ENPRO INDUSTRIES

THIRD QUARTER 2019 EARNINGS REVIEW

November 5, 2019



FORWARD LOOKING STATEMENTS

Statements made in the course of this presentation that express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They involve a number of risks and uncertainties that may cause actual events and results to differ materially from such forward-looking statements. These risks and uncertainties include, but are not limited to: general economic conditions in the markets served by our businesses, some of which are cyclical and experience periodic downturns; prices and availability of raw materials; the impact of fluctuations in relevant foreign currency exchange rates; unanticipated delays or problems in introducing new products; the incurrence of contractual penalties for the late delivery of long lead-time products; announcements by competitors of new products, services or technological innovations; changes in our pricing policies or the pricing policies of our competitors; the impact of the acquisition of LeanTeq on its existing customer relationships; 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. Our filings with the Securities and Exchange Commission, including the Form 10-K for the year ended December 31, 2018 and our Form 10-Q for the period ended June 30, 2019, describe these and other risks and uncertainties in more detail. We do not undertake to update any forward-looking statement made in this presentation or during the course of the conference call to reflect any change in management's expectations or any change in the assumptions or circumstances on which such statements are based.

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

This presentation also contains certain non-GAAP financial measures as defined by the Securities and Exchange Commission. A reconciliation of these measures to the most directly comparable GAAP equivalents is included as an appendix to this presentation.

AGENDA

1. Third Quarter Highlights
2. Overview of Financial Results
   - Quarterly Results
   - Capital Allocation
   - Net Debt & Liquidity
3. Guidance

THIRD QUARTER HIGHLIGHTS

Marvin Riley – President & Chief Executive Officer

THIRD QUARTER OPERATIONS HIGHLIGHTS

- Results in heavy-duty trucking within Sealing Products segment overshadowed a strong year-over-year third quarter operating performance in the rest of the company

- Q3 sales down 4% and adjusted EBITDA down 15%, both versus the prior year, as a result of:
  - Challenges in heavy-duty trucking: market-related lower volumes and warranty expenses
  - 2018 third quarter legal settlement favorably impacting the prior-year period

- Excluding heavy-duty trucking business, versus the prior year:
  - Sales up 1% in Q3 and flat year-to-date
  - Adjusted EBITDA up 7% in Q3 and up 6% year-to-date

- Several actions have been taken this quarter to improve operational efficiencies:
  - Resized cost structure in Engineered Products
  - Consolidated facility and completed cost optimization projects in Sealing Products
  - Moving aggressively on several fronts to improve the performance of the heavy-duty trucking business, including:
    - Cut SG&A costs
    - Reduced freight charges
    - Conducted quality improvement events
    - Evaluating manufacturing network
    - Resizing staffing levels
    - Renegotiating contracts with suppliers
    - Evaluating structural competitiveness of every business unit in heavy-duty trucking
    - Sold brake shoe manufacturing business located in Rome, GA

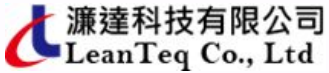
PORTFOLIO SHAPING ACTIONS

- Sale of brake shoe business is extension of decision in December 2018 to discontinue friction manufacturing in Rome facility
  - Consistent with new strategy of shifting EnPro's portfolio to products and services in structurally attractive markets that generate strong cash flow returns and command high margins based on value provided to customers
- Continue to evaluate businesses as part of portfolio shaping strategy
- Acquisitions completed in the third quarter:





  - The Aseptic Group (closed July 2019)
    - Distributes, designs and manufactures aseptic fluid transfer products for the pharmaceutical and biopharmaceutical industries



  - LeanTeq Co., Ltd. (closed September 2019)
    - Provides cleaning and other refurbishment services for critical components and assemblies used in state-of-the-art semiconductor equipment

INAUGURAL SUSTAINABILITY REPORT

- Issued inaugural sustainability report in September
- Illustrates EnPro's commitment to:
  - Delivering strong financial results
  - Maximizing the development of our employees
  - Protecting our planet and minimizing our environmental impacts across our operations
- Highlights:
  - Environmental performance
  - Cultural initiatives
  - Ethics and compliance practices
  - Innovation efforts
  - Employee development programs
  - Overall safety initiatives and accomplishments



Available online at:
https://www.enproindustries.com/environmental-sustainability

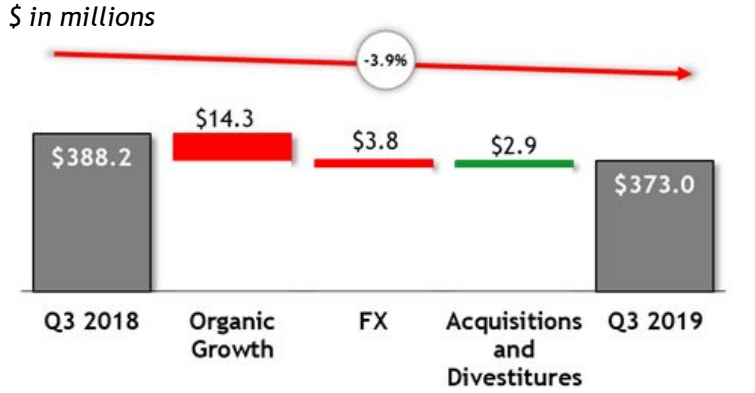
OVERVIEW OF FINANCIAL RESULTS

Milt Childress – Executive Vice President & CFO

SALES & ADJUSTED EBITDA

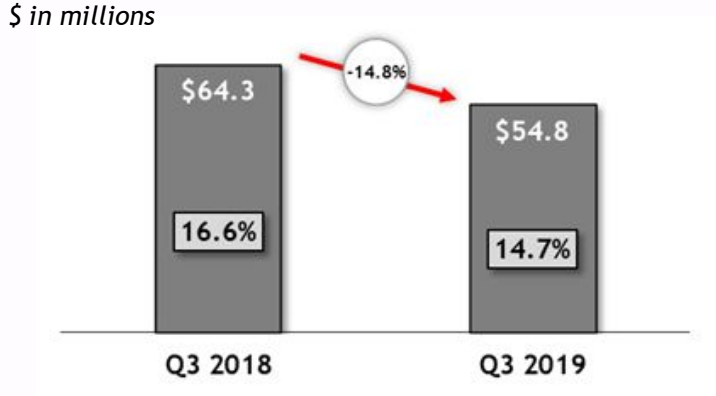
SALES

- Sales decreased 3.9% compared to the third quarter of 2018
- Excluding the heavy-duty trucking business, sales were up 0.9% for the quarter versus third quarter of last year



ADJUSTED EBITDA

- Adjusted EBITDA decreased 14.8% in the third quarter compared to the prior year period
- Excluding the heavy-duty trucking business, adjusted EBITDA increased 7.4% versus third quarter of last year

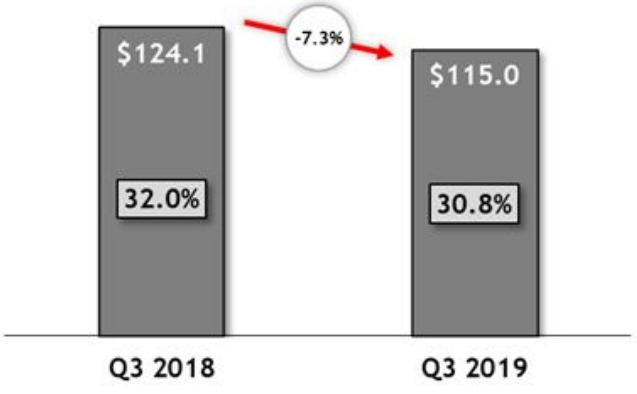


GROSS MARGIN

GROSS PROFIT & MARGIN

- Gross profit margin decrease of 1.2 percentage points compared to the third quarter of 2018
  - Lower volume and unfavorable mix in heavy-duty trucking
  - Year-over-year increase in warranty accruals in heavy-duty trucking
  - Offset in part by the high mix of aftermarket parts in Power Systems

$ in millions

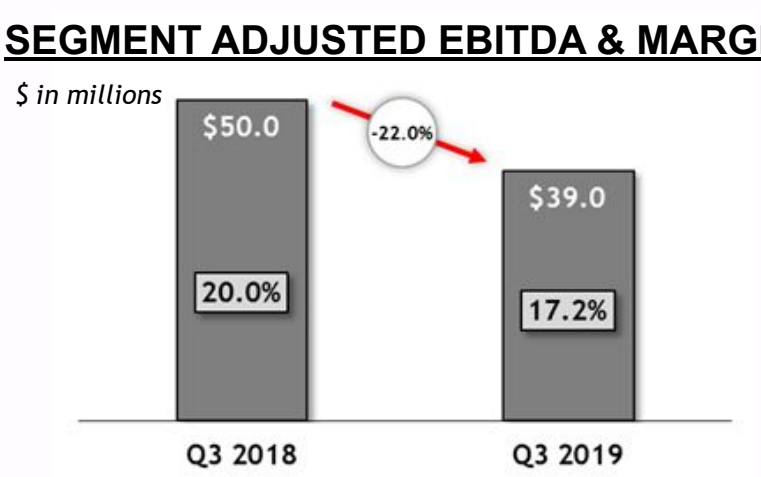


SEALING PRODUCTS

SALES



SEGMENT ADJUSTED EBITDA & MARGIN



MARKET CONDITIONS

- Sales decreased 7.6% excluding impact of FX translation and acquisitions and divestitures
  - Strength in the mid-stream oil and gas market was more than offset by year-over-year declines, principally in heavy-duty trucking as well as in semiconductor capital equipment sales
- Excluding heavy-duty trucking, organic sales were down 1.2%

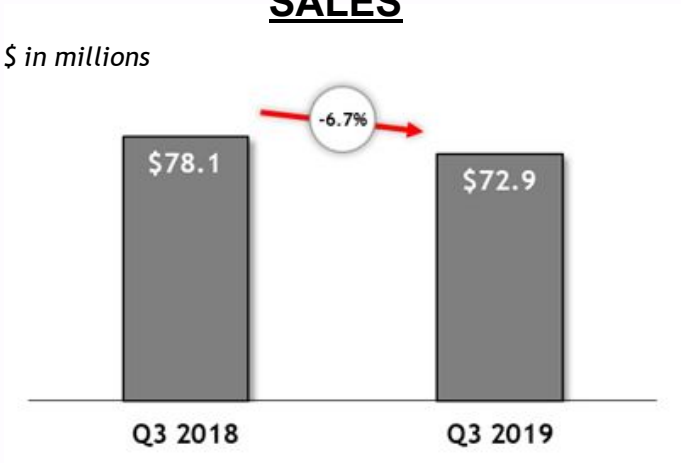
KEY DEVELOPMENTS

- Excluding impact of FX translation and acquisitions and divestitures, segment adjusted EBITDA decreased 21.5%, driven primarily by results in heavy-duty trucking
- Excluding heavy-duty trucking, FX translation, and acquisitions and divestitures, segment adjusted EBITDA increased 7.9% in Q3

ENGINEERED PRODUCTS

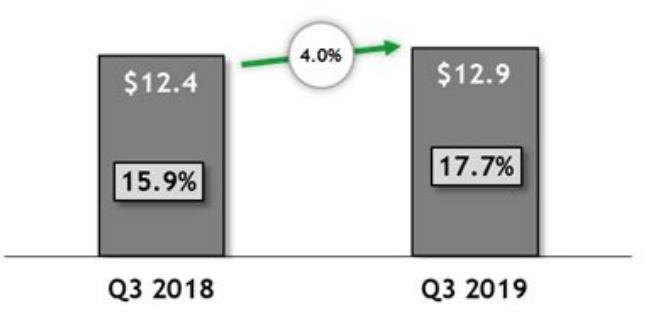
SALES

$ in millions



SEGMENT ADJUSTED EBITDA & MARGIN

$ in millions



MARKET CONDITIONS

- Sales decreased 4.2% excluding impact of FX translation
  - Weakness in the automotive and general industrial markets
  - Partially offset by strength in aerospace

KEY DEVELOPMENTS

- Excluding impact of FX translation, segment adjusted EBITDA increased 7.5%
  - Driven by cost reduction initiatives in the first half of the year in response to market challenges

POWER SYSTEMS

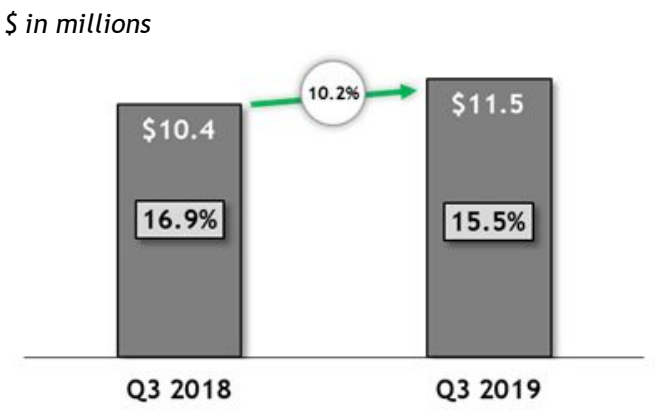
SALES



MARKET CONDITIONS

- Sales increase driven by strong aftermarket parts and military marine engine sales
- Partially offset by lower sales to power generation market

SEGMENT ADJUSTED EBITDA & MARGIN



KEY DEVELOPMENTS

- Excluding the impact of foreign exchange on the EDF contract in both periods, segment adjusted EBITDA was up 21.3% over the third quarter of last year
- Production of EDF engines is now 91% complete
- Expect to ship the remaining 4 production sets by January 2020

FAIRBANKS MORSE
AN ENPRO INDUSTRIES COMPANY

ADJUSTED DILUTED EARNINGS PER SHARE

- Adjusted diluted EPS in Q3 2019 of $1.13/share was down 17.5% compared to the third quarter of the prior year

ADJUSTED DILUTED EARNINGS PER SHARE

($ and shares in millions, except per share data)	Q3 2018	Q3 2019
Adjusted EBITDA	**$64.3**	**$54.8**
Less: Net Interest Expense	(5.9)	(3.8)
Less: Adjusted Income Tax Expense	(11.7)	(9.6)
Less: Depreciation & Amortization Expense	(18.0)	(18.0)
Adjusted Net Income	**$28.7**	**$23.4**
Average Diluted Shares Outstanding	20.9	20.7
Adjusted Diluted Earnings Per Share	**$1.37**	**$1.13**

OTHER NON-OPERATING EXPENSE AND ENVIRONMENTAL UPDATE

OTHER NON-OPERATING EXPENSE

- Other non-operating expense totaled $24.6 million in the third quarter of 2019, as a result of:
  - $15.3 million non-cash loss on the sale of the brake shoe business
  - $7.9 million increase in environmental reserve adjustments

ENVIRONMENTAL UPDATE

- Increase in environmental reserve adjustments reflects positive settlements in two matters contributed to EnPro at the time of its spin-off from Goodrich in 2002:
  - Reached settlement with Honeywell to completely resolve environmental liabilities related to Honeywell's clean-up of Onondaga Lake in New York
    - Resulted in a reserve increase of $3.5 million
  - Resolved significant portion of liabilities related to the Water Valley, Mississippi site
    - Resulted in a reserve increase of $4.4 million
- These settlements are a significant step in resolving these pre-spin-off environmental matters

CAPITAL ALLOCATION OVERVIEW

ACQUISITIONS

- Completed the Aseptic Group and LeanTeq acquisitions in the quarter
- Combined cash investment in the two businesses was ~$310 million (~$345 million total consideration including LeanTeq rollover equity)

CAPITAL EXPENDITURES

- Invested $6.8 million in purchases of property, plant, and equipment, compared to $17.6 million during the same period of 2018

DIVIDENDS

- Paid $0.25/share dividend totaling $5.1M

CASH FLOW, NET DEBT & LIQUIDITY SUMMARY

LIQUIDITY IN 2019

- For the nine months ended September 30, cash flow from operations, net of purchases of property, plant and equipment, was $126.9 million compared to $112.7 million for the same period a year ago
- At 9/30/19, cash balance of approximately $112M
- At 9/30/19, total borrowings of approximately $666M

$ millions		September 30, 2019
	Credit Facility	$170
	Senior Notes[(1)]	$345
	Term Loan	$150
	Capital Lease Obligations	$1
A	**Debt Components**	**$666**
B	**Cash and Equivalents**	**$112**
C = (A – B)	**Net Debt**	**$554**
D	**LTM September 30, 2019 Adjusted EBITDA**	**$213**
E = (C / D)	**Leverage Ratio**	**2.6x**

(1) Includes impact from unamortized debt issue costs.
Note: LTM EBITDA includes one quarter of contribution from The Aseptic Group acquisition and no contribution from LeanTeq acquisition.

GUIDANCE

Marvin Riley – President & Chief Executive Officer

2019 GUIDANCE

GUIDANCE COMMENTARY (1)

- Expect full-year adjusted EBITDA to be between $210 and $214 million and adjusted diluted EPS to be between $3.90 to $4.04

	2019 Guidance(1)	
	Low	High
Adjusted EBITDA	$210M	$214M
Adjusted EPS	$3.90	$4.04

(1) Full-year guidance excludes changes in the number of shares outstanding, impacts from future acquisitions, dispositions and related transaction costs, restructuring costs, incremental impacts of tariffs and trade tensions on market demand and costs subsequent to the end of the third quarter, the impact of foreign exchange rate changes subsequent to the end of the third quarter, and environmental and legacy litigation charges.

QUESTIONS

APPENDIX

LTM ADJUSTED EBITDA

(Stated in Millions of Dollars)

	Adjusted EBITDA
Nine Months Ended September 30, 2019 (A)	$ 158.9
Year Ended December 31, 2018	217.4
Less: Nine Months Ended September 30, 2018 (A)	162.9
Trailing Twelve Months Ended September 30, 2019	$ 213.4

ADJUSTED EBITDA

Reconciliation of Net Income (Loss) to Adjusted EBITDA (Unaudited)

For the Quarters and Nine Months Ended September 30, 2019 and 2018
(Stated in Millions of Dollars)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss)	$ (1.5)	$ 24.2	$ 35.5	$ 46.7
Adjustments to arrive at earnings before interest, income taxes, depreciation and amortization (EBITDA):				
Interest expense, net	3.8	5.9	12.5	20.8
Income tax expense	1.7	0.3	17.5	16.4
Depreciation and amortization expense	18.0	18.0	53.6	54.6
EBITDA	22.0	48.4	119.1	138.5
Adjustments to arrive at earnings before interest, income taxes, depreciation, amortization and other selected items (Adjusted EBITDA):				
Restructuring and impairment costs	2.2	0.3	4.4	7.1
Environmental reserve adjustments and other costs associated with previously disposed businesses	8.5	0.7	9.6	2.4
Loss on sale of business	15.3	-	15.3	-
Pension settlement	-	12.8	-	12.8
Acquisition expenses	5.9	1.5	7.9	1.6
Pension expense (income) (non-service cost)	0.8	0.3	2.4	(0.8)
Other	0.1	0.3	0.2	1.3
Adjusted EBITDA	$ 54.8	$ 64.3	$ 158.9	$ 162.9

* Adjusted EBITDA as presented also represents the amount defined as "EBITDA" under the indenture governing the Company's 5.75% Senior Notes due 2026.

Supplemental disclosure: For the nine months ended September 30, 2019, approximately 44% of the adjusted EBITDA as presented above was attributable to EnPro's subsidiaries that do not guarantee the Company's 5.75% Senior Notes due 2026

ADJUSTED EBITDA

Reconciliation of Consolidated Net Income (Loss) to Consolidated Adjusted EBITDA (Unaudited)

For the Year Ended December 31, 2018
(Stated in Millions of Dollars)

	Years Ended December 31, 2018
Net income (loss)	$ 19.6
Adjustments to arrive at earnings before interest, income taxes, depreciation and amortization (EBITDA):	
Interest expense, net	27.3
Income tax expense (benefit)	27.0
Depreciation and amortization expense	73.7
EBITDA	147.6
Adjustments to arrive at earnings before interest, income taxes, depreciation, amortization and other selected items (Consolidated Adjusted EBITDA):	
Restructuring costs	22.4
Loss on extinguishment of debt	18.1
Environmental reserve adjustments and other costs associated with previously disposed businesses	13.4
Pension expense (non-service cost)	11.9
Other	4.0
Consolidated adjusted EBITDA	$ 217.4

* Consolidated adjusted EBITDA as presented also represents the amount defined as "EBITDA" under the indenture governing the Company's 5.75% senior notes due 2026.

Supplemental disclosure: For the year ended December 31, 2018, approximately 51% of the adjusted EBITDA as presented above was attributable to EnPro's subsidiaries that do not guarantee the Company's 5.75% Senior Notes due 2026

SEGMENT ADJUSTED EBITDA

Reconciliation of Segment Profit to Adjusted Segment EBITDA (Unaudited)

(Stated in Millions of Dollars)

	Quarter Ended September 30, 2019			
	Sealing Products	Engineered Products	Power Systems	Total Segments
Segment profit	$ 19.4	$ 9.0	$ 8.9	$ 37.3
Acquisition expenses	5.8	0.1	-	5.9
Restructuring and impairment costs	1.1	0.3	0.8	2.2
Depreciation and amortization expense	12.7	3.5	1.8	18.0
Earnings before interest, income taxes, depreciation, amortization, and other selected items (adjusted segment EBITDA)	$ 39.0	$ 12.9	$ 11.5	$ 63.4
Adjusted segment EBITDA margin	17.2%	17.7%	15.5%	17.0%

	Quarter Ended September 30, 2018			
	Sealing Products	Engineered Products	Power Systems	Total Segments
Segment profit	$ 35.9	$ 8.4	$ 8.7	$ 53.0
Acquisition expenses	1.5	-	-	1.5
Restructuring costs	0.1	0.2	-	0.3
Depreciation and amortization expense	12.5	3.8	1.7	18.0
Adjusted segment EBITDA	$ 50.0	$ 12.4	$ 10.4	$ 72.8
Adjusted segment EBITDA margin	20.0%	15.9%	16.9%	18.8%

For a reconciliation of segment profit to net income, please refer to the Segment Information (Unaudited) schedule.

CONSOLIDATED ADJUSTED NET INCOME

Reconciliation of Net Income (Loss) to Adjusted Net Income and Adjusted Diluted Earnings Per Share (Unaudited)

(Stated in Millions of Dollars, Except Per Share Data)

	Quarters Ended September 30,					
	2019			2018		
	$	Average common shares outstanding, diluted (millions)*	Per share	$	Average common shares outstanding, diluted (millions)	Per share
Net income (loss)	$ (1.5)	20.6	$ (0.08)	$ 24.2	20.9	$ 1.16
Income tax expense	1.7			0.3		
Income before income taxes	0.2			24.5		
Adjustments:						
Restructuring and impairment costs	2.2			0.3		
Environmental reserve adjustments and other costs associated with previously disposed businesses	8.5			0.7		
Loss on sale of business	15.3			-		
Pension settlement	-			12.8		
Acquisition expenses	5.9			1.5		
Pension expense (non-service cost)	0.8			0.3		
Other	0.1			0.3		
Adjusted income before income taxes	33.0			40.4		
Adjusted income tax expense	(9.6)			(11.7)		
Adjusted net income	$ 23.4	20.7	$ 1.13**	$ 28.7	20.9	$ 1.37*

Management of the Company believes that it would be helpful to the readers of the financial statements to understand the impact of certain selected items on the Company's reported net income and earnings per share, including items that may recur from time to time. The items adjusted for in this schedule are those that are excluded by management in budgeting or projecting for performance in future periods, as they typically relate to events specific to the period in which they occur. This presentation enables readers to better compare EnPro Industries, Inc. to other diversified industrial manufacturing companies that do not incur the sporadic impact of restructuring activities, costs associated with previously disposed of businesses, or other selected items. Management acknowledges that there are many items that impact a company's reported results and this list is not intended to present all items that may have impacted these results.

The restructuring and impairment costs, environmental reserve adjustments and other costs associated with previously disposed businesses, loss on sale of business, and pension expense (settlement and other non-service cost) are included as part of other operating expense and other expense. The acquisition expenses and other costs are included in selling, general, and administrative and other operating expenses.

The adjusted income tax expense presented above is calculated using a normalized company-wide effective tax rate excluding discrete items of 29.0%. Per share amounts were calculated by dividing by the weighted-average shares of diluted common stock outstanding during the periods.

*There were 0.1 million potentially dilutive shares excluded from the calculation of consolidated earnings per share for the quarter ended September 30, 2019 since they were antidilutive. These shares were added back for the purpose of calculating adjusted net income per share for that period.

** Adjusted diluted earnings per share.