

S&P Quality Ranking: **B+** Standard & Poor's Fair Value Rank : **4**

**Sector:** Industrials  
**Sub-Industry:** Industrial Machinery  
**Peer Group:** Engineered Products

**Summary:** B has an approximate 0.25% weighting in the **S&P SmallCap**. This international manufacturer produces aerospace and industrial precision metal components and assemblies and distributes industrial supplies for a variety of end markets.

**Quantitative Evaluations**

**S&P Quality Ranking : B+**



**S&P Fair Value Rank: 4**



**Fair Value Calc: \$25.20** (Slightly Undervalued)

**S&P Investability Quotient Percentile**



B scored higher than 91% of all companies for which an S&P Report is available.

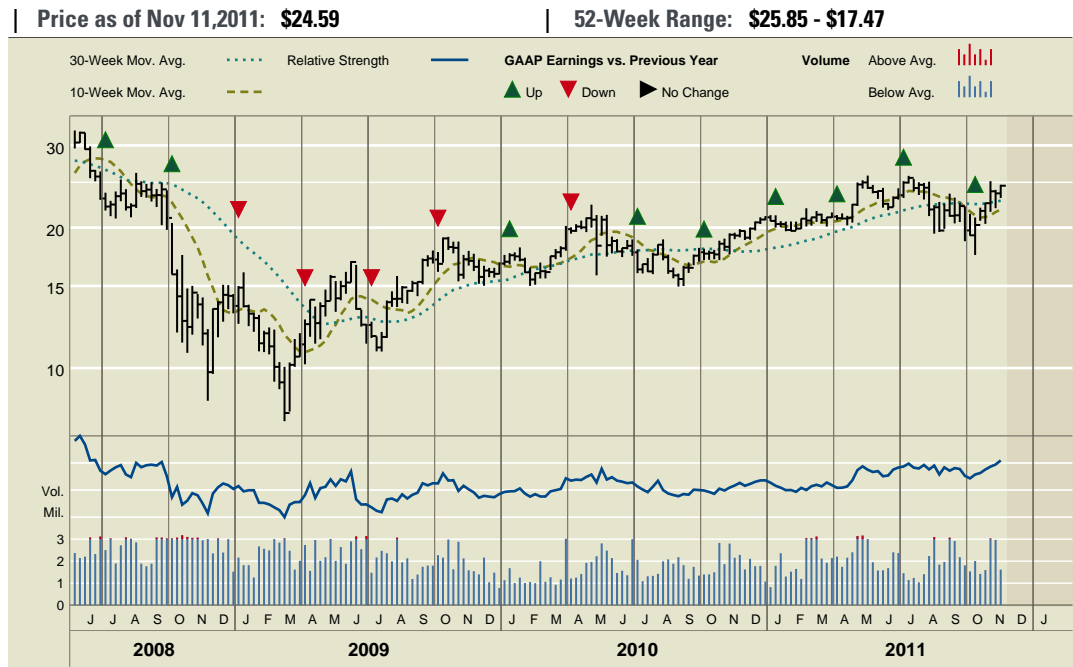
**Volatility: Average**



**Technical Evaluation: BULLISH**

Since October, 2011, the technical indicators for B have been BULLISH.

**Relative Strength Rank: Strong**



**Investment Strategy**

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

**Sales:** What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.

**Net Margin:** As a key measure of company profitability, a rising net margin assesses management capability to wring out more net income from incremental sales.

**% LT Debt to Capitalization:** A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.

**% Return on Equity:** A key performance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.

**Key Growth Rates and Averages**

Past Growth Rate (%)	1 Year	3 Year	5 Year	9 Year
Sales	9.58	-9.45	-1.44	5.48
Net Income	36.62	-24.73	-7.23	13.35

**Ratio Analysis (Average)**

Net Margin	4.70	5.20	5.70	4.95
%LT Debt to Capitalization	24.29	33.08	35.12	38.71
% Return on Equity	7.63	9.82	12.58	12.79

**Revenues/Earnings Data** Fiscal year ending Dec. 31

Revenues (Million \$)	2011	2010	2009	2008	2007	2006
1Q	318.8	278.1	262.2	384.0	360.7	299.9
2Q	328.0	281.9	255.2	379.9	359.5	308.9
3Q	325.4	289.9	260.3	333.8	360.4	322.0
4Q	--	283.3	256.5	265.4	358.9	328.9
Year	--	1,133	1,034	1,362	1,440	1,260
Earnings per Share (\$)	2011	2010	2009	2008	2007	2006
1Q	0.34	0.21	0.22	0.62	0.50	0.37
2Q	0.40	0.26	0.20	0.64	0.49	0.34
3Q	0.41	0.27	0.20	0.53	0.47	0.35
4Q	--	0.20	0.11	-0.08	0.30	0.34
Year	--	0.95	0.72	1.74	1.76	1.39

**Next earnings report expected: Late February**

Historical GAAP earnings are as reported.

**Key Stock Statistics**

Average Daily Volume	<b>0.476 mil.</b>	Beta	<b>2.06</b>
Market Capitalization	<b>\$1.346 Bil.</b>	Trailing 12 Month EPS	<b>\$1.35</b>
Institutional Holdings (%)	<b>88</b>	12 Month P/E	<b>18.2</b>
Shareholders of Record	<b>13,520</b>	Current Yield (%)	<b>1.63</b>

Value of \$10,000 Invested five yrs Ago : **\$13,845**

**Please read the required disclosures and Reg. AC certification on the last page of this report.**

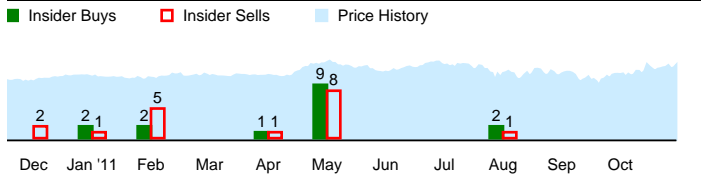
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**Wall Street Opinions/Average (Mean) Opinion: Buy/Hold**

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	2	33	2	3
Buy/Hold	0	0	0	0
Hold	4	67	4	4
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>6</b>	<b>100</b>	<b>6</b>	<b>7</b>

**Insider Moves**



**Dividend Data** Dividend have been paid since 1934

Amount(\$)	Date Decl.	Ex. Div. Date	Stock of Record	Payment Date
0.080	Feb.9	Feb.23	Feb.25	Mar.10 '11
0.080	May.6	May.26	May.31	Jun.10 '11
0.080	Jul.21	Aug.29	Aug.31	Sep.09 '11
0.100	Oct.20	Nov.28	Nov.30	Dec.09 '11

**Company Financials** Fiscal year ending Dec. 31

Per Share Data & Valuation Ratios (\$)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Tangible Book Value	0.69	0.14	NM	NM	NM	NM	NM	0.87	1.15	1.05
Cash Flow	1.90	1.67	2.63	2.64	2.19	1.96	1.42	1.53	1.58	1.48
Earnings	0.95	0.72	1.74	1.76	1.39	1.25	0.70	0.75	0.71	0.51
Dividends	0.32	0.48	0.62	0.55	0.49	0.42	0.40	0.40	0.40	0.40
Payout Ratio	34%	67%	36%	31%	35%	34%	57%	54%	56%	79%
Prices:High	22.40	19.11	34.15	36.89	23.98	18.63	16.79	17.19	13.38	12.50
Prices:Low	14.95	7.69	8.51	19.76	15.28	11.86	12.10	9.20	8.65	8.91
P/E Ratio:High	24	27	20	21	17	15	24	23	19	25
P/E Ratio:Low	16	11	5	11	11	9	17	12	12	18

**Income Statement Analysis (Million \$)**

Revenue	1,133	1,034	1,362	1,440	1,260	1,102	995	891	784	769
Operating Income	139	123	210	210	151	122	90.1	86.6	78.5	77.4
Depreciation	52.8	51.5	49.5	50.6	42.2	34.9	34.2	34.6	33.6	37.0
Interest Expense	20.0	22.6	20.2	25.1	23.7	17.6	15.4	15.8	14.8	16.2
Pretax Income	64.0	40.0	126	127	93.2	78.5	41.4	38.4	33.1	23.5
Effective Tax Rate	NA	2.37%	23%	20%	21%	22%	19%	14%	18%	18%
Net Income	53.3	39.0	97.1	101	73.8	60.9	33.4	33.0	27.2	19.1

**Balance Sheet & Other Financial Data (Million \$)**

Cash	13.5	17.4	21.0	20.6	35.4	28.1	36.3	49.8	28.4	48.9
Current Assets	450	403	478	521	461	379	336	312	239	257
Total Assets	1,403	1,352	1,448	1,539	1,336	1,000	928	831	653	637
Current Liabilities	283	189	189	344	295	258	224	192	132	184
Long Term Debt	258	321	467	382	376	242	259	224	214	178
Common Equity	712	685	583	654	520	395	342	322	208	199
Total Capital	1,063	1,032	1,065	1,078	919	637	601	546	422	377
Capital Expenditures	28.8	30.5	51.9	50.2	41.7	26.1	28.5	18.4	19.4	22.4
Cash Flow	106	90.5	147	152	116	95.8	67.6	67.6	60.8	56.2
Current Ratio	1.6	2.1	2.5	1.5	1.6	1.5	1.5	1.6	1.8	1.4
% Long Term Debt of Capitalization	24.3	31.2	43.5	35.6	42.0	38.0	43.1	41.1	50.7	47.3
% Net Income of Revenue	4.7	3.8	7.1	7.0	5.9	5.5	3.4	3.7	3.5	2.5
% Return on Assets	3.9	2.8	6.5	7.1	6.3	6.3	3.8	4.5	4.2	3.0
% Return on Equity	7.6	6.2	15.7	17.3	16.1	16.3	10.1	12.5	13.3	9.6

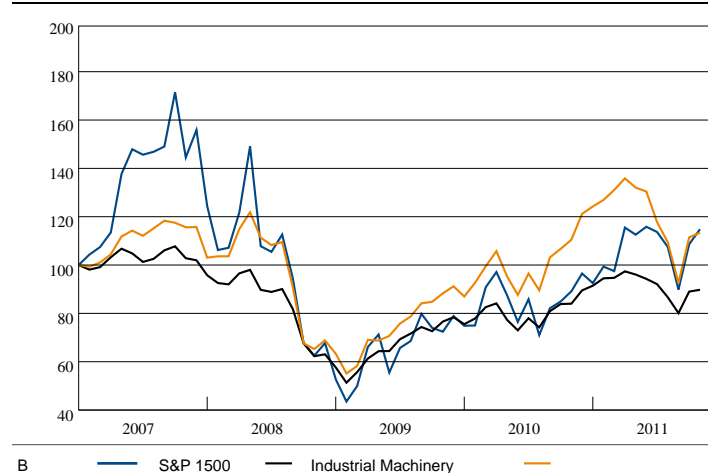
Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

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Chrmn: T. O. Barnes, Jr.

Pres & CEO: G. F. Milzcik  
Dir: T. J. Albani, J. W. Alden, T. O. Barnes, Jr., G. G. Benanav, W. S. Bristow, Jr., G. T. Carpenter, W. C. Denninger, D. W. Griffin, F. E. Grzelecki, M. H. Mangum, H. H. McClellan, G. F. Milzcik, W. J. Morgan  
CFO & SVP: W. C. Denninger

General Counsel, Secy & SVP: S. S. Gates  
Treas: L. W. O'Brien  
Investor Contact: Brian D. Kopyy(860-583-7070)  
Founded: 1925  
Domicile: Delaware  
Employees: 4,906

**Stock Performance**



	Company(%)	Industry(%)	S&P 1500(%)
YTD Return	20.2	-6.5	0.3
One Year Return	29.5	2.0	4.2
Three Year Return (% Annualized)	26.3	21.6	12.8
Five Year Return (% Annualized)	6.7	3.6	-1.3
Value of \$10,000 Invested 5 Years Ago	\$13,845	\$11,943	\$9,355

**Sub-Industry Outlook**

Our fundamental outlook for the industrial machinery sub-industry remains neutral. In our view, various industrial activity metrics indicate that the manufacturing economy and machinery usage have been expanding since about mid-2009, and that the global economy, led by stronger growth in emerging economies, will continue to recover, leading to a rebound in order growth. However, our view is tempered by what we see as uncertain and volatile global markets near term, driven by high unemployment, a weak U.S. housing market and debt problems in Greece and neighboring countries.

The September 2011 national PMI (Purchasing Managers Index) reading of 60.4 jumped from 56.5 in August. Typically, a score above 50 indicates economic expansion over the next three to six months, while below 50 suggests a weak economy. New orders rose to 65.3 in September, from 56.9 the month before. We see manufacturing gradually improving through 2012, as sovereign debt issues in the U.S. and Europe, and domestic budget proposals are resolved.

Industrial production increased 0.2% in September, following a downwardly revised unchanged (had been up 0.2%) report in August, and was up 3.2% from a year ago. Nonfarm payrolls gained 103,000 new jobs in September, following a revised 56,000 increase in August (had been flat). Real GDP in the second quarter of 2011 was revised up to a 1.3% annualized rate, from 1% earlier. Capacity utilization rose slightly to 77.4% in September, up close to 2% from a year earlier, but 3% below the historical average.

Following a decline of 33% in 2010, we see earnings

rising 25% in 2011 and almost 14% in 2012, with further improvement in operating leverage due primarily to increased volume throughput.

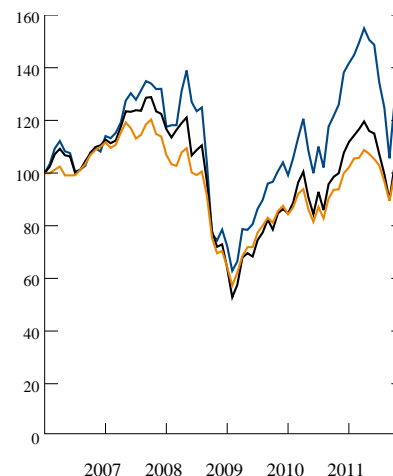
Year to date through October 21, the sub-industry index declined 12%, versus a 2% drop for the S&P 1500 Index. In the past 13 weeks, the group fell 17.7%, versus an 8.6% decrease for the index. Our projected P/E multiple was 12.6X for 2011 and 11.1X for 2012, compared with 13X and 11.4X, respectively, for the index. Relative strength remains average.

-Stewart Scharf

**Stock Performance**

**GICS Sector: Industrials**  
**Sub-Industry: Industrial Machinery**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 10/31/11



Sub-Industry      Sector      S&P 1500

**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

**Sub-Industry : Industrial Machinery Peer Group\*: Engineered Products**

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Barnes Group</b>	<b>B</b>	<b>1,346</b>	<b>24.59</b>	<b>25.85/17.47</b>	<b>2.06</b>	<b>1.6</b>	<b>18</b>	<b>25.20</b>	<b>B+</b>	<b>91</b>	<b>4.7</b>	<b>24.3</b>
ATS Automation Tooling Sys	ATA.C	573	6.57	8.40/5.85	NA	Nil	NM	NA	NR	NA	2.1	0.8
Actuant Corp Cl'A'	ATU	1,601	23.23	30.41/17.46	1.61	0.2	15	35.90	B+	93	8.6	36.3
Chart Industries	GTLS	1,747	59.32	62.15/22.75	2.61	Nil	39	47.70	NR	87	3.7	30.1
Crane Co	CR	2,690	46.25	52.38/33.23	1.60	2.2	14	44.80	B+	98	7.0	28.6
EnPro Industries	NPO	709	34.20	49.94/27.22	NA	Nil	15	35.40	B-	20	7.1	43.3
Harsco Corp	HSC	1,747	21.65	36.78/17.77	1.68	3.8	60	20.00	A-	98	0.4	36.6

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**S&P Analyst Research Notes and other Company News****August 29, 2011**

UP 1.17 to 22.87... BB&T Capital upgrades to buy from hold. Co. unavailable. ...

**August 29, 2011**

12:33 pm ET ... BARNES GROUP INC. (B 22.88) UP 1.18, BB&T CAPITAL UPGRADES BARNES GROUP (B) TO BUY FROM HOLD... Analyst Holden Lewis tells salesforce upgrades as he's increasingly confident that B's long-cycle, high margin Aerospace business has entered a sustainable period of strength. Doesn't see valuation as overly expensive given fundamental tailwind (better Aerospace). Thinks proposed sale of European distribution is potentially more impactful than currently recognized. Believes stock is setting up for extended period of outperformance within industrial space, which justifies his favorable rating on shares. Sees \$1.50 '11 EPS est., \$1.90 '12. Has \$30 price target. M.Morrow

**May 25, 2011**

In connection with organizational changes, Jerry W. Burris, Vice President, Barnes Group Inc. and President, Precision Components, a "named executive officer" within the meaning of Instruction 4 to Item 5.02 of Form 8-K, will depart Barnes Group Inc. after an appropriate transition period. Effective May 20, 2011, Mr. Burris' executive officer responsibilities transferred to other executives.

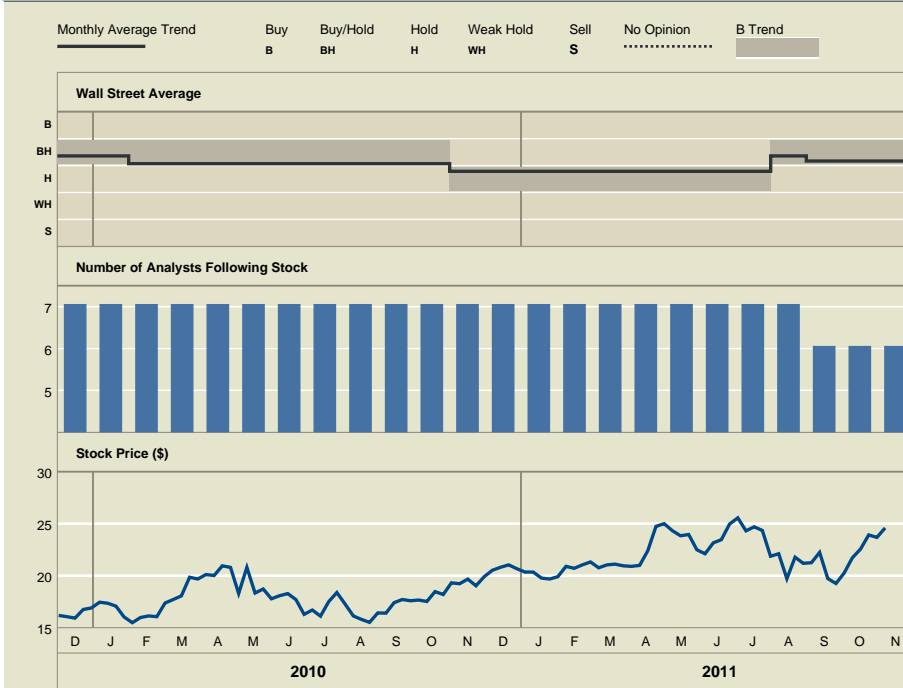
**May 2, 2011**

Barnes Group Inc. reported consolidated unaudited earnings results for the first quarter ended March 31, 2011. For the quarter, the company reported net sales was \$318,754,000 against \$278,137,000 for the same period earlier. Operating income was \$29,449,000 against \$19,667,000 for the same period earlier. Income before income taxes was \$25,276,000 against \$14,225,000 for the same period earlier. Net income was \$19,072,000 against \$11,829,000 for the same period earlier. Diluted earnings per share was \$0.34 against \$0.21 for the same period earlier. Net cash used in operating activities was \$4,651,000 against net cash provided by operating activities of \$7,757,000 for the same period earlier. Capital expenditures were \$12,488,000 against \$5,868,000 for the same period earlier. Barnes Group is updating its guidance for 2011. The company now expects revenue to grow 8% to 11% from 2010, and earnings per diluted share to be in the range of \$1.23 to \$1.38, up 30 to 45%. The company expects operating margins of approximately 9.5%. CapEx is expected to significantly increase from 2010 levels to a range of \$40 million to \$50 million. The company still expect free cash flow conversion of 90%.

**April 29, 2011**

BARNES posts \$0.34 vs. \$0.21 Q1 EPS on 15% sales rise. Street was looking for \$0.29. Now expects revenue to grow 8%-11%, EPS to be in the range of \$1.23-1.38, up 30%-45%.

**Analysts' Recommendations**



Of the total 8 companies following B, 6 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	2	33	2	3
Buy/Hold	0	0	0	0
Hold	4	67	4	4
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>6</b>	<b>100</b>	<b>6</b>	<b>7</b>

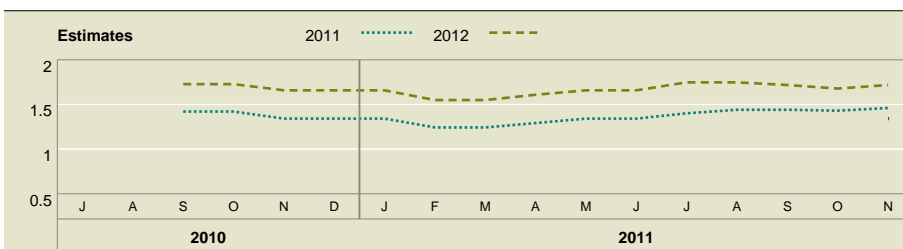
**Wall Street Consensus Opinion**

**BUY/HOLD**

**Companies Offering Coverage**

- BB&T Capital Markets
- CJS Securities, Inc.
- Jefferies & Company, Inc.
- KeyBanc Capital Markets Inc.
- Oppenheimer & Co. Inc.
- Robert W. Baird & Co.
- Sidoti & Company, LLC
- Utendahl Capital Partners LP

**Wall Street Consensus Estimates**



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2012	1.73	1.90	1.62	6	14.2
2011	1.47	1.50	1.45	6	16.7
<b>2012 vs. 2011</b>	<b>▲ 18%</b>	<b>▲ 27%</b>	<b>▲ 12%</b>	<b>0%</b>	<b>▼ -15%</b>
Q4'12	0.42	0.42	0.42	1	58.5
Q4'11	0.32	0.35	0.29	6	76.8
<b>Q4'12 vs. Q4'11</b>	<b>▲ 31%</b>	<b>▲ 20%</b>	<b>▲ 45%</b>	<b>▼ -83%</b>	<b>▼ -24%</b>

**Wall Street Consensus vs. Performance**

For fiscal year 2011, analysts estimate that B will earn \$1.47. For the 3rd quarter of fiscal year 2011, B announced earnings per share of \$0.41, representing 28% of the total annual estimate. For fiscal year 2012, analysts estimate that B's earnings per share will grow by 18% to \$1.73.

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

**Glossary**

**S&P Quality Ranking** - Growth and stability of earnings and dividends are deemed key elements in establishing S&P's quality ranking for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted that, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Lower
A	High	B-	Below Average
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

**S&P Fair Value Rank** - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

**Funds From Operations (FFO)** - FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

**Fair Value Calculation** - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

**Investability Quotient (IQ)** - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**Standard & Poor's IQ Rationale:**  
**Barnes Group**

	Raw Score	Max Value
Proprietary S&P Measures	20	115
Technical Indicators	19	40
Liquidity/Volatility Measures	15	20
Quantitative Measures	65	75
<b>IQ Total</b>	<b>119</b>	<b>250</b>

**Volatility** - Rates the volatility of the stock's price over the past year.

**Technical Evaluation** - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

**Relative Strength Rank** - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

**Global Industry Classification Standard (GICS)** - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

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