



Engineered for Performance



## Third Quarter 2015 Earnings Review

October 29, 2015

# Forward Looking Statements



Statements in this press release that express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They involve a number of risks and uncertainties that may cause actual events and results to differ materially from such forward-looking statements. These risks and uncertainties include, but are not limited to: general economic conditions in the markets served by our businesses, some of which are cyclical and experience periodic downturns; the effect of changes in currency exchange rates, expected volumes of purchases of parts denominated in euros used for engines to be sold in U.S. dollars; prices and availability of raw materials; and the amount of any payments required to satisfy contingent liabilities related to discontinued operations of our predecessors, including liabilities for certain products, environmental matters, guaranteed debt payments, employee benefit obligations and other matters. In addition, adverse developments could arise in regard to voluntary petitions filed by certain of our subsidiaries in U.S. Bankruptcy Court to establish a trust that would resolve all current and future asbestos claims. Our filings with the Securities and Exchange Commission, including the Form 10-K for the year ended December 31, 2014 and form 10-Q for the quarter ended June 30, 2015, describe these and other risks and uncertainties in more detail. We do not undertake to update any forward-looking statement made in this press release to reflect any change in management's expectations or any change in the assumptions or circumstances on which such statements are based.

We own a number of direct and indirect subsidiaries and, from time to time, we may refer collectively to EnPro and one or more of our subsidiaries as "we" or to the businesses, assets, debts or affairs of EnPro or a subsidiary as "ours." These and similar references are for convenience only and should not be construed to change the fact that EnPro and each subsidiary is an independent entity with separate management, operations, obligations and affairs.

This presentation also contains certain non-GAAP financial measures as defined by the Securities Exchange Commission. A reconciliation of these measures to the most directly comparable GAAP equivalents is included as an appendix to this presentation. We will also be referencing certain pro forma unaudited condensed consolidated financials. Please refer to our earnings release for important information regarding how pro forma and other financial information is derived, as well as related risks and uncertainties.

# Summary Highlights



- Market activity levels
  - weakness in oil & gas, steel, and metals & mining, and agricultural equipment
  - stable conditions in aerospace, nuclear, trucking, and automotive
  - stable government spending on ships and maintenance
- EnPro Sales mirror macro-economic conditions
  - consolidated sales as reported, up 1%;
  - pro forma sales\* (including deconsolidated GST) as reported, down 1%
  - excluding FX, acquisitions and divestiture, consolidated sales were down 4%
- Consolidated Adjusted EBITDA of \$41.8M down 3% YoY
  - pro forma adjusted EBITDA\* of \$53.0M down 5% from Q3 2014
- Consolidated EPS of \$0.51 up from \$0.33 in Q3 2014
  - includes lower corporate expense and lower income taxes from discrete items
  - Q3 2014 had expense from loss on purchase of debt
  - 4 million fewer shares versus Q3 2014

\* Pro Forma sales and EBITDA include illustrative reconsolidation of GST



- Restructuring actions in Engineered Products segment
  - Market softness has led to restructuring actions
  - Restructuring expenses: \$2M YTD, \$8-\$10M in Q4, \$1-\$2M in Q1 2016
  - Actions expected to result in \$4-5M annualized savings
  - CPI exiting 9 service/light manufacturing facilities globally
    - response to slow market conditions in several natural gas markets
    - focus on core petrochemical and refining markets
  - GGB's focus on optimizing manufacturing footprint & improving service
    - consolidating two mfg. facilities into new facility in Thorofare, NJ
    - consolidated solid polymer operation into existing Europe facilities
    - replacing a shared leased facility in China with owned facility

# Significant Actions

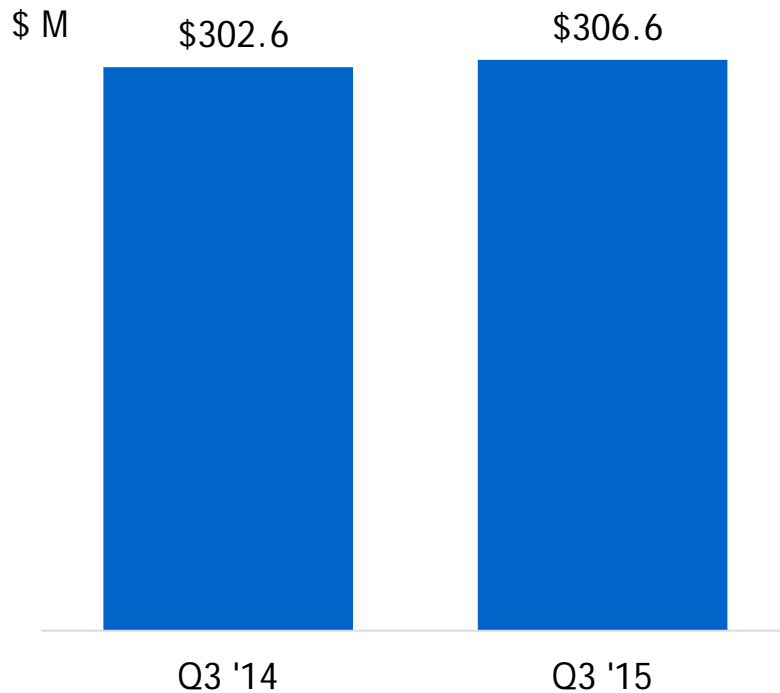


- Stock repurchase program authorized
  - can repurchase up to \$50M of common shares
  - timing and amounts to be based on market conditions and other factors
  - expect to be executed within two year authorization period
  - augments quarterly stock dividend, M&A and capital improvements
- Good progress on the three acquisitions made since December 2014
  - integration activities proceeding according to plan
  - \$110M investment to yield:
    - approximately \$6M EBITDA in 2015 net of deal costs and integration
    - tracking \$20-25M EBITDA /year in next two years



- Progressing toward June 20, 2016 confirmation hearing
- October bar date yielded ~180k alleged claims & no vote on the plan
- Expert review expected to eliminate many of the claims
- Over 66% filed by 11 plaintiff firms; traditionally non-malignant claims
- Moving forward on fraud and RICO cases against plaintiff firms
  - Court has ruled in GST's favor on several motions
  - anticipate lengthy discovery period with potential trials in 2017
- We remain committed to achieving a just result for GST that will restore significant value to EnPro and its shareholders

# Third Quarter 2015 Consolidated Sales

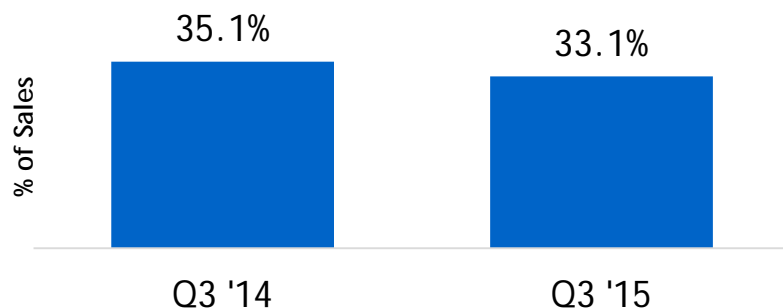


- Consolidated sales up 1%; (normalized -4%)
  - Acquisitions/(Divestiture): 10%
  - FX translation: (5%)
- Geographic breakdown net of FX, acquisitions and divestiture:
  - Europe down 5%
  - Sealing Products down 6%
  - Engineered Products down 4%
  - North America down 6% (ex. Power Systems)
    - Sealing Products down 3%
    - (O&G, HD truck, semiconductor)
  - Engineered Products down 15%
    - (con-ag, fluid power, O&G, general industrial)

# Gross Profit and SG&A as a Percent of Sales



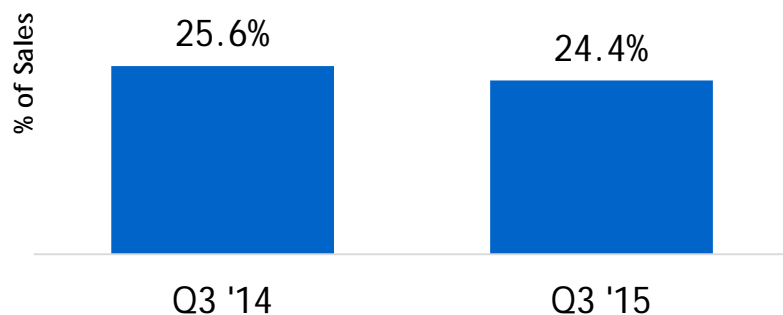
Gross Margins



- Gross profit

- Q3 '15: \$101.4M
- Q3 '14: \$106.2M
- Acquisition-related
- Volume/mix
- Price Increases
- Lower material costs

SG&A

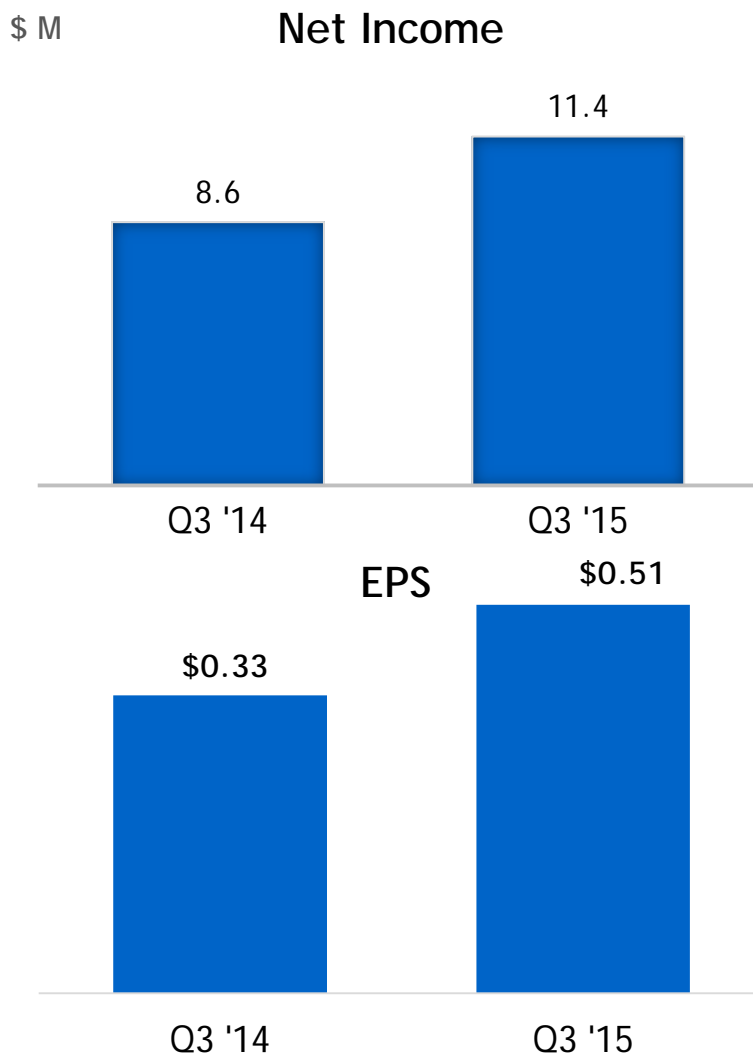


- SG&A

- Q3' 15: \$74.8M
- Q3 '14: \$77.4M
- FX impact \$4.5M
- Lower comp \$3.8M
- (Acquisitions)/Divestitures (\$5.8)M
- Growth initiatives - Stemco, Power Systems

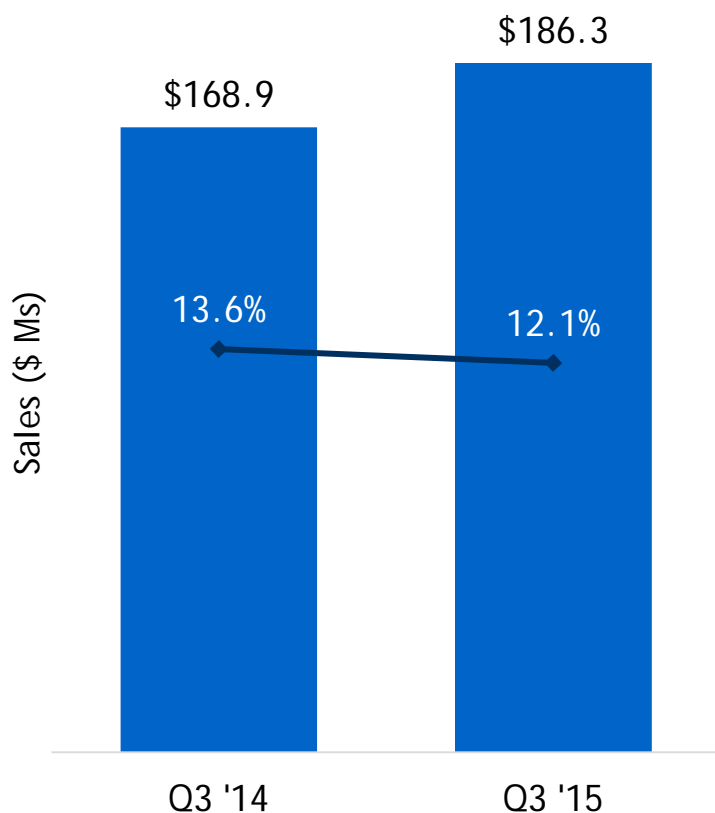


# Net Income and EPS change



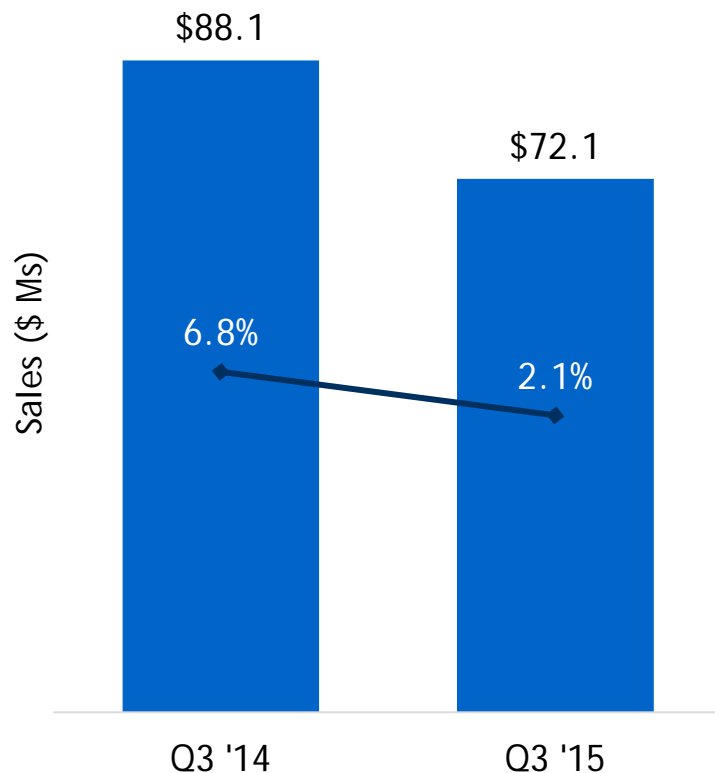
- Net Income YoY change \$2.8M
  - Gross Profit (4.8)
  - SG&A 2.6
  - Other Op Exp & Interest (2.8)
  - Other Inc /(Expense) 4.1
  - Income tax 3.7
  
- Diluted Shares
  - Q3' 15: \$22.1M
  - Q3 '14: \$26.1M
  - share repurchases
  - Convertible debentures
  - Call spread options

# Sealing Products Segment Results



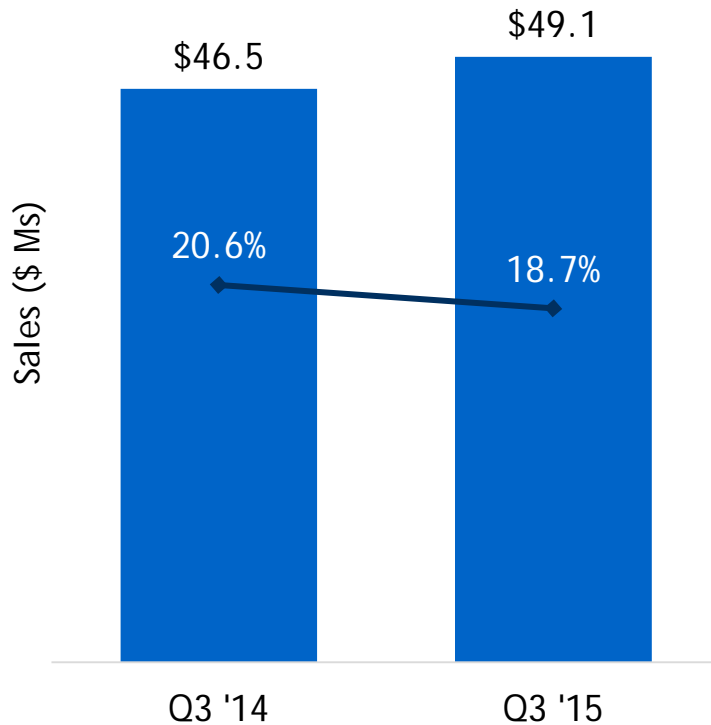
- Segment sales up 10%; (normalized -4%)
  - Acquisitions/(divestitures): 17%
  - FX: (3%)
  - Increases in nuclear and aerospace components
  - Decreases in O&G-related, AM truck parts, semiconductor and general industrial
- Segment profit down \$0.5M; (normalized-\$0.3M)
  - Q3 '15: \$22.5M
  - Q3 '14: \$23.0M
  - Lower volume and unfavorable mix
  - Acquisition-related costs
- Segment normalized margin
  - Q3 '15: 14.1%
  - Q3 '14: 13.8%

# Third Quarter 2015 Engineered Products Results



- Segment sales down 18%; (normalized -8%)
  - FX: (10%)
  - European auto up
  - O&G down in Canada, UK and Middle East
  - Agricultural & industrial OEM low in Europe & N.A.
- Segment profit down \$4.5MM; (normalized -\$3.8M)
  - Q3 '15: \$1.5M
  - Q3 '14: \$6.0M
  - Restructuring charges: GGB (\$0.6M); CPI (\$0.1M)
- Segment normalized margins
  - Q3 '15: 2.7%
  - Q3 '14: 6.8%
- Future Restructuring charges:
  - \$8-10M at CPI (\$4-\$5M cash, 40% in 2015)
  - \$1-2M at GGB (all cash, \$0.5-\$1.0 in 2015)

# Third Quarter 2015 Power Systems Results



- Segment sales up 6%
  - \$2.6M higher engine revenues
  - Parts and service level with last year
- Segment profit down \$0.4M
  - Q3 '15: \$9.2M
  - Q3 '14: \$9.6M
  - Benefited from higher margins on engine sales and service volume
  - Offset by lower parts mix, higher SG&A and R&D
- Segment normalized margins
  - Q3 '15: 18.7%
  - Q3 '14: 20.6%

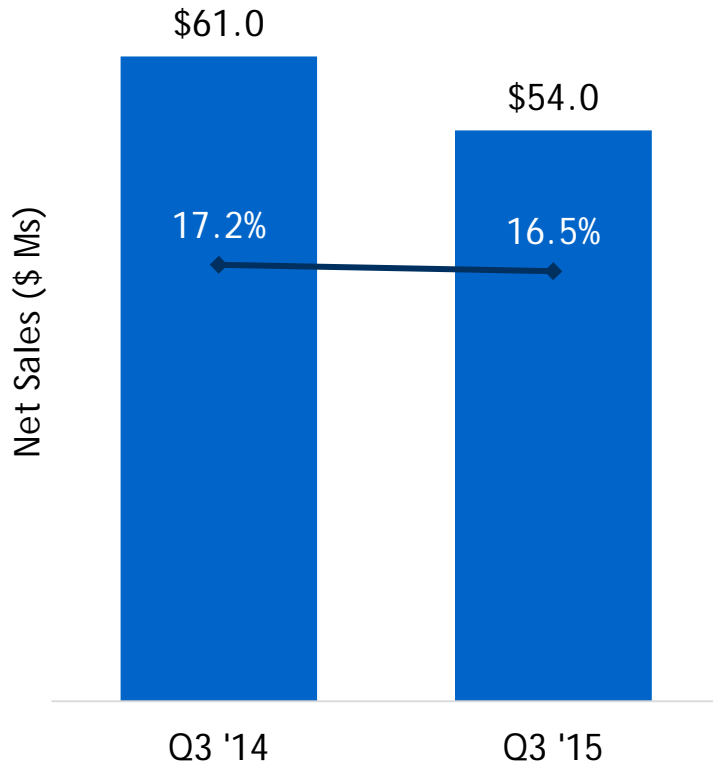
September YTD 2015  
**Cash Flows**



\$ millions

	<u>2015</u>	<u>2014</u>
Adjusted EBITDA	\$113.6	\$115.0
Tax payments	(22.8)	(31.1)
Pension contributions	--	(48.5)
Interest payments, restructuring, other	(34.2)	(8.6)
Increase in segment working capital	(22.8)	(34.3)
Capital expenditures	<u>(27.0)</u>	<u>(27.5)</u>
Free cash flow	6.8	(35.0)
Revolver and ST borrowing (net)	81.5	291.9
Repurchase of convertible debentures	(44.9)	(105.6)
Acquisitions	(45.5)	(4.3)
Share repurchases	(80.0)	--
Dividends	(13.8)	--
Non-Operating and discontinued ops.	<u>(6.3)</u>	<u>(13.0)</u>
Increase/ (Decrease) in cash	<u>(\$102.2)</u>	<u>\$134.0</u>

# Deconsolidated Results of GST



- Net sales down 12% (normalized -6%)
  - FX: (6%)
  - Lower refinery maintenance shutdowns
  - Lower demand from steel and mining
- Operating income (w/o asbestos expense) down 15%
  - Q3 '15: \$8.9M
  - Q3 '14: \$10.5M
  - Lower volume, less-profitable mix
- Asbestos-related expense
  - Q3 '15: \$5.3M
  - Q3 '14: \$4.9M
- EBITDA-A down 12%: \$12.6M to \$11.1M in Q3
- Cash & investments: \$263.3M
- Asbestos Insurance A/R: \$80.0M

# 2015 Full Year Outlook



- Tail winds
  - Solid demand in nuclear and petrochemical
  - Strong bookings and backlog at Power Systems
- Head winds
  - Uncertainty in foreign economies
  - Soft O&G markets
  - FX impacts
- Consolidated EnPro at or slightly below the low end of previous guidance before including \$7-10M of additional restructuring and assuming no change in FX rates from current
- Deconsolidated GST still within previous guidance range

# QUESTIONS



# APPENDIX

# Reconciliation of Adjusted EBITDA to Net Income from Continuing Operations (Unaudited)



(Stated in Millions of Dollars)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Earnings before interest, income taxes, depreciation, amortization, and other selected items (adjusted EBITDA) *	\$ 41.8	\$ 43.1	\$ 113.6	\$ 115.0
Adjustments to arrive at earnings before interest, income taxes, depreciation and amortization (EBITDA):				
Restructuring costs	(0.8)	(0.5)	(2.2)	(1.1)
Environmental reserve adjustment	(0.8)	-	(1.0)	(0.7)
Loss on exchange and repurchase of convertible debentures	-	(4.0)	(2.8)	(10.0)
Goodwill and other intangible asset impairment	-	-	(47.0)	-
Acquisition expenses	(0.5)	(0.1)	(2.2)	(0.5)
Fair value adjustment to acquisition date inventory	(0.3)	-	(1.3)	-
Other	(0.1)	(0.8)	(2.0)	(1.3)
EBITDA	39.3	37.7	55.1	101.4
Adjustments to arrive at net income (loss):				
Interest expense, net	(12.8)	(10.5)	(38.6)	(31.5)
Income tax expense	(0.8)	(4.5)	(0.7)	(8.7)
Depreciation and amortization expense	(14.3)	(14.1)	(43.3)	(43.0)
Net income (loss)	\$ 11.4	\$ 8.6	\$ (27.5)	\$ 18.2

\* Adjusted EBITDA as presented also represents the amount defined as "EBITDA" under the indenture governing the Company's 5.875% senior notes due 2022.

# Reconciliation of Normalized Segment Sales to Segment Net Sales



For the Quarters and Nine Months Ended September 30, 2015 and 2014

(Stated in Millions of Dollars)

		Quarter Ended September 30, 2015				
		Sealing Products	Engineered Products	Power Systems	Intersegment sales	Consolidated
	Normalized net sales	\$ 154.8	\$ 80.7	\$ 49.1	\$ (0.9)	\$ 283.7
	Adjustments:					
	Foreign exchange translation	(5.4)	(8.6)	-	-	(14.0)
	Acquisitions	36.9	-	-	-	36.9
	Net sales	\$ 186.3	\$ 72.1	\$ 49.1	\$ (0.9)	\$ 306.6

		Quarter Ended September 30, 2014				
		Sealing Products	Engineered Products	Power Systems	Intersegment sales	Consolidated
	Normalized net sales	\$ 161.2	\$ 88.1	\$ 46.5	\$ (0.9)	\$ 294.9
	Adjustments:					
	Divestitures	7.7	-	-	-	7.7
	Net sales	\$ 168.9	\$ 88.1	\$ 46.5	\$ (0.9)	\$ 302.6

		Nine Months Ended September 30, 2015				
		Sealing Products	Engineered Products	Power Systems	Intersegment sales	Consolidated
	Normalized net sales	\$ 474.6	\$ 256.4	\$ 137.2	\$ (2.7)	\$ 865.5
	Adjustments:					
	Foreign exchange translation	(18.2)	(28.6)	-	-	(46.8)
	Acquisitions	63.8	-	-	-	63.8
	Net sales	\$ 520.2	\$ 227.8	\$ 137.2	\$ (2.7)	\$ 882.5

		Nine Months Ended September 30, 2014				
		Sealing Products	Engineered Products	Power Systems	Intersegment sales	Consolidated
	Normalized net sales	\$ 474.6	\$ 275.4	\$ 130.6	\$ (2.4)	\$ 878.2
	Adjustments:					
	Divestitures	24.7	-	-	-	24.7
	Net sales	\$ 499.3	\$ 275.4	\$ 130.6	\$ (2.4)	\$ 902.9

# Reconciliation of Normalized Segment Profit to Segment Profit



For the Quarters and Nine Months Ended September 30, 2015 and 2014

(Stated in Millions of Dollars)

		Quarter Ended September 30, 2015			
		Sealing Products	Engineered Products	Power Systems	Total Segments
Normalized segment profit		\$ 21.9	\$ 2.2	\$ 9.2	\$ 33.3
Adjustments:					
Acquisitions		0.7	-	-	0.7
Restructuring		(0.1)	(0.7)	-	(0.8)
Segment profit		\$ 22.5	\$ 1.5	\$ 9.2	\$ 33.2
		Quarter Ended September 30, 2014			
		Sealing Products	Engineered Products	Power Systems	Total Segments
Normalized segment profit		\$ 22.2	\$ 6.0	\$ 9.6	\$ 37.8
Adjustments:					
Divestitures		1.3	-	-	1.3
Restructuring		(0.5)	-	-	(0.5)
Segment profit		\$ 23.0	\$ 6.0	\$ 9.6	\$ 38.6
		Nine Months Ended September 30, 2015			
		Sealing Products	Engineered Products	Power Systems	Total Segments
Normalized segment profit		\$ 62.3	\$ 13.3	\$ 21.1	\$ 96.7
Adjustments:					
Foreign exchange translation		(1.0)	(2.2)	-	(3.2)
Acquisitions		0.4	-	-	0.4
Restructuring		-	(2.2)	-	(2.2)
EDF contract		-	-	(5.0)	(5.0)
Segment profit		\$ 61.7	\$ 8.9	\$ 16.1	\$ 86.7
		Nine Months Ended September 30, 2014			
		Sealing Products	Engineered Products	Power Systems	Total Segments
Normalized segment profit		\$ 59.5	\$ 23.7	\$ 16.3	\$ 99.5
Adjustments:					
Acquisitions/Divestitures		4.5	(0.1)	-	4.4
Restructuring		(1.1)	-	-	(1.1)
Segment profit		\$ 62.9	\$ 23.6	\$ 16.3	\$ 102.8

# Reconciliation of Income Before Selected Items to Net Income (Unaudited)



For the Quarters Ended September 30, 2015 and 2014  
(Stated in Millions of Dollars, Except Per Share Data)

	Quarters Ended September 30,			
	2015		2014	
	\$	Per share	\$	Per share
Adjusted net income	\$ 9.8	\$ 0.44	\$ 12.3	\$ 0.52
Adjustments (net of tax):				
Restructuring costs	(0.5)	(0.03)	(0.3)	(0.01)
Loss on exchange and repurchase of convertible debentures	-	-	(2.5)	(0.10)
Environmental reserve adjustment	(0.5)	(0.02)	-	-
Fair value adjustment to acquisition date inventory	(0.2)	(0.01)	-	-
Acquisition expenses	(0.3)	(0.01)	-	-
Other	-	-	(0.4)	(0.01)
Tax accrual adjustments	3.1	0.14	(0.5)	(0.02)
Impact of shares deliverable under convertible debenture hedge	N/A	N/A	N/A	(0.05)
<u>Impact</u>	<u>1.6</u>	<u>0.07</u>	<u>(3.7)</u>	<u>(0.19)</u>
<u>Net income</u>	<u>\$ 11.4</u>	<u>\$ 0.51</u>	<u>\$ 8.6</u>	<u>\$ 0.33</u>

# Reconciliation of Income Before Selected Items to Net Income (Unaudited)



For the Nine Months Ended September 30, 2015 and 2014  
(Stated in Millions of Dollars, Except Per Share Data)

	Nine Months Ended September 30,			
	2015		2014	
	\$	Per share	\$	Per share
Adjusted net income	\$ 21.1	\$ 0.94	\$ 26.9	\$ 1.16
Adjustments (net of tax):				
Restructuring costs	(1.4)	(0.06)	(0.7)	(0.02)
Loss on exchange and repurchase of convertible debentures	(1.8)	(0.08)	(6.2)	(0.24)
Environmental reserve adjustment	(0.6)	(0.03)	(0.4)	(0.02)
Goodwill and other intangible asset impairment	(45.8)	(2.02)	-	-
Fair value adjustment to acquisition date inventory	(0.8)	(0.03)	-	-
Acquisition expenses	(1.4)	(0.06)	(0.3)	(0.01)
Other	(1.0)	(0.03)	(0.5)	(0.02)
Tax accrual adjustments	4.2	0.18	(0.6)	(0.02)
Impact of shares deliverable under convertible debenture hedge	N/A	(0.02)	N/A	(0.12)
Impact	(48.6)	(2.15)	(8.7)	(0.45)
Net income (loss)	\$ (27.5)	\$ (1.21)	\$ 18.2	\$ 0.71

# Pro forma Condensed Consolidated Financials



- Illustrate GST reconsolidated into EnPro as of January 1, 2014
- Adjustments on the pro forma financial statements include:
  - Elimination of I/C sales and I/C trade receivables and payables
  - Impact of revaluing GST's assets to fair value
  - Elimination of impacts associated with ACRP (assumes claims resolution according to GST's second amended plan of reorganization)
  - Removes the intercompany notes and all associated interest
  - Assumes estimated effective tax rate of 36%
  - Elimination of Investment in GST and related deferred tax impacts
- On this basis,
  - For the quarter ending September 30, 2015 the following estimates are illustrated,
  - Pro forma Sales: \$346.5M
  - Pro forma adj. EBITDA: \$53.0M
  - Pro forma diluted EPS: \$0.90/share