

# Second Quarter 2016 Earnings Release Supplement July 29, 2016

The data in this package should be read in conjunction with Barnes Group Inc.'s earnings release and periodic filings with the SEC.



One Team. *One Company.*



# 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. Among others, our sales outlook, backlog, aircraft utilization, demographics, exchange rate assumptions, sales per aircraft and guidance are all forward-looking statements. 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; changes in market demand for our products and services; rapid technological and market change; the ability to protect intellectual property rights; introduction or development of new products or transfer of work; higher risks in international 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 or consistent with projected sales per aircraft due to a range of factors, including changes in customer sourcing decisions, materials, material costs, part design, quantity of parts per engine, percentage of work directed to us, engine spares, cost schedules, production schedules and volumes of specific programs; the impact of government budget and funding decisions; changes in raw material or product prices and availability; integration of acquired businesses; restructuring costs or savings; the continuing impact of prior acquisitions and divestitures, and any other future strategic actions, including acquisitions, divestitures, restructurings, or strategic business realignments, including the planned acquisition of the FOBOHA business, 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, including the arbitration proceedings involving Triumph Actuation Systems - Yakima, LLC; 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.

References to adjusted financial results for 2015 and 2016 are non-GAAP measures. You will find a reconciliation table on our website as part of our second quarter 2016 press release and in the Form 8-K submitted to the SEC. This supplement should be read in conjunction with this reconciliation table.

## Company Description

- Headquartered in Haslach, Germany, with manufacturing locations in Germany, Switzerland & China
- 2015 sales of ~\$75M US
- Technologies include stack turning molds, cube molds, multi-component molds, multi-color, and in-mold assembly
- ~375 employees worldwide
- Will operate as part of Molding Solutions SBU within the Industrial segment

## Transaction Summary

### Purchase Price

- Purchase price of CHF 133M (~\$136M)
- To be financed with cash on hand, additional borrowings under revolving credit facility

### Expected Closing Date

- Third quarter of 2016, subject to regulatory approval and other closing conditions

## Strategic Fit

### Leading Market Positions ✓

- Recognized brand
- Supplier to packaging, medical, consumer, and automotive markets

### Intellectual Property (IP) ✓

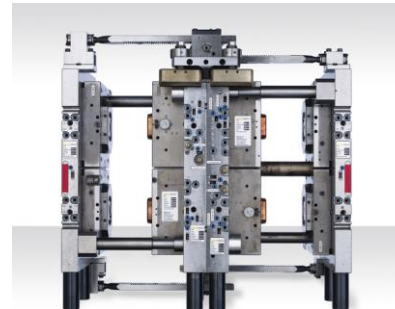
- Complex, highly-engineered products

### Cyclical Moderation ✓

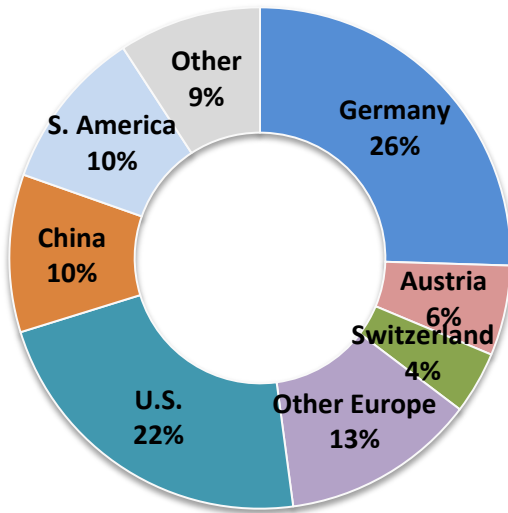
- Highly complementary end markets in the injection molding industry

### Growth Markets / Global Access ✓

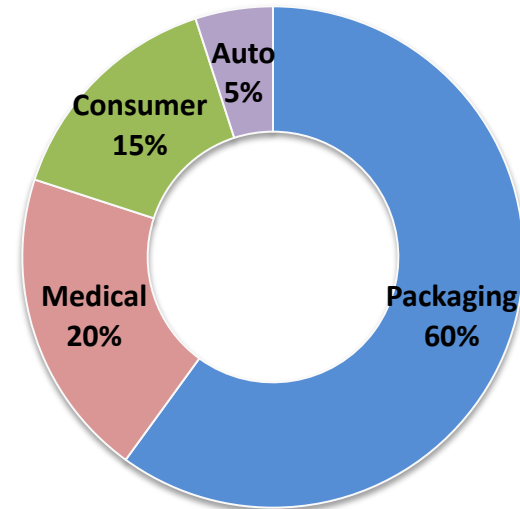
- Opportunity to further penetrate specific end markets, expand geographically and add complementary technical capabilities



## Sales by Geography



## Sales by End Market



Source: Adval Tech, FOBOHA

## Investment Rationale

- Create Global Supplier for Complex Medical, Packaging and Consumer Molds
- Complementary Best-in-class Mold Technology
- Expand Market Channel for Barnes Hot Runner Systems
- Growth Opportunity in North America / Accelerate Männer's Expansion Up in China

# 2016 Segment Market Outlook

(Updated 7/29/2016)



	Actual % of 2015 Sales	2016 Sales Growth Outlook*	End Market Highlights / Comments
Molding Solutions	27%	LDD	Hot Runner Demand Stable, China Market Improving, Auto Model Changes Favorable
Engineered Components	29%	Flat	Favorable Global Auto Production, General Industrial Weakness
Nitrogen Gas Products	9%	LSD	Tool & Die Markets Starting to Recover After Slow 2H'15 and H1'16
<b>Industrial Segment</b>	<b>65%</b>	<b>MSD</b>	



Original Equipment Manufacturing (OEM)	25%	Flat	Transition Year in 2016, Very Strong BGI Backlog, Robust Boeing & Airbus Backlog, Airlines Profitable
Maintenance Repair and Overhaul (MRO)	6%	MSD	Aircraft Utilization Strong, Low Fuel Prices, Moderating Traffic Growth
Spare Parts (RSP Programs)	4%	Flat	Favorable CFM56 Demographics, Tough 2015 Comparable
<b>Aerospace Segment</b>	<b>35%</b>	<b>Flat to LSD</b>	



M&A			Thermoplay and Priamus Acquisition Sales +3%, FOBOHA impact not included in 2016 Outlook
F/X			F/X Sales Headwind of ~1%

**2016 TOTAL SALES EXPECTATION UP ~3% TO 4%; FLAT TO 2% ORGANICALLY**

\* HSD - High single digits, MSD - Mid single digits, LSD - Low single digits, LDD - Low double digits

# Q2 2016 Sales Growth & Highlights



	Sales Growth		Organic		F/X		M&A
Industrial	1%	=	(4%)	+	(1%)	+	6%
Aerospace	(9%)	=	(9%)	+	0%	+	0%
Total BGI	(3%)	=	(6%)	+	(1%)	+	4%

- Sales of \$307 million, down 3%; Organic Sales Decline of 6%; Negative F/X of 1%
- Adjusted Operating Income of \$49.0 million, down 4%
- Adjusted Operating Margin of 16.0%, down 30 bps
- Adjusted EPS of \$0.63 per diluted share, up 2%
- Total Company Backlog of \$863 million, up 9% sequentially from Q1'16; Aerospace Backlog of \$657 million, up 11% sequentially from Q1'16
- YTD Free Cash Flow was \$74 million vs. \$64 million last year
- YTD Capital Expenditures of \$23 million vs. \$22 million last year

# 2015 & 2016 Results and 2016 Guidance

(\$M, except per share)



	2015 Full Year Results	2016 June YTD Actual	Variance Over 2015 June YTD Actual	2016 Full-Year Guidance <sup>(3)</sup>
Net Sales	\$1,194	\$595	-3%	~+3% to +4%
Organic Sales			-6%	Flat to +2%
Operating Margin %	14.1%	15.0%	-40 bps	
Adjusted Operating Margin <sup>(1)</sup>	15.8%	15.4%	-20 bps	16.0% to 16.5%
EPS (diluted):	\$2.19	\$1.14	Flat	\$2.43 to \$2.53
Adjusted EPS (diluted): <sup>(1)</sup>	\$2.38	\$1.17	+1%	\$2.46 to \$2.56
				+3% to +8%
Cash Conversion - Adjusted <sup>(2)</sup>	128%			~100%

## Key Factors in 2016 Guidance Range Include:

### Low-End

- Aerospace OEM Transition to New Programs
- Global Economic Uncertainty (Incl. China)
- Auto Production Leveling

### High-End

- + Aero Aftermarket Acceleration
- + Productivity Benefits
- + Sales Volume Leverage

(1) References to Adjusted Operating Margin and Adjusted EPS for 2015 and 2016 are non-GAAP measures. A reconciliation table is available on our website as part of our Q2 2016 press release and in the Form 8-K submitted to the SEC.

(2) Cash Conversion – Adjusted is equal to Net Cash Provided by Operating Activities less Capital Expenditures divided by Net Income. (For the purpose of calculating the cash conversion ratio, the Company has excluded the pension lump-sum settlement charge, net of tax, from 2015 net income.)

(3) Our 2016 full-year outlook does not include the financial impact of the recently announced FOBOHA transaction which is expected to close in the third quarter.

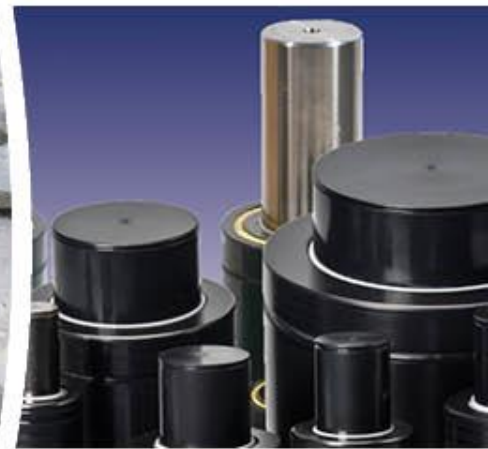
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Additional information is  
available at:

[www.BGInc.com](http://www.BGInc.com)







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