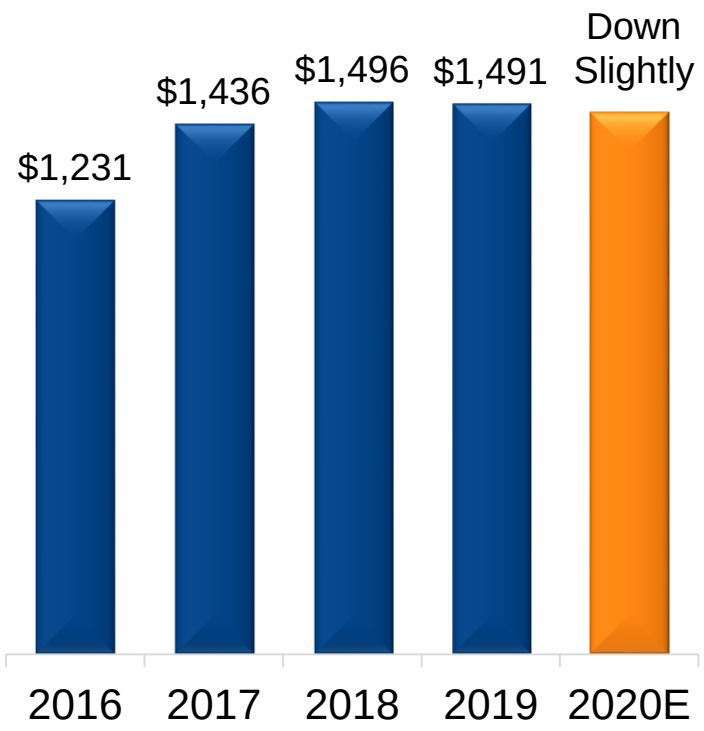
Significant Progress Made; Still in Early Innings of Impact

Financial Performance

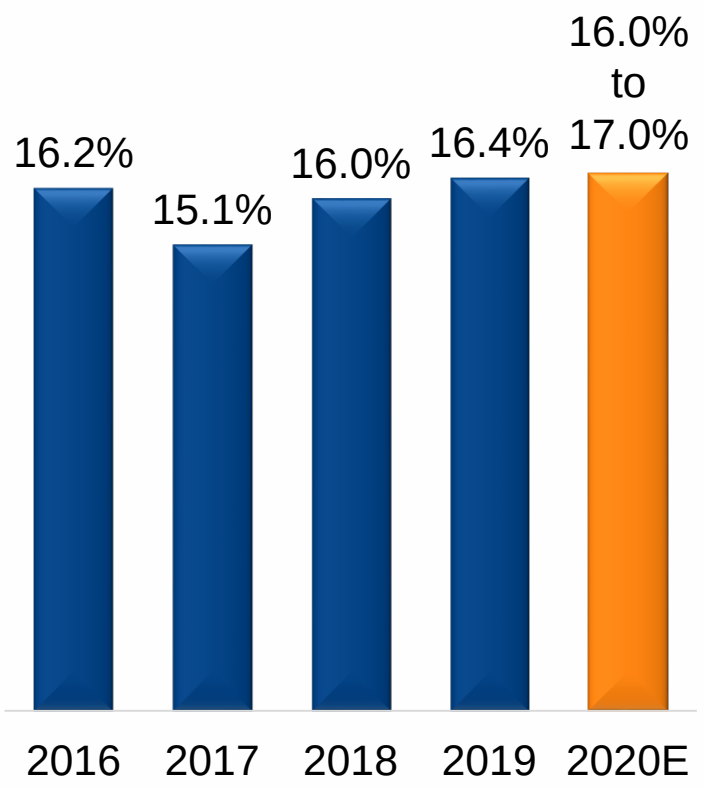
Barnes GROUP INC

Financial Performance Trends[1]

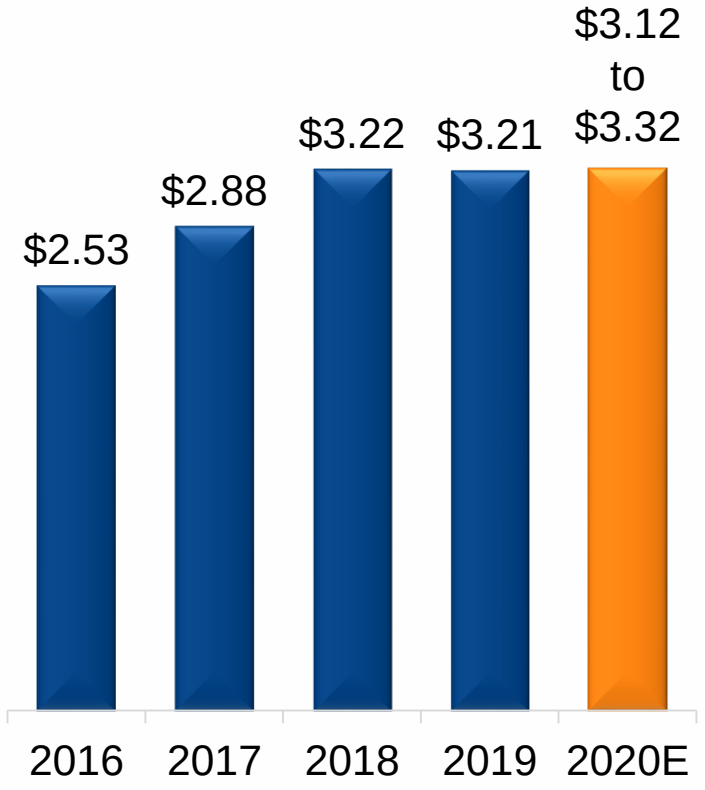
NET SALES ($M)



ADJ. OPERATING MARGINS[2]



ADJ. EPS[2]

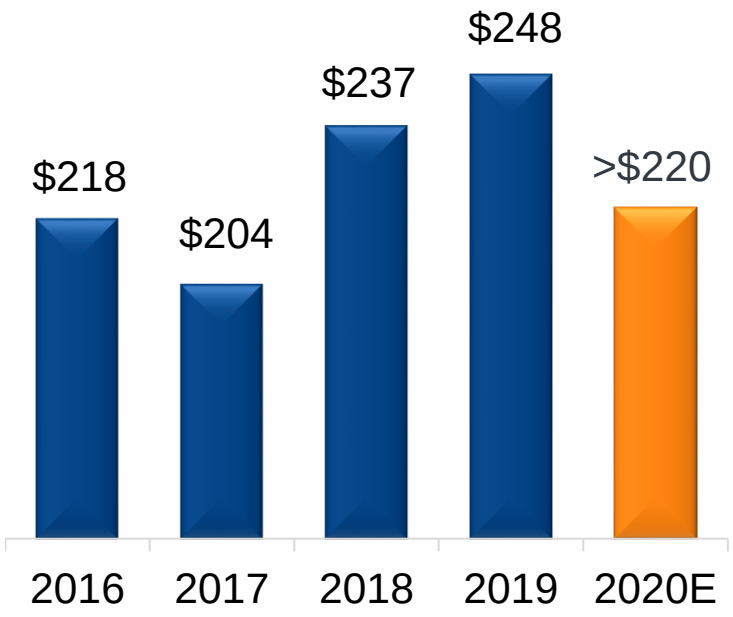


Strategy Execution Driving Strong Results

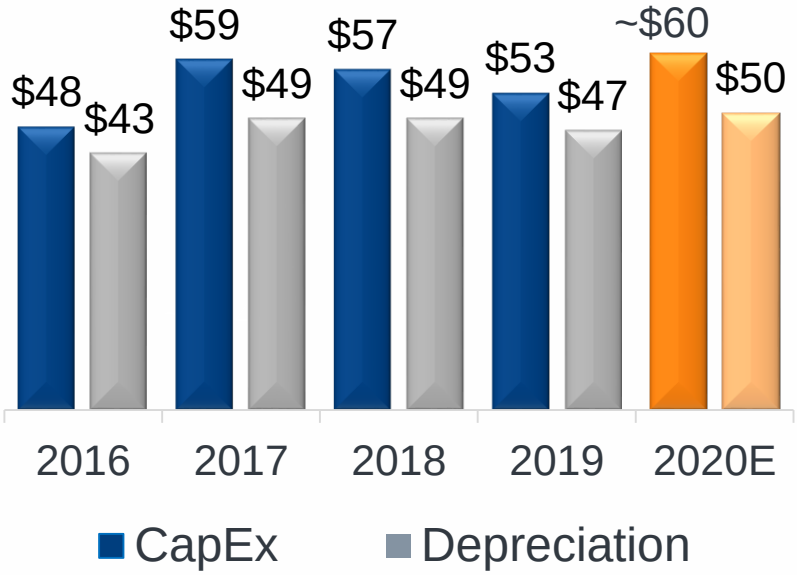
[1] Our 2020 full-year outlook is only as of our February 21, 2020 earnings release and is not being updated or affirmed at this time. [2] References to Adjusted Operating Margin and Adjusted EPS are non-GAAP measures. For a reconciliation to the appropriate GAAP measure, see the Appendix of this presentation. For 2020 adjusted full year outlook, see our February 21, 2020 earnings release. Operating Margin results have been adjusted on a retrospective basis to reflect the impact of the adoption of revised guidance for the presentation of pension and other postretirement benefit costs in the first quarter of 2018.

Cash Performance Trends[1] ($M)

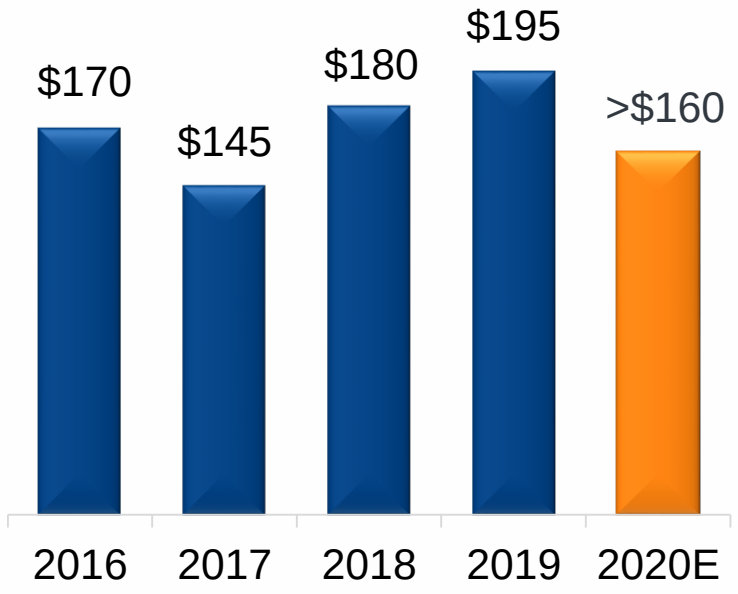
ADJ. CASH FROM OPERATIONS[2]



CAPITAL EXPENDITURES & DEPRECIATION



ADJ. FREE CASH FLOW[2]



CASH CONVERSION

125%	93%	110%	119%	>100%

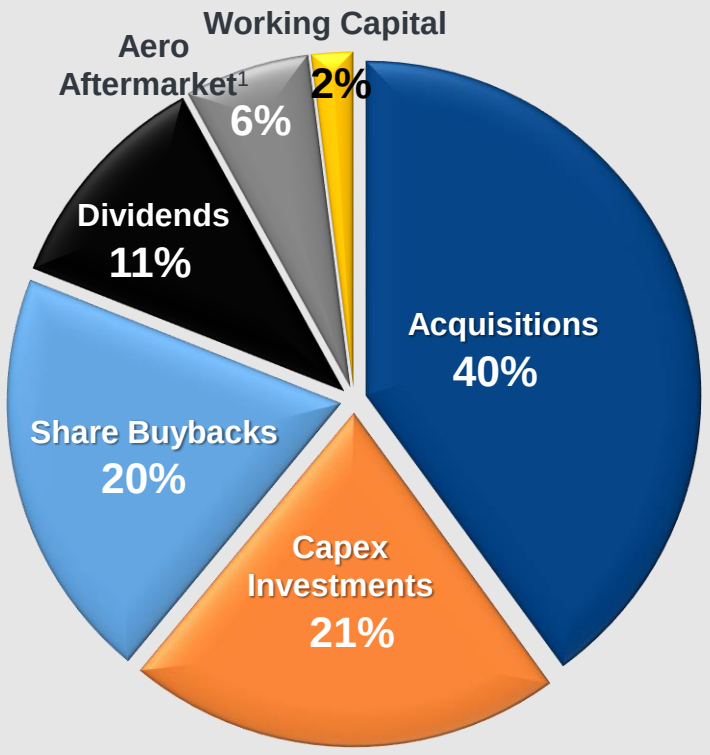
Strong Cash Generation and Conversion Fuel Growth

[1] Our 2020 full-year outlook is only as of our February 21, 2020 earnings release and is not being updated or affirmed at this time. [2] References to adjusted metrics are non-GAAP measures. For a reconciliation to the appropriate GAAP measure, see the Appendix of this presentation.

Capital Allocation Framework

USES OF CASH 2014 TO 2019

~$1.6B



DRIVE ORGANIC GROWTH

- 2020 CapEx ~$60M; ~50% Growth Programs
- R&D and Innovation Investments
- New Product and Process Introductions

PURSUE STRATEGIC ACQUISITIONS

- Strict Strategic and Financial Criteria/Metrics
- Target Highly Engineered Products and Services
- Expand Global Reach/Channel Penetration

RETURN CASH TO SHAREHOLDERS

- 86 Years of Consecutive Dividend Payout; Expected to Grow Commensurate with Earnings Growth
- Opportunistic Share Repurchases, Largely to Offset Dilution

[1] Aerospace Aftermarket Investments – Component Repair Programs (CRPs) and Revenue Sharing Programs (RSPs).

Strategic M&A Framework

BROAD IP FOCUS

PROCESS PRODUCT SYSTEMS

IN THE RIGHT MARKETS

- CLOSE TO CORE
- HIGH GROWTH / MACRO-DRIVEN
- DEFENSIVE

BUILDING ON EXISTING CAPABILITIES IN AEROSPACE & INDUSTRIAL

DIFFERENTIATED PROCESSES

- Complex Machining
- Hot Forming / Advanced Fabrications
- Fine Blanking / Progressive Stamping

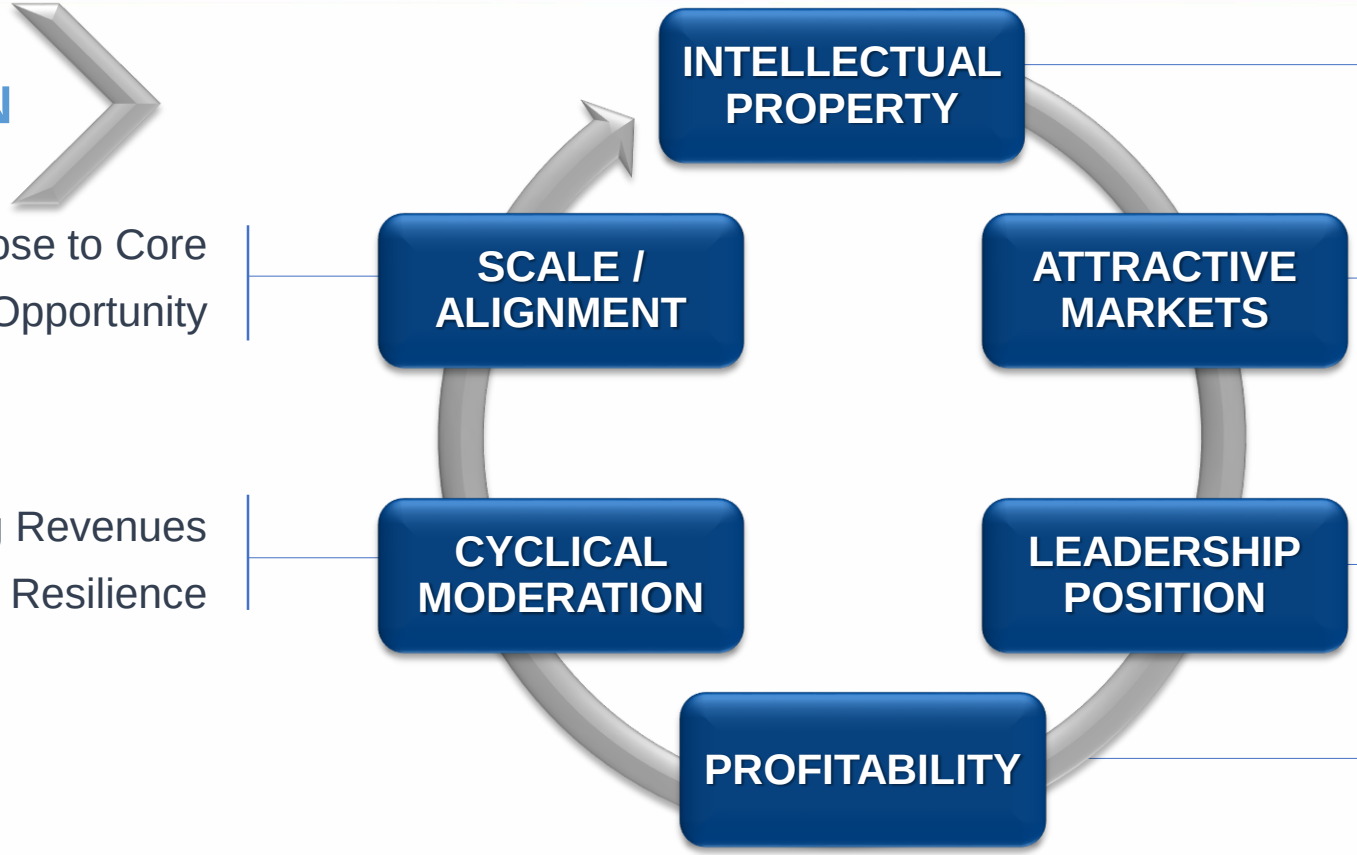
ENABLING TECHNOLOGIES

- Plastics Processing Expertise
- Thermal Management
- Robotics/Automation Systems
- Force Control Technology
- Sensing & Control Systems

Barnes GROUP INC

We Have a Disciplined Approach to M&A

STRATEGIC ACQUISITION FILTERS



- Proprietary Technologies
- IP Type / Complexity & Protection
- Market Size / Fragmentation
- Macro Trend Alignment
- Market Share
- Technical Expertise
- 35%+ Gross Margin
- 20%+ EBITDA Potential
- Close to Core
- Globalization Opportunity
- Recurring Revenues
- Downturn Resilience

INVESTMENT RETURN CRITERIA

EPS ACCRETION in First Full Year • **IRR >** Cost of Capital • **ROIC >** Cost of Capital w/in 5 Yrs.

Barnes GROUP INC

Industrial Segment

Barnes GROUP INC

Industrial Highlights

- Comprehensive Portfolio of Highly-Engineered, Differentiated Industrial Products and Technologies; High Barriers Include Patents and Trade Secrets
- More Balanced End Market Portfolio Leveraged to Favorable Macro Trends
- Focused and Strategically Aligned Business; Global Aftermarket Infrastructure in Place and Beginning to See Benefits – Early Days
- Expanding Opportunities Include Continued Innovation, Global Presence and M&A
- BES Continues to Enable Profitable Growth and Margin Expansion

Industrial Segment at a Glance

Leading Global Manufacturer of Highly-Engineered Products and Systems

	AUTOMATION	MOLDING SOLUTIONS	FORCE & MOTION CONTROL	ENGINEERED COMPONENTS
OVERVIEW	*Robotic grippers, advanced end-of-arm tooling systems, sensors and other automation components for intelligent robotic handling solutions.*	*A Comprehensive Portfolio of Premium Mold Based Products and Services Serving the High Quality Segments of the Plastic Injection Molding Industry.*	*Providing innovation solutions enabling customers to overcome challenges in metal forming, heavy duty suspension and industrial markets.*	*Comprised of a comprehensive range of manufacturing capabilities including fine-blanked solutions, precision components, and assemblies for industrial applications.*
BRANDS	Gimatic	Synventive • FOBOHA • Männer • Priamus • Gammaflux • Thermoplay	KALLER • HYSON • AS RAYMOND • Industrial Gas Springs	Associated Spring • Hänggi
2019 % OF REVENUE	6%	47%	20%	27%[1]
LEADING CUSTOMERS	FESTO, molex, SEPRO GROUP, ENGEL, Wittmann	Nemera, Tessy Plastics, GM, Johnson & Johnson, ALPLA, P&G, Phillips Medisize, BMW	OISHI MACHINE Inc., PACCAR Inc, FIBRO, NACHI, PUNCH INDUSTRY	BOSCH Invented for life, ZF, Ford, FCA, VW, Whirlpool, GMC, Valeo, CAT

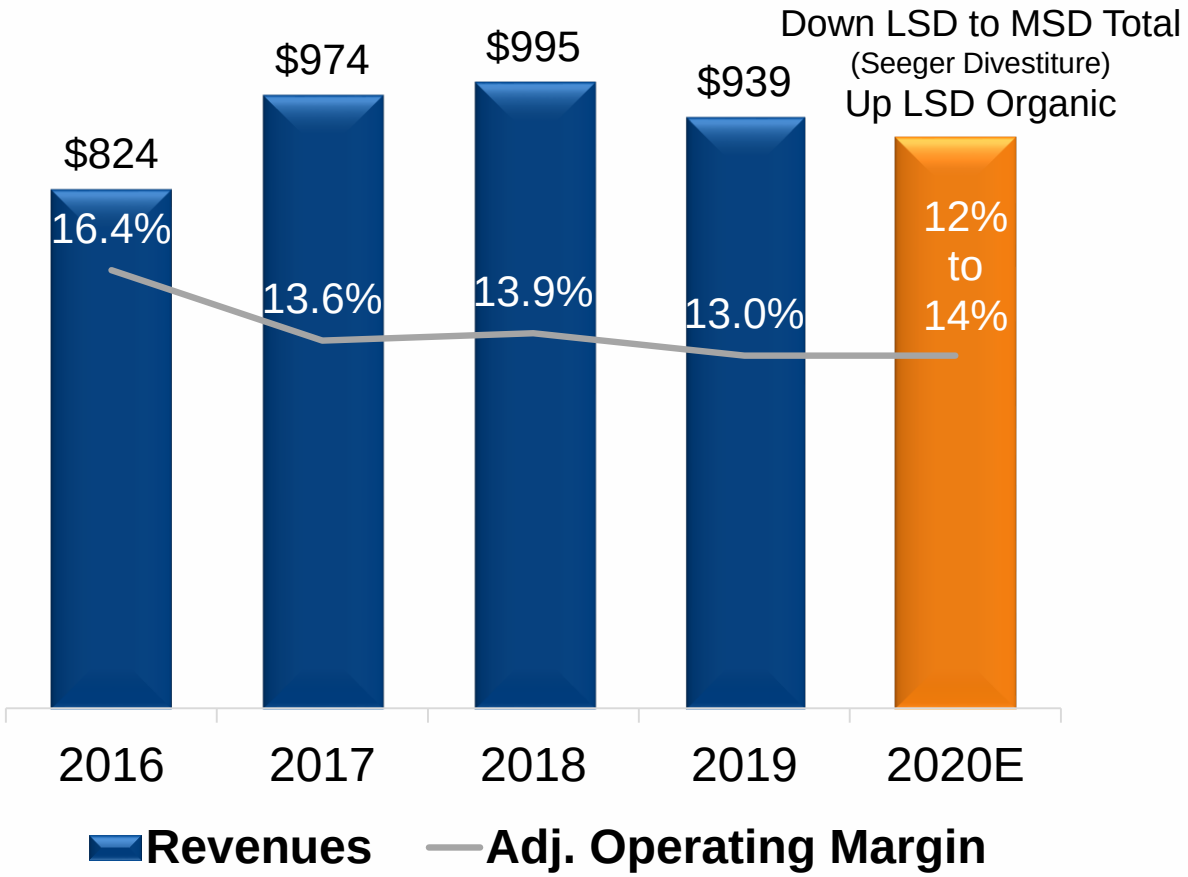
Provide Value-added Engineering: R&D, Manufacturing, Test and Evaluation;
Serving Customers in Auto, Medical, Packaging, Personal Care, Automation and Other Industrial

Barnes GROUP INC

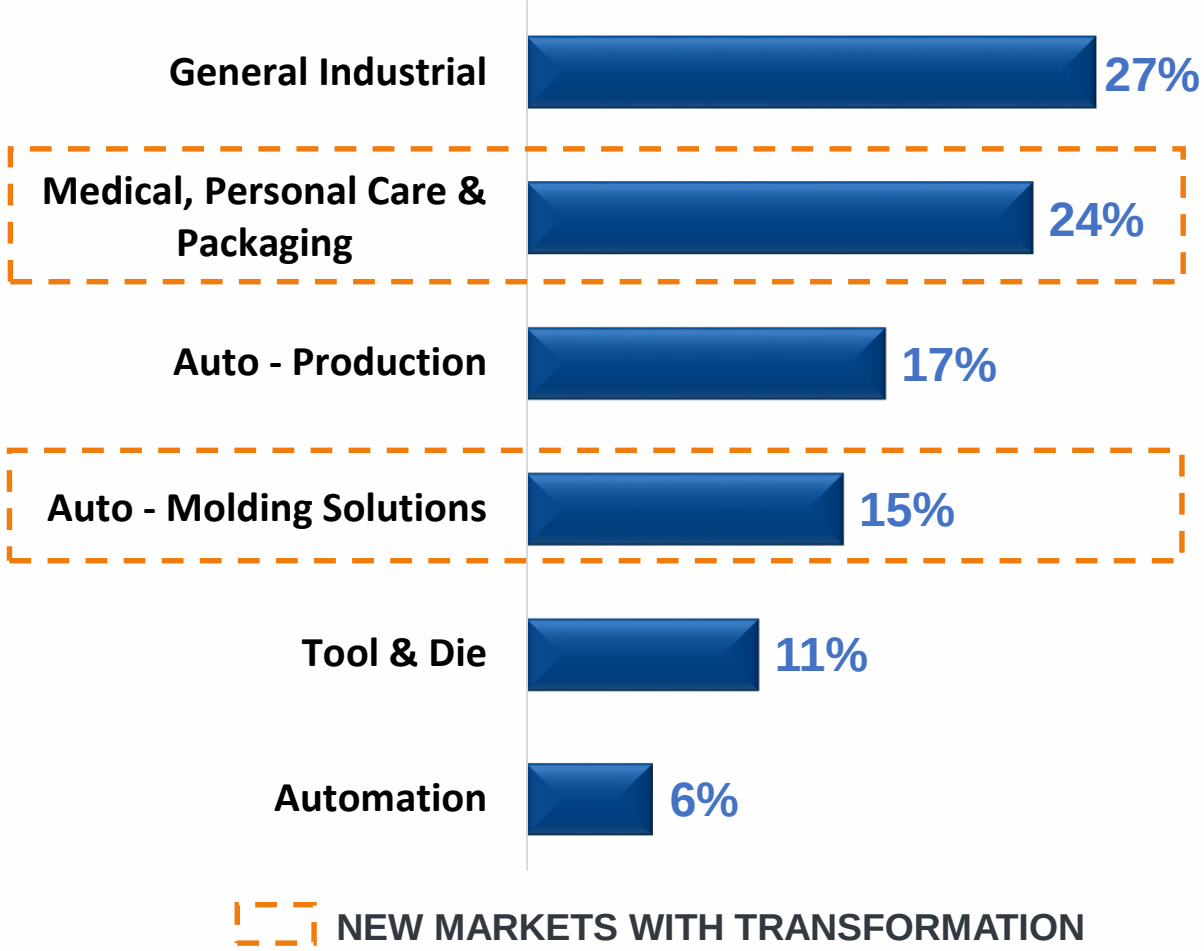
[1] Includes 2019 sales for the Seeger business which was divested in 2020.

Continuing Profitable Growth through New Markets

REVENUES / ADJ. OPERATING MARGIN ($M)[1]



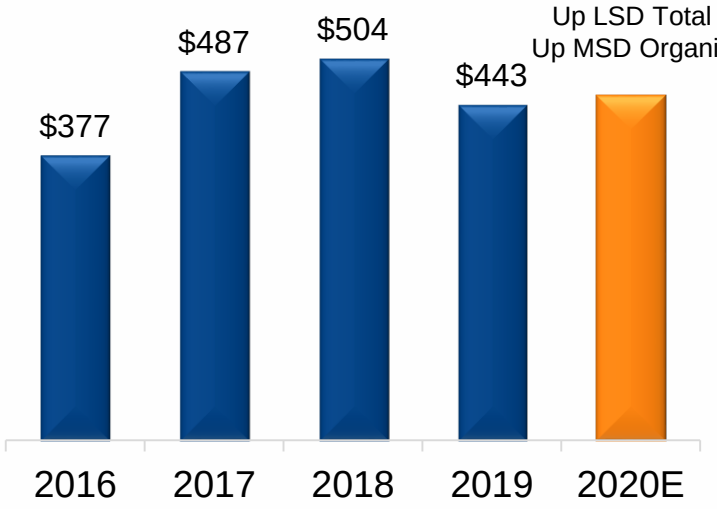
END MARKETS[2]



[1] Reference to Adjusted Operating Margin is a non-GAAP measure. For a reconciliation to the appropriate GAAP measure, see the Appendix of this presentation. Results have been adjusted on a retrospective basis to reflect the impact of the adoption of revised guidance for the presentation of pension costs and other postretirement benefit costs in the first quarter of 2018. Our 2020 full-year outlook is only as of our February 21, 2020 earnings release and is not being updated or affirmed at this time. LSD – Low-single digits %, MSD – Mid-single digits % [2] Percentages split by 2019 Revenue. Company estimates.

Molding Solutions Overview

REVENUES ($M)[1]



END MARKETS[2]

49% MEDICAL, PERSONAL CARE & PACKAGING

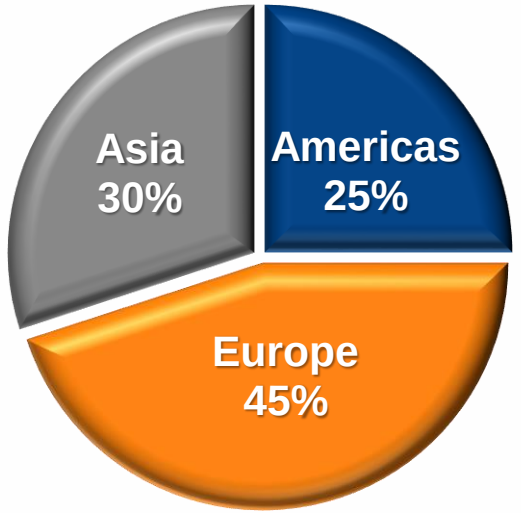
- Strong Brands: Männer, FOBOHA

36% AUTO MOLDING SOLUTIONS

- Market Leader with Synventive

15% GENERAL INDUSTRIAL

GEOGRAPHY[2]

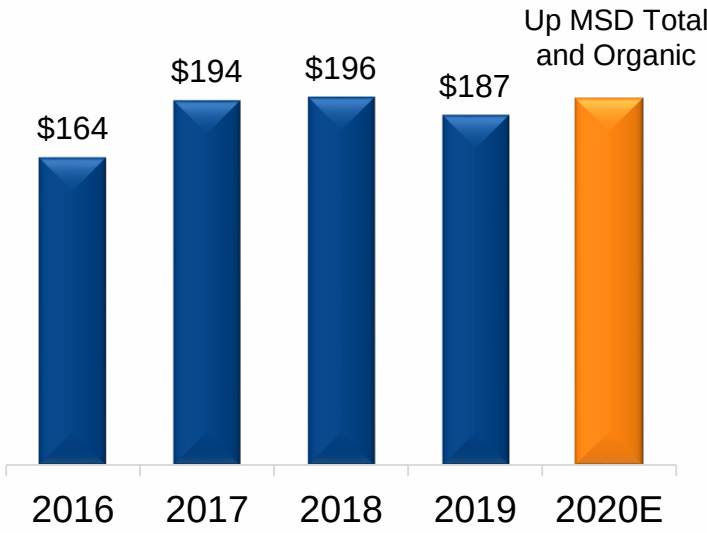


Barnes GROUP INC

[1] Our 2020 full-year outlook is only as of our February 21, 2020 earnings release and is not being updated or affirmed at this time. LSD– Low-single digits %, MSD – Mid-single digits %
[2] Percentage split by 2019 Revenue. Company estimates.

Force & Motion Control Overview

REVENUES ($M)[1]



END MARKETS[2]

55% TOOL & DIE

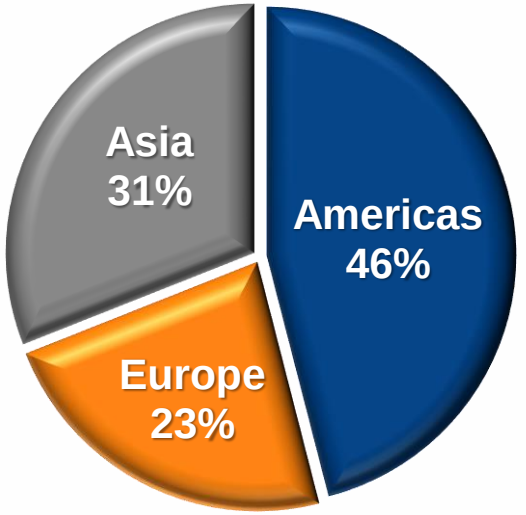
- Market Leader
- High-quality Brands: KALLER and HYSON
- More Controlled Force in Less Space

41% GENERAL INDUSTRIAL

- Brands: Raymond, IGS and KALLER

4% OTHER

GEOGRAPHY[2]

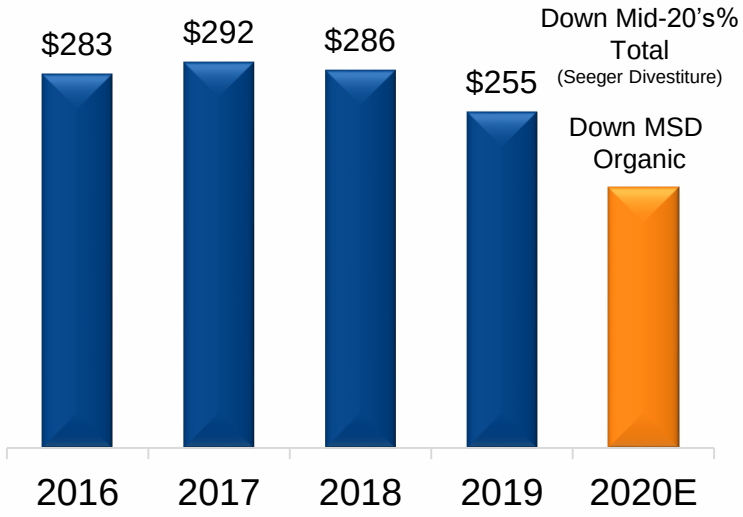


Barnes GROUP INC

[1] Our 2020 full-year outlook is only as of our February 21, 2020 earnings release and is not being updated or affirmed at this time. Historical performance recast to reflect the move of AS Raymond from Engineered Components to Force and Motion Control. MSD – Mid-single digits % [2] Percentage split by 2019 Revenue. Company estimates.

Engineered Components Overview

REVENUES ($M)[1]



END MARKETS[2]

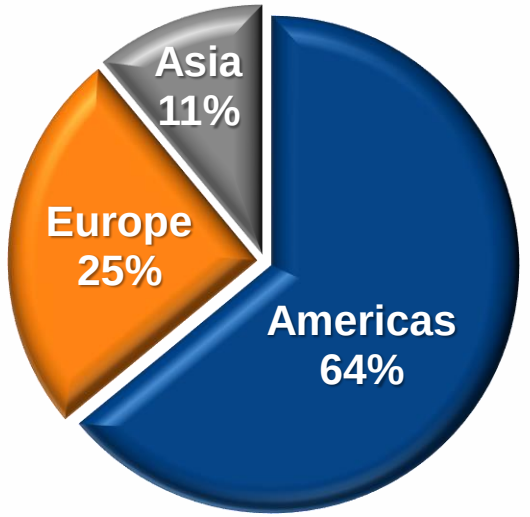
63% AUTO PRODUCTION

33% GENERAL INDUSTRIAL

4% OTHER

Well-respected brands :
Associated Spring & Heinz Hänggi

GEOGRAPHY[2]



[1] Our 2020 full-year outlook is only as of our February 21, 2020 earnings release and is not being updated or affirmed at this time. The 2020 revenue reflects the impact of the divested Seeger business. Historical performance recast to reflect the move of AS Raymond from Engineered Components to Force and Motion Control. MSD – Mid-single digits % [2] Percentage split by 2019 Revenue. Company estimates.

Automation Overview

REVENUES[1]

2020E of ~$60M

Organically Up High-single digits % from FY'19

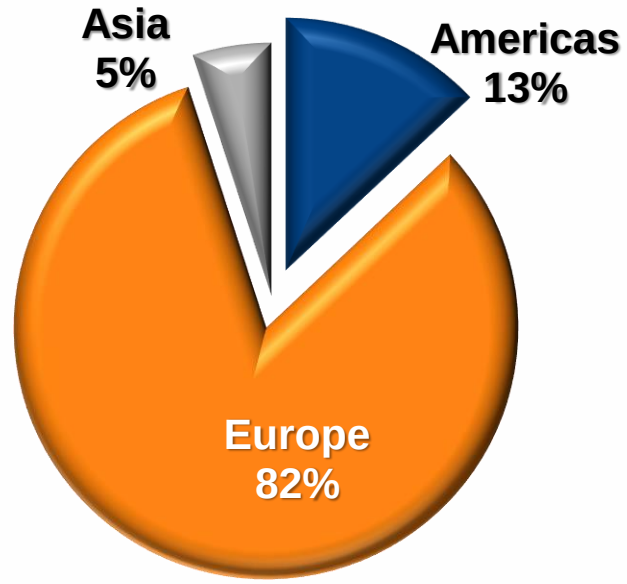
GIMATIC
A business of BARNES GROUP INC

END MARKETS

100% AUTOMATION

IN APPLICATIONS SUCH AS AUTOMOTIVE, FACTORY AUTOMATION, FOOD & BEVERAGE, TOOLING, HOME APPLIANCES, PHARMA & MEDICAL, AMONG OTHERS

GEOGRAPHY[2]



Barnes GROUP INC

[1] Our 2020 full-year outlook is only as of our February 21, 2020 earnings release and is not being updated or affirmed at this time. [2] Percentage split by 2019 Revenue. Company estimates.

Industrial Segment Strategic Path Forward

Accelerate Growth

- Align Capabilities & Footprint to Key Market Trends/Global Customers
- Invest in Strong Innovation Pipeline
- Leverage Functional & Operational Synergies across SBUs
- Expand Aftermarket & Global Reach
- Target Strategic Acquisitions

Expand Margin

- Drive toward World-class Commercial Excellence
- Utilize BES Enablers to Improve Productivity
- Optimize Global Spend

Aerospace Segment

Barnes GROUP INC

Aerospace Highlights

- Continued Growth with Transition from Legacy to New Engine Programs
- Concurrent Engineering Expertise and Execution through BES Creating Strong Customer Relationships
- Flexible New Product Introduction Processes Creating Innovative Solutions to Address Customer Challenges
- Drive Aftermarket Presence through Investments and Partnerships

Aerospace at a Glance

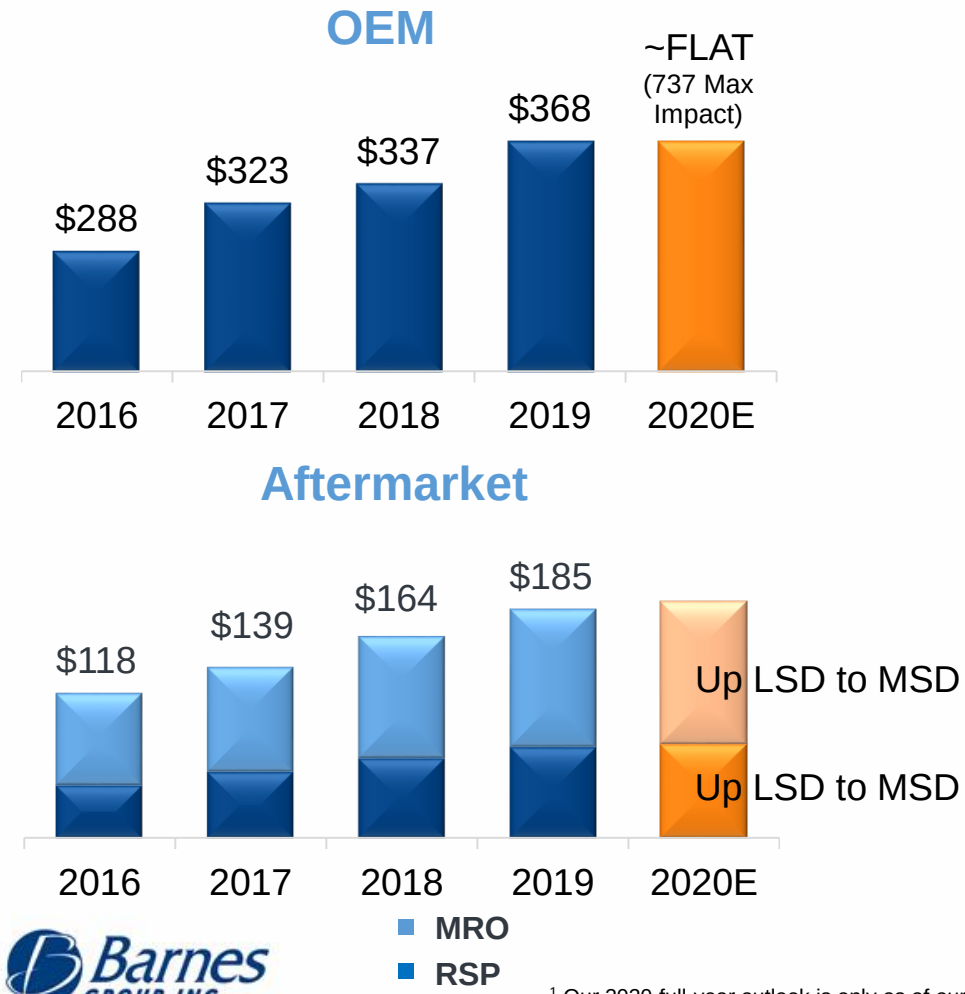
Well-Positioned in Commercial Aerospace Markets

	OEM	AFTERMARKET	
		MRO	SPARE PARTS
OVERVIEW	*Highly Engineered Machined and Fabricated Components* *Concurrent Engineering, New Product Introduction and Execution through BES*	*OEM-Source Approved Repair portfolio and Repair Development for major OEMs* *FAA/EASA/CAAC[1] Certified Engine Component Repair Stations* *Component Repair Programs (CRPs)*	*Revenue Sharing Programs (RSPs)* *Select Aftermarket Spare Parts for CFM56 and CF6 Engines*
2019 % OF REVENUE	67%	33%	
LEADING CUSTOMERS	Rolls-Royce • Collins Aerospace **Safran • Boeing • Honeywell** **Bell Helicopter • Northrop Grumman**	Rolls-Royce **Korean Air • Delta • Iberia** **Safran • SR Technics • SAESL** **HAESL • Pratt & Whitney • MTU**	*GE's Airline and Repair Shop Customers*

[1] Note: FAA is the U.S. Federal Aviation Administration, EASA is the European Aviation Safety Agency and CAAC is the Civil Aviation Administration of China.

Aerospace Overview | New Engine Platforms Fueling Our Growth

REVENUES ($M)[1]



AEROSPACE TRENDS

- Commercial aircraft portfolio renewed
- Very large aircraft in decline (A380/B747)
  - Engines T900, GP7200, GEnx-2B
- Large aircraft (twin aisle) modest growth (B777/B787/A330/A350)
  - Engines GE90, GE9X, GEnx-1B, T1000, T700, T7000, XWB
- Single aisle growing (B737 MAX(upon return to flight)/A320neo)
  - Engines CFM56, LEAP B, V2500, LEAP A, GTF
- CFM56 shop visits (aftermarket) increasing (B737/A320ceo)
  - Engine time on wing driving MRO growth
  - Still in production/25+ year lifecycle

[1] Our 2020 full-year outlook is only as of our February 21, 2020 earnings release and is not being updated or affirmed at this time. LSD – Low-single digit %, MSD – Mid-single digit %

Aerospace Product Lifecycle

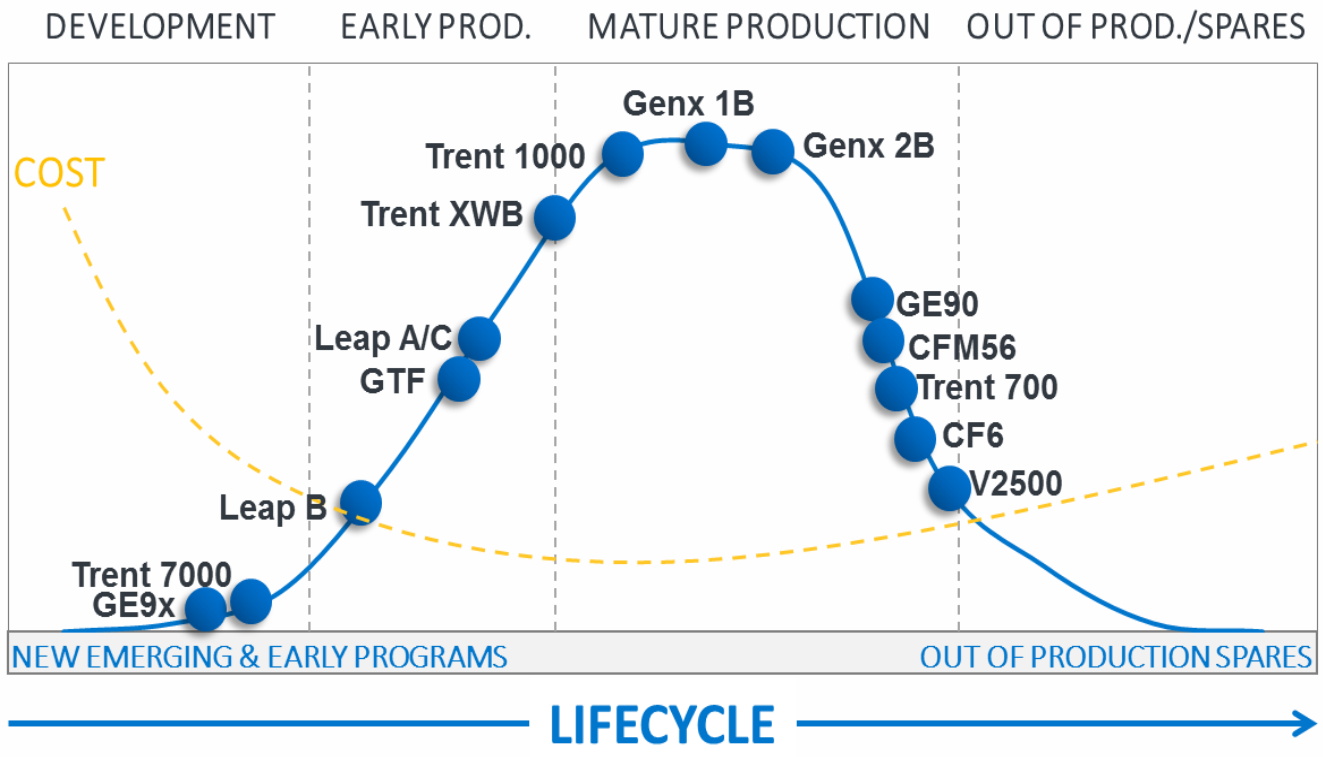
NEW PLATFORMS

Design Change Management

Rate Readiness

Dual Sourcing

Learning Curve



LEGACY PLATFORMS

Pricing Pressure

Cost Cycle

Repair Development/ Service Network

Spares Management

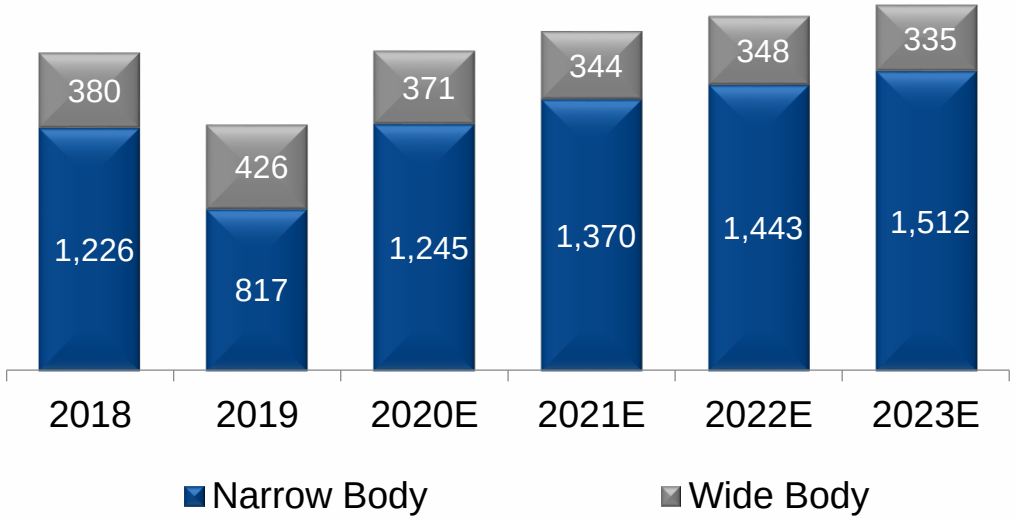
Focused on Platform Transition and Managing Ramp

Barnes GROUP INC

Note: Company view.

OEM Market Environment

COMMERCIAL AIRCRAFT UNITS[1]



OEM SALES PER AIRCRAFT ($K)[2]

Boeing 777 (GE90)	~$900
Boeing 787 (GEnx-1B/Trent 1000)	~$200
Airbus A350 (XWB)	~$500
Airbus A320neo (LEAP A)	~$200 to ~$250
Boeing 737 MAX (LEAP B)	~$50 + Opportunity

- Airbus and Boeing backlog at robust levels
- Leading indicators such as GDP growth and air traffic growth continue to be healthy
- Strong commercial aircraft deliveries forecasted over next several years; narrow body ramping

Well-Positioned with Innovative Solutions and Services

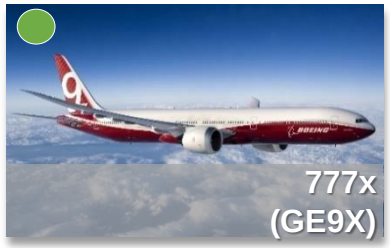
[1] Source: 2018 & 2019 Actual – Airbus, Boeing deliveries; 2020 to 2023 Teal Group forecast January 2020 and Company Estimates. [2] OEM Sales per aircraft is a directional metric as it can be highly variable over time due to a range of factors including changes in types of material and material costs, redesign of parts, quantity of parts per engine, percentage of work directed to suppliers, engine spares, and cost schedules agreed to under contract with the engine OEMs.

Opportunities for Growth

PROGRAMS

NARROW BODY

WIDE BODY



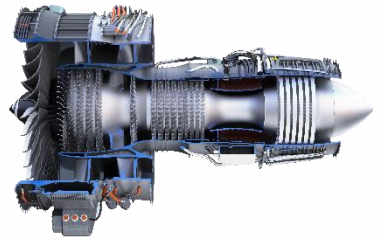
● Active Participation

CUSTOMERS

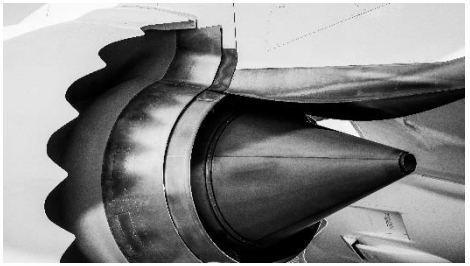
- AIRBUS
- BOEING
- GE AVIATION
- ROLLS-ROYCE
- COLLINS AEROSPACE
- SAFRAN
- PRATT & WHITNEY
- MTU AERO ENGINES
- KAWASAKI HEAVY INDUSTRIES
- MITSUBISHI HEAVY INDUSTRIES
- GKN AEROSPACE

PRODUCT LINES

ENGINE



NACELLE



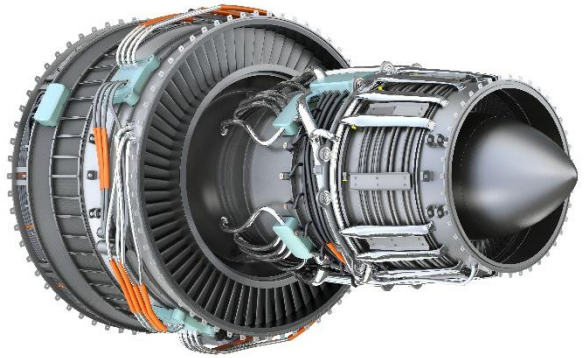
AIRFRAME

Barnes GROUP INC

Broaden Customer Base and Product Lines

Aftermarket Drivers

- Growing passenger traffic
- Highly regulated industry by FAA, EASA and CAAC[1]
- Source approval controlled by customers
- Niche capabilities on large engine cases
- CFM56: most successful commercial engine
  - Installed base: ~28,000[2] engines
  - Latest model (5B & 7B) just entering 1st shop visit cycle
- Product Lifecycle: ~25 years



2019 to 2028 Engine MRO Market Estimated to Grow at ~5%[3] CAGR

[1] FAA: U.S. Federal Aviation Administration, EASA: European Aviation Safety Agency and CAAC: Civil Aviation Administration of China. [2] Safran 2018 [3]ICF Estimate Jan. 2019

Aftermarket Programs

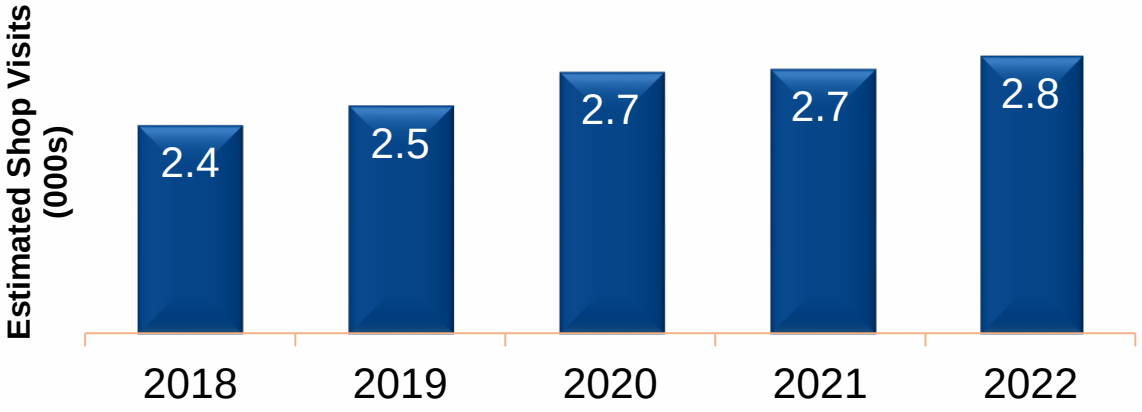
Revenue Sharing Programs (RSPs)

- Exclusivity to supply GE certain aftermarket spare parts
- Covers life of CFM56 & CF6 commercial engine programs
- 13 agreements entered between 2003 – 2007; Agreement to cover dual-use parts in 2018
- Investment: $300M; amortized as a reduction of sales

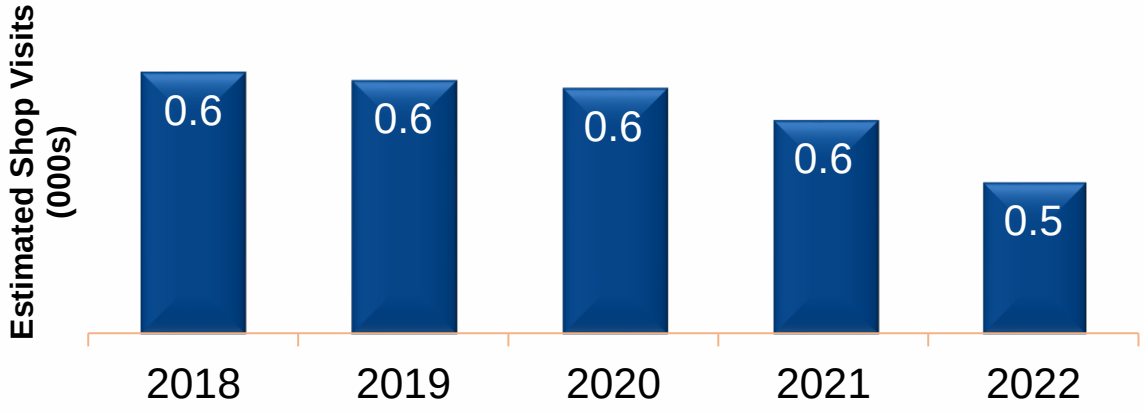
Component Repair Programs (CRPs)

- License for GE-certified repair of certain critical components; enables access to serve global market
- Covers life of CFM56, CF6 & CF34 engine programs
- Agreements: 3; entered between 2013 - 2015
- Investment: $112M; amortized as a reduction of sales

CFM56 Family of Engines[1]



CF6 Family of Engines[1]



Programs Allow Us to Participate in OEM Certified Aftermarket

[1] Source: Commercial Shop Visit Forecast, ICF March 2019

Aerospace Strategic Path Forward

Execution	• Utilize Barnes Enterprise System to Drive Our Competitive Advantage • New Product Introduction Driving Customer Excellence through Speed and Agility
Fabrication	• Focus on Growth in Engine, Nacelle, and Airframe • Optimize Footprint and Expand Customer Base
LEAP Program	• Flawless Execution of LEAP Program in Support of GE Ramp • Create Further Opportunities through Flexibility and Performance
Aftermarket Business	• Enhance OEM and Key Airline Relationships to Achieve Growth Expectations • Build on Regional Capability to Enhance Growth Opportunities
Acquisitions	• Focus on Opportunities that Create Value with IP and Content on Strategic Programs

Barnes GROUP INC

Why Invest In Barnes Group?

Barnes GROUP INC

A Strong Legacy and Bright Future

- Business Transformation Delivering Enhanced Growth and Margin Performance
- Building Portfolio of Differentiated Technologies and Highly-engineered Products
- Reinvigorating Our Innovation Process with a Significant Focus on IP
- Clear Strategy to Drive Sustainable, Long-term Profitable Growth
- Passionate, Experienced Leadership Team Fostering Cultural Transformation

Appendix

Forward-Looking Statements

This presentation contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future operating and financial performance and financial condition, and often contain words such as "anticipate," "believe," "expect," "plan," "estimate," "project," and similar terms. These forward-looking statements do not constitute guarantees of future performance and are subject to a variety of risks and uncertainties that may cause actual results to differ materially from those expressed in the forward-looking statements. These include, among others: difficulty maintaining relationships with employees, including unionized employees, customers, distributors, suppliers, business partners or governmental entities; failure to successfully negotiate collective bargaining agreements or potential strikes, work stoppages or other similar events; difficulties leveraging market opportunities; changes in market demand for our products and services; rapid technological and market change; the ability to protect and avoid infringing upon intellectual property rights; introduction or development of new products or transfer of work; higher risks in global operations and markets; the impact of intense competition; acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses; uncertainties relating to conditions in financial markets; currency fluctuations and foreign currency exposure; future financial performance of the industries or customers that we serve; our dependence upon revenues and earnings from a small number of significant customers; a major loss of customers; inability to realize expected sales or profits from existing backlog due to a range of factors, including changes in customer sourcing decisions, material changes, production schedules and volumes of specific programs; the impact of government budget and funding decisions; government tariffs, trade agreements and trade policies; the impact of new or revised tax laws and regulations; the adoption of laws, directives or regulations that impact the materials processed by our products or their end markets; changes in raw material or product prices and availability; restructuring costs or savings; the continuing impact of prior acquisitions and divestitures, integration of acquired businesses; and any other future strategic actions, including acquisitions, divestitures, restructurings, or strategic business realignments, and our ability to achieve the financial and operational targets set in connection with any such actions; the outcome of pending and future legal, governmental, or regulatory proceedings and contingencies and uninsured claims; product liabilities; future repurchases of common stock; future levels of indebtedness; and numerous other matters of a global, regional or national scale, including those of a political, economic, business, competitive, environmental, regulatory and public health nature; and other risks and uncertainties described in documents filed with or furnished to the Securities and Exchange Commission ("SEC") by the Company, including, among others, those in the Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors sections of the Company's filings. The Company assumes no obligation to update its forward-looking statements.

Non-GAAP Financial Measure Reconciliation (1 of 4)

(Dollars in thousands) (Unaudited, See note below)	Twelve Months Ended December 31,			
	2019	2018	2017	2016
SEGMENT RESULTS				
Operating Profit - Industrial Segment (GAAP)	$113,968	$130,404	$122,849	$131,799
Seeger divestiture non-cash impairment charge	5,600	-	-	-
FOBOHA short-term purchase accounting adjustments	-	-	2,294	2,316
IGS short-term purchase accounting adjustments	-	2,887	-	-
Gimatic short-term purchase accounting adjustments	2,060	2,707	-	-
Acquisition transaction costs	-	2,350	-	1,164
Restructuring/reduction in force	-	-	7,460	-
Operating Profit - Industrial Segment as adjusted (Non-GAAP)[1]	$121,628	$138,348	$132,603	$135,279
Operating Margin - Industrial Segment (GAAP)	12.1%	13.1%	12.6%	16.0%
Operating Margin - Industrial Segment as adjusted (Non-GAAP)[1]	13.0%	13.9%	13.6%	16.4%
Operating Profit - Aerospace Segment (GAAP)	$122,480	$101,360	$83,602	$62,497
Contract termination dispute charges	-	-	-	3,005
Contract termination arbitration award	-	-	-	(1,371)
Operating Profit - Aerospace Segment as adjusted (Non-GAAP)[1]	$122,480	$101,360	$83,602	$64,131
Operating Margin - Aerospace Segment (GAAP)	22.2%	20.2%	18.1%	15.4%
Operating Margin - Aerospace Segment as adjusted (Non-GAAP)[1]	22.2%	20.2%	18.1%	15.8%

NOTE: Results have been adjusted on a retrospective basis to reflect the impact of the adoption of revised guidance for the presentation of pension and other postretirement benefit costs in the first quarter of 2018, as presented within the Financial Supplement within the Form 8-K dated April 27, 2018.

Non-GAAP Financial Measure Reconciliation (2 of 4)

(Dollars in thousands, expect per share data) (Unaudited, See note below)	Twelve Months Ended December 31,			
	2019	2018	2017	2016
CONSOLIDATED RESULTS				
Operating Income (GAAP)	$236,448	$231,764	$206,451	$194,296
Seeger divestiture non-cash impairment charge	5,600	-	-	-
FOBOHA short-term purchase accounting adjustments	-	-	2,294	2,316
IGS short-term purchase accounting adjustments	-	2,887	-	-
Gimatic short-term purchase accounting adjustments	2,060	2,707	-	-
Acquisition transaction costs	-	2,350	-	1,164
Restructuring/reduction in force	-	-	7,460	-
Contract termination dispute charges	-	-	-	3,005
Contract termination arbitration award	-	-	-	(1,371)
Operating Income as adjusted (Non-GAAP)[1]	$244,108	$239,708	$216,205	$199,410
Operating Margin (GAAP)	15.9%	15.5%	14.4%	15.8%
Operating Margin as adjusted (Non-GAAP)[1]	16.4%	16.0%	15.1%	16.2%
Diluted Net Income per Share (GAAP)	$3.07	$3.15	$1.09	$2.48
Seeger divestiture non-cash impairment charge	0.11	-	-	-
FOBOHA short-term purchase accounting adjustments	-	-	0.03	0.03
IGS short-term purchase accounting adjustments	-	0.04	-	-
Gimatic short-term purchase accounting adjustments	0.03	0.04	-	-
Acquisition transaction costs	-	0.04	-	0.02
Restructuring/reduction in force	-	-	(0.01)	-
Contract termination dispute charges	-	-	-	0.03
Contract termination arbitration award	-	-	-	(0.03)
Effects of U.S. tax reform	-	(0.05)	1.77	-
Diluted Net Income per Share as adjusted (Non-GAAP)[1]	$3.21	$3.22	$2.88	$2.53

NOTE: Results have been adjusted on a retrospective basis to reflect the impact of the adoption of revised guidance for the presentation of pension and other postretirement benefit costs in the first quarter of 2018, as presented within the Financial Supplement within the Form 8-K dated April 27, 2018.

Non-GAAP Financial Measure Reconciliation (3 of 4)

NOTES:

[1] The Company has excluded the following from its historical "as adjusted" financial measurements:

2019: 1) Short-term purchase accounting adjustments related to its Gimatic acquisition and the non-cash impairment charge related to the divestiture of the Seeger business.

2018: 1) $2,613 of adjustments made in 2018 to reduce the tax expense recorded in December 2017 related to the U.S. tax reform (commonly referred to as the Tax Cuts and Jobs Act), 2) short-term purchase accounting adjustments related to its Industrial Gas Springs (IGS) and Gimatic acquisitions and 3) transaction costs related to the IGS and Gimatic acquisitions.

2017: 1) The effects of U.S. tax reform ($96,700), 2) short-term purchase accounting adjustments related to its FOBOHA acquisition, 3) charges from restructuring actions related to the closure and consolidation of two manufacturing facilities within the Industrial segment and 4) the related pension curtailment and settlement gains included in non-operating income.

2016: 1) Transaction costs related to its FOBOHA acquisition, 2) short-term purchase accounting adjustments related to its FOBOHA acquisition, 3) charges related to the contract termination dispute and 4) operating income related to the contract termination arbitration award and the non-operating interest income awarded.

The tax effects of these items, excluding 1) the effects of U.S. Tax Reform in 2017 which impacted tax expense directly and 2) the non-cash impairment charge which was recorded pre-tax in 2019, were calculated based on the respective tax jurisdiction of each item. Management believes that these adjustments provide the Company and its investors with an indication of our baseline performance excluding items that are not considered to be reflective of our ongoing results. Management does not intend results excluding the adjustments to represent results as defined by GAAP, and the reader should not consider it as an alternative measurement calculated in accordance with GAAP, or as an indicator of the Company's performance. Accordingly, the measurements have limitations depending on their use.

Non-GAAP Financial Measure Reconciliation (4 of 4)

(Dollars in thousands) (Unaudited)	Twelve Months Ended December 31,			
	2019	2018	2017	2016
FREE CASH FLOW (FCF):				
Net cash provided by operating activities	$248,301	$237,199	$203,920	$217,646
Capital expenditures	(53,286)	(57,273)	(58,712)	(47,577)
Free cash flow[1]	$195,015	$179,926	$145,208	$170,069
Free cash flow to net income cash conversion ratio (as adjusted):				
Net income	158,350	166,186	59,415	135,601
Non-cash impairment charge related to divestiture	5,600	-	-	-
Effects of U.S. tax reform	-	(2,613)	96,700	-
Net income (as adjusted)[2]	$163,950	$163,573	$156,115	$135,601
Free cash flow to net income cash conversion ratio (as adjusted)[2]	119%	110%	93%	125%

NOTES:

[1] The Company defines free cash flow as net cash provided by operating activities less capital expenditures. The Company believes that the free cash flow metric is useful to investors and management as a measure of cash generated by business operations that can be used to invest in future growth, pay dividends, repurchase stock and reduce debt. This metric can also be used to evaluate the Company's ability to generate cash flow from business operations and the impact that this cash flow has on the Company's liquidity.

[2] For the purpose of calculating the cash conversion ratio, the Company has excluded the following:

2019: The non-cash impairment charge related to the divestiture of the Seeger business from net income.

2018 & 2017: The effects of U.S. tax reform, commonly referred to as the Tax Cuts and Jobs Act, from net income.

Driving Growth Through Innovation.

Barnes GROUP INC