

ENPRO INDUSTRIES, INC
Form 10-Q
August 03, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-31225

ENPRO INDUSTRIES, INC.
(Exact name of registrant, as specified in its charter)

North Carolina 01-0573945
(State or other jurisdiction (I.R.S. Employer
of incorporation) Identification No.)

5605 Carnegie Boulevard, Suite 500, Charlotte, 28209
North Carolina
(Address of principal executive offices) (Zip Code)
(704) 731-1500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 1, 2016, there were 21,510,084 shares of common stock of the registrant outstanding, which does not include 194,517 shares of common stock held by a subsidiary of the registrant and accordingly are not entitled to be voted. There is only one class of common stock.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

ENPRO INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Quarters and Six Months Ended June 30, 2016 and 2015

(in millions, except per share amounts)

	Quarters Ended		Six Months	
	June 30,		Ended June 30,	
	2016	2015	2016	2015
Net sales	\$313.2	\$298.4	\$608.1	\$575.9
Cost of sales	205.3	197.1	402.6	384.8
Gross profit	107.9	101.3	205.5	191.1
Operating expenses:				
Selling, general and administrative	75.2	74.1	160.8	151.4
Goodwill and other intangible asset impairment	—	47.0	—	47.0
Asbestos settlement	—	—	80.0	—
Other	3.6	0.5	8.0	1.6
Total operating expenses	78.8	121.6	248.8	200.0
Operating income (loss)	29.1	(20.3)	(43.3)	(8.9)
Interest expense	(14.1)	(13.1)	(27.4)	(26.1)
Interest income	0.2	0.2	0.4	0.3
Other expense	(2.5)	(0.2)	(4.1)	(4.3)
Income (loss) before income taxes	12.7	(33.4)	(74.4)	(39.0)
Income tax benefit (expense)	(9.1)	(3.9)	31.2	0.1
Net income (loss)	\$3.6	\$(37.3)	\$(43.2)	\$(38.9)
Comprehensive loss	\$(5.3)	\$(29.2)	\$(45.2)	\$(47.0)
Basic earnings (loss) per share	\$0.17	\$(1.66)	\$(1.99)	\$(1.68)
Diluted earnings (loss) per share	\$0.17	\$(1.66)	\$(1.99)	\$(1.68)

See notes to consolidated financial statements (unaudited).

ENPRO INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Six Months Ended June 30, 2016 and 2015
(in millions)

	2016	2015
OPERATING ACTIVITIES		
Net loss	\$(43.2)	\$(38.9)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	15.0	14.8
Amortization	13.1	14.1
Loss on exchange and repurchase of convertible debentures	—	2.8
Goodwill and other intangible asset impairment	—	47.0
Asbestos settlement	80.0	—
Deferred income taxes	(37.9)	(5.6)
Stock-based compensation	3.4	1.4
Other non-cash adjustments	2.0	0.8
Change in assets and liabilities, net of effects of acquisitions and sale of businesses:		
Accounts receivable, net	(16.9)	(5.1)
Inventories	(0.5)	(12.2)
Accounts payable	(11.7)	(5.7)
Other current assets and liabilities	(1.7)	(10.9)
Other non-current assets and liabilities	(4.6)	(4.9)
Net cash used in operating activities	(3.0)	(2.4)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(17.3)	(16.2)
Payments for capitalized internal-use software	(2.0)	(2.3)
Acquisitions, net of cash acquired	(28.3)	(30.6)
Other	0.8	0.1
Net cash used in investing activities	(46.8)	(49.0)
FINANCING ACTIVITIES		
Proceeds from debt	214.4	113.2
Repayments of debt	(110.7)	(66.0)
Repurchase of common stock	(17.7)	(80.0)
Dividends paid	(9.1)	(9.4)
Repurchase of convertible debentures conversion option	—	(21.6)
Other	(3.1)	(2.1)
Net cash provided by (used in) financing activities	73.8	(65.9)
Effect of exchange rate changes on cash and cash equivalents	(8.9)	0.6
Net increase (decrease) in cash and cash equivalents	15.1	(116.7)
Cash and cash equivalents at beginning of period	103.4	194.2
Cash and cash equivalents at end of period	\$118.5	\$77.5
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$29.2	\$27.6
Income taxes, net	\$15.0	\$11.4
Non-cash investing and financing activities:		
Non-cash acquisitions of property, plant, and equipment	\$3.1	\$5.9
See notes to consolidated financial statements (unaudited).		

ENPRO INDUSTRIES, INC.
 CONSOLIDATED BALANCE SHEETS (UNAUDITED)
 (in millions, except share amounts)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 118.5	\$ 103.4
Accounts receivable, net	231.7	212.5
Inventories	181.4	178.4
Prepaid expenses and other current assets	24.6	23.6
Total current assets	556.2	517.9
Property, plant and equipment, net	214.6	211.5
Goodwill	202.8	195.9
Other intangible assets, net	190.3	190.4
Investment in GST	236.9	236.9
Deferred income taxes and income tax receivable	153.4	109.3
Other assets	37.7	36.9
Total assets	\$1,591.9	\$ 1,498.8
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings from GST	\$27.6	\$ 24.3
Notes payable to GST	295.9	12.2
Current maturities of long-term debt	0.1	0.1
Accounts payable	93.3	101.5
Accrued expenses	116.0	140.6
Total current liabilities	532.9	278.7
Long-term debt	455.9	356.2
Notes payable to GST	—	271.0
Asbestos liability	110.0	30.0
Other liabilities	104.3	103.1
Total liabilities	1,203.1	1,039.0
Commitments and contingencies		
Shareholders' equity		
Common stock – \$.01 par value; 100,000,000 shares authorized; issued, 21,758,193 shares in 2016 and 22,046,647 shares in 2015	0.2	0.2
Additional paid-in capital	355.9	372.5
Retained earnings	90.1	142.5
Accumulated other comprehensive loss	(56.1	) (54.1
Common stock held in treasury, at cost – 195,068 shares in 2016 and 196,593 shares in 2015	(1.3	) (1.3
Total shareholders' equity	388.8	459.8
Total liabilities and equity	\$1,591.9	\$ 1,498.8

See notes to consolidated financial statements (unaudited).

ENPRO INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Overview, Basis of Presentation and Recently Issued Authoritative Accounting Guidance

Overview

EnPro Industries, Inc. (“we,” “us,” “our,” “EnPro” or the “Company”) is a leader in the design, development, manufacture and marketing of proprietary engineered industrial products that primarily include: sealing products; heavy-duty truck wheel-end component systems; self-lubricating non-rolling bearing products; precision engineered components and lubrication systems for reciprocating compressors; and heavy-duty, medium-speed diesel, natural gas and dual fuel reciprocating engines, including parts and services.

Basis of Presentation

The accompanying interim consolidated financial statements are unaudited, and certain related information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted in accordance with Rule 10-01 of Regulation S-X. They were prepared following the same policies and procedures used in the preparation of our annual financial statements and reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of results for the periods presented. The Consolidated Balance Sheet as of December 31, 2015 was derived from the audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2015. The results of operations for the interim periods are not necessarily indicative of the results for the fiscal year. These consolidated financial statements should be read in conjunction with our annual consolidated financial statements for the year ended December 31, 2015 included within our annual report on Form 10-K.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amount of assets and liabilities and the disclosures regarding contingent assets and liabilities at period end and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

All intercompany accounts and transactions between our consolidated operations have been eliminated.

In the first quarter of 2016, we adopted a standard that amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. As a result of adopting this standard retrospectively, \$4.7 million of debt issuance costs previously presented in other assets on the Consolidated Balance Sheet as of December 31, 2015 were reclassified as a reduction of long-term debt. In addition, we have revised our December 31, 2015 Condensed Consolidating Balance Sheet that is presented in our supplemental guarantor financial information. Refer to Note 18, "Supplemental Guarantor Financial Information" for more details about this revision.

Recently Issued Authoritative Accounting Guidance

In June 2016, a standard was issued that significantly changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income, including trade receivables. The standard requires an entity to estimate its lifetime “expected credit loss” for such assets at inception, and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The standard is effective for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods therein. We are currently evaluating the new guidance to determine the impact it will have on our consolidated financial statements.

In March 2016, a standard was issued to modify and simplify several aspects of accounting for share-based payment transactions. Changes to the current guidance primarily pertain to the income tax consequences of share-based payment transactions. Under the standard, all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur, regardless of whether the benefit reduces taxes payable in the current period. The full amount of

excess tax benefits should be classified along with other income tax cash flows as an operating activity. When awards are settled, cash paid to the taxing authorities by an employer when directly withholding shares for tax withholding purposes will be classified as a financing activity. Additionally, with respect to forfeitures of awards, an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The amendments in this standard are

4

effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. We are currently evaluating the new guidance to determine the impact it will have on our consolidated financial statements.

In February 2016, a standard was issued to establish principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. The standard will require lessees to recognize the lease assets and lease liabilities that arise from all leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. The standard retains a distinction between finance leases and operating leases. As a result, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged. Additionally, the guidance provides clarification on the definition of a lease, including alignment of the concept of control of an asset with principles in other authoritative guidance around revenue recognition and consolidation. The amendments in this guidance are effective for financial statements issued for interim and annual periods beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the new guidance to determine the impact it will have on our consolidated financial statements.

In January 2016, a standard was issued that amends existing guidance around classification and measurement of certain financial assets and liabilities. Changes to the current GAAP model primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Under the new guidance, all equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. For equity investments without readily determinable fair values, the cost method is also eliminated. However, most entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. The standard also requires that financial assets and liabilities be disclosed separately in the notes to the financial statements based on measurement principle and form of financial asset. The amendments in this guidance are effective for financial statements issued for interim and annual periods beginning after December 15, 2017. This standard is not expected to have a significant impact on our consolidated financial statements or disclosures.

In July 2015, a standard was issued that simplifies the measurement of inventory by requiring certain inventory to be measured at the lower of cost or net realizable value. This will not apply to the portion of our inventory that is measured using the last-in, first-out method. The amendments in this guidance are effective for fiscal years beginning after December 15, 2016 and for interim periods therein, but early application is permitted. This standard is not expected to have a significant impact on our consolidated financial statements or disclosures.

In August 2014, a standard was issued that requires management of entities to assess the entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term "substantial doubt," (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued. The new standard will be effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. This standard is not expected to have an impact on our consolidated financial statements or disclosures.

In May 2014, a comprehensive new revenue recognition standard was issued that will supersede nearly all existing revenue recognition guidance. The new guidance introduces a five-step model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with

customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The new standard will become effective for us beginning with the first quarter 2018. We are currently evaluating the new guidance, including possible transition alternatives, to determine the impact it will have on our consolidated financial statements.

2. Acquisitions

On April 29, 2016, we acquired certain assets and assumed certain liabilities of Rubber Fab Gasket & Molding, Inc. ("Rubber Fab"), a privately-held company offering a full range of high performance sanitary gaskets, hoses and fittings for the hygienic process industries with annual revenues of approximately \$17 million. Rubber Fab is managed as part of EnPro's Garlock division within the Sealing Products segment.

In July 2015, we purchased the Veyance North American air spring business (the "Air Spring Business") through the purchase of 100% of the stock of Veyance's Mexico business and of all of the assets of its U.S. business. In the second quarter of 2016, we finalized and agreed upon the acquisition date balance sheet of the Air Spring Business with the seller and made an additional cash payment for the final agreed-upon acquisition date working capital balance.

In total, we paid \$28.3 million in the six months ended June 30, 2016 for these businesses.

Because the assets, liabilities and results of operations for these acquisitions are not significant to our consolidated financial position or results of operations, pro forma financial information and additional disclosures are not presented.

3. Income Taxes

Our income tax expense and resulting effective tax rate are based upon the estimated annual effective tax rates applicable for the respective periods adjusted for the effect of items required to be treated as discrete interim period items, including losses generated in countries where we are projecting annual losses for which a deferred tax asset is not anticipated to be recognized. This effective tax rate is generally lower than U.S. statutory tax rates primarily due to the earnings in lower rate foreign jurisdictions where a significant portion of our income is taxed, and fluctuates based on the portion of our profits earned in each jurisdiction. In addition, the rate can be magnified by the near break-even pre-tax loss affected by normal permanent book and tax differences.

We recorded income tax benefit of \$31.2 million on pre-tax loss of \$74.4 million in the six months ended June 30, 2016, resulting in an effective tax rate of 41.9%. This rate generally fluctuates based on the portion of our profits earned within the U.S. versus lower rate foreign jurisdictions. During the six months ended June 30, 2016, significant pre-tax losses were benefited in the U.S. at a higher annual effective tax rate. Pre-tax profits outside the U.S. resulted in proportionally lower tax expense, thus skewing the overall rate. Additionally, because the year-to-date ordinary loss exceeds the anticipated ordinary loss for the full year, the tax benefit recognized for the year-to-date loss is limited to the amount that would be recognized if the year-to-date ordinary loss were the anticipated ordinary loss for the full year.

During the first six months of 2015, our effective tax rate was 0.3% as we recorded an income tax benefit of \$0.1 million on pre-tax loss of \$39.0 million. The volatility in the tax rate is primarily the result of significant discrete items that were recorded during the first six months of 2015. We released a valuation allowance in France where an entity had demonstrated sustained earnings to overcome a history of negative evidence. The full \$3.2 million benefit of this valuation allowance release was recorded as a discrete item in the first quarter of 2015. In the second quarter of 2015, we recorded a discrete tax benefit of only \$0.8 million on the \$47.0 million goodwill and other intangible asset impairment.

During the second quarter of 2016, our effective tax rate was 71.6% as we recorded an income tax expense of \$9.1 million on pre-tax income of \$12.7 million. The volatility in the quarterly tax rate is the result of using annual tax rates derived from a geographic mix of pre-tax losses and income, as applied to a year-to-date ordinary loss that exceeds the anticipated ordinary loss for the full year. The combination of mix, overall loss limitations, and small denominators result in a high effective quarterly rate. During the second quarter of 2015, our effective tax rate was negative 11.7% as we recorded an income tax expense of \$3.9 million on pre-tax loss of \$33.4 million. The unusual tax expense in the prior year primarily resulted from our inability to record tax benefits related to the largely nondeductible goodwill impairment charge, all of which was recorded in the second quarter as a discrete item.

4. Earnings (Loss) Per Share

	Quarters Ended June 30, 2016 2015		Six Months Ended June 30, 2016 2015	
	(in millions, except per share amounts)			
Numerator (basic and diluted):				
Net income (loss)	\$3.6	\$(37.3)	\$(43.2)	\$(38.9)
Denominator:				
Weighted-average shares – basic	21.7	22.5	21.7	23.1
Share-based awards	0.2	—	—	—
Weighted-average shares – diluted	21.9	22.5	21.7	23.1
Earnings (loss) per share:				
Basic	\$0.17	\$(1.66)	\$(1.99)	\$(1.68)
Diluted	\$0.17	\$(1.66)	\$(1.99)	\$(1.68)

In the six months ended June 30, 2016 and the quarter and six months ended June 30, 2015, there were losses attributable to common shares. There were 1.1 million of potentially dilutive shares excluded from the calculation of diluted earnings per share for the quarter ended June 30, 2015 and 0.2 million and 1.4 million, respectively, excluded for the six months ended June 30, 2016 and 2015 since they were antidilutive.

5. Inventories

	June 30, December 31, 2016 2015 (in millions)	
Finished products	\$111.3	\$ 110.2
Work in process	25.9	25.6
Raw materials and supplies	49.9	49.0
	187.1	184.8
Reserve to reduce certain inventories to LIFO basis	(11.3)	(11.3)
Manufacturing inventories	175.8	173.5
Incurred costs relating to long-term contracts	13.0	10.9
Progress payments related to long-term contracts	(7.4)	(6.0)
Net balance associated with completed-contract inventories	5.6	4.9
Total inventories	\$181.4	\$ 178.4

Incurred costs related to long-term contracts in the table above represent inventoried work in process and finished products related to engine contracts accounted for under the completed-contract method, where costs incurred exceed customer billings.

Refer to Note 6, “Long-Term Contracts” for additional information about incurred costs and progress payments related to long-term contracts.

We use the last-in, first-out (“LIFO”) method of valuing certain of our inventories. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels and costs, which are subject to change until the final year-end LIFO inventory valuation.

6. Long-Term Contracts

Additional information regarding engine contracts accounted for under the percentage-of-completion (“POC”) method is as follows:

	June 30, 2016	December 31, 2015
	(in millions)	
Cumulative revenues recognized on uncompleted POC contracts	\$303.6	\$ 215.0
Cumulative billings on uncompleted POC contracts	267.7	198.2
	\$35.9	\$ 16.8

These amounts were included in the accompanying Consolidated Balance Sheets under the following captions:

	June 30, 2016	December 31, 2015
	(in millions)	
Accounts receivable, net (POC revenue recognized in excess of billings)	\$40.2	\$ 23.5
Accrued expenses (billings in excess of POC revenue recognized)	(4.3)	(6.7)
	\$35.9	\$ 16.8

Additional information regarding engine contracts accounted for under the completed-contract method is as follows:

	June 30, 2016	December 31, 2015
	(in millions)	
Incurred costs relating to long-term contracts	\$0.2	\$ 0.1
Progress payments related to long-term contracts	(1.2)	(1.0)
Net balance associated with completed-contract inventories	\$(1.0)	\$ (0.9)

Incurred costs related to long-term contracts in the table above represent inventoried work in process and finished products related to engine contracts accounted for under the completed-contract method, where customer billings exceed costs incurred.

Progress payments related to long-term contracts in the table above are either advanced billings or milestone billings to the customer on contracts accounted for under the completed-contract method. Upon shipment of the completed engine, revenue associated with the engine is recognized, and the incurred inventoried costs and progress payments are relieved.

At June 30, 2016 and December 31, 2015, progress payments related to long-term contracts shown above were in excess of incurred costs resulting in net liability balances. As such, the net liability balances are reflected in accrued expenses on the accompanying Consolidated Balance Sheets. Refer to Note 5, "Inventories" for additional information about incurred costs and progress payments related to long-term contracts for which the incurred costs exceeded the progress payments.

In addition to inventoried costs, we also make deposits and progress payments to certain vendors for long lead time manufactured components associated with engine projects. At June 30, 2016 and December 31, 2015, deposits and progress payments for long lead time components totaled \$1.9 million and \$1.8 million, respectively. These deposits and progress payments are classified in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets.

7. Goodwill and Other Intangible Assets

The changes in the net carrying value of goodwill by reportable segment for the six months ended June 30, 2016, are as follows:

	Sealing Products	Engineered Products	Power Systems	Total
	(in millions)			
Goodwill as of December 31, 2015	\$179.7	\$ 9.1	\$ 7.1	\$195.9
Change due to acquisitions	7.1	—	—	7.1
Change due to foreign currency translation	(0.2)	—	—	(0.2)
Goodwill as of June 30, 2016	\$186.6	\$ 9.1	\$ 7.1	\$202.8

The goodwill balances reflected above are net of accumulated impairment losses of \$27.8 million for the Sealing Products segment and \$154.8 million for the Engineered Products segment as of June 30, 2016 and December 31, 2015.

Identifiable intangible assets are as follows:

	As of June 30, 2016		As of December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in millions)			
Amortized:				
Customer relationships	\$222.2	\$ 118.5	\$212.5	\$ 112.0
Existing technology	62.7	28.9	63.0	26.9
Trademarks	36.0	19.3	35.3	18.4
Other	24.1	22.2	24.1	21.9
	345.0	188.9	334.9	179.2
Indefinite-Lived:				
Trademarks	34.2	—	34.7	—
Total	\$379.2	\$ 188.9	\$369.6	\$ 179.2

Amortization expense for the quarters ended June 30, 2016 and 2015 was \$5.3 million and \$5.7 million, respectively. Amortization expense for the six months ended June 30, 2016 and 2015 was \$10.5 million and \$11.0 million, respectively.

8. Accrued Expenses

	June 30, 2016	December 31, 2015
	(in millions)	
Salaries, wages and employee benefits	\$37.0	\$ 42.8
Interest	21.7	36.7
Customer advances	7.8	8.9
Income and other taxes	13.3	10.3
Other	36.2	41.9
	\$116.0	\$ 140.6

9. Related Party Transactions

The historical business operations of Garlock Sealing Technologies LLC (“GST LLC”) and The Anchor Packing Company (“Anchor”) resulted in a substantial volume of asbestos litigation in which plaintiffs alleged personal injury or death as a result of exposure to asbestos fibers. Those subsidiaries manufactured and/or sold industrial sealing products, predominately gaskets and packing, that contained encapsulated asbestos fibers. Anchor is an inactive and insolvent indirect subsidiary of Coltec Industries Inc (“Coltec”), our direct subsidiary. Our subsidiaries’ exposure to asbestos litigation and their relationships with insurance carriers have been managed through another Coltec subsidiary, Garrison Litigation Management Group, Ltd. (“Garrison”). GST LLC, Anchor and Garrison are collectively referred to as “GST.”

On June 5, 2010 (the “Petition Date”), GST commenced an asbestos claims resolution process under Chapter 11 of the United States Bankruptcy Code, which is ongoing. The resulting deconsolidation of GST from our financial results, discussed more fully in Note 16, “Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd.” required certain intercompany indebtedness described below to be reflected on our Consolidated Balance Sheets. As of June 30, 2016 and December 31, 2015, Coltec Finance Company Ltd., a wholly-owned subsidiary of Coltec, had aggregate, short-term borrowings of \$27.6 million and \$24.3 million, respectively, from GST’s subsidiaries in Mexico and Australia. These unsecured obligations were denominated in the currency of the lending party, and bear interest based on the applicable one-month interbank offered rate for each foreign currency involved.

Effective as of January 1, 2010, Coltec entered into an original issue amount \$73.4 million Amended and Restated Promissory Note due January 1, 2017 (the “Coltec Note”) in favor of GST LLC, and our subsidiary Stemco LP entered into an original issue amount \$153.8 million Amended and Restated Promissory Note due January 1, 2017, in favor of

GST LLC (the “Stemco Note”, and together with the Coltec Note, the “Notes Payable to GST”). The Notes Payable to GST amended and replaced promissory notes in the same principal amounts which were initially issued in March 2005, and which matured on January 1, 2010. We are currently in the process of attempting to extend the maturity of the Notes Payable to GST.

The Notes Payable to GST bear interest at 11% per annum, of which 6.5% is payable in cash and 4.5% is added to the principal amount of the Notes Payable to GST as payment-in-kind (“PIK”) interest, with interest due on January 31 of each year. In conjunction with the interest payments in 2016 and 2015, \$18.4 million and \$17.6 million, respectively, was paid in cash and PIK interest of \$12.7 million and \$12.2 million, respectively, was added to the principal balance of the Notes Payable to GST. If GST LLC is unable to pay ordinary course operating expenses, under certain conditions, it can require Coltec and Stemco to pay in cash the accrued PIK interest necessary to meet such ordinary course operating expenses, subject to certain caps. The interest due under the Notes Payable to GST may be satisfied through offsets of amounts due under intercompany services agreements pursuant to which we provide certain corporate services, make available access to group insurance coverage to GST, make advances to third party providers related to payroll and certain benefit plans sponsored by GST, and permit employees of GST to participate in certain of our benefit plans.

The Coltec Note is secured by Coltec’s pledge of certain of its equity ownership in specified U.S. subsidiaries. The Stemco Note is guaranteed by Coltec and secured by Coltec’s pledge of its interest in Stemco. The Notes Payable to GST are subordinated to any obligations under our senior secured revolving credit facility described in Note 10, “Long-Term Debt - Revolving Credit Facility” under existing subordination agreements which subordinate GST LLC’s right to receive payment of principal on the Notes Payable to GST to the prior payment in full of all obligations under such senior secured revolving credit facility.

We regularly transact business with GST through the purchase and sale of products. We also provide services for GST including information technology, supply chain, treasury, accounting and tax administration, legal, and human resources under a support services agreement. GST is included in our consolidated U.S. federal income tax return and certain state combined income tax returns. As the parent of these consolidated tax groups, we are liable for, and pay, income taxes owed by the entire group. We have agreed with GST to allocate group taxes to GST based on the U.S. consolidated tax return regulations and current income tax accounting guidance. This method generally allocates taxes to GST as if it were a separate taxpayer. As a result, we carry an income tax receivable from GST related to this allocation.

Amounts included in our consolidated financial statements arising from transactions with GST include the following:

Description	Consolidated Statements of Operations Caption	Quarters Ended		Six Months Ended	
		June 30, 2016	2015	June 30, 2016	2015
		(in millions)			
Sales to GST	Net sales	\$6.9	\$7.3	\$13.6	\$13.4
Purchases from GST	Cost of sales	\$4.6	\$5.4	\$9.2	\$10.7
Interest expense to GST	Interest expense	\$8.3	\$7.9	\$16.6	\$15.7

Description	Consolidated Balance Sheets Caption	June 30, December 31,	
		2016	2015
		(in millions)	
Due from GST	Accounts receivable, net	\$12.5	\$ 16.5
Income tax receivable from GST	Deferred income taxes and income tax receivable	\$111.7	\$ 100.6
Due from GST	Other assets	\$1.4	\$ 1.3
Due to GST	Accounts payable	\$7.8	\$ 8.0
Accrued interest to GST	Accrued expenses	\$16.2	\$ 31.2

10. Long-Term Debt

Senior Notes

In September 2014, we completed an offering of \$300 million aggregate principal amount of our 5.875% Senior Notes due 2022 (the “Senior Notes”). We issued the notes net of an original issue discount of \$2.4 million.

The Senior Notes are unsecured, unsubordinated obligations of EnPro and mature on September 15, 2022. Interest on the Senior Notes accrues at a rate of 5.875% per annum and is payable semi-annually in cash in arrears on March 15 and September 15 of each year. The debt discount is being amortized through interest expense until the maturity date resulting in an effective interest rate of 6.0%. The Senior Notes are required to be guaranteed on a senior unsecured basis by each of

10

EnPro's existing and future direct and indirect domestic subsidiaries that is a borrower under, or guarantees, our indebtedness under the Revolving Credit Facility or guarantees any other Capital Markets Indebtedness (as defined in the indenture governing the Senior Notes) of EnPro or any of the guarantors.

On or after September 15, 2017, we may, on any one or more occasions, redeem all or a part of the Senior Notes at specified redemption prices plus accrued and unpaid interest. In addition, we may redeem a portion of the aggregate principal amount of the Senior Notes before September 15, 2017 with the net cash proceeds from certain equity offerings at a specified redemption price plus accrued and unpaid interest, if any. We may also redeem some or all of the Senior Notes before September 15, 2017 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, plus a "make whole" premium.

Each holder of the Senior Notes may require us to repurchase some or all of the Senior Notes for cash upon the occurrence of a defined "change of control" event. Our ability to redeem the Senior Notes prior to maturity is subject to certain conditions, including in certain cases the payment of make-whole amounts.

The indenture governing the Senior Notes includes covenants that restrict our ability to engage in certain activities, including incurring additional indebtedness and paying dividends, subject in each case to specified exceptions and qualifications set forth in the indenture.

Revolving Credit Facility

We have a \$300 million senior secured revolving credit facility (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Facility bear interest at an annual rate of LIBOR plus 2.00% or base rate plus 1.00%, although the interest rates under the Revolving Credit Facility are subject to incremental increases or decreases based on a consolidated total leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the Revolving Credit Facility.

EnPro and Coltec are the permitted borrowers under the Revolving Credit Facility. Each of our domestic, consolidated subsidiaries (other than GST and their respective subsidiaries, until they become consolidated subsidiaries in the future) are required to guarantee the obligations of the borrowers under the Revolving Credit Facility, and each of our existing domestic, consolidated subsidiaries (which does not include the domestic entities of GST) has provided such a guarantee.

Borrowings under the Revolving Credit Facility are secured by a first priority pledge of certain of our assets. The Revolving Credit Facility contains financial covenants and required financial ratios, including a maximum consolidated total net leverage and a minimum consolidated interest coverage as defined in the agreement. It also contains affirmative and negative covenants which are subject to customary exceptions and qualifications. We were in compliance with all such covenants as of June 30, 2016.

The borrowing availability under our Revolving Credit Facility at June 30, 2016 was \$128.4 million after giving consideration to \$10.1 million of outstanding letters of credit and \$161.5 million of outstanding revolver borrowings.

11. Pensions and Postretirement Benefits

The components of net periodic benefit cost for the Company's U.S. and foreign defined benefit pension and other postretirement plans for the quarters and six months ended June 30, 2016 and 2015, are as follows:

	Quarters Ended June				Six Months Ended June			
	30,		30,		30,		30,	
	Pension		Other		Pension		Other	
	Benefits		Benefits		Benefits		Benefits	
	2016	2015	2016	2015	2016	2015	2016	2015
	(in millions)							
Service cost	\$0.9	\$1.6	\$0.1	\$0.1	\$2.2	\$3.2	\$0.2	\$0.2
Interest cost	3.2	3.1	0.1	—	6.3	6.1	0.2	0.1
Expected return on plan assets	(4.0)	(4.7)	—	—	(8.4)	(9.4)	—	—
Amortization of net loss	1.7	1.7	—	—	3.4	3.6	—	—
Deconsolidation of GST	(0.4)	(0.2)	—	—	(0.5)	(0.4)	—	—
Net periodic benefit cost	\$1.4	\$1.5	\$0.2	\$0.1	\$3.0	\$3.1	\$0.4	\$0.3

Based on currently available data, which is subject to change, we have estimated we will contribute approximately \$14 million to our U.S. defined benefit pension plans in the year ending December 31, 2016, which we anticipate contributing in the third quarter.

12. Shareholders' Equity

In 2015, we adopted a policy under which we intend to declare regular quarterly cash dividends on our common stock, as determined by our board of directors, after taking into account our cash flows, earnings, financial position, debt covenants and other relevant matters. In accordance with this policy, total dividend payments of \$9.1 million were made during the six months ended June 30, 2016. Cash dividends declared per common share for the quarter and six months ended June 30, 2016 were \$0.21 and \$0.42, respectively.

On July 27, 2016, our board of directors authorized a dividend of \$0.21 per share, payable on September 15, 2016 to all shareholders of record as of September 1, 2016.

In October 2015, our board of directors authorized the repurchase of up to \$50.0 million of our outstanding common shares. During the six months ended June 30, 2016, we repurchased 0.4 million shares for \$17.7 million.

Subsequent to June 30, 2016, we repurchased additional shares for \$2.8 million through August 2, 2016.

13. Business Segment Information

We aggregate our operating businesses into three reportable segments. The factors considered in determining our reportable segments are the economic similarity of the businesses, the nature of products sold or services provided, the production processes and the types of customers and distribution methods. Our reportable segments are managed separately based on these differences.

Our Sealing Products segment designs, manufactures and sells sealing products, including: metallic, non-metallic and composite material gaskets, dynamic seals, compression packing, resilient metal seals, elastomeric seals, hydraulic components, expansion joints, flange sealing and isolation products, pipeline casing spacers/isolators, casing end seals, modular sealing systems for sealing pipeline penetrations, sanitary gaskets, hoses and fittings for the hygienic process industries, hole forming products, manhole infiltration sealing systems, bellows and bellows assemblies, pedestals for semiconductor manufacturing, PTFE products, and heavy duty truck parts used in the wheel-end, braking, suspension, and tire & mileage optimization systems.

Our Engineered Products segment includes operations that design, manufacture and sell self-lubricating, non-rolling metal-polymer, solid polymer and filament wound bearing products, aluminum blocks for hydraulic applications, and precision engineered components and lubrication systems for reciprocating compressors.

Our Power Systems segment designs, manufactures, sells and services heavy-duty, medium-speed diesel, natural gas and dual fuel reciprocating engines and ancillary products.

Segment profit is total segment revenue reduced by operating expenses, restructuring and other costs identifiable with the segment. Corporate expenses include general corporate administrative costs. Expenses not directly attributable to the segments, corporate expenses, net interest expense, asset impairments, gains and losses related to the sale of assets, and income taxes are not included in the computation of segment profit. The accounting policies of the reportable segments are the same as those for EnPro.

Segment operating results and other financial data for the quarters and six months ended June 30, 2016 and 2015 were as follows:

	Quarters Ended		Six Months	
	June 30, 2016	2015	Ended June 30, 2016	2015
	(in millions)			
Sales				
Sealing Products	\$185.1	\$173.0	\$357.3	\$333.9
Engineered Products	74.1	78.5	147.8	155.7
Power Systems	54.7	47.9	104.7	88.1
	313.9	299.4	609.8	577.7
Intersegment sales	(0.7)	(1.0)	(1.7)	(1.8)
Net sales	\$313.2	\$298.4	\$608.1	\$575.9
Segment Profit				
Sealing Products	\$24.6	\$21.2	\$39.3	\$39.2
Engineered Products	5.4	4.0	7.5	7.4
Power Systems	7.0	6.3	8.2	6.9
Total segment profit	37.0	31.5	55.0	53.5
Corporate expenses	(6.5)	(3.4)	(15.5)	(13.2)
Asbestos settlement	—	—	(80.0)	—
Goodwill and other intangible asset impairment	—	(47.0)	—	(47.0)
Interest expense, net	(13.9)	(12.9)	(27.0)	(25.8)
Other expense, net	(3.9)	(1.6)	(6.9)	(6.5)
Income (loss) before income taxes	\$12.7	\$(33.4)	\$(74.4)	\$(39.0)

Segment assets are as follows:

	June 30, 2016	December 31, 2015
	(in millions)	
Sealing Products	\$656.4	\$ 631.7
Engineered Products	230.1	231.5
Power Systems	179.1	162.2
Corporate	526.3	473.4
	\$1,591.9	\$ 1,498.8

14. Fair Value Measurements

We utilize a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect our own assumptions.

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	Fair Value Measurements as of	
	June 30, 2016	December 31, 2015
	(in millions)	
Assets		
Time deposits	\$ 27.4	\$ 24.2
Deferred compensation assets	6.4	5.4
	\$ 33.8	\$ 29.6

Liabilities

Deferred compensation liabilities \$ 7.2 \$ 6.6

Our cash equivalents and deferred compensation assets and liabilities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The carrying values of our significant financial instruments reflected in the Consolidated Balance Sheets approximated their respective fair values except for the following instruments:

	June 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
Long-term debt	\$456.0	\$465.4	\$356.3	\$360.3
Notes payable to GST	\$295.9	\$298.5	\$283.2	\$281.7

The fair values for long-term debt are based on quoted market prices for identical liabilities, but these would be considered Level 2 computations because the market is not active. The notes payable to GST computations would be considered Level 2 since they are based on rates available to us for debt with similar terms and maturities.

15. Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component (after tax) for the three months ended June 30, 2016 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension and Other Postretirement Plans	Total
Beginning balance	\$ 1.0	\$ (48.2)	\$(47.2)
Other comprehensive loss before reclassifications	(9.8)	—	(9.8)
Amounts reclassified from accumulated other comprehensive loss	(0.2)	1.1	0.9
Net current-period other comprehensive income (loss)	(10.0)	1.1	(8.9)
Ending balance	\$ (9.0)	\$ (47.1)	\$(56.1)

Changes in accumulated other comprehensive loss by component (after tax) for the three months ended June 30, 2015 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension and Other Postretirement Plans	Total
Beginning balance	\$ (0.5)	\$ (49.8)	\$(50.3)
Other comprehensive income before reclassifications	7.1	—	7.1

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Amounts reclassified from accumulated other comprehensive loss	—	1.0	1.0
Net current-period other comprehensive income	7.1	1.0	8.1
Ending balance	\$ 6.6	\$ (48.8	) \$(42.2)

Changes in accumulated other comprehensive loss by component (after tax) for the six months ended June 30, 2016 are as follows:

14

(in millions)	Unrealized Translation Adjustments	Pension and Other Postretirement Plans	Total
Beginning balance	\$ (4.9)	\$ (49.2)	\$(54.1)
Other comprehensive loss before reclassifications	(3.9)	—	(3.9)
Amounts reclassified from accumulated other comprehensive loss	(0.2)	2.1	1.9
Net current-period other comprehensive income (loss)	(4.1)	2.1	(2.0)
Ending balance	\$ (9.0)	\$ (47.1)	\$(56.1)

Changes in accumulated other comprehensive loss by component (after tax) for the six months ended June 30, 2015 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension and Other Postretirement Plans	Total
Beginning balance	\$ 17.0	\$ (51.1)	\$(34.1)
Other comprehensive loss before reclassifications	(10.4)	—	(10.4)
Amounts reclassified from accumulated other comprehensive loss	—	2.3	2.3
Net current-period other comprehensive income (loss)	(10.4)	2.3	(8.1)
Ending balance	\$ 6.6	\$ (48.8)	\$(42.2)

Reclassifications out of accumulated other comprehensive loss for the quarters and six months ended June 30, 2016 and 2015 are as follows:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Loss				Affected Statement of Operations Caption
(in millions)	Quarters Ended June 30,		Six Months Ended June 30,		
	2016	2015	2016	2015	
Amortization of pension and other postretirement plans:					
Actuarial losses	\$1.7	\$1.7	\$3.4	\$3.6	(1)
Tax benefit	(0.6)	(0.7)	(1.3)	(1.3)	Income tax expense
Net of tax	\$1.1	\$1.0	\$2.1	\$2.3	
Release of unrealized currency translation adjustment upon sale of investment in foreign entity, net of tax	\$(0.2)	\$—	\$(0.2)	\$—	Other non-operating expense

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 11, "Pensions and Postretirement Benefits" for additional details).

16. Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd.

On the Petition Date, GST LLC, Anchor and Garrison filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court (the "Bankruptcy Court"). The filings were the initial step in a claims resolution process, which is ongoing. The goal of the process is an efficient and permanent resolution of all pending and future asbestos claims through court approval of a plan of reorganization that will establish a facility to resolve and pay all GST asbestos claims. As described below, on March 17, 2016, we announced that we had reached a comprehensive consensual settlement to resolve current and future asbestos claims.

In November 2011, GST filed an initial proposed plan of reorganization with the Bankruptcy Court. GST's initial plan called for a trust to be formed, to which GST and affiliates would contribute \$200 million and which would be the exclusive remedy for future asbestos personal injury claimants – those whose claims arise after confirmation of the plan. The initial proposed plan provided that each present asbestos personal injury claim (any pending claim or one that arises between the Petition Date and plan confirmation) would be assumed by reorganized GST and resolved

either by settlement, pursuant to a matrix contained in the proposed plan or as otherwise agreed, or by payment in full of any final judgment entered after trial in

15

federal court. The initial proposed plan was revised and replaced by GST's first amended proposed plan of reorganization filed in May 2014.

On April 13, 2012, the Bankruptcy Court granted a motion by GST for the Bankruptcy Court to estimate the allowed amount of present and future asbestos claims against GST for mesothelioma, a rare cancer attributed to asbestos exposure, for purposes of determining the feasibility of a proposed plan of reorganization. The estimation trial began on July 22, 2013 and concluded on August 22, 2013.

On January 10, 2014, Bankruptcy Judge George Hodges announced his estimation decision in a 65-page order. Citing with approval the methodology put forth by GST at trial, the judge determined that \$125 million is the amount sufficient to satisfy GST's liability for present and future mesothelioma claims. Judge Hodges adopted GST's "legal liability" approach to estimation, focused on the merits of claims, and rejected asbestos claimant representatives' approach, which focused solely on GST's historical settlement history. The judge's liability determination is for mesothelioma claims only. The court has not yet determined amounts for GST's liability for other asbestos claims and for administrative costs that would be required to review and process claims and payments, which will add to the amount.

In his opinion, Judge Hodges wrote, "The best evidence of Garlock's aggregate responsibility is the projection of its legal liability that takes into consideration causation, limited exposure and the contribution of exposures to other products."

The decision validated the positions that GST had been asserting for the more than four years it had been in the Chapter 11 process. Following are several important findings in the opinion:

- Garlock's products resulted in a relatively low exposure to asbestos to a limited population, and its legal responsibility for causing mesothelioma is relatively de minimis.
- Chrysotile, the asbestos fiber type used in almost all of Garlock's asbestos products, is far less toxic than other forms of asbestos. The court found reliable and persuasive Garlock's expert epidemiologist, who testified that there is no statistically significant association between low dose chrysotile exposure and mesothelioma.
- The population that was exposed to Garlock's products was necessarily exposed to far greater quantities of higher potency asbestos from the products of others.
- The estimates of Garlock's aggregate liability that are based on its historic settlement values are not reliable because those values are infected with the impropriety of some law firms and inflated by the cost of defense.

In June 2014, the official committee representing current asbestos claimants (the "Current Asbestos Claimants' Committee") in GST's Chapter 11 proceedings filed a motion with the Bankruptcy Court asking the court to re-open the estimation process for further discovery and alleging that GST misled the court in various respects during the estimation trial. On December 4, 2014, the Bankruptcy Court denied the Current Asbestos Claimants' Committee's motion to re-open.

In May 2014, GST filed its first amended proposed plan of reorganization. The first amended plan provided \$275 million in total funding for (a) present and future asbestos claims against GST that have not been resolved by settlement or verdict prior to the Petition Date, and (b) administrative and litigation costs.

On January 14, 2015, we announced that GST and we had reached agreement with the court-appointed representative of future asbestos claimants (the "Future Claimants' Representative") in GST's Chapter 11 proceedings that included a second amended plan of reorganization. The second amended plan was filed with the Bankruptcy Court on January 14, 2015 and superseded the prior plans filed by GST. The Future Claimants' Representative agreed to support, recommend and vote in favor of the second amended plan.

The second amended plan would provide for the establishment of two facilities – a settlement facility (which would receive \$220 million from GST and \$30 million from Coltec, as part of the "Parent Settlement" described below, upon consummation of the second amended plan and additional contributions from GST aggregating \$77.5 million over the seven years) and a litigation fund (which would receive \$30 million from GST) to fund the defense and payment of claims of claimants who elect to pursue litigation under the second amended plan rather than accept the settlement option under the second amended plan. Funds contained in the settlement facility and the litigation fund would provide the exclusive remedies for current and future GST asbestos claimants other than claimants whose claims had been resolved by settlement or verdict prior to the Petition Date and were not paid prior to the Petition Date. The

second amended plan would provide that GST would pay in full claims that had been resolved by settlement or verdict prior to the Petition Date that were not paid prior to the Petition Date (with respect to claims resolved by verdict, such payment will be made only to the extent the verdict becomes final). The second amended plan would provide that if the actual amount of claims that had been resolved by settlement or verdict prior to the Petition Date that were not paid prior to the Petition Date is less than \$17.0 million GST would contribute

the difference to the settlement facility. In addition, the second amended plan would provide that, during the 40-year period following confirmation of the second amended plan, GST would, if necessary, make supplementary annual contributions, subject to specified maximum annual amounts that decline over the period, to maintain a specified balance at specified dates of the litigation fund. Under the second amended plan, the maximum aggregate amount of all such contingent supplementary contributions over that period would be \$132 million. GST and we believe that initial contributions to the litigation fund under the second amended plan would likely be sufficient to permit the balance of that facility to exceed the specified thresholds over the 40-year period and, accordingly, that the low end of a range of reasonably possible loss associated with these contingent supplementary contributions would be \$0. The second amended plan includes provisions referred to as the "Parent Settlement" for the resolution and extinguishment of any and all alleged derivative claims against us based on GST asbestos products and entry of an injunction that would permanently protect us from the assertion of such claims. As consideration for the Parent Settlement, (a) Coltec would contribute \$30 million of the amount proposed to be paid into the settlement facility to pay future claimants, (b) Coltec will fund Anchor's costs of dissolution (up to \$500,000), (c) EnPro would guarantee all contributions to the settlement facility and litigation fund by GST after the effective date of consummation of the second amended plan, and (d) Coltec and its affiliates would subordinate their interests in certain insurance coverage to GST's obligations to make payments to the settlement facility and litigation fund after the effective date of consummation of the second amended plan.

Under the terms of the second amended plan, we would retain 100% of the equity interests of GST LLC. The second amended plan would also provide for the extinguishment of any derivative claims against us based on GST asbestos products and operations, but would not protect us or our other subsidiaries, including Coltec, from non-derivative asbestos claims. The Current Asbestos Claimants Committee and their law firms opposed the second amended plan of reorganization.

While the Future Claimants' Representative has agreed to support the second amended plan of reorganization, GST continued to seek a consensual resolution that would also be acceptable to representatives of current asbestos claimants. On March 17, 2016, we announced that we had reached a comprehensive consensual settlement to resolve current and future asbestos claims. The settlement was reached with both the Future Claimants' Representative and the Current Asbestos Claimants' Committee, as well as with ad-hoc representatives for current and future asbestos claimants (the "Coltec Representatives") against Coltec. The terms of the settlement are set forth in the Term Sheet for Permanent Resolution of All Present and Future GST Asbestos Claims and Coltec Asbestos Claims dated March 17, 2016 among EnPro, Coltec, GST, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives included as Exhibit 99.2 to our Form 8-K furnished to the Securities and Exchange Commission on March 18, 2016. Under the settlement, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives agreed to join GST and Coltec in proposing a joint plan of reorganization (the "Joint Plan") that incorporates the settlement and to ask asbestos claimants and the court to approve the plan. The Joint Plan is subject to approval by a vote of at least 75% of asbestos claimants in favor of the plan and by the Bankruptcy Court and the U.S. District Court for the Western District of North Carolina (the "District Court") and, if so approved and consummated, would permanently resolve all current and future asbestos claims against GST and Coltec and would protect all of EnPro and its subsidiaries from those claims, under Section 524(g) of the U.S. Bankruptcy Code. The Joint Plan was filed with the Bankruptcy Court on May 20, 2016 and technical amendments to the Joint Plan were filed with the Bankruptcy Court on June 21, 2016 and July 29, 2016. On July 29, 2016, the Bankruptcy Court entered orders that, among other things, approved the disclosure statement for the Joint Plan, set December 9, 2016 as the deadline for asbestos claimants to vote on approving the Joint Plan, and scheduled the confirmation hearing on the Joint Plan to commence on May 15, 2017. The Joint Plan supersedes all prior plans of reorganization filed by GST in its Chapter 11 proceedings.

If the Joint Plan is approved by asbestos claimants, the settlement contemplates that, as an appropriate and necessary step to facilitate the implementation of the settlement and not to delay or hinder creditors or the resolution of claims, Coltec will, subject to the receipt of necessary consents, undergo a corporate restructuring in which all of its significant operating assets and subsidiaries, which include each of our major business units, would be transferred into a new direct EnPro subsidiary ("New Coltec"), which would also assume all of Coltec's non-asbestos liabilities. The

restructured Coltec (“OldCo”) would retain responsibility for all asbestos claims and rights to certain insurance assets. Upon completion of the restructuring, the settlement contemplates that OldCo will file a pre-packaged Chapter 11 bankruptcy petition, which we expect will be administered with GST’s Chapter 11 proceedings. While no current EnPro subsidiary other than GST LLC and Anchor has ever made indemnity payments to asbestos claimants, thousands of claims have been made in the past against Coltec and its present and former businesses based on alleged exposure to asbestos-containing gaskets and other components in equipment sold by those businesses. Coltec and its insurers have spent several million dollars defending those claims, and several thousand cases currently pending have been stayed during the pendency of GST’s Chapter 11 proceedings.

The Joint Plan contemplates the establishment of a trust (the “Trust”) to be fully funded within a year of consummation of the Joint Plan. The Trust is to be funded (i) with aggregate cash contributions by GST LLC and Garrison of \$370 million made at the effective date of the Joint Plan, (ii) by the contribution made by OldCo at the effective date of consummation of the Joint Plan of \$30 million in cash and an option, exercisable one-year after the effective date of consummation of the Joint Plan,

permitting the Trust to purchase for \$1 shares of EnPro common stock having a value of \$20 million (with OldCo having the right to call the option for payment of \$20 million in cash at any time prior to the first anniversary of the effective date, with the Trust having the right to put the option to OldCo for payment by OldCo of \$20 million on the day prior to the first anniversary of the effective date and with the option terminating on the second anniversary of the effective date of consummation of the Joint Plan in return for payment to the Trust of \$20 million), and (iii) by the obligation under the Joint Plan of OldCo to make a deferred contribution of \$60 million in cash no later than one year after the effective date of the Joint Plan. This deferred contribution is to be guaranteed by EnPro and secured by a pledge of 50.1% of the outstanding voting equity interests of GST LLC and Garrison. The Joint Plan permits, at our election, any of these contributions to be funded by EnPro or any affiliate of EnPro. Under the Joint Plan, the Trust would assume responsibility for all present and future asbestos claims arising from the operations or products of GST or Coltec/OldCo. Under the Joint Plan, all non-asbestos creditors would be paid in full and EnPro would retain ownership of OldCo, GST LLC and Garrison.

The settlement includes a number of conditions to the consummation of the Joint Plan, including that the plan documents (including the Joint Plan) are approved by EnPro, Coltec, GST, Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives, that 75% of the holders of asbestos claims vote in favor of the Joint Plan, and that the Joint Plan be approved by the Bankruptcy Court and the District Court. In addition, EnPro, Coltec and GST's obligations to proceed with the settlement are conditioned upon:

receipt of amendments, consents and waivers (the "Restructuring Consents") as may be necessary under any binding agreements to permit the transactions and actions, including the restructuring of Coltec, outlined in an attachment to the settlement;

entry by EnPro, Coltec, GST and Garlock of Canada Ltd (an indirect subsidiary of GST LLC) into a written agreement, to be consummated concurrently with the effective date of consummation of the Joint Plan, with the Canadian provincial workers' compensation boards (the "Provincial Boards") resolving all remedies the Provincial Boards may possess under Canadian law or in the United States under U.S. law against Garlock of Canada Ltd, GST, Coltec or any of their affiliates, including releases and covenants not to sue, for any present or future asbestos-related claim, which agreement is approved by the Bankruptcy Court following notice to interested parties (or the Bankruptcy Court concludes that its approval is not required); and

- receipt of a private letter ruling from the IRS that the Trust will be recognized as a "designated settlement fund" or "qualified settlement fund" under section 468B of the Internal Revenue Code, and any related regulations (or, if such a ruling is not available, a legal opinion satisfactory in form and substance to us that the IRS will so recognize the Trust).

The confirmation and consummation of the Joint Plan, and accordingly the final resolution of asbestos claims against GST and Coltec in accordance with the Joint Plan, are subject to a number of risks and uncertainties, which could have the effect of delaying or preventing the confirmation and consummation of the Joint Plan, increasing our costs in connection with effecting the settlement and the consummation of the Joint Plan or reducing the benefit to us related to the consummation of the Joint Plan. In light of these risks and uncertainties, we cannot assure you that the Joint Plan will be consummated on the time schedule that we anticipate or at all, or if consummated that we will recognize all benefits from the consummation of the Joint Plan that we anticipate.

Financial Results

Condensed combined financial information for GST is set forth below, presented on a historical cost basis.

GST

(Debtor-in-Possession)

Condensed Combined Statements of Operations (Unaudited)

(in millions)

	Quarters		Six Months	
	Ended June		Ended	
	30,		June 30,	
	2016	2015	2016	2015
Net sales	\$50.6	\$57.0	\$101.7	\$111.2
Cost of sales	31.5	34.6	64.0	68.4
Gross profit	19.1	22.4	37.7	42.8
Operating expenses:				
Selling, general and administrative	10.6	11.7	21.3	22.4
Asbestos-related	0.2	0.3	50.0	0.1
Other	0.3	—	0.3	0.1
Total operating expenses	11.1	12.0	71.6	22.6
Operating income (loss)	8.0	10.4	(33.9)	20.2
Interest income, net	8.5	8.0	16.9	16.0
Income (loss) before reorganization expenses and income taxes	16.5	18.4	(17.0)	36.2
Reorganization expenses	(1.9)	(8.2)	(8.0)	(11.7)
Income (loss) before income taxes	14.6	10.2	(25.0)	24.5
Income tax benefit (expense)	(4.6)	(2.7)	9.6	(7.5)
Net income (loss)	\$10.0	\$7.5	\$(15.4)	\$17.0
Comprehensive income (loss)	\$8.3	\$6.5	\$(14.0)	\$13.0

GST
 (Debtor-in-Possession)
 Condensed Combined Statements of Cash Flows (Unaudited)
 Six Months Ended June 30, 2016 and 2015
 (in millions)

	2016	2015
Net cash provided by operating activities	\$38.0	\$36.4
Investing activities		
Purchases of property, plant and equipment	(3.3)	(2.0)
Net payments on loans to affiliates	(4.5)	(2.3)
Net purchase of held-to-maturity securities	—	(29.8)
Other	(0.2)	—
Net cash used in investing activities	(8.0)	(34.1)
Effect of exchange rate changes on cash and cash equivalents	1.5	(1.6)
Net increase in cash and cash equivalents	31.5	0.7
Cash and cash equivalents at beginning of period	71.9	66.0
Cash and cash equivalents at end of period	\$103.4	\$66.7

GST
 (Debtor-in-Possession)
 Condensed Combined Balance Sheets (Unaudited)
 (in millions)

	June 30, 2016	December 31, 2015
Assets:		
Notes receivable from affiliate - current	\$ 295.9	\$ 12.2
Other current assets	\$ 409.7	\$ 393.9
Asbestos insurance receivable	49.0	62.0
Deferred income taxes	129.7	105.6
Notes receivable from affiliate	—	271.0
Other assets	67.5	67.8
Total assets	\$ 951.8	\$ 912.5
Liabilities and Shareholder's Equity:		
Current liabilities	\$ 32.8	\$ 40.5
Other liabilities	125.6	114.4
Liabilities subject to compromise (A)	388.6	339.1
Total liabilities	547.0	494.0
Shareholder's equity	404.8	418.5
Total liabilities and shareholder's equity	\$ 951.8	\$ 912.5

(A) Liabilities subject to compromise include pre-petition unsecured claims which may be resolved at amounts different from those recorded in the condensed combined balance sheets. Liabilities subject to compromise consist principally of asbestos-related claims. Per the terms of the comprehensive settlement agreement with the appointed committee representing current asbestos claimants and the court-appointed representative of future claimants in the GST asbestos claims resolution process pending before the Bankruptcy Court, GST has accrued \$387.0 million as of June 30, 2016 for asbestos related claims. The accrual consists of of (a) \$370 million to be contributed to the trust for present and future asbestos claims against GST plus litigation and administrative expenses, and (b) an estimate of \$17.0 million for the resolution of all current and future Canadian asbestos claims alleging disease resulting in whole

or in part from exposure to GST asbestos-containing products. See Note 17, "Commitments and Contingencies - Asbestos - Liability Estimate."

17. Commitments and Contingencies

General

A description of environmental, asbestos and other legal matters relating to certain of our subsidiaries is included in this section. In addition to the matters noted herein, we are from time to time subject to, and are presently involved in, other litigation and legal proceedings arising in the ordinary course of business. We believe the outcome of such other litigation and legal proceedings will not have a material adverse effect on our financial condition, results of operations and cash flows. Expenses for administrative and legal proceedings are recorded when incurred.

Environmental

Our facilities and operations are subject to federal, state and local environmental and occupational health and safety requirements of the U.S. and foreign countries. We take a proactive approach in our efforts to comply with environmental, health and safety laws as they relate to our manufacturing operations and in proposing and implementing any remedial plans that may be necessary. We also regularly conduct comprehensive environmental, health and safety audits at our facilities to maintain compliance and improve operational efficiency.

Although we believe past operations were in substantial compliance with the then applicable regulations, we or one or more of our subsidiaries are involved with various remediation activities at 14 sites where the future cost per site for us or our subsidiary is expected to exceed \$100,000. Investigations have been completed for 10 sites and are in progress at the other 4 sites. Our costs at a majority of these sites relate to remediation projects at former operating facilities that were sold or closed and primarily deal with soil and water contamination.

Our policy is to accrue environmental investigation and remediation costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. The measurement of the liability is based on an evaluation of currently available facts with respect to each individual situation and takes into consideration factors such as existing technology, presently enacted laws and regulations and prior experience in remediation of contaminated sites.

Liabilities are established for all sites based on these factors. As assessments and remediation progress at individual sites, these liabilities are reviewed periodically and adjusted to reflect additional technical data and legal information. As of June 30, 2016 and December 31, 2015, we had accrued liabilities of \$20.0 million and \$16.8 million, respectively, for estimated future expenditures relating to environmental contingencies. These amounts have been recorded on an undiscounted basis in the Consolidated Balance Sheets. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other parties potentially being liable, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities.

Except as described below, we believe that our accruals for specific environmental liabilities are adequate for those liabilities based on currently available information. Actual costs to be incurred in future periods may vary from estimates because of the inherent uncertainties in evaluating environmental exposures due to unknown and changing conditions, changing government regulations and legal standards regarding liability.

Based on our prior ownership of Crucible Steel Corporation a/k/a Crucible, Inc. (“Crucible”), we may have additional contingent liabilities in one or more significant environmental matters. One such matter, which is included in the 14 sites referred to above, is the Lower Passaic River Study Area of the Diamond Alkali Superfund Site in New Jersey. Crucible operated a steel mill abutting the Passaic River in Harrison, New Jersey from the 1930s until 1974, which was one of many industrial operations on the river dating back to the 1800s. Certain contingent environmental liabilities related to this site were retained by Coltec when Coltec sold a majority interest in Crucible Materials Corporation (the successor of Crucible) in 1985. The United States Environmental Protection Agency (the “EPA”) notified Coltec in September 2003 that it is a potentially responsible party (“PRP”) for Superfund response actions in the lower 17-mile stretch of the Passaic River known as the Lower Passaic River Study Area. Coltec and approximately 70 of the numerous other PRPs, known as the Cooperating Parties Group, are parties to a May 2007 Administrative Order on Consent with the EPA to perform a Remedial Investigation/Feasibility Study (“RI/FS”) of the contaminants in the Lower Passaic River Study Area. The RI/FS was completed and submitted to the EPA in April 2015. The RI/FS recommends a targeted dredge and cap remedy with monitored natural recovery and adaptive management for the Lower Passaic River Study Area. The cost of such remedy is estimated to be \$726 million. Previously, on April 11, 2014, the EPA released its Focused Feasibility Study (the “FFS”) with its proposed plan for remediating the lower eight

miles of the Lower Passaic River Study Area. The FFS calls for bank-to-bank dredging and capping of the riverbed of that portion of the river and estimates a range of the present value of aggregate remediation costs of approximately \$953 million to approximately \$1.73 billion, although estimates of the costs and the timing of costs are inherently imprecise. On March 3, 2016, the EPA issued the final Record of Decision (ROD) as to the remedy for the lower 8 miles of the Lower Passaic River Study Area, with the maximum estimated cost being reduced by the EPA from \$1.73 billion to \$1.38 billion, primarily due to a reduction in the amount of cubic yards of material that will be dredged.

No final allocations of responsibility have been made among the numerous PRPs that have received notices from the EPA, there are numerous identified PRPs that have not yet received PRP notices from the EPA, and there are likely many PRPs that have not yet been identified. Based on our evaluation of the site, during 2014 we accrued a liability of \$3.5 million related to environmental remediation costs associated with the lower eight miles of the Lower Passaic River Study Area, which is our estimate of the low end of a range of reasonably possible costs, with no estimate within the range being a better estimate than the minimum. Our actual remediation costs could be significantly greater than the \$3.5 million we accrued. With respect to the upper nine miles of the Lower Passaic River Study Area, we are unable to estimate a range of reasonably possible costs.

Another such matter involves the Onondaga Lake Superfund Site (the "Onondaga Site") located near Syracuse, New York. Crucible operated a steel mill facility adjacent to Onondaga Lake from 1911 to 1983. The New York State Department of Environmental Conservation ("NYSDEC") has notified the Company and Coltec, as well as other parties, demanding reimbursement of unquantified environmental response costs incurred by NYSDEC and the EPA at the Onondaga Site. NYSDEC and EPA have alleged that contamination from the Crucible facility contributed to the need for environmental response actions at the Onondaga Site. In addition, Honeywell International Inc. ("Honeywell"), which has undertaken certain remediation activities at the Onondaga Site under the supervision of NYSDEC and the EPA, has informed the Company that it has claims against Coltec related to investigation and remediation at the Onondaga Site. We have entered into tolling agreements with NYSDEC, the EPA and Honeywell. On May 4, 2016, we received from Honeywell a summary of its claims. We have corresponded with Honeywell and agreed to begin discussions with them regarding their claims. In addition, the Company has received notice from the Natural Resource Trustees for the Onondaga Lake Superfund Site (which are the U. S. Department of Interior, NYSDEC, and the Onondaga Nation) alleging that Coltec is considered to be a potentially responsible party for natural resource damages at the Onondaga Site. At this time, based on limited information we have with respect to estimated remediation costs and the respective allocation of responsibility for remediation among potentially responsible parties, we cannot estimate a reasonably possible range of loss associated with Crucible's activities that may have affected the Onondaga Site. We have reserved approximately \$1.5 million for reimbursement of EPA response costs and certain costs associated with the remedial investigation.

Except with respect to specific Crucible environmental matters for which we have accrued a portion of the liability set forth above, including the Lower Passaic River Study Area, we are unable to estimate a reasonably possible range of loss related to any other contingent environmental liability based on our prior ownership of Crucible.

See the section entitled "Crucible Steel Corporation a/k/a Crucible, Inc." in this footnote for additional information.

In addition to the Crucible environmental matters discussed above, Coltec has received a notice from the EPA asserting that Coltec is a potentially responsible party under CERCLA as the successor to a former operator in 1954 and 1955 of two uranium mines in Arizona. On October 15, 2015, Coltec received another notice from the EPA asserting that Coltec is a potentially responsible party as the successor to the former operator of six additional uranium mines in Arizona. At this time, although discussions with the EPA and other interested parties are ongoing, we have limited information regarding the sites and cannot estimate a reasonably possible range of loss associated with remediation or other costs at these sites. In 2015, we reserved \$1.1 million for the minimum amount of probable loss associated with the first two sites identified by the EPA, including the cost of the investigative work to be conducted at such sites. During the second quarter of 2016, we reserved an additional \$1.1 million for the minimum amount of probable loss associated with the six additional sites, which includes estimated costs of investigative work to be conducted at such sites, resulting in a total reserve of \$2.2 million.

In connection with the former operation of a division of Colt Industries Inc, located in Water Valley, Mississippi, which Coltec divested to BorgWarner, Inc. in 1996, Coltec has been managing trichloroethylene soil and groundwater contamination at the site, which is included in the 14 sites referred to above. In February 2016, the Mississippi Department of Environmental Quality (MDEQ) issued an order against EnPro requiring evaluation of potential vapor intrusion into residential homes and commercial facilities located over the groundwater plume as well as requiring additional groundwater investigation and remediation. MDEQ performed the initial vapor intrusion investigations, with the findings all being below the applicable screening level. The parties have since entered into a new order stating that MDEQ will perform a second round of seasonable vapor intrusion testing in the summer of 2016 and

including negotiated time frames for groundwater remediation. As a result of these recent developments, in the first quarter of 2016, we reserved an additional \$1.3 million to account for the investigation, additional remediation and long-term active monitoring necessary to comply with the orders. In addition, it is our understanding that area homeowners, owners of commercial facilities and the local county government and possibly other private parties and individuals have engaged legal counsel to separately evaluate possible legal action relating to potential vapor intrusion and groundwater contamination.

Colt Firearms and Central Moloney

We may have contingent liabilities related to divested businesses for which certain of our subsidiaries retained liability or are obligated under indemnity agreements. These contingent liabilities include, but are not limited to, potential product liability and associated claims related to firearms manufactured prior to March 1990 by Colt Firearms, a former operation of Coltec, and for electrical transformers manufactured prior to May 1994 by Central Moloney, another former Coltec operation. We believe that these potential contingent liabilities are not material to our financial condition, results of operation and cash flows. Coltec also has ongoing obligations, which are included in other liabilities in our Consolidated Balance Sheets, with regard to workers' compensation, retiree medical and other retiree benefit matters that relate to Coltec's periods of ownership of these operations.

Crucible Steel Corporation a/k/a Crucible, Inc.

Crucible, which was engaged primarily in the manufacture and distribution of high technology specialty metal products, was a wholly owned subsidiary of Coltec until 1983 when its assets and liabilities were distributed to a new Coltec subsidiary, Crucible Materials Corporation. Coltec sold a majority of the outstanding shares of Crucible Materials Corporation in 1985 and divested its remaining minority interest in 2004. Crucible Materials Corporation filed for Chapter 11 bankruptcy protection in May 2009.

We have certain ongoing obligations, which are included in other liabilities in our Consolidated Balance Sheets, including workers' compensation, retiree medical and other retiree benefit matters, related to Coltec's period of ownership of Crucible. Based on Coltec's prior ownership of Crucible, we may have certain additional contingent liabilities, including liabilities in one or more significant environmental matters included in the matters discussed in "Environmental" above. We are investigating these matters. Except with respect to those matters for which we have an accrued liability as discussed in "Environmental" above, we are unable to estimate a reasonably possible range of loss related to these contingent liabilities.

Warranties

We provide warranties on many of our products. The specific terms and conditions of these warranties vary depending on the product and the market in which the product is sold. We record a liability based upon estimates of the costs we may incur under our warranties after a review of historical warranty experience and information about specific warranty claims. Adjustments are made to the liability as claims data and historical experience necessitate.

Changes in the carrying amount of the product warranty liability for the six months ended June 30, 2016 and 2015 are as follows:

	2016	2015
	(in millions)	
Balance at beginning of year	\$4.8	\$3.5
Net charges to expense	2.0	1.0
Settlements made	(2.8)	(0.8)
Balance at end of period	\$4.0	\$3.7

BorgWarner

A subsidiary of BorgWarner Inc. ("BorgWarner") has asserted claims against GGB France E.U.R.L. ("GGB France"), with respect to certain bearings supplied by GGB France to BorgWarner and used by BorgWarner in manufacturing hydraulic control units included in motor vehicle automatic transmission units, that the bearings caused performance problems with the transmission units, leading to associated repairs and replacements. BorgWarner and GGB France are participating in a technical review before a panel of experts to determine, among other things, whether there were any defects in such bearings that were a cause of the damages claimed by BorgWarner, including whether GGB France was required to notify BorgWarner of a change in the source of a raw material used in the manufacture of such bearings. This technical review is a required predicate to the commencement of a legal proceeding for damages. In June 2016, the expert panel issued a preliminary report on technical matters considered by the experts. The preliminary report concluded that the change in the source of the raw material was a technical cause of the performance problems claimed by BorgWarner and that GGB France was obligated to notify BorgWarner regarding the change. A preliminary report of the expert panel on related financial matters is anticipated to be issued in or

around the third quarter of 2016, which would be followed by a final report of the expert panel, which is anticipated to be issued later in 2016. We believe that GGB France has valid factual and legal defenses to these claims and we are vigorously defending these claims. Among GGB France's legal defenses is a contractual disclaimer of consequential

damages, which, if controlling, would limit GGB France's liability to replacing the bearings at issue at a cost of approximately 0.4 million EUR, and that the determination of any duty to notify is a legal matter to be determined by the presiding court. We cannot estimate GGB France's reasonably possible range of loss associated with this matter, but we estimate the minimum amount to be approximately 0.4 million EUR based on GGB's legal defenses described above. Accordingly, GGB France accrued \$0.4 million during the second quarter of 2016 associated with this matter.

AVL

On December 17, 2014, AVL Powertrain Engineering, Inc. ("AVL") filed a lawsuit against Fairbanks Morse alleging damages in connection with a contract dated August 28, 2008 between AVL and Fairbanks Morse pursuant to which AVL conducted engine testing services for certain AVL customers at certain of Fairbanks Morse's facilities in Beloit, Wisconsin during the 2010 to 2012 time period. AVL claimed that it was unable to conduct its desired level of engine testing and asserted alternative damages theories based on rescission and lost profits. On April 21, 2016, Fairbanks Morse agreed to pay AVL \$2.7 million to settle the lawsuit, in advance of a jury trial scheduled to begin on April 25, 2016 in the United States District Court for the Western District of Wisconsin. Our settlement decision followed certain negative developments that occurred in the weeks prior to the scheduled trial, including adverse pre-trial rulings and information obtained during the latter stages of discovery. The \$2.7 million settlement is reflected in selling, general and administrative expense in the first quarter of 2016 in the accompanying Consolidated Statements of Operations.

Asbestos

Background on Asbestos-Related Litigation. The historical business operations of GST LLC and Anchor resulted in a substantial volume of asbestos litigation in which plaintiffs alleged personal injury or death as a result of exposure to asbestos fibers in products produced or sold by GST LLC or Anchor, together with products produced and sold by numerous other companies. GST LLC and Anchor manufactured and/or sold industrial sealing products that contained encapsulated asbestos fibers. Other of our subsidiaries that manufactured or sold equipment that may have at various times in the past contained asbestos-containing components have also been named in a number of asbestos lawsuits, but neither we nor any of our subsidiaries other than GST LLC and Anchor have ever paid an asbestos claim. Since the first asbestos-related lawsuits were filed against GST LLC in 1975, GST LLC and Anchor have processed more than 900,000 claims to conclusion, and, together with insurers, have paid over \$1.4 billion in settlements and judgments and over \$400 million in fees and expenses. Our subsidiaries' exposure to asbestos litigation and their relationships with insurance carriers have been managed through Garrison.

Subsidiary Chapter 11 Filing and Effect. On the Petition Date, GST LLC, Garrison and Anchor filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court. The filings were the initial step in a claims resolution process, which is ongoing. See Note 16, "Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd." for additional information about this process and its impact on us.

During the pendency of the Chapter 11 proceedings, certain actions proposed to be taken by GST not in the ordinary course of business are subject to approval by the Bankruptcy Court. As a result, during the pendency of these proceedings, we do not have exclusive control over these companies. Accordingly, as required by GAAP, GST was deconsolidated beginning on the Petition Date.

As a result of the initiation of the Chapter 11 proceedings, the resolution of asbestos claims is subject to the jurisdiction of the Bankruptcy Court. The filing of the Chapter 11 cases automatically stayed the prosecution of pending asbestos bodily injury and wrongful death lawsuits, and initiation of new such lawsuits, against GST. Further, the Bankruptcy Court issued an order enjoining plaintiffs from bringing or further prosecuting asbestos products liability actions against affiliates of GST, including EnPro, Coltec and all their subsidiaries, during the pendency of the Chapter 11 proceedings, subject to further order. As a result, except as a result of the resolution of appeals from verdicts rendered prior to the Petition Date and the elimination of claims as a result of information obtained in the Chapter 11 proceedings, the numbers of asbestos claims pending against our subsidiaries have not changed since the Petition Date, and those numbers continue to be as reported in our 2009 Form 10-K and our quarterly reports for the first and second quarters of 2010.

Pending Claims. On the Petition Date, according to Garrison's claim records, there were more than 90,000 total claims pending against GST LLC, of which approximately 5,800 were claims alleging the disease mesothelioma. Mesothelioma is a rare cancer of the protective lining of many of the body's internal organs, principally the lungs. One cause of mesothelioma is believed to be exposure to asbestos. As a result of asbestos tort reform during the 2000s, most active asbestos-related lawsuits, and a large majority of the amount of payments made by our subsidiaries in the years immediately preceding the Petition Date, have been of claims alleging mesothelioma. In total, GST LLC has paid \$563.2 million to resolve a total of 15,300 mesothelioma claims, and another 5,700 mesothelioma claims have been dismissed without payment.

In order to estimate the allowed amount for mesothelioma claims against GST, the Bankruptcy Court approved a process whereby all current GST LLC mesothelioma claimants were required to respond to a questionnaire about their claims. Questionnaires were distributed to the mesothelioma claimants identified in Garrison's claims database. Many of the 5,800 claimants (over 500) did not respond to the questionnaire at all; many others (more than 1,900) clarified that: claimants do not have mesothelioma, claimants cannot establish exposure to GST products, claims were dismissed, settled or withdrawn, claims were duplicates of other filed claims, or claims were closed or inactive. Still others responded to the questionnaire but their responses were deficient in some material respect. As a result of this process, less than 3,300 claimants presented questionnaires asserting mesothelioma claims against GST LLC as of the Petition Date and many of them either did not establish exposure to GST products or had claims that are otherwise deficient.

Since the Petition Date, many asbestos-related lawsuits have been filed by claimants against other companies in state and federal courts, and many of those claimants might also have included GST LLC as a defendant but for the bankruptcy injunction.

Claims Filed in GST Chapter 11. Proofs of claim involving approximately 180,000 claims were filed on or prior to October 6, 2015, the claims bar date established in connection with the second amended plan of reorganization in GST's Chapter 11 proceedings. Many of the more than 90,000 pre-petition claims are likely among the approximately 180,000 claims filed in GST's Chapter 11 proceedings. Approximately 10,000 of the claims filed in GST's Chapter 11 proceedings allege mesothelioma, many of the pre-petition mesothelioma claims likely among those claims.

Based on its preliminary analysis, GST believes that a significant number of such claims were resolved and paid by GST prior to the Petition Date, had been dismissed with prejudice prior to the Petition Date or are time-barred under applicable statutes of limitations. The Joint Plan will provide for a new claims bar date by which proofs of claims for asbestos-related diseases allegedly caused by Coltec must be filed with the Bankruptcy Court or be subject to being forever barred by order of the Bankruptcy Court.

Product Defenses. We believe that the asbestos-containing products manufactured or sold by GST could not have been a substantial contributing cause of any asbestos-related disease. The asbestos in the products was encapsulated, which means the asbestos fibers incorporated into the products during the manufacturing process were sealed in binders. The products were also nonfriable, which means they could not be crumbled by hand pressure. The U.S. Occupational Safety and Health Administration, which began generally requiring warnings on asbestos-containing products in 1972, has never required that a warning be placed on products such as GST LLC's gaskets. Even though no warning label was required, GST LLC included one on all of its asbestos-containing products beginning in 1978. Further, gaskets such as those previously manufactured and sold by GST LLC are one of the few asbestos-containing products still permitted to be manufactured under regulations of the U.S. Environmental Protection Agency. Nevertheless, GST LLC discontinued all manufacture and distribution of asbestos-containing products in the U.S. during 2000 and worldwide in mid-2001.

Appeals. GST LLC has a record of success in trials of asbestos cases, especially before the bankruptcies of many of the historically significant asbestos defendants that manufactured raw asbestos, asbestos insulation, refractory products or other dangerous friable asbestos products. However, it has on occasion lost jury verdicts at trial. GST has consistently appealed when it has received an adverse verdict and has had success in a majority of those appeals. GST LLC won a reversal of an adverse verdict in one of three recent appellate decisions. In September 2011, the United States Court of Appeals for the Sixth Circuit overturned a \$500,000 verdict against GST LLC that was handed down in 2009 by a Kentucky federal court jury. The federal appellate court found that GST LLC's motion for judgment as a matter of law should have been granted because the evidence was not sufficient to support a determination of liability. The Sixth Circuit's chief judge wrote that, "On the basis of this record, saying that exposure to Garlock gaskets was a substantial cause of [claimant's] mesothelioma would be akin to saying that one who pours a bucket of water into the ocean has substantially contributed to the ocean's volume." In May 2011, a three-judge panel of the Kentucky Court of Appeals upheld GST LLC's \$700,000 share of a 2009 jury verdict, which included punitive damages, in a lung cancer case against GST LLC in Kentucky state court. This verdict, which was secured by a bond pending the appeal, was paid in June 2012. In a Kentucky appeal from a 2006 verdict against GST LLC, another Kentucky Court of Appeals panel upheld, in August 2014, GST LLC's share of the verdict and a \$600,000 punitive

damage award. The verdict against GST LLC totaled \$874,000. This verdict and post-judgment interest were secured by a bond in the amount of \$1.1 million. The plaintiff in the case agreed to resolve the case, including claims for post-judgment interest, for the amount of the bond and to forego additional accrued interest on the verdict, and GST LLC agreed to discontinue further appeals. Because we were responsible to the bonding company for the bond amount, our Coltec subsidiary purchased the verdict from the plaintiff in September 2014 for the amount of the \$1.1 million bond. As a result, Coltec has a claim against GST LLC for the amount of the judgment, including post-judgment interest.

Insurance Coverage. At June 30, 2016 we had \$62.0 million of insurance coverage we believe is available to cover current and future GST asbestos claims payments and certain expense payments. GST has collected insurance payments totaling \$134.6 million since the Petition Date, including \$18.0 million collected in the first six months of 2016. We consider the \$62.0 million of available insurance coverage remaining to be of high quality because the insurance policies are written or guaranteed by U.S.-based carriers whose credit rating by S&P is investment grade (BBB-) or better, and whose AM Best rating is excellent (A-) or better. Of the \$62.0 million, \$25.9 million is allocated to claims that were paid by GST LLC prior to the initiation of the Chapter 11 proceedings and submitted to insurance companies for reimbursement, and the remainder is allocated to pending and estimated future claims. There are specific agreements in place with carriers covering \$28.2 million of the remaining available coverage. Based on those agreements and the terms of the policies in place and prior decisions concerning coverage, we believe that all of the \$62.0 million of insurance proceeds will ultimately be collected, although there can be no assurance that the insurance companies will make the payments as and when due. Based on those agreements and policies, some of which define specific annual amounts to be paid and others of which limit the amount that can be recovered in any one year, we anticipate that \$38.0 million will become collectible at the conclusion of GST's Chapter 11 proceeding and, assuming the insurers pay according to the agreements and policies, that the following amounts should be collected in the years set out below regardless of when the case concludes:

2017 – \$13 million

2018 – \$11 million

GST LLC has received \$8.6 million of insurance recoveries from insolvent carriers since 2007, and may receive additional payments from insolvent carriers in the future. No anticipated insolvent carrier collections are included in the \$62.0 million of anticipated collections. The insurance available to cover current and future asbestos claims is from comprehensive general liability policies that cover Coltec and certain of its other subsidiaries in addition to GST LLC for periods prior to 1985 and therefore could be subject to potential competing claims of other covered subsidiaries and their assignees.

Liability Estimate. Our recorded asbestos liability as of the Petition Date was \$472.1 million. We based that recorded liability on an estimate of probable and estimable expenditures to resolve asbestos personal injury claims under generally accepted accounting principles, made with the assistance of Garrison and an estimation expert, Bates White, retained by GST LLC's counsel. The estimate developed was an estimate of the most likely point in a broad range of potential amounts that GST LLC might pay to resolve asbestos claims (by settlement in the majority of the cases except those dismissed or tried) over the ten-year period following the date of the estimate in the state court system, plus accrued but unpaid legal fees. The estimate, which was not discounted to present value, did not reflect GST LLC's views of its actual legal liability. GST LLC has continuously maintained that its products could not have been a substantial contributing cause of any asbestos disease. Instead, the liability estimate reflected GST LLC's recognition that most claims would be resolved more efficiently and at a significantly lower total cost through settlements without any actual liability determination.

From the Petition Date through the first quarter of 2014, neither we nor GST endeavored to update the accrual except as necessary to reflect payments of accrued fees and the disposition of cases on appeal. In each asbestos-driven Chapter 11 case that has been resolved previously, the amount of the debtor's liability has been determined as part of a consensual plan of reorganization agreed to by the debtor, its asbestos claimants and a legal representative for its potential future claimants. GST did not believe that there was a reliable process by which an estimate of such a consensual resolution could be made and therefore believed that there was no basis upon which it could revise the estimate last updated prior to the Petition Date.

Given the Bankruptcy Court's January 2014 decision estimating GST's liability for present and future mesothelioma claims at \$125 million and GST's filing in May 2014 of its first amended proposed plan of reorganization setting out its intention to fund a plan with total consideration of \$275 million, GST undertook to revise its estimate of its ultimate expenditures to resolve all present and future asbestos claims against it to be no less than the amounts required under its amended proposed plan. Similarly, while GST believed it to be an unlikely worst case scenario, GST believed its ultimate expenditures to resolve all asbestos claims against it could be no more than the total value of GST. As a result, GST believed that its ultimate asbestos expenditures would be somewhere in that range between

those two values and therefore revised its estimate to the low end of the range. Accordingly, at June 30, 2014, GST revised its estimate of its ultimate expenditures to resolve all present and future asbestos claims to \$280.5 million, the amount of expenditures necessary to resolve all asbestos claims under that amended plan.

In light of the filing of the second amended proposed plan of reorganization by GST on January 14, 2015, GST undertook to further revise its estimate of the ultimate costs to resolve all asbestos claims against it. Under the second amended plan, not less than \$367.5 million would be required to fund the resolution of all GST asbestos claims, \$30 million of which will be funded by Coltec. As a result, GST believed the low end of the range of values that would be necessary for it to resolve all present and future claims to be \$337.5 million. Accordingly, GST revised its estimate of its ultimate asbestos expenditures to \$337.5 million and had accrued its liability at December 31, 2015 at that amount and Coltec had accrued a liability of \$30

million at December 31, 2015 in connection with its contribution to be made pursuant to the Parent Settlement included in the second amended plan. GST's estimate of this \$337.5 million amount did not include any amount with respect to the contingent supplementary contributions to the litigation fund contemplated by the second amended plan because GST believed that initial contributions to the litigation fund would likely be sufficient to fund the litigation and, accordingly, that the low end of a range of reasonably possible loss associated with these contingent supplementary contributions would be \$0.

In light of the consensual settlement announced on March 17, 2016, GST further revised its estimate of the ultimate costs to resolve all asbestos claims against it. Under the Joint Plan contemplated by the settlement, \$480 million will be required to fund the resolution of all asbestos claims against GST and Coltec, \$370 million of which will be funded by GST LLC and Garrison and \$110 million of which will be funded by Coltec (an aggregate of \$50 million of value upon the effective date of consummation of the Joint Plan and \$60 million one year after the effective date). In addition, GST has estimated the amount necessary to resolve all current and future Canadian asbestos claims alleging disease resulting in whole or in part from exposure to GST asbestos-containing products to be \$17.0 million. As a result, GST believes the low end of the range of values that will be necessary for it to resolve all present and future asbestos claims is now \$387.0 million. GST has revised its estimate of its ultimate asbestos expenditures to \$387.0 million and has accrued its liability at June 30, 2016 at that amount and Coltec has accrued a liability of \$110.0 million at June 30, 2016 in connection with its contributions to be made pursuant to the Joint Plan.

Proposed Plans of Reorganization. See Note 16, "Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd." for a description of the plans of reorganization filed and proposed to be filed in GST's Chapter 11 proceedings, including the Joint Plan contemplated by the comprehensive consensual settlement reached with the Future Claimants' Representative, the Current Asbestos Claimants' Committee and the Coltec Representatives. The terms of the settlement are set forth in the Term Sheet for Permanent Resolution of All Present and Future GST Asbestos Claims and Coltec Asbestos Claims dated March 17, 2016 among EnPro, Coltec, GST, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives included as Exhibit 99.2 to our Form 8-K furnished to the Securities and Exchange Commission on March 18, 2016. Under the settlement, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives agreed to join GST and Coltec in proposing a Joint Plan for reorganization that incorporates the settlement and to ask asbestos claimants and the court to approve the plan. The Joint Plan is subject to approval by a vote of at least 75% of asbestos claimants in favor of the plan and by the Bankruptcy Court and the District Court and, if so approved and consummated, would permanently resolve all current and future asbestos claims against GST and Coltec, and would protect all of EnPro and its subsidiaries from those claims, under Section 524(g) of the U.S. Bankruptcy Code. The Joint Plan was filed with the Bankruptcy Court on May 20, 2016 and technical amendments to the Joint Plan were filed with the Bankruptcy Court on June 21, 2016 and July 29, 2016. On July 29, 2016, the Bankruptcy Court entered orders that, among other things, approved the disclosure statement for the Joint Plan, set December 9, 2016 as the deadline for asbestos claimants to vote on approving the Joint Plan, and scheduled the confirmation hearing on the Joint Plan to commence on May 15, 2017. The Joint Plan supersedes all prior plans of reorganization filed by GST in its Chapter 11 proceedings.

The confirmation and consummation of the Joint Plan, and accordingly the final resolution of asbestos claims against GST and Coltec in accordance with the Joint Plan, are subject to a number of risks and uncertainties, which could have the effect of delaying or preventing the confirmation and consummation of the Joint Plan, increasing our costs in connection with effecting the settlement and the consummation of the Joint Plan or reducing the benefit to us related to the consummation of the Joint Plan. In light of these risks and uncertainties, we cannot assure you that the Joint Plan will be consummated on the time schedule that we anticipate or at all, or if consummated that we will recognize all benefits from the consummation of the Joint Plan that we anticipate.

18. Supplemental Guarantor Financial Information

In September 2014, we completed the offering of our Senior Notes. The Senior Notes are fully and unconditionally guaranteed on an unsecured, unsubordinated, joint and several basis by our existing and future 100% owned direct and indirect domestic subsidiaries, which does not include GST and the domestic subsidiaries of GST, that are each guarantors of our Revolving Credit Facility (collectively, the "Guarantor Subsidiaries"). Our subsidiaries organized

outside of the United States, (collectively, the “Non-Guarantor Subsidiaries”) do not guarantee the Senior Notes. A Guarantor Subsidiary's guarantee is subject to release in certain circumstances, including (i) the sale, disposition, exchange or other transfer (including through merger, consolidation, amalgamation or otherwise) of the capital stock of the subsidiary made in a manner not in violation of the indenture governing the Senior Notes; (ii) the designation of the subsidiary as an “Unrestricted Subsidiary” under the indenture governing the Senior Notes; (iii) the legal defeasance or covenant defeasance of the Senior Notes in accordance with the terms of the indenture; or (iv) the subsidiary ceasing to be a subsidiary of the Company as a result of any foreclosure of any pledge or security interest securing our Revolving Credit Facility or other exercise of remedies in respect thereof.

The following tables present condensed consolidating financial information for EnPro Industries, Inc. (the "Parent"), the Guarantor Subsidiaries on a combined basis, the Non-Guarantor Subsidiaries on a combined basis and the eliminations necessary to arrive at our consolidated results. The consolidating financial information reflects our investments in subsidiaries using the equity method of accounting. These tables are not intended to present our results of operations, cash flows or financial condition for any purpose other than to comply with the specific requirements for subsidiary guarantor reporting.

Our December 31, 2015 Condensed Consolidating Balance Sheet that was presented in our Supplemental Guarantor Financial Information footnote in the SEC Form 10-K for the year ended December 31, 2015 reflects the retrospective adoption of a standard in the first quarter of 2016 that amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. The impact on the Parent's and the Consolidated column's previously issued financial information is a decrease of \$4.7 million to Other assets and Long-term debt. The adjustments had no impact on the Condensed Consolidating Statement of Operations or Condensed Consolidating Statement of Cash Flows for the three and six months ended June 30, 2015. Refer to Note 1, "Overview, Basis of Presentation, and Recently Issued Authoritative Accounting Guidance" for more information about this revision.

ENPRO INDUSTRIES, INC.
 CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (UNAUDITED)
 Quarter Ended June 30, 2016
 (in millions)

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$ 218.1	\$ 116.6	\$ (21.5)	\$ 313.2
Cost of sales	—	152.6	74.2	(21.5)	205.3
Gross profit	—	65.5	42.4	—	107.9
Operating expenses:					
Selling, general and administrative	5.6	40.2	29.4	—	75.2
Other	1.2	1.5	0.9	—	3.6
Total operating expenses	6.8	41.7	30.3	—	78.8
Operating income (loss)	(6.8)	23.8	12.1	—	29.1
Interest expense, net	(4.6)	(9.1)	(0.2)	—	(13.9)
Other expense	—	(2.3)	(0.2)	—	(2.5)
Income (loss) before income taxes	(11.4)	12.4	11.7	—	12.7
Income tax benefit (expense)	0.2	(2.8)	(6.5)	—	(9.1)
Income (loss) before equity in earnings of subsidiaries	(11.2)	9.6	5.2	—	3.6
Equity in earnings of subsidiaries, net of tax	14.8	5.2	—	(20.0)	—
Net income	\$3.6	\$ 14.8	\$ 5.2	\$ (20.0)	\$ 3.6
Comprehensive income (loss)	\$(5.3)	\$ 5.9	\$ (4.7)	\$ (1.2)	\$ (5.3)

ENPRO INDUSTRIES, INC.
 CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (UNAUDITED)
 Quarter Ended June 30, 2015
 (in millions)

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$ 207.8	\$ 100.5	\$ (9.9)	\$ 298.4
Cost of sales	—	143.5	63.5	(9.9)	197.1
Gross profit	—	64.3	37.0	—	101.3
Operating expenses:					
Selling, general and administrative	2.9	40.3	30.9	—	74.1
Goodwill and other intangible asset impairment	—	5.6	41.4	—	47.0
Other	0.1	(0.2)	0.6	—	0.5
Total operating expenses	3.0	45.7	72.9	—	121.6
Operating income (loss)	(3.0)	18.6	(35.9)	—	(20.3)
Interest expense, net	(3.9)	(9.0)	—	—	(12.9)
Other expense	—	(0.2)	—	—	(0.2)
Income (loss) before income taxes	(6.9)	9.4	(35.9)	—	(33.4)
Income tax benefit (expense)	2.0	(3.4)	(2.5)	—	(3.9)
Income (loss) before equity in earnings of subsidiaries	(4.9)	6.0	(38.4)	—	(37.3)
Equity in earnings of subsidiaries, net of tax	(32.4)	(38.4)	—	70.8	—
Net loss	\$(37.3)	\$(32.4)	\$(38.4)	\$ 70.8	\$(37.3)
Comprehensive loss	\$(29.2)	\$(24.3)	\$(31.3)	\$ 55.6	\$(29.2)

ENPRO INDUSTRIES, INC.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (UNAUDITED)

Six Months Ended June 30, 2016

(in millions)

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$ 423.1	\$ 228.8	\$ (43.8)	\$ 608.1
Cost of sales	—	297.2	149.2	(43.8)	402.6
Gross profit	—	125.9	79.6	—	205.5
Operating expenses:					
Selling, general and administrative	14.5	86.3	60.0	—	160.8
Asbestos settlement	—	80.0	—	—	80.0
Other	1.3	2.8	3.9	—	8.0
Total operating expenses	15.8	169.1	63.9	—	248.8
Operating income (loss)	(15.8)	(43.2)	15.7	—	(43.3)
Interest expense, net	(9.2)	(17.6)	(0.2)	—	(27.0)
Other expense	—	(3.9)	(0.2)	—	(4.1)
Income (loss) before income taxes	(25.0)	(64.7)	15.3	—	(74.4)
Income tax benefit (expense)	4.7	36.5	(10.0)	—	31.2
Income (loss) before equity in earnings of subsidiaries	(20.3)	(28.2)	5.3	—	(43.2)
Equity in earnings of subsidiaries, net of tax	(22.9)	5.3	—	17.6	—
Net income (loss)	\$(43.2)	\$ (22.9)	\$ 5.3	\$ 17.6	\$ (43.2)
Comprehensive income (loss)	\$(45.2)	\$ (24.9)	\$ 1.2	\$ 23.7	\$ (45.2)

ENPRO INDUSTRIES, INC.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (UNAUDITED)

Six Months Ended June 30, 2015

(in millions)

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$ 396.8	\$ 199.7	\$ (20.6)	\$ 575.9
Cost of sales	—	278.9	126.5	(20.6)	384.8
Gross profit	—	117.9	73.2	—	191.1
Operating expenses:					
Selling, general and administrative	12.2	77.3	61.9	—	151.4
Goodwill and other intangible asset impairment	—	5.6	41.4	—	47.0
Other	0.2	—	1.4	—	1.6
Total operating expenses	12.4	82.9	104.7	—	200.0
Operating income (loss)	(12.4)	35.0	(31.5)	—	(8.9)
Interest expense, net	(3.8)	(21.9)	(0.1)	—	(25.8)
Other expense	(2.8)	(1.5)	—	—	(4.3)
Income (loss) before income taxes	(19.0)	11.6	(31.6)	—	(39.0)
Income tax benefit (expense)	5.7	(4.1)	(1.5)	—	0.1
Income (loss) before equity in earnings of subsidiaries	(13.3)	7.5	(33.1)	—	(38.9)
Equity in earnings of subsidiaries, net of tax	(25.6)	(33.1)	—	58.7	—
Net loss	\$(38.9)	\$ (25.6)	\$ (33.1)	\$ 58.7	\$ (38.9)
Comprehensive loss	\$(47.0)	\$ (33.7)	\$ (43.3)	\$ 77.0	\$ (47.0)

ENPRO INDUSTRIES, INC.
 CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (UNAUDITED)
 Six Months Ended June 30, 2016
 (in millions)

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$(13.8)	\$ (3.8)	\$ 14.6	\$ —	—\$ (3.0)
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	—	(14.5)	(2.8)	—	(17.3)
Payments for capitalized internal-use software	—	(1.9)	(0.1)	—	(2.0)
Acquisitions, net of cash acquired	—	(25.3)	(3.0)	—	(28.3)
Other	—	—	0.8	—	0.8
Net cash used in investing activities	—	(41.7)	(5.1)	—	(46.8)
FINANCING ACTIVITIES					
Net payments on loans between subsidiaries	43.7	(54.4)	10.7	—	—
Proceeds from debt	—	209.3	5.1	—	214.4
Repayments of debt	—	(110.1)	(0.6)	—	(110.7)
Repurchase of common stock	(17.7)	—	—	—	(17.7)
Dividends paid	(9.1)	—	—	—	(9.1)
Other	(3.1)	—	—	—	(3.1)
Net cash provided by financing activities	13.8	44.8	15.2	—	73.8
Effect of exchange rate changes on cash and cash equivalents	—	—	(8.9)	—	(8.9)
Net increase (decrease) in cash and cash equivalents	—	(0.7)	15.8	—	15.1
Cash and cash equivalents at beginning of period	—	0.7	102.7	—	103.4
Cash and cash equivalents at end of period	\$—	\$ —	\$ 118.5	\$ —	—\$ 118.5

ENPRO INDUSTRIES, INC.
 CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (UNAUDITED)
 Six Months Ended June 30, 2015
 (in millions)

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimination	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$(21.1)	\$ 20.6	\$ (1.9)	\$ —	—\$ (2.4)
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(0.1)	(12.8)	(3.3)	—	(16.2)
Payments for capitalized internal-use software	—	(1.6)	(0.7)	—	(2.3)
Acquisitions, net of cash acquired	—	(30.6)	—	—	(30.6)
Other	—	—	0.1	—	0.1
Net cash used in investing activities	(0.1)	(45.0)	(3.9)	—	(49.0)
FINANCING ACTIVITIES					
Net payments on loans between subsidiaries	157.6	(152.8)	(4.8)	—	—
Proceeds from debt	—	110.9	2.3	—	113.2
Repayments of debt	(23.3)	(42.7)	—	—	(66.0)
Repurchase of common stock	(80.0)	—	—	—	(80.0)
Dividends paid	(9.4)	—	—	—	(9.4)
Repurchase of convertible debentures conversion option	(21.6)	—	—	—	(21.6)
Other	(2.1)	—	—	—	(2.1)
Net cash provided by (used in) financing activities	21.2	(84.6)	(2.5)	—	(65.9)
Effect of exchange rate changes on cash and cash equivalents	—	—	0.6	—	0.6
Net decrease in cash and cash equivalents	—	(109.0)	(7.7)	—	(116.7)
Cash and cash equivalents at beginning of period	—	114.9	79.3	—	194.2
Cash and cash equivalents at end of period	\$—	\$ 5.9	\$ 71.6	\$ —	—\$ 77.5

ENPRO INDUSTRIES, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS (UNAUDITED)

As of June 30, 2016

(in millions)

	Guarantor		Non-guarantor		
	Parent	Subsidiaries	Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$—	\$—	\$ 118.5	\$—	\$ 118.5
Accounts receivable, net	—	170.5	61.2	—	231.7
Intercompany receivables	—	8.3	6.3	(14.6))—
Inventories	—	127.1	54.3	—	181.4
Prepaid expenses and other current assets	6.4	12.2	10.0	(4.0)	) 24.6
Total current assets	6.4	318.1	250.3	(18.6)	) 556.2
Property, plant and equipment, net	0.1	142.1	72.4	—	214.6
Goodwill	—	174.7	28.1	—	202.8
Other intangible assets	—	165.4	24.9	—	190.3
Investment in GST	—	236.9	—	—	236.9
Intercompany receivables	17.9	18.6	2.8	(39.3))—
Investment in subsidiaries	679.9	243.3	—	(923.2))—
Other assets	17.2	158.6	15.3	—	191.1
Total assets	\$721.5	\$ 1,457.7	\$ 393.8	\$ (981.1)	) \$ 1,591.9
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings from GST	\$—	\$—	\$ 27.6	\$—	\$ 27.6
Notes payable to GST	—	295.9	—	—	295.9
Current maturities of long-term debt	—	0.1	—	—	0.1
Accounts payable	1.4	56.6	35.3	—	93.3
Intercompany payables	—	6.3	8.3	(14.6))—
Accrued expenses	25.5	58.0	36.5	(4.0)	) 116.0
Total current liabilities	26.9	416.9	107.7	(18.6)	) 532.9
Long-term debt	293.7	162.2	—	—	455.9
Intercompany payables	—	17.6	21.7	(39.3))—
Other liabilities	12.1	181.1	21.1	—	214.3
Total liabilities	332.7	777.8	150.5	(57.9)	) 1,203.1
Shareholders' equity	388.8	679.9	243.3	(923.2)	) 388.8
Total liabilities and equity	\$721.5	\$ 1,457.7	\$ 393.8	\$ (981.1)	) \$ 1,591.9

ENPRO INDUSTRIES, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS (UNAUDITED)

As of December 31, 2015

(in millions)

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets					
Cash and cash equivalents	\$—	\$ 0.7	\$ 102.7	\$—	\$ 103.4
Accounts receivable, net	0.1	153.2	59.2	—	212.5
Intercompany receivables	—	8.1	11.7	(19.8))—
Inventories	—	126.4	52.0	—	178.4
Prepaid expenses and other current assets	13.6	11.2	9.9	(11.1)	)23.6
Total current assets	13.7	299.6	235.5	(30.9)	)517.9
Property, plant and equipment, net	0.1	135.1	76.3	—	211.5
Goodwill	—	167.6	28.3	—	195.9
Other intangible assets	—	162.6	27.8	—	190.4
Investment in GST	—	236.9	—	—	236.9
Intercompany receivables	65.8	12.7	1.4	(79.9))—
Investment in subsidiaries	693.0	241.8	—	(934.8))—
Other assets	14.8	122.0	19.3	(9.9)	)146.2
Total assets	\$787.4	\$ 1,378.3	\$ 388.6	\$ (1,055.5)	)\$ 1,498.8
LIABILITIES AND EQUITY					
Current liabilities					
Short-term borrowings from GST	\$—	\$—	\$ 24.3	\$—	\$ 24.3
Notes payable to GST	—	12.2	—	—	12.2
Current maturities of long-term debt	—	0.1	—	—	0.1
Accounts payable	2.3	59.3	39.9	—	101.5
Intercompany payables	—	11.7	8.1	(19.8))—
Accrued expenses	17.7	89.6	44.4	(11.1)	)140.6
Total current liabilities	20.0	172.9	116.7	(30.9)	)278.7
Long-term debt	293.3	62.9	—	—	356.2
Notes payable to GST	—	271.0	—	—	271.0
Intercompany payables	4.2	66.1	9.6	(79.9))—
Other liabilities	10.1	112.4	20.5	(9.9)	)133.1
Total liabilities	327.6	685.3	146.8	(120.7)	)1,039.0
Shareholders' equity	459.8	693.0	241.8	(934.8)	)459.8
Total liabilities and equity	\$787.4	\$ 1,378.3	\$ 388.6	\$ (1,055.5)	)\$ 1,498.8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following is management's discussion and analysis of certain significant factors that have affected our financial condition, cash flows and operating results during the periods included in the accompanying unaudited consolidated financial statements and the related notes. You should read this in conjunction with those financial statements and the audited consolidated financial statements and related notes included in our annual report on Form 10-K for the fiscal year ended December 31, 2015.

Forward-Looking Information

This quarterly report on Form 10-Q includes statements that reflect projections or expectations of the future financial condition, results of operations and business of EnPro that are subject to risk and uncertainty. We believe those statements to be "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this report, the words "may," "hope," "will," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," "likely," and other expressions identify forward-looking statements.

We cannot guarantee actual results or events will not differ materially from those projected, estimated, assigned or anticipated in any of the forward-looking statements contained in this report. Important factors that could result in those differences include those specifically noted in the forward-looking statements and those identified in Item 1A, "Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2015, which include:

- the value of pending claims and the number and value of future asbestos claims against our subsidiaries;
- risks inherent and potential adverse developments that may occur in the Chapter 11 reorganization proceeding involving Garlock Sealing Technologies LLC ("GST LLC"), The Anchor Packing Company ("Anchor") and Garrison Litigation Management Group, Ltd. ("Garrison," and, together with GST LLC and Anchor, "GST"), including risks presented by efforts of asbestos claimant representatives to assert claims against us based on various theories of derivative corporate responsibility, including veil piercing and alter ego;
- general economic conditions in the markets served by our businesses, some of which are cyclical and experience periodic downturns;
- prices and availability of raw materials;
- the impact of fluctuations in currency exchange rates; 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, employee benefit obligations and other matters.

We caution our shareholders not to place undue reliance on these statements, which speak only as of the date on which such statements were made.

Whenever you read or hear any subsequent written or oral forward-looking statements attributed to us or any person acting on our behalf, you should keep in mind the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Overview and Outlook

Overview. We design, develop, manufacture, service and market proprietary engineered industrial products. We have 60 primary manufacturing facilities located in 14 countries, including the United States.

We manage our business as three segments: a Sealing Products segment, an Engineered Products segment, and a Power Systems segment.

Our Sealing Products segment designs, manufactures and sells sealing products, including: metallic, non-metallic and composite material gaskets, dynamic seals, compression packing, resilient metal seals, elastomeric seals, hydraulic components, expansion joints, flange sealing and isolation products, pipeline casing spacers/isolators, casing end seals, modular sealing systems for sealing pipeline penetrations, hole forming products, manhole infiltration sealing systems, bellows and bellows assemblies, pedestals for semiconductor manufacturing, PTFE products, and heavy duty truck parts used in the wheel-end, braking, suspension, and tire & mileage optimization systems. These products are used in a variety of industries, including

chemical and petrochemical processing, petroleum extraction and refining, pulp and paper processing, power generation, food and pharmaceutical processing, primary metal manufacturing, mining, water and waste treatment, heavy-duty trucking, aerospace, medical, filtration and semiconductor fabrication. In many of these industries, performance and durability are vital for safety and environmental protection. Many of our products are used in highly demanding applications, e.g., where extreme temperatures, extreme pressures, corrosive environments, strict tolerances, and/or worn equipment make product performance difficult.

Our Engineered Products segment includes operations that design, manufacture and sell self-lubricating, non-rolling, metal-polymer, solid polymer and filament wound bearing products, aluminum blocks for hydraulic applications and precision engineered components and lubrication systems for reciprocating compressors. These products are used in a wide range of applications, including the automotive, pharmaceutical, pulp and paper, natural gas, health, power generation, machine tools, air treatment, refining, petrochemical and general industrial markets.

Our Power Systems segment designs, manufactures, sells and services heavy-duty, medium-speed diesel, natural gas and dual fuel reciprocating engines. The United States government and the general markets for marine propulsion, power generation, and pump and compressor applications use these products and services.

The historical business operations of certain subsidiaries of our consolidated subsidiary, Coltec Industries Inc (“Coltec”), principally GST LLC and Anchor, have resulted in a substantial volume of asbestos litigation in which plaintiffs have alleged personal injury or death as a result of exposure to asbestos fibers. Information about GST LLC’s asbestos litigation is contained in this Management’s Discussion and Analysis of Financial Condition and Results of Operations in the “Asbestos” subsection of the “Contingencies” section and in Note 17 to our Consolidated Financial Statements.

On June 5, 2010 (the “Petition Date”), GST LLC, Anchor and Garrison filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Western District of North Carolina in Charlotte (the “Bankruptcy Court”). The filings were the initial step in a claims resolution process, which is ongoing. GST LLC is one of the businesses in our broader Garlock group and, prior to the Petition Date, was included in our Sealing Products segment. GST LLC and its subsidiaries operate five primary manufacturing facilities, including operations in Palmyra, New York and Houston, Texas. The filings did not include EnPro Industries, Inc. or any other EnPro Industries, Inc. operating subsidiary.

GST LLC now operates in the ordinary course under court protection from asbestos claims. All pending litigation against GST is stayed during the process. We address our actions to permanently resolve GST LLC’s asbestos litigation in this Management’s Discussion and Analysis of Financial Condition and Results of Operation in the “Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd.” section.

The financial results of GST and subsidiaries were included in our consolidated results through June 4, 2010, the day prior to the Petition Date. However, U.S. generally accepted accounting principles require an entity that files for protection under the U.S. Bankruptcy Code, whether solvent or insolvent, whose financial statements were previously consolidated with those of its parent, as GST’s and its subsidiaries’ were with ours, generally must be prospectively deconsolidated from the parent and the investment accounted for using the cost method. At deconsolidation, our investment was recorded at its estimated fair value as of June 4, 2010, resulting in a gain for reporting purposes. The cost method requires us to present our ownership interests in the net assets of GST at the Petition Date as an investment and not recognize any income or loss from GST and subsidiaries in our results of operations during the reorganization period. Our investment of \$236.9 million as of June 30, 2016 and December 31, 2015 was subject to periodic reviews for impairment. When GST emerges from the jurisdiction of the Bankruptcy Court, the subsequent accounting will be determined based upon the applicable facts and circumstances at such time, including the terms of any plan of reorganization. See Note 16 to our Consolidated Financial Statements in this Form 10-Q for condensed financial information of GST and subsidiaries.

In January 2015, we announced that GST and we had reached agreement with the court-appointed representative of future asbestos claimants (the “Future Claimants’ Representative”) in GST’s Chapter 11 proceedings that included a second amended plan of reorganization. The second amended plan was filed with the Bankruptcy Court on January 14, 2015 and superseded the prior plans filed by GST. The Future Claimants’ Representative agreed to support, recommend and vote in favor of the second amended plan. On January 14, 2015, GST filed the second amended plan

of reorganization which provides for (a) the treatment of present and future asbestos claims against GST that have not been resolved by settlement or verdict prior to the Petition Date, and (b) administrative and litigation costs. The second amended plan of reorganization provides for the establishment of two facilities - a settlement facility (which would receive \$220 million from GST and \$30 million from Coltec, as part of the "Parent Settlement" described below, upon consummation of the second amended plan and additional contributions by GST aggregating \$77.5 million over the seven years and a litigation fund (which would receive \$30 million from GST to fund the defense and payment of claims of claimants who elect to pursue litigation under the second amended plan rather than accept the settlement option under the second amended plan. Funds contained in the settlement facility and the

litigation fund would provide the exclusive remedies for current and future GST asbestos claimants other than claimants whose claims had been resolved by settlement or verdict prior to the Petition Date and were not paid prior to the Petition Date. The second amended plan provides that GST would pay in full claims that had been resolved by settlement or verdict prior to the Petition Date that were not paid prior to the Petition Date (with respect to claims resolved by verdict, such payment would be made only to the extent the verdict becomes final). The amount of such claims resolved by verdict is \$2.5 million. GST estimates the range of its aggregate liability for the unpaid settled asbestos claims to be from \$3.1 million to \$16.4 million, and the second amended plan would provide that if the actual amount is less than \$10.0 million GST would contribute the difference to the settlement facility. In addition, the second amended plan would provide that, during the 40-year period following confirmation of the second amended plan, GST would, if necessary, make supplementary annual contributions, subject to specified maximum annual amounts that decline over the period, to maintain a specified balance at specified dates of the litigation fund. Under the second amended plan, the maximum aggregate amount of all such contingent supplementary contributions over that period would be \$132 million. The second amended plan includes provisions referred to as the "Parent Settlement" for the resolution and extinguishment of any and all alleged derivative claims against us based on GST asbestos products and entry of an injunction that would permanently protect us from the assertion of such claims. As consideration for the Parent Settlement, (a) Coltec would contribute \$30 million of the amount proposed to be paid into the settlement facility to pay future claimants, (b) Coltec will fund Anchor's costs of dissolution (up to \$500,000), (c) EnPro would guarantee all contributions to the settlement facility and litigation fund by GST after the effective date of consummation of the second amended plan, and (d) Coltec and its affiliates would subordinate their interests in certain insurance coverage to GST's obligations to make payments to the settlement facility and litigation fund after the effective date of consummation of the second amended plan.

Under the terms of the second amended plan, we would retain 100% of the equity interests of GST LLC. The second amended plan would also provide for the extinguishment of all derivative claims against us based on GST asbestos products and operations; but would not protect us or our other subsidiaries, including Coltec, from non-derivative claims. The official committee representing current asbestos claimants (the "Current Asbestos Claimants' Committee") in GST's Chapter 11 proceedings and their law firms opposed the second amended plan of reorganization.

While the Future Claimants' Representative has agreed to support the second amended plan of reorganization, GST continued to seek a consensual resolution that would also be acceptable to representatives of current asbestos claimants. On March 17, 2016, we announced that we had reached a comprehensive consensual settlement to resolve current and future asbestos claims. The settlement was reached with both the Future Claimants' Representative and the Current Asbestos Claimants' Committee, as well as with ad-hoc representatives for current and future asbestos claimants (the "Coltec Representatives") against Coltec. The terms of the settlement are set forth in the Term Sheet for Permanent Resolution of All Present and Future GST Asbestos Claims and Coltec Asbestos Claims dated March 17, 2016 among EnPro, Coltec, GST, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives included as Exhibit 99.2 to our Form 8-K furnished to the Securities and Exchange Commission on March 18, 2016. Under the settlement, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives agreed to join GST and Coltec in proposing a joint plan of reorganization (the "Joint Plan") that incorporates the settlement and to ask asbestos claimants and the court to approve the plan. The Joint Plan is subject to approval by a vote of at least 75% of asbestos claimants in favor of the plan and by the Bankruptcy Court and the U.S. District Court for the Western District of North Carolina (the "District Court") and, if so approved and consummated, would permanently resolve all current and future asbestos claims against GST and Coltec, and would protect all of EnPro and its subsidiaries from those claims, under Section 524(g) of the U.S. Bankruptcy Code. The Joint Plan was filed with the Bankruptcy Court on May 20, 2016 and technical amendments to the Joint Plan were filed with the Bankruptcy Court on June 21, 2016 and July 29, 2016. On July 29, 2016, the Bankruptcy Court entered orders that, among other things, approved the disclosure statement for the Joint Plan, set December 9, 2016 as the deadline for asbestos claimants to vote on approving the Joint Plan, and scheduled the confirmation hearing on the Joint Plan to commence on May 15, 2017. The Joint Plan supersedes all prior plans of reorganization filed by GST in its Chapter 11 proceedings.

If the Joint Plan is approved by asbestos claimants, the settlement contemplates that, as an appropriate and necessary step to facilitate the implementation of the settlement and not to delay or hinder creditors or the resolution of claims, Coltec will, subject to the receipt of necessary consents, undergo a corporate restructuring in which all of its significant operating assets and subsidiaries, which include each of our major business units, would be transferred into a new direct EnPro subsidiary (“New Coltec”), which would also assume all of Coltec’s non-asbestos liabilities. The restructured Coltec (“OldCo”) would retain responsibility for all asbestos claims and rights to certain insurance assets. Upon completion of the restructuring, the settlement contemplates that OldCo will file a pre-packaged Chapter 11 bankruptcy petition, which we expect will be administered with GST’s Chapter 11 proceedings. While no current EnPro subsidiary other than GST LLC and Anchor has ever made indemnity payments to asbestos claimants, thousands of claims have been made in the past against Coltec and its present and former businesses based on alleged exposure to asbestos-containing gaskets and other components in equipment sold by

those businesses. Coltec and its insurers have spent several million dollars defending those claims, and several thousand cases currently pending have been stayed during the pendency of GST's Chapter 11 proceedings.

The Joint Plan contemplates the establishment of a trust (the "Trust") to be fully funded within a year of consummation of the Joint Plan. The Trust is to be funded (i) with aggregate cash contributions by GST LLC and Garrison of \$370 million made at the effective date of the Joint Plan, (ii) by the contribution made by OldCo at the effective date of consummation of the Joint Plan of \$30 million in cash and an option, exercisable one-year after the effective date of consummation of the Joint Plan, permitting the Trust to purchase for \$1 shares of EnPro common stock having a value of \$20 million (with OldCo having the right to call the option for payment of \$20 million in cash at any time prior to the first anniversary of the effective date, with the Trust having the right to put the option to OldCo for payment by OldCo of \$20 million on the day prior to the first anniversary of the effective date and with the option terminating on the second anniversary of the effective date at consummation of the Joint Plan in return for payment to the Trust of \$20 million), and (iii) by the obligation under the Joint Plan of OldCo to make a deferred contribution of \$60 million in cash no later than one year after the effective date of the Joint Plan. This deferred contribution is to be guaranteed by EnPro and secured by a pledge of 50.1% of the outstanding voting equity interests of GST LLC and Garrison. The Joint Plan permits, at our election, any of these contributions to be funded by EnPro or any affiliate of EnPro. Under the Joint Plan, the Trust would assume responsibility for all present and future asbestos claims arising from the operations or products of GST or Coltec/OldCo. Under the Joint Plan, all non-asbestos creditors would be paid in full and EnPro would retain ownership of OldCo, GST LLC and Garrison.

The settlement includes a number of conditions to the consummation of the Joint Plan, including that the plan documents (including the Joint Plan) are approved by EnPro, Coltec, GST, Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives, that 75% of the holders of asbestos claims vote in favor of the Joint Plan, and that the Joint Plan be approved by the Bankruptcy Court and the District Court. Additional conditions are described in "Contingencies - Subsidiary Bankruptcy" in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

In May 2014, our Fairbanks Morse division and a consortium partner entered into a multi-year, Euro-denominated contractual arrangement with Electricite de France ("EDF") to supply 23 3.5 MWe opposed-piston, diesel engine-generator sets to EDF for emergency back-up power at 20 of EDF's nuclear power plants in France. Since the contract was signed, the U.S. Dollar strengthened significantly against the Euro, resulting in total U.S. Dollar equivalent revenues, calculated at the exchange rate in effect at the end of the first quarter of 2015, falling below total projected U.S. Dollar costs for the EDF contract, and for the first quarter of 2015 we recorded a loss provision of \$6.2 million as a result of the effect of foreign exchange rates. This evaluation was based upon the 2015 first-quarter-end U.S. Dollar to Euro exchange rate of \$1.10 compared to an exchange rate of \$1.36 when the contract was signed. We have not entered into any transactions to hedge the impact of future foreign exchange rate changes on this contract. The evaluation of the impact of exchange rates on the contract is updated on a quarterly basis for the duration of the contract, with the amount of any change in a quarter in the impact of exchange rates on the loss provision affecting segment profit of the Power Systems segment for the quarter by the amount of such change. The EDF contract also includes contractual penalties for late delivery and our profitability under the contract could be adversely affected if we are not timely in performing our obligations under the contract and the penalties apply. In addition, our profitability could be adversely affected if we do not realize certain internal efficiency gains that we anticipate achieving while performing under the contract.

On December 17, 2014, AVL Powertrain Engineering, Inc. ("AVL") filed a lawsuit against Fairbanks Morse alleging damages in connection with a contract dated August 28, 2008 between AVL and Fairbanks Morse pursuant to which AVL conducted engine testing services for certain AVL customers at certain of Fairbanks Morse's facilities in Beloit, Wisconsin during the 2010 to 2012 time period. AVL claimed that it was unable to conduct its desired level of engine testing and asserted alternative damages theories based on rescission and lost profits. On April 21, 2016, Fairbanks Morse agreed to pay AVL \$2.7 million to settle the lawsuit, in advance of a jury trial scheduled to begin on April 25, 2016 in the United States District Court for the Western District of Wisconsin. Our settlement decision followed

certain negative developments that occurred in the weeks prior to the scheduled trial, including adverse pre-trial rulings and information obtained during the latter stages of discovery.

On April 29, 2016, we acquired certain assets and assumed certain liabilities of Rubber Fab Gasket & Molding, Inc. ("Rubber Fab"), a privately-held company offering a full range of high performance sanitary gaskets, hoses and fittings for the hygienic process industries with annual revenues of approximately \$17 million. Rubber Fab is managed as part of EnPro's Garlock division within the Sealing Products segment.

In 2015, we launched a focused effort to restructure underperforming units. The initial effort focused on exiting and consolidating facilities in the Engineered Products segment and selectively reducing cost in the Sealing Products segment. The associated activities were substantially completed by the end of the second quarter of 2016. During the quarter ended June 30,

2016, an additional company-wide initiative to reduce cost across all operating segments and the corporate office was initiated. The associated headcount reductions and other cost reduction measures are anticipated to generate approximately \$18 million of annualized savings. Results for the second quarter of 2016 include approximately \$2 million of restructuring charges associated with these Q2 2016 actions. Restructuring costs in the second half of 2016 related to future headcount reductions are expected to be approximately \$4 million.

Outlook

Given the headwinds that we are facing in many of the markets we serve, we are very pleased with our performance this quarter. Our efforts over the past year to manage the business through this challenging business cycle have begun to bear fruit, as recent restructuring activities boosted segment profit significantly in Engineered Products despite a further market-driven sales decline and helped offset the negative impact of lower sales in Sealing Products in the quarter. We also benefited from lower input costs and increased production efficiencies in the same segments. Finally, Power Systems enjoyed a record quarter of aftermarket parts sales that further enhanced our overall results. While market conditions continue to be taxing, we are confident that our leadership position in each of our businesses remains strong and we expect increased demand for our products as the markets recover.

We remain committed to our strategy to create shareholder value through earnings growth and balanced capital allocation, including disciplined investments for organic growth and innovation, strategic bolt-on acquisitions, and returning capital to shareholders through dividends and share repurchases. We continued to execute on this strategy in the second quarter through our cost reduction activities, R&D investments in Power Systems and Sealing Products, the acquisition of Rubber Fab, a \$9.5 million repurchase of shares and a \$.21 per share dividend. In addition, we are working diligently to bring a close to our company's asbestos chapter, and we remain on track for the confirmation and ultimate consummation of the joint plan of reorganization filed pursuant to the consensual comprehensive settlement announced on March 17, 2016. We expect to reconsolidate GST into EnPro late next summer.

Our effective tax rate is directly impacted by the relative proportions of revenue and income before taxes in the jurisdictions in which we operate. In addition, the rate can be magnified by pre-tax losses in high tax jurisdictions offset somewhat by pre-tax profits in low tax jurisdictions, affected by normal permanent book and tax differences. Based on the expected mix of domestic losses and foreign earnings, we anticipate our annual effective tax rate for 2016 will be skewed higher, between 38% and 42%.

Unusual or discrete tax events may cause our effective rate to fluctuate on a quarterly basis. Certain events, including, for example, acquisitions and other business changes, which are difficult to predict, may also cause our effective tax rate to fluctuate. We are subject to changing tax laws, regulations, and interpretations in multiple jurisdictions. Corporate tax reform continues to be a priority in the U.S. and other jurisdictions. Changes to the tax system in the U.S. could have significant effects, positive and negative, on our effective tax rate, and on our deferred tax assets and liabilities.

We estimate annual pension expense for the full year of 2016 will be approximately \$6.0 million, which would be \$0.9 million more than in 2015. Based on currently available data, which is subject to change, we have estimated we will contribute approximately \$14 million to our U.S. defined benefit pension plans in 2016, which we anticipate contributing in the third quarter.

In connection with our growth strategy, we will continue to evaluate making additional acquisitions in 2016; however, the effect of such acquisitions cannot be predicted and therefore is not reflected in this outlook. We address our outlook regarding our actions to permanently resolve GST LLC's asbestos litigation in this Management's Discussion and Analysis of Financial Condition and Results of Operations in the "Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd." and "Subsidiary Bankruptcy" sections.

Results of Operations

	Quarters Ended		Six Months	
	June 30,		June 30,	
	2016	2015	2016	2015
	(in millions)			
Sales				
Sealing Products	\$185.1	\$173.0	\$357.3	\$333.9
Engineered Products	74.1	78.5	147.8	155.7
Power Systems	54.7	47.9	104.7	88.1
	313.9	299.4	609.8	577.7
Intersegment sales	(0.7)	(1.0)	(1.7)	(1.8)
Net sales	\$313.2	\$298.4	\$608.1	\$575.9
Segment Profit				
Sealing Products	\$24.6	\$21.2	\$39.3	\$39.2
Engineered Products	5.4	4.0	7.5	7.4
Power Systems	7.0	6.3	8.2	6.9
Total segment profit	37.0	31.5	55.0	53.5
Corporate expenses	(6.5)	(3.4)	(15.5)	(13.2)
Asbestos settlement	—	—	(80.0)	—
Goodwill and other intangible asset impairment	—	(47.0)	—	(47.0)
Interest expense, net	(13.9)	(12.9)	(27.0)	(25.8)
Other expense, net	(3.9)	(1.6)	(6.9)	(6.5)
Income (loss) before income taxes	\$12.7	\$(33.4)	\$(74.4)	\$(39.0)

Segment profit is total segment sales reduced by operating expenses, restructuring and other expenses identifiable with the segment. Corporate expenses include general corporate administrative costs. Expenses not directly attributable to the segments, corporate expenses, net interest expense, gains and losses related to the sale of assets, impairments, and income taxes are not included in the computation of segment profit. The accounting policies of the reportable segments are the same as those for EnPro.

Other expense, net in the table above contains all items included in other (operating) expense and other expense (non-operating) on our Consolidated Statements of Operations for the quarters ended June 30, 2016 and 2015 and the six months ended June 30, 2016 and 2015 with the exception of \$2.8 million, \$0.4 million, \$7.1 million, and \$1.4 million respectively, of restructuring costs. As noted previously, restructuring costs are considered to be a part of segment profit. Additionally, other expense, net in the table above for the the quarters ended June 30, 2016 and 2015 and the six months ended June 30, 2016 and 2015 also includes \$0.6 million, \$1.3 million, \$1.9 million, and \$2.0 million respectively, of miscellaneous expenses that are either not associated with a particular segment or not considered part of administering the corporate headquarters. These expenses are included in selling, general and administrative expense on our Consolidated Statements of Operations.

Second Quarter of 2016 Compared to the Second Quarter of 2015

Sales of \$313.2 million in the second quarter of 2016 increased 5.0% from \$298.4 million in the second quarter of 2015. The following table summarizes the impact of acquisitions and foreign currency by segment:

Sales	Percent Change Second Quarter				
	2016 vs. Second Quarter 2015				
increase/(decrease)	Acquisitions	Foreign Currency	Divestitures	Organic	Total
EnPro Industries, Inc.	8.5 %	— %	— %	(3.5)%	5.0 %
Sealing Products	14.6 %	— %	— %	(7.6)%	7.0 %
Engineered Products	(0.5)%	0.3 %	— %	(5.4)%	(5.6)%
Power Systems	— %	— %	— %	14.2 %	14.2 %

Following are the key points regarding changes in sales for the second quarter of 2016 compared to the same period in 2015:

▲ Acquisition of the Air Spring Business in the third quarter of 2015 included in the Sealing Products segment.

▲ Acquisition of Rubber Fab in the second quarter of 2016 included in the Sealing Products segment

See below for additional discussion on segment sales and segment profits.

Corporate expenses for the second quarter of 2016 increased \$3.1 million as compared to the same period in 2015.

The increase was driven primarily by the impact of an incentive compensation accrual reductions taken in the second quarter of 2015, causing a year-over-year increase of \$3.4 million, partially offset by lower consulting costs in the second quarter of 2016 (\$0.4 million).

Interest expense, net in the second quarter of 2016 increased by \$1.0 million as compared to the same period of 2015, primarily due to higher average outstanding indebtedness.

Other expense, net in the second quarter of 2016 increased by \$2.3 million as compared to the same period of 2015, primarily due to an increase in environmental remediation costs accrued in the second quarter of 2016 versus 2015 (\$2.5 million).

We recorded income tax expense of \$9.1 million on pre-tax income from continuing operations of \$12.7 million in the second quarter of 2016, resulting in an effective tax rate for the quarter of 71.6%. The unusual quarterly tax rate is the result of using annual tax rates derived from a geographic mix of pre-tax losses and income. In the second quarter of 2016, significant pre-tax losses were benefited in the U.S. at a higher annual effective tax rate. Pre-tax profits outside the U.S. resulted in proportionally lower tax expense, thus skewing the overall rate. Additionally, because the year-to-date ordinary loss exceeds the anticipated ordinary loss for the full year, the tax benefit recognized for the year-to-date loss is limited to the amount that would be recognized if the year-to-date ordinary loss were the anticipated ordinary loss for the full year.

During the second quarter of 2015, our effective tax rate was negative 11.7% as we recorded an income tax expense of \$3.9 million on pre-tax loss of \$33.4 million. The unusual tax expense in the prior year primarily resulted from our inability to record tax benefits related to the largely nondeductible goodwill impairment charge, all of which was recorded in the second quarter as a discrete item. Without discrete items, our effective tax rate would have been 30.1% in the second quarter of 2015.

Net income was \$3.6 million, or \$0.17 per share, in the second quarter of 2016 compared to net loss of \$37.3 million, or \$1.66 per share, in the same quarter of 2015. Earnings per share are expressed on a diluted basis.

Following is a discussion of operating results for each segment during the quarter:

Sealing Products. Sales of \$185.1 million in the second quarter of 2016 reflect a 7.0% increase compared to the \$173.0 million reported in the same quarter of 2015. Excluding the benefit of acquisitions (\$25.2 million), and unfavorable foreign exchange translation (\$0.1 million), sales were down 7.6% or \$13.1 million due to volume decreases, caused by increased demand in mid-stream oil & gas and semiconductor being more than offset by weak demand in nuclear, gas turbine power generation, and general industrial. Aerospace was relatively flat while heavy duty trucking was down slightly. Especially robust nuclear activity in the second quarter of 2015 further impacted year-over-year comparisons.

Segment profit of \$24.6 million in the second quarter of 2016 increased 16.0% from \$21.2 million reported in the second quarter of 2015. Operating margins for the segment increased from 12.3% in the second quarter of 2015 to 13.3% in the second quarter of 2016. Excluding the favorable impact of acquisitions and acquisition-related costs (\$3.3 million), and the impact of current year restructuring costs (\$1.4 million) associated with downsizing the Garlock division's presence in the U.K. along with the aforementioned company-wide cost reduction initiative, segment profit was up \$1.6 million or 7.3%. A favorable product mix, lower raw material costs, gains in production efficiencies, and other cost reduction measures along with a \$0.8 million benefit associated with a legal settlement drove the increase.

Engineered Products. Sales in the second quarter of 2016 decreased 5.6% to \$74.1 million from \$78.5 million reported in the second quarter of 2015. Excluding the impact of favorable foreign exchange translation (\$0.2 million) and the divestiture of our Compressor Products International (CPI) Thailand operations (\$0.4 million), sales were down 5.4% or \$4.2 million primarily due to volume decreases associated with weakness in the fluid power, oil and gas, and

industrial markets and a reduction in sales to the automotive market, and to locations exited in CPI Canada completed during the past twelve months, offset slightly by growth in European compressor parts and service and by increased pricing.

Segment profit in the second quarter of 2016 was \$5.4 million compared to \$4.0 million in the second quarter of 2015, an increase of \$1.4 million, or 35.0%. Operating margins for the segment were 7.3%, which was up from the 5.1% reported in

the second quarter of 2015. Excluding increased restructuring costs (\$0.1 million), and current quarter foreign exchange translation, segment profit increased \$1.5 million or 33.3%, primarily driven by overall cost savings associated with the exited locations including employee costs associated with reduced headcount, material cost savings, labor efficiencies and pricing increases, offset partially by a \$0.4 million charge associated with a reserve provided for associated with claims made against us by a subsidiary of BorgWarner.

Power Systems. Sales of \$54.7 million in the second quarter of 2016 increased \$6.8 million, or 14.2%, from \$47.9 million in the second quarter of 2015. The increase includes higher aftermarket parts revenues due to higher volume and slightly higher pricing (\$7.9 million) partially offset by a decrease in engine and service revenues for the period. The segment reported a profit of \$7.0 million in the second quarter of 2016 compared to \$6.3 million in the second quarter of 2015, an increase of 11.1%. Operating margins for the segment decreased from 13.2% in the second quarter 2015 to 12.8% in the second quarter of 2016. Excluding the impact of restructuring (\$0.5 million) and the year-over-year impact of the loss provision on a multi-year contract for engines with EDF, segment profit increased \$2.1 million, or 34.4%. The provision initially arose in the first quarter of 2015 primarily as a result of the strengthening of the U.S. Dollar versus the Euro. In the second quarter of 2016, an additional \$1.7 million loss on the EDF contract was recognized due to strengthening of the U.S. dollar versus the Euro. The increase in segment profit net of those effects was due mainly to the increased sales of aftermarket parts noted above.

Six Months Ended June 30, 2016 Compared to the Six Months Ended June 30, 2015

Sales of \$608.1 million in the first six months of 2016 increased 5.6% from \$575.9 million in the first six months of 2015. The following table summarizes the impact of acquisitions and foreign currency by segment:

Sales	Percent Change Six Months Ended June 30, 2016 vs. Six Months Ended June 30, 2015			
	Acquisitions/ Currency	Foreign Dives	Organic	Total
increase/(decrease)				
EnPro Industries, Inc.	7.9 %	(0.6)%	(1.7)%	5.6 %
Sealing Products	13.7 %	(0.4)%	(6.3)%	7.0 %
Engineered Products	(0.2)%	(1.2)%	(3.7)%	(5.1)%
Power Systems	— %	— %	18.8 %	18.8 %

Following are the key points regarding changes in sales first six months of of 2016 compared to the same period in 2015:

- ▲ Acquisition of ATDynamics in the first quarter of 2015 included in the Sealing Products segment.
 - ▲ Acquisition of the Air Spring Business in the third quarter of 2015 included in the Sealing Products segment.
 - ▲ Acquisition of Rubber Fab in the second quarter of 2016 included in the Sealing Products segment
- See below for additional discussion on segment sales and segment profits.

Corporate expenses for the first six months of 2016 increased \$2.3 million as compared to the same period in 2015. The increase was driven primarily by the impact of an incentive compensation accrual reductions taken in the second quarter of 2015, causing a year-over-year increase of \$3.6 million, partially offset by lower consulting costs in the first six months of 2016 (\$0.7 million).

Interest expense, net in the first six months of 2016 increased by \$1.2 million as compared to the same period of 2015, primarily due to higher average outstanding indebtedness.

Other expense, net in the first six months of 2016 increased by \$0.4 million as compared to the same period of 2015, due mainly to an increase in environmental remediation costs accrued in the first six months of 2016 versus 2015 (\$4.0 million), offset primarily by a loss on the convertible debentures purchase transactions in the first quarter of 2015 (\$2.8 million).

The Joint Plan contemplated by the consensual settlement of asbestos claims will provide for total contributions by Coltec of \$110.0 million as part of the Parent Settlement, compared to contributions of \$30.0 million by Coltec previously contemplated in the second amended plan of reorganization. As a result, asbestos expense of \$80.0 million was accrued in the first six months of of 2016.

We recorded income tax benefit of \$31.2 million on pre-tax loss from continuing operations of \$74.4 million in the first six months of 2016, resulting in an effective tax rate for the quarter of 41.9%. In the first quarter of 2016, significant pre-tax losses were benefited in the U.S. at a higher effective tax rate. Pre-tax profits outside the U.S. resulted in proportionally lower tax expense, thus skewing the overall rate. Additionally, because the year-to-date ordinary loss exceeds the anticipated ordinary loss for the full year, the tax benefit recognized for the year-to-date loss is limited to the amount that would be recognized if the year-to-date ordinary loss were the anticipated ordinary loss for the full year.

During the first six months of 2015, our effective tax rate was 0.3% as we recorded an income tax benefit of \$0.1 million on pre-tax loss of \$39.0 million. The volatility in the tax rate is primarily the result of significant discrete items that were recorded during the first six months of 2015. We released a valuation allowance in France where an entity had demonstrated sustained earnings to overcome a history of negative evidence. The full \$3.2 million benefit of this valuation allowance release was recorded as a discrete item in the first quarter of 2015. In the second quarter of 2015, we recorded a discrete tax benefit of only \$0.8 million on the \$47.0 million goodwill and other intangible asset impairment. Without discrete items, our effective tax rate would have been 29.9% in the first six months of 2015. Net loss was \$43.2 million, or \$1.99 per share, in the first six months of 2016 compared to net loss of \$38.9 million, or \$1.68 per share, in the same period of 2015. Loss per share is expressed on a diluted basis.

Following is a discussion of operating results for each segment during the the first six months of 2016:

Sealing Products. Sales of \$357.3 million in the first six months of 2016 reflect a 7.0% increase compared to the \$333.9 million reported in the same period of 2015. Excluding the benefit of acquisitions (\$45.7 million), and unfavorable foreign exchange translation (\$1.4 million), sales were down 6.3% or \$20.9 million due to volume decreases associated with softer demand from oil and gas, OEM truck parts, and nuclear markets which were partially offset by the aerospace markets, which have seen strong bookings year to date.

Segment profit of \$39.3 million in the first six months of 2016 increased 0.3% from \$39.2 million reported in the same period of 2015. Operating margins for the segment declined from 11.7% in the first six months of 2015 to 11.0% in the first six months of 2016. Excluding the favorable impact of acquisitions and acquisition-related costs (\$5.0 million), and of restructuring costs (\$2.8 million) associated with downsizing the Garlock division's presence in the U.K. along with the aforementioned company-wide cost reduction initiative, segment profit was down \$2.0 million or 4.8%. The decrease was largely due to lower sales and increased operating expenses, offset partially by lower raw material costs and the benefit of a legal settlement.

Engineered Products. Sales in the first six months of 2016 decreased 5.1% to \$147.8 million from \$155.7 million reported in the same period of 2015. Excluding the impact of unfavorable foreign exchange translation (\$1.8 million) and of the divestiture of our CPI Thailand operations (\$0.4 million), sales were down 3.9% or \$5.7 million primarily due to weakness in compressor parts and services demand from the U.S. and Asia/Pacific markets and a decrease in volume due to locations exited in CPI Canada in the fourth quarter of 2015 and first quarter of 2016, offset slightly by pricing increases.

Segment profit in the first six months of 2016 was \$7.5 million compared to \$7.4 million in the same period of 2015, an increase of 0.1 million, or 1.4%. Operating margins for the segment were 5.1%, which was up from the 4.8% reported in the first six months of 2015. Excluding increased restructuring costs (\$2.0 million) associated with the aforementioned exited and consolidated locations within the segment at CPI along with the company-wide cost reduction initiative commenced in the second quarter of 2016, and favorable current year foreign exchange translation (\$0.1 million), segment profit increased \$2.1 million or 23.6%, primarily driven by lower manufacturing and raw material costs, pricing increases, and overall cost savings associated with the exited locations including lower employee costs due to reduced headcount.

Power Systems. Sales of \$104.7 million in the first six months of 2016 increased \$16.6 million, or 18.8%, from \$88.1 million in the same period of 2015. The increase includes higher engine and aftermarket parts revenues (\$17.6 million) partially offset by a decrease in service revenues (\$1.0 million) for the the first six months of 2016 compared to the the first six months of 2015.

The segment reported a profit of \$8.2 million in the first six months of 2016 compared to \$6.9 million in the first six months of 2015, a increase of 18.8%. Operating margins for the segment were 7.8% in first six months of 2016,

essentially flat to prior year. Excluding the year-over-year impact of the loss provision on a multi-year contract for engines with EDF that arose in the first quarter of 2015 primarily as a result of the strengthening of the U.S. Dollar versus the Euro, as well as \$0.5 million of current year restructuring costs, segment profit decreased \$3.2 million, or 26.7%. In the six months ended June 30, 2016, an additional \$1.7 million loss on the EDF contract was recognized, compared to \$6.2 million of loss recognized associated with the contract in the corresponding prior year period. The year-over-year decrease in segment profit excluding

the above effects primarily results from total costs incurred in the first quarter of 2016 associated with the AVL matter (\$3.0 million, inclusive of the \$2.7 million settlement) and from increased manufacturing and research and development costs.

Liquidity and Capital Resources

Cash requirements for, but not limited to, working capital, capital expenditures, acquisitions, and debt repayments have been funded from cash balances on hand, revolver borrowings and cash generated from operations. We are proactively pursuing acquisition opportunities. It is possible our cash requirements for one or more acquisition opportunities could exceed our cash balance at the time of closing. Should we need additional capital, we have resources available, which are discussed in this section under the heading "Capital Resources."

As of June 30, 2016, we held all of our \$118.5 million of cash and cash equivalents outside of the United States. If the funds held outside the United States were needed for our operations in the U.S., we have several methods to repatriate without significant tax effects, including repayment of intercompany loans or distributions of previously taxed income. Other distributions may require us to incur U.S. or foreign taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside the U.S. and our current plans do not demonstrate a need to repatriate cash to fund our U.S. operations.

Cash Flows

Operating activities used \$3.0 million of cash in the first six months of 2016 compared to using \$2.4 million in the same period last year.

Investing activities used \$46.8 million and \$49.0 million of cash during the first six months of 2016 and 2015, respectively. The decrease was mainly due to lower spend in 2016 associated with acquisitions (\$2.3 million) and net cash received for the sale of CPI Thailand (\$0.5 million) offset partially by increased capital expenditures (\$1.1 million).

Financing activities provided \$73.8 million in cash in the first six months of 2016, primarily from \$99.3 million in net borrowings from our revolving credit facility, offset partially by cash paid to repurchase shares (\$17.7 million) and for dividends (\$9.1 million). Financing activities in the first six months of 2015 used cash of \$65.9 million, primarily from \$44.9 million spent to repurchase the majority of our outstanding convertible debentures, \$80.0 million spent to repurchase 1.2 million shares of our outstanding common stock and the payment of \$9.4 million of dividends. These activities were funded by cash on hand and additional borrowings of \$68.3 million from our revolving credit facility.

Capital Resources

Senior Secured Revolving Credit Facility. On August 28, 2014, we amended and restated the agreement governing our senior secured revolving credit facility (the "Credit Facility Amendment").

The Credit Facility Amendment provides for a five-year, \$300 million senior secured revolving credit facility (the "Revolving Credit Facility"). At December 31, 2015, borrowings under the Revolving Credit Facility bore interest at an annual rate of LIBOR plus 2.00% or base rate plus 1.00%, although the interest rates under the Revolving Credit Facility are subject to incremental increases and decreases based on a consolidated total leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the Revolving Credit Facility at an annual rate of 0.25%, which rate is also subject to incremental increases and decreases based on a consolidated total leverage ratio.

The Credit Facility Amendment contains certain financial covenants and required financial ratios, including: a maximum consolidated total net leverage ratio of not more than 4.0 to 1.0 (with total debt, for the purposes of such ratio, to exclude the intercompany notes payable to GST LLC and to be net of up to \$75 million of unrestricted cash of EnPro Industries, Inc. and its domestic, consolidated subsidiaries); and a minimum consolidated interest coverage ratio of at least 2.5 to 1.0.

The Credit Facility Amendment contains affirmative and negative covenants (subject, in each case, to customary exceptions and qualifications), including covenants that limit our ability to, among other things:

- grant liens on our assets;
- incur additional indebtedness (including guarantees and other contingent obligations);
- make certain investments (including loans and advances);
- merge or make other fundamental changes;
- sell or otherwise dispose of property or assets;

- pay dividends and other distributions and prepay certain indebtedness;
- make changes in the nature of our business;
- enter into transactions with our affiliates;
- enter into burdensome contracts;
- make certain capital expenditures; and
- modify or terminate documents related to certain indebtedness

We were in compliance with all covenants of the Credit Facility Amendment as of June 30, 2016.

The borrowing availability at June 30, 2016, under the Revolving Credit Facility was \$128.4 million, representing the full \$300 million amount of the Revolving Credit Facility less \$10.1 million reserved for outstanding letters of credit and \$161.5 million of outstanding borrowings.

Senior Notes. In September 2014, we issued \$300 million aggregate principal amount of our senior notes. A portion of the net proceeds of the offering of the senior notes was used to repay outstanding borrowings under the revolving credit facility, including borrowings made to fund the purchase of the convertible debentures in 2014.

The senior notes are unsecured, unsubordinated obligations of EnPro and mature on September 15, 2022. Interest on the senior notes accrues at a rate of 5.875% per annum and is payable semi-annually in cash in arrears on March 15 and September 15 of each year, commencing March 15, 2015. The senior notes are required to be guaranteed on a senior unsecured basis by each of EnPro's existing and future direct and indirect domestic subsidiaries that is a borrower under, or guarantees, our indebtedness under the Revolving Credit Facility or guarantees any other Capital Markets Indebtedness (as defined in the indenture governing the senior notes) of EnPro or any of the guarantors.

On or after September 15, 2017, we may, on any one or more occasions, redeem all or a part of the senior notes at specified redemption prices plus accrued and unpaid interest. In addition, we may redeem a portion of the aggregate principal amount of the senior notes before September 15, 2017 with the net cash proceeds from certain equity offerings at a specified redemption price plus accrued and unpaid interest, if any, to, but not including, the redemption date. We may also redeem some or all of the senior notes before September 15, 2017 at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the redemption date, plus a "make whole" premium.

Each holder of the senior notes may require us to repurchase some or all of the senior notes for cash upon the occurrence of a defined "change of control" event. Our ability to redeem the senior notes prior to maturity is subject to certain conditions, including in certain cases the payment of make-whole amounts.

The indenture governing the senior notes includes covenants that restrict our ability to engage in certain activities, including incurring additional indebtedness and paying dividends, subject in each case to specified exceptions and qualifications set forth in the indenture.

Related Party Notes

Effective as of January 1, 2010, Coltec entered into an original issue amount \$73.4 million Amended and Restated Promissory Note due January 1, 2017 (the "Coltec Note") in favor of GST LLC, and our subsidiary Stemco LP entered into an original issue amount \$153.8 million Amended and Restated Promissory Note due January 1, 2017, in favor of GST LLC (the "Stemco Note", and together with the Coltec Note, the "Notes Payable to GST"). The Notes Payable to GST amended and replaced promissory notes in the same principal amounts which were initially issued in March 2005, and which matured on January 1, 2010. We are currently in the process of attempting to extend the maturity of the Notes Payable to GST.

The Notes Payable to GST bear interest at 11% per annum, of which 6.5% is payable in cash and 4.5% is added to the principal amount of the Notes Payable to GST as payment-in-kind ("PIK") interest, with interest due on January 31 of each year. In conjunction with the interest payments in 2016 and 2015, \$18.4 million and \$17.6 million, respectively, was paid in cash and PIK interest of \$12.7 million and \$12.2 million, respectively, was added to the principal balance of the Notes Payable to GST. If GST LLC is unable to pay ordinary course operating expenses, under certain conditions, they can require Coltec and Stemco to pay in cash the accrued PIK interest necessary to meet such ordinary course operating expenses, subject to certain caps. The interest due under the Notes Payable to GST may be satisfied through offsets of amounts due under intercompany services agreements pursuant to which we provide

certain corporate services, make available access to group insurance coverage to GST, make advances to third party providers related to payroll and certain benefit plans sponsored by GST, and permit employees of GST to participate in certain of our benefit plans.

The Coltec Note is secured by Coltec's pledge of certain of its equity ownership in specified U.S. subsidiaries. The Stemco Note is guaranteed by Coltec and secured by Coltec's pledge of its interest in Stemco. The Notes Payable to GST are

45

subordinated to any obligations under the Revolving Credit Facility under existing subordination agreements which subordinate GST LLC's right to receive payment of principal on the Notes Payable to GST to the prior payment in full of all obligations under the Revolving Credit Facility.

Share Repurchase Program.

In October 2015, our board of directors authorized the repurchase of up to \$50.0 million of our outstanding common shares. During the six months ended June 30, 2016, we repurchased 0.4 million shares for \$17.7 million. Through June 30, 2016, we have purchased \$23.6 million of the \$50.0 million authorized, including purchases in 2015. Subsequent to June 30, 2016, we repurchased additional shares for \$2.8 million through August 2, 2016.

Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd.

The historical business operations of GST LLC and Anchor resulted in a substantial volume of asbestos litigation in which plaintiffs alleged personal injury or death as a result of exposure to asbestos fibers. Those subsidiaries manufactured and/or sold industrial sealing products, predominately gaskets and packing, containing encapsulated asbestos fibers. Anchor is an inactive and insolvent indirect subsidiary of Coltec. Our subsidiaries' exposure to asbestos litigation and their relationships with insurance carriers have been managed through another Coltec subsidiary, Garrison.

On the Petition Date, GST LLC, Anchor and Garrison filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in Bankruptcy Court. The filings were the initial step in a claims resolution process, which is ongoing. The goal of the process is an efficient and permanent resolution of all pending and future asbestos claims through court approval of a plan of reorganization that will establish a facility to resolve and pay all GST asbestos claims. GST is seeking an order confirming a plan of reorganization that provides for the establishment of such a facility and repayment of creditors in full, and a confirmation hearing is scheduled for June 2016. GST's plan is supported by the court-appointed representative of future asbestos claimants but opposed by the official committee representing current asbestos claimants.

Prior to its deconsolidation effective on the Petition Date, GST LLC and its subsidiaries operated as part of the Garlock group of companies within EnPro's Sealing Products segment. GST LLC designs, manufactures and sells sealing products, including metallic, non-metallic and composite material gaskets, rotary seals, compression packing, resilient metal seals, elastomeric seals, hydraulic components, and expansion joints. GST LLC and its subsidiaries operate five primary manufacturing facilities, including GST LLC's operations in Palmyra, New York and Houston, Texas.

Garrison's principal business historically has been to manage the defense of all asbestos-related litigation affecting our subsidiaries, principally GST LLC and Anchor, arising from their sale or use of products or materials containing asbestos, and to manage, bill and collect available insurance proceeds. When it commenced business in 1996, Garrison acquired certain assets of GST LLC and assumed certain liabilities stemming from asbestos-related claims against GST LLC. Garrison is not itself a defendant in asbestos-related litigation and has no direct liability for asbestos-related claims. Rather, it has assumed GST LLC's liability for such claims and agreed to indemnify GST LLC from liability with respect to such claims. Anchor was a distributor of products containing asbestos and was acquired by GST LLC in 1987. Anchor has been inactive and insolvent since 1993.

The financial results of GST and subsidiaries have been excluded from our consolidated results since the Petition Date. The investment in GST is presented using the cost method during the reorganization period and is subject to periodic reviews for impairment. The cost method requires us to present our ownership interests in the net assets of GST at the Petition Date as an investment and to not recognize any income or loss from GST and subsidiaries in our results of operations during the reorganization period. When GST emerges from the jurisdiction of the Bankruptcy Court, the subsequent accounting will be determined based upon the applicable circumstances and facts at such time, including the terms of any plan of reorganization. See Note 16 to our Consolidated Financial Statements for condensed financial information for GST and subsidiaries.

GST is included in our consolidated U.S. federal income tax return and certain state combined income tax returns. As the parent of these consolidated tax groups, we are liable for, and pay, income taxes owed by the entire group. We

have agreed with GST to allocate group taxes to GST based on the U.S. consolidated tax return regulations and current accounting guidance. This method generally allocates current and deferred taxes to GST as if it were a separate taxpayer. As a result, we carry an income tax receivable from GST related to this allocation. At June 30, 2016, this amount was \$111.7 million. This receivable is expected to be collected after our plan of reorganization is completed.

We have assessed GST LLC's and Garrison's liquidity position as a result of the bankruptcy filing and believe they can continue to fund their operating activities, and those of their subsidiaries, and meet their capital requirements for the foreseeable future. However, the ability of GST LLC and Garrison to continue as going concerns is dependent upon their ability

to resolve their ultimate asbestos liability in the bankruptcy from their net assets, future cash flows, and available insurance proceeds, whether through the confirmation of a plan of reorganization or otherwise. As a result of the bankruptcy filing and related events, there can be no assurance the carrying values of the assets, including the carrying value of the business and the tax receivable, will be realized or that liabilities will be liquidated or settled for the amounts recorded. In addition, a plan of reorganization, or rejection thereof, could change the amounts reported in the GST LLC and Garrison financial statements and cause a material change in the carrying amount of our investment. For additional information about GST's bankruptcy proceeding, see Note 17 to our Consolidated Financial Statements and the sections entitled "Contingencies – Subsidiary Bankruptcy," and "- Asbestos" in this Management's Discussion and Analysis of Financial Condition and Results of Operation.

Critical Accounting Policies and Estimates

Please refer to our annual report on Form 10-K for the fiscal year ended December 31, 2015, for a complete list of our critical accounting policies and estimates.

Contingencies

General

A description of environmental, asbestos and other legal matters relating to certain of our subsidiaries is included in this section. In addition to the matters noted herein, we are from time to time subject to, and are presently involved in, other litigation and legal proceedings arising in the ordinary course of business. We believe the outcome of such other litigation and legal proceedings will not have a material adverse effect on our financial condition, results of operations and cash flows. Expenses for administrative and legal proceedings are recorded when incurred.

Environmental

Our facilities and operations are subject to federal, state and local environmental and occupational health and safety requirements of the U.S. and foreign countries. We take a proactive approach in our efforts to comply with environmental, health and safety laws as they relate to our manufacturing operations and in proposing and implementing any remedial plans that may be necessary. We also regularly conduct comprehensive environmental, health and safety audits at our facilities to maintain compliance and improve operational efficiency.

Although we believe past operations were in substantial compliance with the then applicable regulations, we or one or more of our subsidiaries are involved with various remediation activities at 14 sites where the future cost per site for us or our subsidiary is expected to exceed \$100,000. Investigations have been completed for 10 sites and are in progress at the other 4 sites. Our costs at a majority of these sites relate to remediation projects at former operating facilities that were sold or closed and primarily deal with soil and water contamination.

Based on our prior ownership of Crucible Steel Corporation a/k/a Crucible, Inc. ("Crucible"), we may have additional contingent liabilities in one or more significant environmental matters. One such matter, which is included in the 14 sites referred to above, is the Lower Passaic River Study Area of the Diamond Alkali Superfund Site in New Jersey. Crucible operated a steel mill abutting the Passaic River in Harrison, New Jersey from the 1930s until 1974, which was one of many industrial operations on the river dating back to the 1800s. Certain contingent environmental liabilities related to this site were retained by Coltec when Coltec sold a majority interest in Crucible Materials Corporation (the successor of Crucible) in 1985. The United States Environmental Protection Agency (the "EPA") notified Coltec in September 2003 that it is a potentially responsible party ("PRP") for Superfund response actions in the lower 17-mile stretch of the Passaic River known as the Lower Passaic River Study Area. Coltec and approximately 70 of the numerous other PRPs, known as the Cooperating Parties Group, are parties to a May 2007 Administrative Order on Consent with the EPA to perform a Remedial Investigation/Feasibility Study ("RI/FS") of the contaminants in the Lower Passaic River Study Area. The RI/FS was completed and submitted to the EPA in April 2015. The RI/FS recommends a targeted dredge and cap remedy with monitored natural recovery and adaptive management for the Lower Passaic River Study Area. The cost of such remedy is estimated to be \$726 million. Previously, on April 11, 2014, the EPA released its Focused Feasibility Study (the "FFS") with its proposed plan for remediating the lower eight miles of the Lower Passaic River Study Area. The FFS calls for bank-to-bank dredging and capping of the riverbed of that portion of the river and estimates a range of the present value of aggregate remediation costs of approximately \$953 million to approximately \$1.73 billion, although estimates of the costs and the timing of costs are inherently imprecise. On March 3, 2016, the EPA issued the final Record of Decision (ROD) as to the remedy for the lower eight

miles of the Lower Passaic River Study Area, with the maximum estimated cost being reduced by the EPA from \$1.73 billion to \$1.38 billion, primarily due to a reduction in the amount of cubic yards of material that will be dredged. No final allocations of responsibility have been made among the numerous PRPs that have received notices from the EPA, there are numerous identified PRPs that have not yet received PRP notices from the EPA, and there are likely many PRPs that have not yet been identified. Based on our evaluation of the site, during 2014 we accrued a liability of \$3.5 million related

to environmental remediation costs associated with the lower eight miles of the Lower Passaic River Study Area, which is our estimate of the low end of a range of reasonably possible costs, with no estimate within the range being a better estimate than the minimum. Our actual remediation costs could be significantly greater than the \$3.5 million we accrued. With respect to the upper nine miles of the Lower Passaic River Study Area, we are unable to estimate a range of reasonably possible costs.

Another such matter involves the Onondaga Lake Superfund Site (the “Onondaga Site”) located near Syracuse, New York. Crucible operated a steel mill facility adjacent to Onondaga Lake from 1911 to 1983. The New York State Department of Environmental Conservation (“NYSDEC”) has notified the Company and Coltec, as well as other parties, demanding reimbursement of unquantified environmental response costs incurred by NYSDEC and the EPA at the Onondaga Site. NYSDEC and EPA have alleged that contamination from the Crucible facility contributed to the need for environmental response actions at the Onondaga Site. In addition, Honeywell International Inc. (“Honeywell”), which has undertaken certain remediation activities at the Onondaga Site under the supervision of NYSDEC and the EPA, has informed the Company that it has claims against Coltec related to investigation and remediation at the Onondaga Site. We have entered into tolling agreements with NYSDEC, the EPA and Honeywell. On May 4, 2016, we received from Honeywell a summary of its claims. We have corresponded with Honeywell and agreed to begin discussions with them regarding their claims. In addition, the Company has received notice from the Natural Resource Trustees for the Onondaga Lake Superfund Site (which are the U. S. Department of Interior, NYSDEC, and the Onondaga Nation) alleging that Coltec is considered to be a potentially responsible party for natural resource damages at the Onondaga Site. At this time, based on limited information we have with respect to estimated remediation costs and the respective allocation of responsibility for remediation among potentially responsible parties, we cannot estimate a reasonably possible range of loss associated with Crucible’s activities that may have affected the Onondaga Site. We have reserved approximately \$1.5 million for reimbursement of EPA response costs and certain costs associated with the remedial investigation.

Except with respect to specific Crucible environmental matters for which we have accrued a portion of the liability set forth above, including the lower eight miles of the Lower Passaic River Study Area, we are unable to estimate a reasonably possible range of loss related to any other contingent environmental liability based on our prior ownership of Crucible.

As of June 30, 2016 and December 31, 2015, we had accrued liabilities of \$20.0 million and \$16.8 million, respectively, for estimated future expenditures relating to environmental contingencies. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other parties potentially being liable, technology and information related to individual sites, we do not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. In addition, based on our prior ownership of Crucible, we may have additional contingent liabilities in one or more significant environmental matters, which are included in the 14 sites referred to above. Except with respect to specific Crucible environmental matters for which we have accrued a portion of the liability set forth above, we are unable to estimate a reasonably possible range of loss related to these contingent liabilities. See Note 17 to the Consolidated Financial Statements for additional information regarding our environmental contingencies and see the section titled “Crucible Steel Corporation a/k/a Crucible, Inc.” in this Management’s Discussion and Analysis of Financial Condition and Results of Operation. In addition to the Crucible environmental matters discussed above, Coltec has received a notice from the EPA asserting that Coltec is a potentially responsible party under CERCLA as the successor to a former operator in 1954 and 1955 of two uranium mines in Arizona. On October 15, 2015, Coltec received another notice from the EPA asserting that Coltec is a potentially responsible party as the successor to the former operator of six additional uranium mines in Arizona. At this time, although discussions with the EPA and other interested parties are ongoing, we have limited information regarding the sites and cannot estimate a reasonably possible range of loss associated with remediation or other costs at these sites. In 2015, we reserved \$1.1 million for the minimum amount of probable loss associated with the first two sites identified by the EPA, including the cost of the investigative work to be conducted at such sites. During the second quarter of 2016, we reserved an additional \$1.1 million for the minimum amount of probable loss associated with the six additional sites, which includes estimated costs of investigative work to be conducted at such sites, resulting in a total reserve of \$2.2 million.

In connection with the former operation of a division of Colt Industries Inc, located in Water Valley, Mississippi, which Coltec divested to BorgWarner, Inc. (BorgWarner) in 1996, Coltec has been managing trichloroethylene soil and groundwater contamination at the site, which is included in the 14 sites referred to above. In February 2016, the Mississippi Department of Environmental Quality (MDEQ) issued an order against EnPro requiring evaluation of potential vapor intrusion into residential homes and commercial facilities located over the groundwater plume as well as requiring additional groundwater investigation and remediation. MDEQ performed the initial vapor intrusion investigations, with the findings all being below the applicable screening level. The parties have since entered into a new order stating that MDEQ will perform a second round of seasonable vapor intrusion testing in the summer of 2016 and including negotiated time frames for groundwater remediation. As a result of these recent developments, in the first quarter of 2016, we reserved an additional \$1.3 million to account for the investigation, additional remediation and long-term active monitoring necessary to comply with the

orders. In addition, it is our understanding that area homeowners, owners of commercial facilities and the local county government and possibly other private parties and individuals have engaged legal counsel to separately evaluate possible legal action relating to potential vapor intrusion and groundwater contamination.

Colt Firearms and Central Moloney

We may have contingent liabilities related to divested businesses for which certain of our subsidiaries retained liability or are obligated under indemnity agreements. These contingent liabilities include, but are not limited to, potential product liability and associated claims related to firearms manufactured prior to March 1990 by Colt Firearms, a former operation of Coltec, and for electrical transformers manufactured prior to May 1994 by Central Moloney, another former Coltec operation. We believe that these potential contingent liabilities are not material to our financial condition, results of operation and cash flows. Coltec also has ongoing obligations, which are included in other liabilities in our Consolidated Balance Sheets, with regard to workers' compensation, retiree medical and other retiree benefit matters that relate to Coltec's periods of ownership of these operations.

Crucible Steel Corporation a/k/a Crucible, Inc.

Crucible, which was engaged primarily in the manufacture and distribution of high technology specialty metal products, was a wholly owned subsidiary of Coltec until 1983 when its assets and liabilities were distributed to a new Coltec subsidiary, Crucible Materials Corporation. Coltec sold a majority of the outstanding shares of Crucible Materials Corporation in 1985 and divested its remaining minority interest in 2004. Crucible Materials Corporation filed for Chapter 11 bankruptcy protection in May 2009 and is no longer conducting operations. We have certain ongoing obligations, which are included in other liabilities in our Consolidated Balance Sheets, including workers' compensation, retiree medical and other retiree benefit matters, related to Coltec's period of ownership of Crucible. Based on Coltec's prior ownership of Crucible, we may have certain other contingent liabilities, including liabilities in one or more significant environmental matters included in the matters discussed in "Environmental" above. We are investigating these matters. Except with respect to those matters for which we have an accrued liability as discussed in "Environmental" above, we are unable to estimate a reasonably possible range of loss related to these contingent liabilities. See Note 17 to the Consolidated Financial Statements for information about certain liabilities relating to Coltec's ownership of Crucible.

BorgWarner

A subsidiary of BorgWarner has asserted claims against GGB France E.U.R.L. ("GGB France"), with respect to certain bearings supplied by GGB France to BorgWarner and used by BorgWarner in manufacturing hydraulic control units included in motor vehicle automatic transmission units, that the bearings caused performance problems with the transmission units, leading to associated repairs and replacements. BorgWarner and GGB France are participating in a technical review before a panel of experts to determine, among other things, whether there were any defects in such bearings that were a cause of the damages claimed by BorgWarner, including whether GGB France was required to notify BorgWarner of a change in the source of a raw material used in the manufacture of such bearings. This technical review is a required predicate to the commencement of a legal proceeding for damages. In June 2016, the expert panel issued a preliminary report on technical matters considered by the experts. The preliminary report concluded that the change in the source of the raw material was a technical cause of the performance problems claimed by BorgWarner and that GGB France was obligated to notify BorgWarner regarding the change. A preliminary report of the expert panel on related financial matters is anticipated to be issued in or around the third quarter of 2016, which would be followed by a final report of the expert panel, which is anticipated to be issued later in 2016. We believe that GGB France has valid factual and legal defenses to these claims and we are vigorously defending these claims. Among GGB France's legal defenses is a contractual disclaimer of consequential damages, which, if controlling, would limit GGB France's liability to replacing the bearings at issue at a cost of approximately 0.4 million EUR, and that the determination of any duty to notify is a legal matter to be determined by the presiding court. We cannot estimate GGB France's reasonably possible range of loss associated with this matter, but we estimate the minimum amount to be approximately 0.4 million EUR based on GGB's legal defenses described above. Accordingly, GGB France accrued \$0.4 million during the second quarter of 2016 associated with this matter.

AVL

On December 17, 2014, AVL filed a lawsuit against Fairbanks Morse alleging damages in connection with a contract dated August 28, 2008 between AVL and Fairbanks Morse pursuant to which AVL conducted engine testing services for certain AVL customers at certain of Fairbanks Morse's facilities in Beloit, Wisconsin during the 2010 to 2012 time period. AVL claimed that it was unable to conduct its desired level of engine testing and asserted alternative damages theories based on rescission and lost profits. On April 21, 2016, Fairbanks Morse agreed to pay AVL \$2.7 million to settle the lawsuit, in advance of a jury trial scheduled to begin on April 25, 2016 in the United States District Court for the Western District of Wisconsin.

Our settlement decision followed certain negative developments that occurred in the weeks prior to the scheduled trial, including adverse pre-trial rulings and information obtained during the latter stages of discovery.

Subsidiary Bankruptcy

Three of our subsidiaries filed voluntary Chapter 11 bankruptcy petitions on the Petition Date as a result of tens of thousands of pending and estimated future asbestos personal injury claims. The filings were the initial step in a claims resolution process, which is ongoing. The goal of the process is an efficient and permanent resolution of all pending and future asbestos claims through court approval of a plan of reorganization that will establish a facility to resolve and pay all asbestos claims.

In November 2011, GST filed an initial plan of reorganization with the Bankruptcy Court. GST's initial plan called for a trust to be formed, to which GST and affiliates would contribute \$200 million and which would be the exclusive remedy for future asbestos personal injury claimants – those whose claims arise after confirmation of the plan. The initial proposed plan provided that each present personal injury claim (any pending claim or one that arises between the Petition Date and plan confirmation) would be assumed by reorganized GST and resolved either by settlement pursuant to a matrix contained in the proposed plan or as otherwise agreed, or by payment in full of any judgment entered after trial in federal court. The initial proposed plan was revised and replaced by GST's first amended proposed plan of reorganization filed in May 2014.

On April 13, 2012, the Bankruptcy Court granted a motion by GST for the Bankruptcy Court to estimate the allowed amount of present and future asbestos claims against GST for mesothelioma, a rare cancer attributed to asbestos exposure, for purposes of determining the feasibility of a proposed plan of reorganization. The estimation trial began on July 22, 2013 and concluded on August 22, 2013.

On January 10, 2014, Bankruptcy Judge George Hodges announced his estimation decision in a 65-page order. Citing with approval the methodology put forth by GST at trial, the judge determined that \$125 million is the amount sufficient to satisfy GST's liability for present and future mesothelioma claims. Judge Hodges adopted GST's "legal liability" approach to estimation, focused on the merits of claims, and rejected asbestos claimant representatives' approach, which focused solely on GST's historical settlement history. The judge's liability determination is for mesothelioma claims only. The court has not yet determined amounts for GST's liability for other asbestos claims and for administrative costs that would be required to review and process claims and payments, which will add to the amount.

In his opinion, Judge Hodges wrote, "The best evidence of Garlock's aggregate responsibility is the projection of its legal liability that takes into consideration causation, limited exposure and the contribution of exposures to other products."

The decision validated the positions that GST had been asserting for the more than four years it had been in the Chapter 11 process. Following are several important findings in the opinion:

- Garlock's products resulted in a relatively low exposure to asbestos to a limited population, and its legal responsibility for causing mesothelioma is relatively de minimis.
- Chrysotile, the asbestos fiber type used in almost all of Garlock's asbestos products, is far less toxic than other forms of asbestos. The court found reliable and persuasive Garlock's expert epidemiologist, who testified that there is no statistically significant association between low dose chrysotile exposure and mesothelioma.
- The population that was exposed to Garlock's products was necessarily exposed to far greater quantities of higher potency asbestos from the products of others.
- The estimates of Garlock's aggregate liability that are based on its historic settlement values are not reliable because those values are infected with the impropriety of some law firms and inflated by the cost of defense.

In June 2014, the Current Asbestos Claimants' Committee filed a motion with the Bankruptcy Court asking the court to re-open the estimation process for further discovery and alleging that GST misled the court in various respects during the estimation trial. On December 4, 2014, the Bankruptcy Court denied the Committee's motion to re-open. In May 2014, GST filed its first amended proposed plan of reorganization. The first amended plan provided \$275 million in total funding for (a) present and future asbestos claims against GST that have not been resolved by settlement or verdict prior to the Petition Date, and (b) administrative and litigation costs.

On January 14, 2015, we announced that GST and we had reached agreement with the court-appointed representative of future asbestos claimants (the "Future Claimants' Representative") in GST's Chapter 11 proceedings that included a second amended plan of reorganization. The second amended plan was filed with the Bankruptcy Court on January 14, 2015 and superseded the prior plans filed by GST. The Future Claimants' Representative agreed to support, recommend and vote in favor of the second amended plan.

50

The second amended plan would provide for the establishment of two facilities – a settlement facility (which would receive \$220 million from GST and \$30 million from Coltec, as part of the "Parent Settlement" described below, upon consummation of the second amended plan and additional contributions from GST aggregating \$77.5 million over the seven years) and a litigation fund (which would receive \$30 million from GST) to fund the defense and payment of claims of claimants who elect to pursue litigation under the second amended plan rather than accept the settlement option under the second amended plan. Funds contained in the settlement facility and the litigation fund would provide the exclusive remedies for current and future GST asbestos claimants other than claimants whose claims had been resolved by settlement or verdict prior to the Petition Date and were not paid prior to the Petition Date. The second amended plan would provide that GST would pay in full claims that had been resolved by settlement or verdict prior to the Petition Date that were not paid prior to the Petition Date (with respect to claims resolved by verdict, such payment would be made only to the extent the verdict becomes final). The second amended plan would provide that if the actual amount of claims that had been resolved by settlement or verdict prior to the Petition Date that were not paid prior to the Petition Date is less than \$17.0 million GST would contribute the difference to the settlement facility. In addition, the second amended plan would provide that, during the 40-year period following confirmation of the second amended plan, GST would, if necessary, make supplementary annual contributions, subject to specified maximum annual amounts that decline over the period, to maintain a specified balance at specified dates of the litigation fund. Under the second amended plan, the maximum aggregate amount of all such contingent supplementary contributions over that period would be \$132 million. GST and we believe that initial contributions to the litigation fund under the second amended plan would likely be sufficient to permit the balance of that facility to exceed the specified thresholds over the 40-year period and, accordingly, that the low end of a range of reasonably possible loss associated with these contingent supplementary contributions would be \$0. The second amended plan includes provisions referred to as the "Parent Settlement" for the resolution and extinguishment of any and all alleged derivative claims against us based on GST asbestos products and entry of an injunction that would permanently protect us from the assertion of such claims. As consideration for the Parent Settlement, (a) Coltec would contribute \$30 million of the amount proposed to be paid into the settlement facility to pay future claimants, (b) Coltec will fund Anchor's costs of dissolution (up to \$500,000), (c) EnPro would guarantee all contributions to the settlement facility and litigation fund by GST after the effective date of consummation of the second amended plan, and (d) Coltec and its affiliates would subordinate their interests in certain insurance coverage to GST's obligations to make payments to the settlement facility and litigation fund after the effective date of consummation of the second amended plan. Under the terms of the second amended plan, we would retain 100% of the equity interests of GST LLC. The second amended plan would also provide for the extinguishment of any derivative claims against us based on GST asbestos products and operations, but would not protect us or our other subsidiaries, including Coltec, from non-derivative asbestos claims. The Current Asbestos Claimants Committee and their law firms opposed the second amended plan of reorganization.

While the Future Claimants' Representative has agreed to support the second amended plan of reorganization, GST continued to seek a consensual resolution that would also be acceptable to representatives of current asbestos claimants. On March 17, 2016, we announced that we had reached a comprehensive consensual settlement to resolve current and future asbestos claims. The settlement was reached with both the Future Claimants' Representative and the Current Asbestos Claimants' Committee, as well as with ad-hoc representatives for current and future asbestos claimants (the "Coltec Representatives") against Coltec. The terms of the settlement are set forth in the Term Sheet for Permanent Resolution of All Present and Future GST Asbestos Claims and Coltec Asbestos Claims dated March 17, 2016 among EnPro, Coltec, GST, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives included as Exhibit 99.2 to our Form 8-K furnished to the Securities and Exchange Commission on March 18, 2016. Under the settlement, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives agreed to join GST and Coltec in proposing a joint plan of reorganization (the "Joint Plan") that incorporates the settlement and to ask asbestos claimants and the court to approve the plan. The Joint Plan is subject to approval by a vote of at least 75% of asbestos claimants in favor of the plan and by the Bankruptcy Court and the U.S. District Court for the Western District of North Carolina (the "District Court") and, if so approved and consummated, would permanently resolve all current and future asbestos claims against GST

and Coltec and would protect all of EnPro and its subsidiaries from those claims, under Section 524(g) of the U.S. Bankruptcy Code. The Joint Plan was filed with the Bankruptcy Court on May 20, 2016 and technical amendments to the Joint Plan were filed with the Bankruptcy Court on June 21, 2016 and July 29, 2016. On July 29, 2016, the Bankruptcy Court entered orders that, among other things, approved the disclosure statement for the Joint Plan, set December 9, 2016 as the deadline for asbestos claimants to vote on approving the Joint Plan, and scheduled the confirmation hearing on the Joint Plan to commence on May 15, 2017. The Joint Plan supersedes all prior plans of reorganization filed by GST in its Chapter 11 proceedings.

If the Joint Plan is approved by asbestos claimants, the settlement contemplates that, as an appropriate and necessary step to facilitate the implementation of the settlement and not to delay or hinder creditors or the resolution of claims, Coltec will, subject to the receipt of necessary consents, undergo a corporate restructuring in which all of its significant operating assets and subsidiaries, which include each of our major business units, would be transferred into a new direct EnPro subsidiary (“New Coltec”), which would also assume all of Coltec’s non-asbestos liabilities. The restructured Coltec (“OldCo”) would

retain responsibility for all asbestos claims and rights to certain insurance assets. Upon completion of the restructuring, the settlement contemplates that OldCo will file a pre-packaged Chapter 11 bankruptcy petition, which we expect will be administered with GST's Chapter 11 proceedings. While no current EnPro subsidiary other than GST LLC and Anchor has ever made indemnity payments to asbestos claimants, thousands of claims have been made in the past against Coltec and its present and former businesses based on alleged exposure to asbestos-containing gaskets and other components in equipment sold by those businesses. Coltec and its insurers have spent several million dollars defending those claims, and several thousand cases currently pending have been stayed during the pendency of GST's Chapter 11 proceedings.

The Joint Plan contemplates the establishment of a trust (the "Trust") to be fully funded within a year of consummation of the Joint Plan. The Trust is to be funded (i) with aggregate cash contributions by GST LLC and Garrison of \$370 million made at the effective date of the Joint Plan, (ii) by the contribution made by OldCo at the effective date of consummation of the Joint Plan of \$30 million in cash and an option, exercisable one-year after the effective date of consummation of the Joint Plan, permitting the Trust to purchase for \$1 shares of EnPro common stock having a value of \$20 million (with OldCo having the right to call the option for payment of \$20 million in cash at any time prior to the first anniversary of the effective date, with the Trust having the right to put the option to OldCo for payment by OldCo of \$20 million on the day prior to the first anniversary of the effective date and with the option terminating on the second anniversary of the effective date of consummation of the Joint Plan in return for payment to the Trust of \$20 million), and (iii) by the obligation under the Joint Plan of OldCo to make a deferred contribution of \$60 million in cash no later than one year after the effective date of the Joint Plan. This deferred contribution is to be guaranteed by EnPro and secured by a pledge of 50.1% of the outstanding voting equity interests of GST LLC and Garrison. The Joint Plan permits, at our election, any of these contributions to be funded by EnPro or any affiliate of EnPro. Under the Joint Plan, the Trust would assume responsibility for all present and future asbestos claims arising from the operations or products of GST or Coltec/OldCo. Under the Joint Plan, all non-asbestos creditors would be paid in full and EnPro would retain ownership of OldCo, GST LLC and Garrison.

The settlement includes a number of conditions to the consummation of the Joint Plan, including that the plan documents (including the Joint Plan) are approved by EnPro, Coltec, GST, Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives, that 75% of the holders of asbestos claims vote in favor of the Joint Plan, and that the Joint Plan be approved by the Bankruptcy Court and the District Court. In addition, EnPro, Coltec and GST's obligations to proceed with the settlement are conditioned upon: receipt of amendments, consents and waivers (the "Restructuring Consents") as may be necessary under any binding agreements to permit the transactions and actions, including the restructuring of Coltec, outlined in an attachment to the settlement;

entry by EnPro, Coltec, GST and Garlock of Canada Ltd (an indirect subsidiary of GST LLC) into a written agreement, to be consummated concurrently with the effective date of consummation of the Joint Plan, with the Canadian provincial workers' compensation boards (the "Provincial Boards") resolving all remedies the Provincial Boards may possess under Canadian law or in the United States under U.S. law against Garlock of Canada Ltd, GST, Coltec or any of their affiliates, including releases and covenants not to sue, for any present or future asbestos-related claim, which agreement is approved by the Bankruptcy Court following notice to interested parties (or the Bankruptcy Court concludes that its approval is not required); and

- receipt of a private letter ruling from the IRS that the Trust will be recognized as a "designated settlement fund" or "qualified settlement fund" under section 468B of the Internal Revenue Code, and any related regulations (or, if such a ruling is not available, a legal opinion satisfactory in form and substance to us that the IRS will so recognize the Trust).

The confirmation and consummation of the Joint Plan, and accordingly the final resolution of asbestos claims against GST and Coltec in accordance with the Joint Plan, are subject to a number of risks and uncertainties, which could have the effect of delaying or preventing the confirmation and consummation of the Joint Plan, increasing our costs in connection with effecting the settlement and the consummation of the Joint Plan or reducing the benefit to us related to the consummation of the Joint Plan. In light of these risks and uncertainties, we cannot assure you that the Joint Plan will be consummated on the time schedule that we anticipate or at all, or if consummated that we will recognize

all benefits from the consummation of the Joint Plan that we anticipate. These risks and uncertainties are described in Part II, Item 1A of our Form 10-Q for the period ended March 31, 2016.

From the Petition Date through June 30, 2016, GST has recorded Chapter 11 case-related fees and expenses totaling \$152.1 million. The total includes \$79.7 million for fees and expenses of GST's counsel and experts; \$58.5 million for fees and expenses of counsel and experts for the Current Asbestos Claimants' Committee, and \$13.9 million for the fees and expenses of the Future Claims Representative and his counsel and experts. GST recorded \$8.0 million of those case-related fees and expenses in the first six months of 2016 compared to \$11.7 million in the first six months of 2015. EnPro has recorded an

additional \$9.9 million of expenses related to these Chapter 11 proceedings from the Petition Date, \$0.9 million of which was recorded in 2016.

See the additional information provided earlier under the heading “Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd.”, the discussion under the heading “Asbestos”, which follows, and Notes 16 and 17 to our Consolidated Financial Statements.

Asbestos

Background on Asbestos-Related Litigation. The historical business operations of GST LLC and Anchor resulted in a substantial volume of asbestos litigation in which plaintiffs alleged personal injury or death as a result of exposure to asbestos fibers in products produced or sold by GST LLC or Anchor, together with products produced and sold by numerous other companies. GST LLC and Anchor manufactured and/or sold industrial sealing products that contained encapsulated asbestos fibers. Other of our subsidiaries that manufactured or sold equipment that may have at various times in the past contained asbestos-containing components have also been named in a number of asbestos lawsuits, but only GST LLC and Anchor have ever paid an asbestos claim.

Since the first asbestos-related lawsuits were filed against GST LLC in 1975, GST LLC and Anchor have processed more than 900,000 claims to conclusion, and, together with insurers, have paid over \$1.4 billion in settlements and judgments and over \$400 million in fees and expenses. Our subsidiaries’ exposure to asbestos litigation and their relationships with insurance carriers have been managed through Garrison.

Beginning in 2000, the top-tier asbestos defendants – companies that paid most of the plaintiffs’ damages because they produced and sold huge quantities of highly friable asbestos products – sought bankruptcy protection and stopped paying asbestos claims in the tort system. The bankruptcies of many additional producers of friable asbestos products followed. The plaintiffs could no longer pursue actions against these large defendants during the pendency of their bankruptcy proceedings, even though these defendants had historically been determined to be the largest contributors to asbestos-related injuries. Many plaintiffs pursued GST LLC in civil court actions to recover compensation formerly paid by top-tier bankrupt companies under state law principles of joint and several liability and began identifying GST LLC’s non-friable sealing products as a primary cause of their asbestos diseases, while generally denying exposure to the friable products of companies in bankruptcy. GST LLC believes this targeting strategy effectively shifted damages caused by top-tier defendants that produced friable asbestos products to GST LLC, thereby materially increasing GST LLC’s cost of defending and resolving claims.

Almost all of the top-tier defendants that sought bankruptcy relief in the early 2000s have now emerged, or are positioning to emerge, from bankruptcy. Their asbestos liabilities have been assumed by wealthy 524(g) trusts created in the bankruptcies with assets contributed by the emerging former defendants and their affiliates. With the emergence of these companies from bankruptcy, many plaintiffs seek compensation from the 524(g) trusts. These trusts have aggregate assets exceeding \$30 billion (\$36.8 billion according to a study released in September 2011 by the United States Government Accountability Office) specifically set aside to compensate individuals with asbestos diseases caused by the friable products of those defendants. We believed that as billions of dollars of 524(g) trust assets became available to claimants, defendants in the state court tort system would obtain significant reductions in their costs to defend and resolve claims. As of the Petition Date, however, the establishment of these 524(g) trusts had taken longer than anticipated and the trusts had a significant backlog of claims that accumulated while the trusts were being established. Additionally, procedures adopted for the submissions of asbestos claims in bankruptcy cases and against 524(g) trusts make it difficult for GST LLC and other tort-system co-defendants to gain access to information about claims made against bankrupt defendants or the accompanying evidence of exposure to the asbestos-containing products of such bankrupt defendants. We believe that these procedures enable claimants to “double dip” by collecting payments from remaining defendants in the tort system under joint-and-several-liability principles for injuries caused by the former top-tier defendants while also collecting substantial additional amounts from 524(g) trusts established by those former defendants to pay asbestos claims. Because of these factors, while several 524(g) trusts had begun making substantial payments to claimants prior to the Petition Date, GST LLC had not yet experienced a significant reduction in damages being sought from GST LLC.

Subsidiary Chapter 11 Filing and Its Effect. In light of GST LLC’s experience that (a) its cost of defending and resolving claims had not yet declined as anticipated although 524(g) trusts had begun making substantial payments to

claimants, and (b) new mesothelioma claims filings against it in recent years had not declined at a rate similar to the rate of decline in disease incidence, GST initiated voluntary proceedings under Chapter 11 of the United States Bankruptcy Code as a means to determine and comprehensively resolve their asbestos liability. The filings were the initial step in the claims resolution process, which is ongoing.

During the pendency of the Chapter 11 proceedings, certain actions proposed to be taken by GST not in the ordinary course of business are subject to approval by the Bankruptcy Court. As a result, during the pendency of these proceedings, we

do not have exclusive control over these companies. Accordingly, as required by GAAP, GST was deconsolidated beginning on the Petition Date.

As a result of the initiation of the Chapter 11 proceedings, the resolution of asbestos claims is subject to the jurisdiction of the Bankruptcy Court. The filing of the Chapter 11 cases automatically stayed the prosecution of pending asbestos bodily injury and wrongful death lawsuits, and initiation of new such lawsuits, against GST. Further, the Bankruptcy Court issued an order enjoining plaintiffs from bringing or further prosecuting asbestos products liability actions against affiliates of GST, including EnPro, Coltec and all their subsidiaries, during the pendency of the Chapter 11 proceedings, subject to further order. As a result, except as a result of the resolution of appeals from verdicts rendered prior to the Petition Date and the elimination of claims as a result of information obtained in the Chapter 11 proceedings, the numbers of asbestos claims pending against our subsidiaries have not changed since the Petition Date, and those numbers continue to be as reported in our 2009 Form 10-K and our quarterly reports for the first and second quarters of 2010. See the section entitled "Subsidiary Bankruptcy" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information and an update on the GST asbestos claims resolution process.

Pending Claims. On the Petition Date, according to Garrison's claim records, there were more than 90,000 total claims pending against GST LLC, of which approximately 5,800 were claims alleging the disease mesothelioma.

Mesothelioma is a rare cancer of the protective lining of many of the body's internal organs, principally the lungs. One cause of mesothelioma is believed to be exposure to asbestos. As a result of asbestos tort reform during the 2000s, most active asbestos-related lawsuits, and a large majority of the amount of payments made by our subsidiaries in the years immediately preceding the Petition Date, have been of claims alleging mesothelioma. In total, GST LLC has paid \$563.2 million to resolve a total of 15,300 mesothelioma claims, and another 5,700 mesothelioma claims have been dismissed without payment.

In order to estimate the allowed amount for mesothelioma claims against GST, the Bankruptcy Court approved a process whereby all current GST LLC mesothelioma claimants were required to respond to a questionnaire about their claims. Questionnaires were distributed to the mesothelioma claimants identified in Garrison's claims database. Many of the 5,800 claimants (over 500) did not respond to the questionnaire at all; many others (more than 1,900) clarified that: claimants do not have mesothelioma, claimants cannot establish exposure to GST products, claims were dismissed, settled or withdrawn, claims were duplicates of other filed claims, or claims were closed or inactive. Still others responded to the questionnaire but their responses were deficient in some material respect. As a result of this process, less than 3,300 claimants presented questionnaires asserting mesothelioma claims against GST LLC as of the Petition Date and many of them either did not establish exposure to GST products or had claims that are otherwise deficient.

Since the Petition Date, many asbestos-related lawsuits have been filed by claimants against other companies in state and federal courts, and many of those claimants might also have included GST LLC as a defendant but for the bankruptcy injunction.

Claims Filed in GST Chapter 11. Proofs of claim involving approximately 180,000 claims were filed on or prior to October 6, 2015, the claims bar date established in connection with the second amended plan of reorganization in GST's Chapter 11 proceedings. Many of the more than 90,000 pre-petition claims are likely among the approximately 180,000 claims filed in GST's Chapter 11 proceedings. Approximately 10,000 of the claims filed in GST's Chapter 11 proceedings allege mesothelioma, many of the pre-petition mesothelioma claims likely among those claims.

Based on its preliminary analysis, GST believes that a significant number of such claims were resolved and paid by GST prior to the Petition Date, had been dismissed with prejudice prior to the Petition Date or are time-barred under applicable statutes of limitations. The Joint Plan will provide for a new claims bar date by which proofs of claims for asbestos-related diseases allegedly caused by Coltec must be filed with the Bankruptcy Court or be subject to being forever barred by order of the Bankruptcy Court.

Product Defenses. We believe that the asbestos-containing products manufactured or sold by GST could not have been a substantial contributing cause of any asbestos-related disease. The asbestos in the products was encapsulated, which means the asbestos fibers incorporated into the products during the manufacturing process were sealed in binders. The products were also nonfriable, which means they could not be crumbled by hand pressure. The U.S. Occupational

Safety and Health Administration, which began generally requiring warnings on asbestos-containing products in 1972, has never required that a warning be placed on products such as GST LLC's gaskets. Even though no warning label was required, GST LLC included one on all of its asbestos-containing products beginning in 1978. Further, gaskets such as those previously manufactured and sold by GST LLC are one of the few asbestos-containing products still permitted to be manufactured under regulations of the U.S. Environmental Protection Agency. Nevertheless, GST LLC discontinued all manufacture and distribution of asbestos-containing products in the U.S. during 2000 and worldwide in mid-2001.

Appeals. GST LLC has a record of success in trials of asbestos cases, especially before the bankruptcies of many of the historically significant asbestos defendants that manufactured raw asbestos, asbestos insulation, refractory products or other dangerous friable asbestos products. However, it has on occasion lost jury verdicts at trial. GST has consistently appealed when it has received an adverse verdict and has had success in a majority of those appeals. GST LLC won a reversal of an adverse verdict in one of three recent appellate decisions. In September 2011, the United States Court of Appeals for the Sixth Circuit overturned a \$500,000 verdict against GST LLC that was handed down in 2009 by a Kentucky federal court jury. The federal appellate court found that GST LLC's motion for judgment as a matter of law should have been granted because the evidence was not sufficient to support a determination of liability. The Sixth Circuit's chief judge wrote that, "On the basis of this record, saying that exposure to Garlock gaskets was a substantial cause of [claimant's] mesothelioma would be akin to saying that one who pours a bucket of water into the ocean has substantially contributed to the ocean's volume." In May 2011, a three-judge panel of the Kentucky Court of Appeals upheld GST LLC's \$700,000 share of a 2009 jury verdict, which included punitive damages, in a lung cancer case against GST LLC in Kentucky state court. This verdict, which was secured by a bond pending the appeal, was paid in June 2012. In a Kentucky appeal from a 2006 verdict against GST LLC, another Kentucky Court of Appeals panel upheld, in August 2014, GST LLC's share of the verdict and a \$600,000 punitive damage award. The verdict against GST LLC totaled \$874,000. This verdict and post-judgment interest were secured by a bond in the amount of \$1.1 million. The plaintiff in the case agreed to resolve the case, including claims for post-judgment interest, for the amount of the bond and to forego additional accrued interest on the verdict, and GST LLC agreed to discontinue further appeals. Because we were responsible to the bonding company for the bond amount, our Coltec subsidiary purchased the verdict from the plaintiff in September 2014 for the amount of the \$1.1 million bond. As a result, Coltec has a claim against GST LLC for the amount of the judgment, including post-judgment interest.

Insurance Coverage. At June 30, 2016 we had \$62.0 million of insurance coverage we believe is available to cover current and future GST asbestos claims payments and certain expense payments. GST has collected insurance payments totaling \$134.6 million since the Petition Date, including \$18.0 million collected in the first six months of 2016. We consider the \$62.0 million of available insurance coverage remaining to be of high quality because the insurance policies are written or guaranteed by U.S.-based carriers whose credit rating by S&P is investment grade (BBB-) or better, and whose AM Best rating is excellent (A-) or better. Of the \$62.0 million, \$25.9 million is allocated to claims that were paid by GST LLC prior to the initiation of the Chapter 11 proceedings and submitted to insurance companies for reimbursement, and the remainder is allocated to pending and estimated future claims. There are specific agreements in place with carriers covering \$28.2 million of the remaining available coverage. Based on those agreements and the terms of the policies in place and prior decisions concerning coverage, we believe that all of the \$62.0 million of insurance proceeds will ultimately be collected, although there can be no assurance that the insurance companies will make the payments as and when due. Based on those agreements and policies, some of which define specific annual amounts to be paid and others of which limit the amount that can be recovered in any one year, we anticipate that \$38.0 million will become collectible at the conclusion of GST's Chapter 11 proceeding and, assuming the insurers pay according to the agreements and policies, that the following amounts should be collected in the years set out below regardless of when the case concludes:

2017 – \$13 million

2018 – \$11 million

GST LLC has received \$8.6 million of insurance recoveries from insolvent carriers since 2007 and may receive additional payments from insolvent carriers in the future. No anticipated insolvent carrier collections are included in the \$62.0 million of anticipated collections. The insurance available to cover current and future asbestos claims is from comprehensive general liability policies that cover Coltec and certain of its other subsidiaries in addition to GST LLC for periods prior to 1985 and therefore could be subject to potential competing claims of other covered subsidiaries and their assignees.

Liability Estimate. Our recorded asbestos liability as of the Petition Date was \$472.1 million. We based that recorded liability on an estimate of probable and estimable expenditures to resolve asbestos personal injury claims under generally accepted accounting principles, made with the assistance of Garrison and an estimation expert, Bates White,

retained by GST LLC's counsel. The estimate developed was an estimate of the most likely point in a broad range of potential amounts that GST LLC might pay to resolve asbestos claims (by settlement in the majority of the cases except those dismissed or tried) over the ten-year period following the date of the estimate in the state court system, plus accrued but unpaid legal fees. The estimate, which was not discounted to present value, did not reflect GST LLC's views of its actual legal liability. GST LLC has continuously maintained that its products could not have been a substantial contributing cause of any asbestos disease. Instead, the liability estimate reflected GST LLC's recognition that most claims would be resolved more efficiently and at a significantly lower total cost through settlements without any actual liability determination.

From the Petition Date through the first quarter of 2014, neither we nor GST endeavored to update the accrual except as necessary to reflect payments of accrued fees and the disposition of cases on appeal. In each asbestos-driven Chapter 11 case

that has been resolved previously, the amount of the debtor's liability has been determined as part of a consensual plan of reorganization agreed to by the debtor, its asbestos claimants and a legal representative for its potential future claimants. GST did not believe that there was a reliable process by which an estimate of such a consensual resolution could be made and therefore believed that there was no basis upon which it could revise the estimate last updated prior to the Petition Date.

Given the Bankruptcy Court's January 2014 decision estimating GST's liability for present and future mesothelioma claims at \$125 million and GST's filing in May 2014 of its first amended proposed plan of reorganization setting out its intention to fund a plan with total consideration of \$275 million, GST undertook to revise its estimate of its ultimate expenditures to resolve all present and future asbestos claims against it to be no less than the amounts required under its amended proposed plan. Similarly, while GST believed it to be an unlikely worst case scenario, GST believed its ultimate expenditures to resolve all asbestos claims against it could be no more than the total value of GST. As a result, GST believed that its ultimate asbestos expenditures would be somewhere in that range between those two values and therefore revised its estimate to the low end of the range. Accordingly, at June 30, 2014, GST revised its estimate of its ultimate expenditures to resolve all present and future asbestos claims to \$280.5 million, the amount of expenditures necessary to resolve all asbestos claims under that amended plan.

In light of the filing of the second amended proposed plan of reorganization by GST on January 14, 2015, GST undertook to further revise its estimate of the ultimate costs to resolve all asbestos claims against it. Under the second amended plan, not less than \$367.5 million would be required to fund the resolution of all GST asbestos claims, \$30 million of which will be funded by Coltec. As a result, GST believed the low end of the range of values that would be necessary for it to resolve all present and future asbestos claims to be \$337.5 million. Accordingly, GST revised its estimate of its ultimate asbestos expenditures to \$337.5 million and had accrued its liability at December 31, 2015 at that amount and Coltec had accrued a liability of \$30 million at December 31, 2015 in connection with its contribution to be made pursuant to the Parent Settlement included in the second amended plan. GST's estimate of this \$337.5 million did not include any amount with respect to the contingent supplementary contributions to the litigation fund contemplated by the second amended plan because GST believed that initial contributions to the litigation fund would likely be sufficient to fund the litigation and, accordingly, that the low end of a range of reasonably possible loss associated with these contingent supplementary contributions would be \$0.

In light of the consensual settlement announced on March 17, 2016, GST further revised its estimate of the ultimate costs to resolve all asbestos claims against it. Under the Joint Plan contemplated by the settlement, \$480 million will be required to fund the resolution of all asbestos claims against GST and Coltec, \$370 million of which will be funded by GST LLC and Garrison and \$110 million of which will be funded by Coltec (an aggregate of \$50 million of value upon the effective date of consummation of the Joint Plan and \$60 million one year after the effective date). In addition, GST has estimated the amount necessary to resolve all current and future Canadian asbestos claims alleging disease resulting in whole or in part from exposure to GST asbestos-containing products to be \$17.0 million. As a result, GST believes the low end of the range of values that will be necessary for it to resolve all present and future asbestos claims is \$387.0 million. GST revised its estimate of its ultimate asbestos expenditures to \$387.0 million and has accrued its liability at June 30, 2016 at that amount and Coltec has accrued a liability of \$110 million at June 30, 2016 in connection with its contributions to be made pursuant to the Joint Plan.

Proposed Plans of Reorganization. See Note 16, "Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd." for a description of the plans of reorganization filed and proposed to be filed in GST's Chapter 11 proceedings, including the Joint Plan contemplated by the comprehensive consensual settlement reached with the Future Claimants' Representative, the Current Asbestos Claimants' Committee and the Coltec Representatives. The terms of the settlement are set forth in the Term Sheet for Permanent Resolution of All Present and Future GST Asbestos Claims and Coltec Asbestos Claims dated March 17, 2016 among EnPro, Coltec, GST, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives included as Exhibit 99.2 to our Form 8-K furnished to the Securities and Exchange Commission on March 18, 2016. Under the settlement, the Current Asbestos Claimants' Committee, the Future Claimants' Representative and the Coltec Representatives agreed to join GST and Coltec in proposing a Joint Plan for reorganization that incorporates the settlement and to ask asbestos claimants and the court to approve the plan. The Joint Plan is subject to approval by a vote of at least 75% of

asbestos claimants in favor of the plan and by the Bankruptcy Court and the District Court and, if so approved and consummated, would permanently resolve all current and future asbestos claims against GST and Coltec, and would protect all of EnPro and its subsidiaries from those claims, under Section 524(g) of the U.S. Bankruptcy Code. The Joint Plan was filed with the Bankruptcy Court on May 20, 2016 and technical amendments to the Joint Plan were filed with the Bankruptcy Court on June 21, 2016 and July 29, 2016. On July 29, 2016, the Bankruptcy Court entered orders that, among other things, approved the disclosure statement for the Joint Plan, set December 9, 2016 as the deadline for asbestos claimants to vote on approving the Joint Plan, and scheduled the confirmation hearing on the Joint Plan to commence on May 15, 2017. The Joint Plan supersedes all prior plans of reorganization filed by GST in its Chapter 11 proceedings.

The confirmation and consummation of the Joint Plan, and accordingly the final resolution of asbestos claims against GST and Coltec in accordance with the Joint Plan, are subject to a number of risks and uncertainties, which could have

the effect of delaying or preventing the confirmation and consummation of the Joint Plan, increasing our costs in connection with effecting the settlement and the consummation of the Joint Plan or reducing the benefit to us related to the consummation of the Joint Plan. In light of these risks and uncertainties, we cannot assure you that the Joint Plan will be consummated on the time schedule that we anticipate or at all, or if consummated that we will recognize all benefits from the consummation of the Joint Plan that we anticipate.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in foreign currency exchange rates and interest rates that could impact our financial condition, results of operations and cash flows. We manage our exposure to these and other market risks through regular operating and financing activities and through the use of derivative financial instruments. We intend to use derivative financial instruments as risk management tools and not for speculative investment purposes. For information about our interest rate risk, see “Quantitative and Qualitative Disclosures about Market Risk – Interest Rate Risk” in our annual report on Form 10-K for the year ended December 31, 2015, and the following section.

Foreign Currency Risk

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances of our foreign subsidiaries, intercompany loans with foreign subsidiaries and transactions denominated in foreign currencies. Our objective is to control our exposure to these risks and limit the volatility in our reported earnings due to foreign currency fluctuations through our normal operating activities and, where appropriate, through foreign currency forward contracts and option contracts. The notional amount of foreign exchange contracts hedging foreign currency transactions was \$2.4 million and \$4.6 million at June 30, 2016 and December 31, 2015, respectively.

Commodity Risk

We source a wide variety of materials and components from a network of global suppliers. While such materials are typically available from numerous suppliers, commodity raw materials such as steel, engineered plastics, copper and polymers, are subject to price fluctuations, which could have a negative impact on our results. We strive to pass along such commodity price increases to customers to avoid profit margin erosion and utilize lean initiatives to further mitigate the impact of commodity raw material price fluctuations as we achieve improved efficiencies. We do not hedge commodity risk with any market risk sensitive instruments.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The purpose of our disclosure controls and procedures is to provide reasonable assurance that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (the “Exchange Act”), including this report, is recorded, processed, summarized and reported within the time periods specified, and that such information is accumulated and communicated to our management to allow timely decisions regarding disclosure.

Based on the controls evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified, and that management will be timely alerted to material information required to be included in our periodic reports filed with the Securities and Exchange Commission.

In addition, no change in our internal control over financial reporting has occurred during the quarter ended June 30, 2016, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

A description of environmental, asbestos and other legal matters is included in Note 17 to the Consolidated Financial Statements in this report, which is incorporated herein by reference. A description of the bankruptcy proceeding filed by certain of our subsidiaries, and an update on and discussion of the implications of that proceeding and related activities are included in Note 9 and Note 16 to the Consolidated Financial Statements in this report, which are incorporated herein by reference. Those matters are also discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations. In addition to the matters noted and discussed in those sections of this report, we are from time to time subject to, and are presently involved in, other litigation and legal proceedings arising in the ordinary course of business. We believe that the outcome of such other litigation and legal proceedings will not have a material adverse effect on our financial condition, results of operations and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth all purchases made by or on behalf of the Company or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Exchange Act, of shares of our common stock during each month in the second quarter of 2016.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
April 1 – April 30, 2016	36,950	(1) \$57.92	(1) 36,950	(1) \$34,153,076
May 1 - May 31, 2016	66,300	(1) \$49.42	(1) 66,300	(1) \$30,876,236
June 1 – June 30, 2016	75,551	(1)(2) \$48.31	(1)(2) 75,000	(1) \$27,251,722
Total	178,801	(1)(2) \$50.70	(1)(2) 178,250	(1) \$27,251,722

(1) On October 28, 2015, our board of directors authorized the repurchase of up to \$50.0 million of our outstanding common shares, and we announced the share repurchase authorization in a press release issued on October 29, 2015. Pursuant to this authorization, we purchased 36,950 shares at an average purchase price of \$57.92 per share during April 2016, 66,300 shares at an average purchase price of \$49.42 per share during May 2016 and 75,000 shares at an average purchase price of \$48.32 per share during June 2016 (with \$27,251,722 remaining authority at quarter end).

(2) In June 2016, a total of 551 shares were transferred to a rabbi trust that we established in connection with our Deferred Compensation Plan for Non-Employee Directors, pursuant to which non-employee directors may elect to defer directors' fees into common stock units. Coltec furnished these shares in exchange for management and other services provided by EnPro. 129 of these shares were valued at a price of \$47.46, the closing trading price of our common stock on June 15, 2016, and 422 of these shares were valued at a price of \$44.39 per share, the closing trading price of our common stock on June 30, 2016. Accordingly, the total 551 shares were valued at a weighted average price of \$45.11. We do not consider the transfer of shares from Coltec in this context to be pursuant to a publicly announced plan or program.

Item 6. Exhibits.

The exhibits to this report on Form 10-Q are listed in the accompanying Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Charlotte, North Carolina on this 3rd day of August, 2016.

ENPRO INDUSTRIES, INC.

By: /s/ Robert S. McLean

Robert S. McLean

Chief Administrative Officer, General Counsel and
Secretary

By: /s/ Steven R. Bower

Steven R. Bower

Vice President, Chief Accounting Officer and Controller

EXHIBIT INDEX

- 23.1* Consent of Bates White, LLC
- 31.1* Certification of Chief Executive Officer pursuant to Rule 13a – 14(a)/15d – 14(a)
- 31.2* Certification of Chief Financial Officer pursuant to Rule 13a – 14(a)/15d – 14(a)
- 32* Certification pursuant to Section 1350
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definitions Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith