# SECOND QUARTER 2020 EARNINGS REVIEW

**AUGUST 4, 2020**



# 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: impacts from the COVID-19 pandemic and governmental responses to limit the further spread of COVID-19, including impacts on the company's operations, and the operations and businesses of its customers and vendors, including whether the company's operations and those of its customers and vendors will continue to be treated as "essential" operations under government orders restricting business activities or, even if so treated, whether site-specific health and safety concerns might otherwise require certain of the company's operations to be halted for some period of time; uncertainty with respect to the duration and severity of these impacts from the COVID-19 pandemic, including impacts on the general economy; other economic conditions in the markets served by EnPro's businesses, some of which are cyclical and experience periodic downturns; prices and availability of its raw materials; the impact of fluctuations in relevant foreign currency exchange rates; unanticipated delays or problems in introducing new products; announcements by competitors of new products, services or technological innovations; changes in pricing policies or the pricing policies of competitors; and the amount of any payments required to satisfy contingent liabilities related to discontinued operations of its predecessors, including liabilities for certain products, environmental matters, employee benefit obligations and other matters. EnPro's filings with the Securities and Exchange Commission, including its most recent Form 10-K and 10-Q, describe these and other risks and uncertainties in more detail. EnPro does not undertake to update any forward-looking statements made in the course of this presentation 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 non-GAAP measures to the most directly comparable GAAP equivalents is included as an appendix to this presentation.

# Q2 2020 UPDATE

**Marvin Riley** – President & CEO

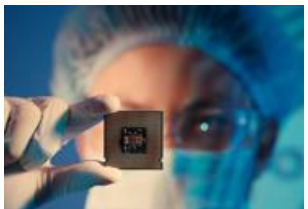


# Q2 2020 HIGHLIGHTS



**Q2 2020 Financial Highlights**

- Sales decreased 22.1% to $247.0M
- Adjusted EBITDA margin* remained relatively stable, contracting ~30 bps to 15.2%, with adjusted EBITDA* of $37.5M
- Announced final steps toward completion of reshaping the heavy-duty truck business to focus on products that are highly differentiated with market leading positions and compelling margins
- Announced plans to exit GGB's bushing block business, a non-core product line that does not fit with EnPro's portfolio strategy
- Strong balance sheet with net debt to adjusted EBITDA* of 0.4x and ample liquidity consisting of $424M cash and $387M available under revolver



**Sealing Products Development**

- Sales decreased 17.9% to $189.9M due to lower demand in heavy-duty truck, general industrial, aerospace, and oil & gas, offset by growth in food and pharma and semiconductor markets
- Adjusted EBITDA* decreased 2.1% to $41.5M; adjusted EBITDA margin* expanded 360 bps to 21.9%; primarily driven by acquisitions, improvements in the heavy-duty truck business, and cost control measures



**Engineered Products Development**

- Sales decreased 32.9% to $58.6M due to weakness in the automotive, general industrial, oil & gas, and petrochemical markets
- Adjusted EBITDA* decreased 68.8% to $4.9M; adjusted EBITDA margin* contracted 960 bps to 8.4%; driven by lower sales, partially offset by cost-reduction initiatives in response to market challenges
- Moved oil and gas portion of Garlock Pipeline Technologies (GPT) business from Sealing Products to the Engineered Products segment, grouping our two oil and gas businesses, GPT and CPI, to be managed as one business unit

* Non-GAAP measure; refer to appendix for reconciliation to GAAP.

# FOUR-PHASE RESPONSE TO NAVIGATE THE COVID-19 PANDEMIC

**Our cross-functional COVID-19 Response & Support Team, made up of our global executive leadership team, is working around the clock to manage our business continuity plans and coordinated response**

**THE HEALTH AND SAFETY OF OUR EMPLOYEES, COMMUNITIES, CUSTOMERS, AND SUPPLIERS IS OUR NUMBER ONE PRIORITY**

## PHASE 1
***Health and Safety***

- Mobilized COVID-19 Response & Support Team
- Developed 'global safe work playbook', a standardized approach for COVID-19 pandemic preparedness and response
- Enacted preventative measures in line with recommendations from global and local authorities
- Implemented flexible and remote work options
- Enacted safe operating procedures, including temperature screenings, additional PPE, physical plexiglass workspace barriers, and enhanced visual management to support social distancing

## PHASE 2
***Business Stability and Progression***

- Planning for several contingency scenarios
- Planning for running business in adverse conditions, resetting business to new demand levels, managing liquidity, and being responsive to customers
- Taking decisive, informed actions to prevent the spread of COVID-19
- Developed playbooks to respond to changing demand levels
- Focused on supply chain stability, progression, and risk mitigation
- Enacted cost reductions resulting in full year **2020 savings of ~$30M**, estimate half will be sustainable annual savings moving forward

## PHASE 3
***Process and Cost Improvement***

- Monitoring and improving:
  - Processes
  - Procedures
  - New ways of working
- Finding solutions to allow employees to thrive in new environment
- Enhanced customer experience

## PHASE 4
***Post-pandemic Period***

- Adapting to the new normal
- Refocusing on our core strategy
- Digital transformation of workplace and work routines
- Supply chain reconfiguration

Taking the Necessary Actions to Protect our People and Organization

# ENPRO'S STRATEGY

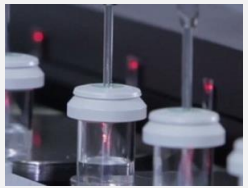
1. **Reshaping portfolio to include businesses focused on materials science with compelling margins, leading technologies, and strong cash flow in markets with favorable secular trends**

2. **Increasing aftermarket exposure and driving greater recurring revenues**

3. **Maintaining a balanced, disciplined approach to capital allocation while leveraging the EnPro Operating System to increase margins and cash flow return on investment**

**SUCCESSFUL EXECUTION OF PORTFOLIO SHAPING ACTIONS RESULTING IN A MORE DURABLE BUSINESS MODEL**

## Acquisitions



**The Aseptic Group Acquisition**
(Closed Q3 2019)



**LeanTeq Co., Ltd. Acquisition**
(Closed Q3 2019)

## Divestitures and Exits



**TrailerTail Exit**
(Completed Q4 2019)



**Fairbanks Morse Divestiture**
(Closed Q1 2020)



**Bushing Block Business Exit**
(Announced Q2 2020)



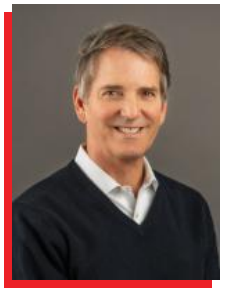

**Brakes Products Exits (Several)**
(Announced/Completed Q3 2019 – Q3 2020)



**Air Springs Divestiture**
(Announced Q3 2020)

# OVERVIEW OF FINANCIAL RESULTS

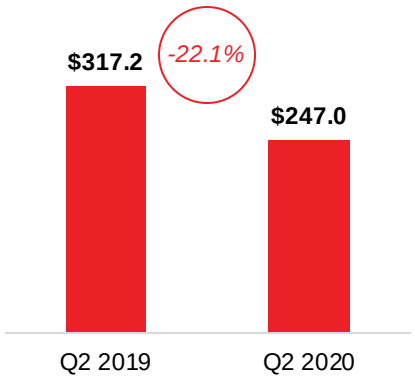
**Milt Childress** – Executive Vice President & CFO



# Q2 2020 FINANCIAL PERFORMANCE

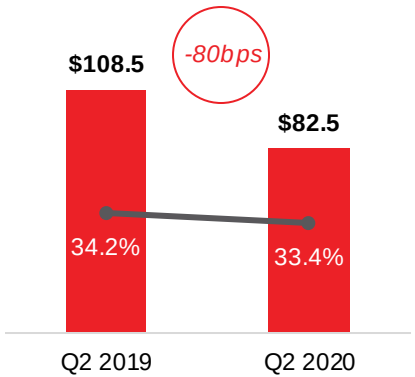
*$ in millions, except per share data*

## Sales



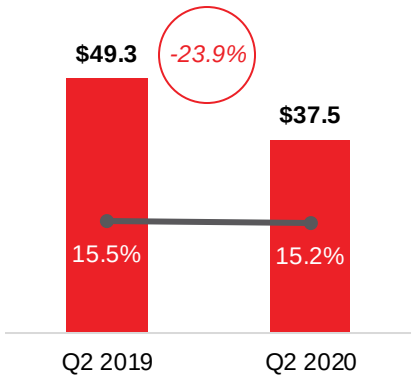

- Growth in semiconductor and food and pharma, including contributions from acquired businesses, was more than offset by weakness in heavy-duty truck, general industrial, automotive, aerospace, oil and gas, and petrochemical markets
- Excluding impact of foreign currency and sales from acquired and divested businesses, organic sales for the quarter declined 23.6%

## Gross Profit & Margin



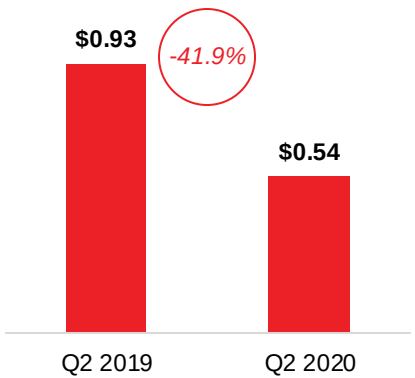

- Decrease driven by sales volume declines across our businesses and $5M in inventory write-downs related to heavy-duty truck exits, partially offset by contributions from acquisitions and company-wide cost reduction programs

## Adj. EBITDA* & Margin*




- Decline was primarily driven by decreased demand in certain of our core markets, partially offset by:
  - LeanTeq and Aseptic Group acquisitions
  - Company-wide cost reductions

## Adj. Diluted EPS*



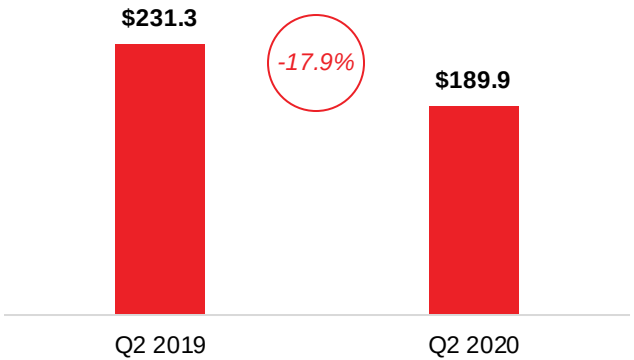

- Repurchased 117k shares, totaling $5.3M in Q1'20
- $30M remaining in $50M share repurchase plan; have suspended program in response to COVID-19

* Non-GAAP measure; refer to appendix for reconciliation to GAAP.

# SEALING PRODUCTS – Q2 2020 FINANCIAL PERFORMANCE

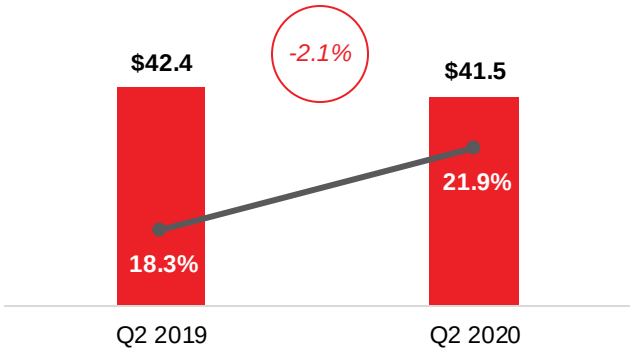
*$ in millions*

## Sales




- Growth in food and pharma and semiconductor was more than offset by decreased demand in heavy-duty truck, aerospace, general industrial, and oil and gas markets
- Impacted by unfavorable foreign exchange translation, the exit of three underperforming product lines in the fourth quarter of 2019, and the divestiture of the brake shoe business in the third quarter of 2019
- Excluding the impact of acquisitions, divestitures, and foreign exchange translation second quarter sales decreased 20.2% compared to the prior-year period

## Adj. EBITDA* & Margin*

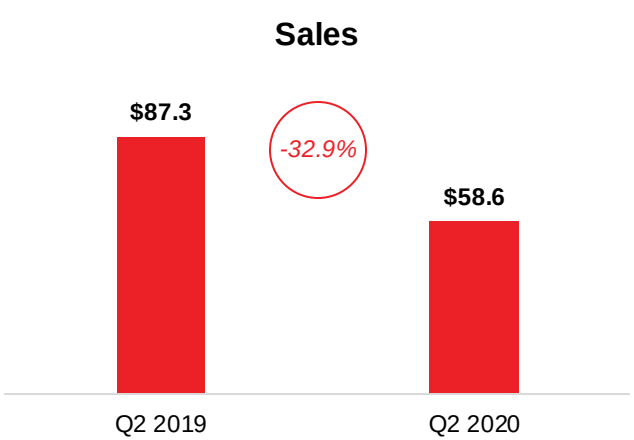


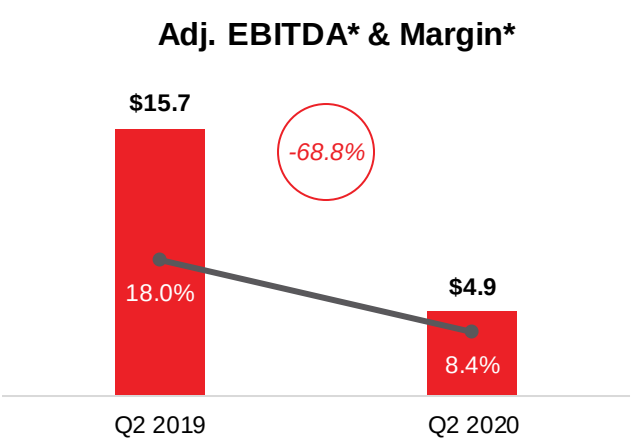

- Benefit of contributions from acquisitions, cost management initiatives, and more favorable mix in heavy-duty trucking resulting from reshaping actions
- Segment adjusted EBITDA margin* expanded 360 basis points to 21.9%
- Excluding the impact of foreign exchange translation, the two acquisitions, and the divestiture of the brake shoe business, segment adjusted EBITDA margin* contracted 40 basis points to 19.5%, compared to 19.9% in the prior-year period

* Non-GAAP measure; refer to appendix for reconciliation to GAAP.

# ENGINEERED PRODUCTS – Q2 2020 FINANCIAL PERFORMANCE

*$ in millions*




- Weakness in the automotive, general industrial, oil & gas, and petrochemical markets
- Moved oil and gas portion of GPT business from Sealing Products to the Engineered Products segment, grouping our two oil and gas businesses, GPT and CPI, to be managed as one business unit

- Segment adjusted EBITDA* decreased 68.8% to $4.9M
- Segment adjusted EBITDA margin* contracted 960 bps to 8.4%; driven by lower sales, partially offset by cost-reduction initiatives in response to market challenges
- Excluding the impact of foreign exchange translation, year-over-year decremental adjusted EBITDA margins* of approximately 40% were significantly less than decrementals in past recessions, resulting from strong cost management actions

* Non-GAAP measure; refer to appendix for reconciliation to GAAP.

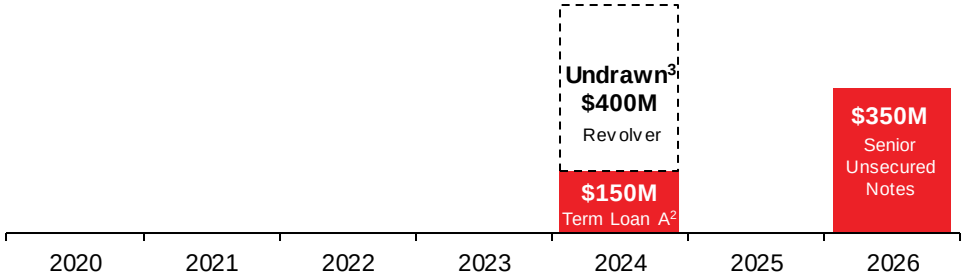
# BALANCE SHEET STRENGTH

## Net Leverage

**Reported June 30, 2020** ($M)

| | | |
|---|---|---|
| | Credit Facility | **$0** |
| | Senior Notes[1] | **$346** |
| | Term Loan[2] | **$148** |
| | Capital Lease Obligations | **$0** |
| A | Debt Components | **$494** |
| B | Cash and Equivalents | **$424** |
| C = (A – B) | Net Debt | **$70** |
| D | LTM June 30, 2020 Adjusted EBITDA* | **$164** |
| **E = (C / D)** | **Leverage Ratio** | **0.4x** |

## Debt Maturity Schedule




## Commentary

- Strong balance sheet with net debt to adjusted EBITDA* of 0.4x and ample liquidity consisting of $424M cash and $387M [3] available under revolver; bolstered by $450M sale of Fairbanks Morse in Q1 2020
- Estimated taxes of ~$50M to be paid in second half of 2020, primarily driven by gain on sale of Fairbanks Morse
- Free cash flow in Q2 was flat year-over-year at approximately $29M
- Suspended share repurchase program in response to COVID-19; repurchased $5.3M of shares in Q1; $30M remains under current authorization
- Paid $5.3M in dividends, or $0.26 per share in Q2 2020; dividend policy remains unchanged
- Expect 2020 capital spending to be at, or below, 2019 levels
- Revolver and term loan mature in 2024 and senior notes mature in 2026, subject to applicable reinvestment requirements related to the Fairbanks Morse and other divestitures

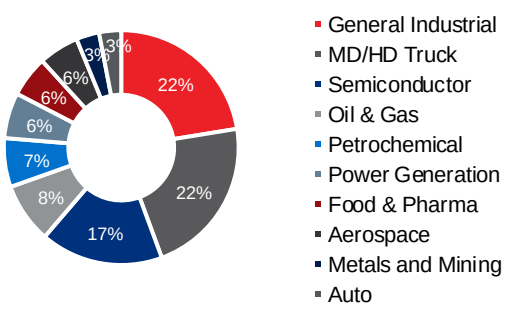
**Strong and Flexible Balance Sheet Positions Company to Confidently Weather Downturn and Capitalize on Further Opportunities**

[1] Includes impact from unamortized debt issue costs. [2] The Term Loan Facility amortizes on a quarterly basis in an annual amount equal to 2.50% of the original principal amount of the Term Loan Facility in each of years one through three, 5.00% of such original principal amount in year four, and 1.25% of such original principal amount in each of the first three quarters of year five, with the remaining outstanding principal amount payable at maturity. [3] Company has full availability of $400M revolver, less $13M in outstanding letters of credit. * Non-GAAP measure; refer to appendix for reconciliation to GAAP. Note: LTM June 30, 2020 Adjusted EBITDA includes four quarters of contribution from The Aseptic Group acquisition and three quarters contribution from LeanTeq acquisition.

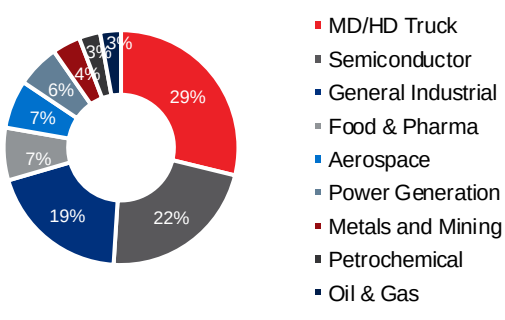
# COVID-19 SCENARIO ANALYSIS

## Q2 Market Exposure

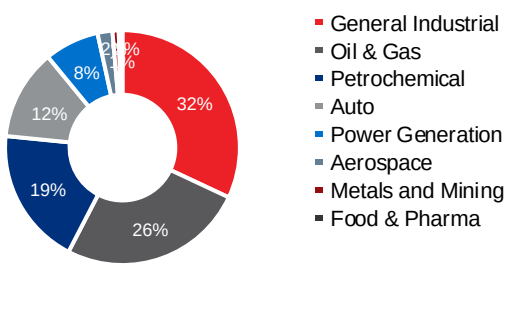
### Total EnPro




### Sealing Products




### Engineered Products




## Scenario Analysis Insights

- Continue to have very limited visibility into the balance of the year
- Planned for a variety of COVID-19 scenarios for 2020:
  - Continue to model a variety of different scenarios for the year based on revenue, in the aggregate, falling from 15% to 25% compared to 2019, including the impact of portfolio shaping actions
  - Now expect that if 2020 revenues decline in this range, adjusted EBITDA margins may range between 13% - 14% for the year, depending on the sales decline and product mix
    - This compares to our prior scenario planning range of 11% to 13%
- As a reminder, softer demand is typical in the third quarter due to seasonal patterns and, specific to this year, the company is expecting longer lead time orders to also affect the third quarter; anticipate a modest sequential improvement in the fourth quarter
- Businesses have already taken actions to mitigate impacts of decreased demand due to COVID-19; further contingency plans are ready, if needed, to adjust businesses to meet new demand levels and recover from economic slow down

Well Prepared for Near-term Challenges and Will Move Quickly to Address Additional Risks if they Present Themselves

# CLOSING COMMENTS

**Marvin Riley** – President & CEO



# CLOSING COMMENTS

**ENPRO IS DETERMINED TO MAXIMIZE SHAREHOLDER VALUE DURING THIS CHALLENGING TIME AND BEYOND**

- Improving **quality of portfolio** through significant portfolio shaping actions
- Driving **operational excellence** by leveraging the EnPro Operating System to reduce costs and improve productivity and quality control
- Developing **new ways of working** as we navigate through the COVID-19 environment
- Protecting the **health and safety** of employees
- Delivering **high levels of service** to customers
- Standing behind **commitment to equality** and **standing up against any form of discrimination**

"Our success will be fueled by the commitment of our cycle-tested leadership team, strong financial position, portfolio transformation work completed, and operational improvements we continue to make throughout the organization." – Marvin Riley, President and CEO

# Q&A

# APPENDIX

# ENPRO (NYSE: NPO) | ATTRACTIVE PORTFOLIO OF BUSINESSES

## Company Overview

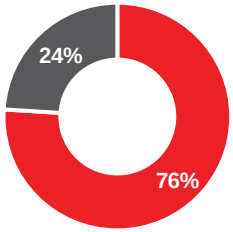
| | |
|---|---|
| Headquarters | **Charlotte, NC** |
| Manufacturing Facilities | **25 primary** |
| Global Employees | **~5,000** |
| Customers | **50,000+** |

## Financial Overview

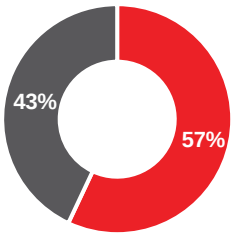
| | |
|---|---|
| Market-Cap[1] | **$1B** |
| LTM Revenue[2] | **$1.1B** |
| LTM Adj. EBITDA (Margin)[2,3] | **$164M (14.7%)** |
| 2019 Aftermarket Rev. | **57%** |
| Dividend Yield[1] | **2.1%** |

## Revenue Contribution

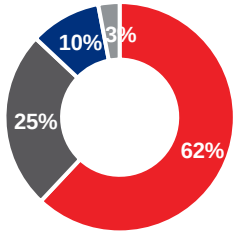
### Sales by Segment[4]



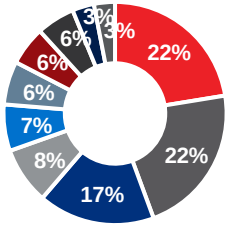

### Sales by Channel[5]




### Sales by Geography[5]




### Sales by Market[4]




Leading Provider of Highly-Engineered Solutions for Mission Critical Applications with #1-3 Market Positions

[1] As of 7/30/20; [2] LTM as of 6/30/20; [3] Refer to appendix for Non-GAAP reconciliation; [4] As of Q2 2020; [5] As of FY 2019; Note: Excludes Fairbanks Morse, which is now reported as a discontinued operation.

# RECONCILIATION OF LTM RESULTS

| **EnPro** *($ in millions)* | **Revenue ($)** | **Adjusted EBITDA ($)** | **Adjusted EBITDA Margin %** |
|---|---|---|---|
| Plus: | | | |
| Six Months Ended June 30, 2020 | 530 | 78 | 14.7% |
| Year Ended December 31, 2019 | 1,206 | 169 | 14.0% |
| Less: | | | |
| Six Months Ended June 30, 2019 | 620 | 83 | 13.4% |
| **LTM Ended June 30, 2020** | 1,115 | 164 | 14.7% |

| **Sealing Products** *($ in millions)* | **Revenue ($)** | **Adjusted EBITDA ($)** | **Adjusted EBITDA Margin %** |
|---|---|---|---|
| Plus: | | | |
| Six Months Ended June 30, 2020 | 400 | 82 | 20.6% |
| Year Ended December 31, 2019 | 881 | 155 | 17.6% |
| Less: | | | |
| Six Months Ended June 30, 2019 | 449 | 75 | 16.7% |
| **LTM Ended June 30, 2020** | 832 | 162 | 19.5% |

| **Engineered Products** *($ in millions)* | **Revenue ($)** | **Adjusted EBITDA ($)** | **Adjusted EBITDA Margin %** |
|---|---|---|---|
| Plus: | | | |
| Six Months Ended June 30, 2020 | 134 | 13 | 9.9% |
| Year Ended December 31, 2019 | 331 | 54 | 16.2% |
| Less: | | | |
| Six Months Ended June 30, 2019 | 175 | 27 | 15.6% |
| **LTM Ended June 30, 2020** | 290 | 40 | 13.7% |

# CONSOLIDATED ADJUSTED EBITDA

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

For the Years Ended December 31, 2019 and 2018
(Stated in Millions of Dollars)

| | Years Ended December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net income (loss) | $ 38.3 | $ 19.6 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation and amortization (EBITDA): | | |
| Income from discontinued operations, net of taxes | (30.5) | (24.3) |
| Interest expense, net | 18.2 | 27.3 |
| Income tax benefit (expense) | (3.5) | 19.8 |
| Depreciation and amortization expense | 68.0 | 66.1 |
| EBITDA | 90.5 | 108.5 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation, amortization and other selected items (Adjusted EBITDA): | | |
| Restructuring and impairment costs | 35.1 | 22.1 |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 14.5 | 13.4 |
| Loss on sale of business | 16.3 | - |
| Loss on extinguishment of debt | - | 18.1 |
| Acquisition and divestiture expenses | 8.9 | 2.0 |
| Pension expense (income) (non-service cost) | 3.3 | 11.9 |
| Non-controlling interest compensation allocation** | 0.5 | - |
| Other | 0.3 | 2.1 |
| Adjusted EBITDA | $ 169.4 | $ 178.1 |

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

**Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq being subject to reduction for certain types of employment terminations of the LeanTeq sellers. This expense is recorded in selling, general, and administration expenses on our Consolidated Statement of Operations and is directly related to the terms of the acquistion of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occured.

Supplemental disclosure: For the year ended December 31, 2019, approximately 60% 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

# CONSOLIDATED ADJUSTED EBITDA

## Reconciliation of Net Income (Loss) Attributable to EnPro Industries, Inc. to Adjusted EBITDA (Unaudited)

For the Quarters and Six Months Ended June 30, 2020 and 2019
(Stated in Millions of Dollars)

| | Quarters Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net income (loss) attributable to EnPro Industries, Inc. | $ (6.5) | $ 23.9 | $ 212.2 | $ 37.0 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation and amortization (EBITDA): | | | | |
| Loss (income) from discontinued operations, net of taxes | 3.2 | (7.3) | (205.4) | (12.6) |
| Income attributable to redeemable non-controlling interest, net of taxes | 0.1 | - | 0.2 | - |
| Interest expense, net | 3.5 | 4.2 | 7.5 | 8.7 |
| Income tax expense | 1.8 | 8.7 | 9.5 | 11.5 |
| Depreciation and amortization expense | 17.2 | 16.2 | 34.5 | 31.8 |
| EBITDA | 19.3 | 45.7 | 58.5 | 76.4 |
| Adjustments to arrive at earnings before interest, income taxes, depreciation, amortization and other selected items (Adjusted EBITDA): | | | | |
| Restructuring and impairment costs | 17.5 | 1.0 | 18.9 | 2.3 |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 0.3 | 0.2 | 0.7 | 1.2 |
| Net gain on sale of business | - | - | (1.1) | - |
| Acquisition and divestiture expenses | 0.5 | 1.5 | 1.3 | 2.0 |
| Pension expense (income) (non-service cost) | (0.6) | 0.9 | (1.3) | 1.5 |
| Non-controlling interest compensation allocation** | 0.5 | - | 1.1 | - |
| Adjusted EBITDA | $ 37.5 | $ 49.3 | $ 78.1 | $ 83.4 |

**Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq being subject to reduction for certain types of employment terminations of the LeanTeq sellers. This expense is recorded in selling, general, and administrative expenses on our Consolidated Statements of Operations and is directly related to the terms of the acquisition of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occurred.

Supplemental disclosure: Adjusted EBITDA as presented also represents the amount defined as "EBITDA" under the indenture governing the Company's 5.75% Senior Notes due 2026. For the six months ended June 30, 2020, approximately 66% 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

| | Quarter Ended June 30, 2020 | | |
|---|---|---|---|
| | Sealing Products | Engineered Products | Total Segments |
| Segment profit (loss) | $ 11.0 | $ (0.3) | $ 10.7 |
| Acquisition and divestiture expenses | 0.5 | - | 0.5 |
| Non-controlling interest compensation allocation* | 0.5 | - | 0.5 |
| Restructuring and impairment costs | 15.8 | 1.7 | 17.5 |
| Depreciation and amortization expense | 13.7 | 3.5 | 17.2 |
| Earnings before interest, income taxes, depreciation, amortization, and other selected items (adjusted segment EBITDA) | $ 41.5 | $ 4.9 | $ 46.4 |
| Adjusted segment EBITDA margin | 21.9% | 8.4% | 18.8% |

| | Quarter Ended June 30, 2019 | | |
|---|---|---|---|
| | Sealing Products | Engineered Products | Total Segments |
| Segment profit | $ 27.9 | $ 11.6 | $ 39.5 |
| Acquisition and divestiture expenses | 1.3 | 0.2 | 1.5 |
| Restructuring costs | 0.7 | 0.2 | 0.9 |
| Depreciation and amortization expense | 12.5 | 3.7 | 16.2 |
| Adjusted segment EBITDA | $ 42.4 | $ 15.7 | $ 58.1 |
| Adjusted segment EBITDA margin | 18.3% | 18.0% | 18.3% |

| | Six Months Ended June 30, 2020 | | |
|---|---|---|---|
| | Sealing Products | Engineered Products | Total Segments |
| Segment profit | $ 36.5 | $ 3.3 | $ 39.8 |
| Acquisition and divestiture expenses | 1.3 | - | 1.3 |
| Non-controlling interest compensation allocation* | 1.1 | - | 1.1 |
| Restructuring and impairment costs | 15.9 | 3.0 | 18.9 |
| Depreciation and amortization expense | 27.6 | 6.9 | 34.5 |
| Adjusted segment EBITDA | $ 82.4 | $ 13.2 | $ 95.6 |
| Adjusted segment EBITDA margin | 20.6% | 9.9% | 18.0% |

| | Six Months Ended June 30, 2019 | | |
|---|---|---|---|
| | Sealing Products | Engineered Products | Total Segments |
| Segment profit | $ 48.4 | $ 18.1 | $ 66.5 |
| Acquisition and divestiture expenses | 1.5 | 0.5 | 2.0 |
| Restructuring costs | 0.9 | 1.0 | 1.9 |
| Depreciation and amortization expense | 24.2 | 7.6 | 31.8 |
| Adjusted segment EBITDA | $ 75.0 | $ 27.2 | $ 102.2 |
| Adjusted segment EBITDA margin | 16.7% | 15.6% | 16.5% |

*Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq being subject to reduction for certain types of employment terminations of the LeanTeq sellers. This expense is recorded in selling, general, and administrative expenses on our Consolidated Statements of Operations and is directly related to the terms of the acquisition of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occutred.

Segment AEBITDA

| | Quarter ended | | | | Year Ended | Quarter Ended |
|---|---|---|---|---|---|---|
| | March 31, 2019 | June 30, 2019 | September 30, 2019 | December 31, 2019 | December 31, 2019 | March 31, 2020 |
| Sealing Products | $ 32.6 | $ 42.4 | $ 37.0 | $ 42.9 | $ 154.9 | $ 40.8 |
| Engineered Products | 11.5 | 15.7 | 14.8 | 11.7 | 53.7 | 8.3 |
| | $ 44.1 | $ 58.1 | $ 51.8 | $ 54.6 | $ 208.6 | $ 49.1 |

In the second quarter of 2020, we moved our Garlock Pipeline Technologies ("GPT") business from the Sealing Products segment to the Engineered Products segement in order to simplify reporting and group our oil and gas businesses, GPT and CPI, togehter. The above tables have been restated to reflect this change.

# CONSOLIDATED ADJUSTED NET INCOME

| (Stated in Millions of Dollars) | Quarters Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | $ | Average common shares outstanding, diluted (millions) | Per share | $ | Average common shares outstanding, diluted (millions) | Per share |
| Income (loss) from continuing operations attributable to EnPro Industries, Inc. | $ (3.3) | 20.5 | $ (0.16) | $ 16.6 | 20.8 | $ 0.80 |
| Income from redeemable non-controlling interest, net of taxes | (0.1) | | | - | | |
| Income tax expense | (1.8) | | | (8.7) | | |
| Income (loss) from continuing operations before income taxes | (1.4) | | | 25.3 | | |
| Adjustments: | | | | | | |
| Restructuring and impairment costs | 17.5 | | | 1.0 | | |
| Environmental reserve adjustments and other costs associated with previously disposed businesses | 0.3 | | | 0.2 | | |
| Acquisition and divestiture expenses | 0.5 | | | 1.5 | | |
| Pension expense (income) (non-service cost) | (0.6) | | | 0.9 | | |
| Non-controlling interest compensation allocation*** | 0.5 | | | - | | |
| Adjusted income from operations before income taxes | 16.8 | | | 28.9 | | |
| Adjusted income tax expense | (5.5) | | | (9.5) | | |
| Income from redeemable non-controlling interest, net of taxes | (0.1) | | | - | | |
| Adjusted income from continuing operations attributable to EnPro Industries, Inc. | $ 11.2 | 20.5 | $ 0.54** | $ 19.4 | 20.8 | $ 0.93** |

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 income from continuing operations attributable to EnPro Industries, Inc. and diluted earnings per share attributable to EnPro Industries, Inc., 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 environmental reserve adjustments and other costs associated with previously disposed businesses, net gain on sale of business, and pension expense (non-service cost) are included as part of other income (expense). The non-controlling interest compensation allocation, acquisition and divestiture expenses, and other costs are included in selling, general, and administrative and other operating expenses. Restructuring and impairment costs are included as part of other operating expense and cost of sales.

The adjusted income tax expense presented above is calculated using a normalized company-wide effective tax rate excluding discrete items of 33.0% for continuing operations. Per share amounts were calculated by dividing by the weighted-average shares of diluted common stock outstanding during the periods.

** Adjusted diluted earnings per share.

***Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of LeanTeq that is subject to reduction for certain types of employment terminations of the LeanTeq sellers and is directly related to the terms of the acquisition of LeanTeq. This expense will continue to be recognized as compensation expense over the term of the put and call options associated with the acquisition unless certain employment terminations have occurred.

# FREE CASH FLOW

(Stated in Millions of Dollars)

## Free Cash Flow - 2020

| | Quarter ended March 31, 2020 | Quarter ended June 30, 2020 | Six Months Ended June 30, 2020 |
|---|---|---|---|
| Net cash provided by operating activities of continuing operations | $ 0.3 | $ 33.1 | $ 33.4 |
| Purchases of property, plant, and equipment | (5.2) | (3.7) | (8.9) |
| Free cash flow | $ (4.9) | $ 29.4 | $ 24.5 |

## Free Cash Flow - 2019

| | Quarter ended March 31, 2019 | Quarter ended June 30, 2019 | Six Months Ended June 30, 2019 |
|---|---|---|---|
| Net cash provided by (used In) operating activities of continuing operations | $ (1.3) | $ 34.9 | $ 33.6 |
| Purchases of property, plant, and equipment | (4.1) | (5.9) | (10.0) |
| Free Cash Flow | $ (5.4) | $ 29.0 | $ 23.6 |