

ENPRO INDUSTRIES, INC
Form 10-K
February 26, 2018

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

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 of incorporation) (I.R.S. employer identification no.)

5605 Carnegie Boulevard, Suite 500 28209
Charlotte, North Carolina
(Address of principal executive offices) (Zip code)
(704) 731-1500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 such 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of voting and nonvoting common stock of the registrant held by non-affiliates of the registrant as of June 30, 2017 was \$1,497,015,868. As of February 22, 2018, there were 21,592,605 shares of common stock of the registrant outstanding, which includes 191,342 shares of common stock held by a subsidiary of the registrant and accordingly are not entitled to be voted.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2018 annual meeting of shareholders are incorporated by reference into Part III.

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ENPRO INDUSTRIES, INC.

PART I

ITEM 1. BUSINESS

As used in this report, the terms “we,” “us,” “our,” “EnPro” and “Company” mean EnPro Industries, Inc. and its subsidiaries (unless the context indicates another meaning). The term “common stock” means the common stock of EnPro Industries, Inc., par value \$0.01 per share. The terms “convertible debentures” and “debentures” mean the 3.9375% Convertible Senior Debentures due 2015 issued by the Company in October 2005. The term “senior notes” means the 5.875% Senior Notes due 2022 issued by the Company in September 2014 and, unless the context otherwise requires, the 5.875% Senior Notes due 2022 of the same series issued in a follow-on offering in March 2017. The term “Coltec” refers to our subsidiary Coltec Industries Inc prior to its merger with and into our OldCo, LLC subsidiary on December 31, 2016 and to its assigns and successor after such date.

Background

We are a leader in designing, developing, manufacturing, and marketing proprietary engineered industrial products. We serve a wide variety of customers in varied industries around the world. As of December 31, 2017, we had 54 primary manufacturing facilities located in 12 countries, including the United States. We were incorporated under the laws of the State of North Carolina on January 11, 2002, as a wholly owned subsidiary of Goodrich Corporation (“Goodrich”). The incorporation was in anticipation of Goodrich’s announced distribution of its Engineered Industrial Products segment to existing Goodrich shareholders. The distribution took place on May 31, 2002 (the “Distribution”). Our sales by geographic region in 2017, 2016 and 2015 were as follows:

	2017	2016	2015
	(in millions)		
United States	\$750.6	\$682.4	\$696.2
Europe	292.6	289.9	289.5
Other	266.4	215.4	218.7
Total	\$1,309.6	\$1,187.7	\$1,204.4

On June 5, 2010 (the “GST Petition Date”), three of our subsidiaries 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 (the “Bankruptcy Court”) as a result of tens of thousands of pending and expected future asbestos personal injury claims. For a discussion of the effects of these proceedings on our financial statements, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview and Outlook – Overview” and Note 20, “Subsidiary Asbestos Bankruptcies” to our Consolidated Financial Statements, included in this report. Because of the filing, the results of these subsidiaries were deconsolidated from our results from the GST Petition Date until the Joint Plan (as defined below) was consummated and became effective at 12:01 a.m. on July 31, 2017.

On March 17, 2016, we announced that we had reached a comprehensive consensual settlement to resolve current and future asbestos claims which contemplated the joint plan of reorganization (the “Joint Plan”) which was filed with the Bankruptcy Court. This settlement contemplated that Coltec would, subject to the receipt of necessary consents, undergo a corporate restructuring (the “Coltec Restructuring”) in which all of its significant operating assets and subsidiaries, which included each of the Company’s major business units, would be distributed to a new direct subsidiary of the Company, which would also assume all of Coltec’s non-asbestos liabilities. The Coltec Restructuring was completed on December 31, 2016, and included the merger of Coltec with and into OldCo, LLC (“OldCo”), an indirect subsidiary of EnPro. As further contemplated by the settlement, on January 30, 2017 (the “OldCo Petition Date”), OldCo filed a Chapter 11 bankruptcy petition with the Bankruptcy Court (the “OldCo Chapter 11 Case”). GST and OldCo were reconsolidated effective July 31, 2017, upon the consummation of the Joint Plan.

GST and OldCo had combined sales for the seven months ended July 30, 2017 (that is prior to the consummation of the Joint Plan) and for the years ended December 31, 2016 and 2015 as follows:

	Seven Months Ended July 30, 2017	Years Ended December 31, 2016 2015	
	(in millions)		
United States	\$63.1	\$101.6	\$114.9
Europe	6.1	9.4	11.4
Other	56.7	84.8	91.3
Total	\$125.9	\$195.8	\$217.6

We maintain an Internet website at www.enproindustries.com. We will make this annual report, in addition to our other annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, available free of charge on our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Our Corporate Governance Guidelines and the charters for each of our Board Committees (Audit and Risk Management, Compensation and Human Resources, Executive, and Nominating and Corporate Governance committees) are also available on our website, and copies of this information are available in print to any shareholder who requests it. Information included on or linked to our website is not incorporated by reference into this annual report.

Acquisitions and Dispositions

In October 2017, we acquired 100% of the stock of Commercial Vehicle Components Co., Ltd. ("CVC"), a manufacturer of air disc brake and medium duty hydraulic disc brake pads for the heavy-duty and medium-duty commercial vehicle aftermarket. CVC will be managed as part of our Stemco division within the Sealing Products segment.

In June 2017, we acquired certain assets and assumed certain liabilities of Qualiseal Technology ("Qualiseal"), a privately-held company offering custom-engineered mechanical face and circumferential seals for demanding aerospace and industrial applications. Qualiseal is managed as part of our Technetics division within the Sealing Products segment.

We paid \$44.6 million, net of cash acquired, in 2017 for businesses acquired during the year.

Additionally, the reconsolidation of GST and OldCo on July 31, 2017 was accounted for as a business acquisition. See Note 2, "Garlock Sealing Technologies LLC, Garrison Litigation Management Group, Ltd., and OldCo, LLC" for further information about this transaction.

In April 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. Rubber Fab is managed as part of EnPro's Garlock division within the Sealing Products segment. In total, we paid \$22.6 million for the acquisition of Rubber Fab.

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. The Air Spring Business is a manufacturer of air springs that are used in the suspension systems of commercial vehicles. Following the acquisition, it became part of our Stemco division within the Sealing Products segment. The Air Spring Business manufactures products in its facility in San Luis Potosi, Mexico with a commercial organization in the U.S., Canada and Mexico, and engineering, testing and administrative resources in Fairlawn, Ohio. The addition of the Air Spring Business significantly expanded Stemco's presence and scale in the commercial vehicle suspension market. 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 of \$5.9 million for the agreed-upon acquisition date working capital balance.

In February 2015, we acquired 100% of the stock of ATDynamics, Inc. ("ATDynamics"), a privately-held company offering innovative aerodynamic products to the commercial trucking industry. ATDynamics is managed as part of our Stemco division within the Sealing Products segment. ATDynamics, with operations in Texas, is a leading designer and manufacturer of a suite of aerodynamic products engineered to reduce fuel consumption in the global freight transportation industry.

We paid \$45.5 million, net of cash acquired, in 2015 for the businesses acquired during that year.

In December 2014, we acquired Fabrico, Inc. ("Fabrico"), a privately-held company offering mission-critical components for the combustion and hot path sections of industrial gas and steam turbines. The business is headquartered in Oxford,

Massachusetts with additional facilities in Charlton, Massachusetts and Greenville, South Carolina. The addition of Fabrico significantly expanded our presence and scale in the land-based turbine seal and combustion market.

In March 2014, we acquired the remaining interest of the Stemco Crewson LLC joint venture. As a result, we own all of the ownership interests in Stemco Crewson LLC. The joint venture was formed in 2009 with joint venture partner Tramec, LLC to expand our brake product offerings to include automatic brake adjusters. The purchase of the remaining interest in the joint venture allows us to accelerate investment in new product development and commercial strategies focused on market share growth for these products.

In March 2014, we acquired the business of Strong-Tight Co. Ltd., a Taiwanese manufacturer and seller of gaskets and industrial sealing products. This acquisition added an established Asian marketing presence and manufacturing facilities for our gasket and sealing products business.

All of the businesses acquired in 2014 are included in our Sealing Products segment. We paid \$61.9 million in 2014, net of cash acquired, for these businesses.

In January 2013, we acquired certain assets and assumed certain liabilities of a small distributor of industrial seals in Singapore which is managed as part of the Garlock operations in the Sealing Products segment. The acquisition was paid for with \$2.0 million of cash.

In 2016, we sold all shares of our Franken Plastik business unit in the Sealing Products segment and of our CPI Thailand business unit in the Engineered Products segment. The Franken Plastic sale closed in December, while the CPI Thailand sale closed in June. We received \$3.7 million for the sale of these businesses.

In December 2014, we sold substantially all of the assets and transferred certain liabilities of the GRT business unit. GRT, which was a single manufacturing facility in Paragould, Arkansas, manufactures and sells conveyor belts and sheet rubber for many applications across a diversified array of end markets. The business was sold for \$42.3 million, net of transaction expenses. The escrow amount of \$6.6 million was received in 2016. Consolidated net sales for the year ended December 31, 2014 included \$31.3 million attributable to GRT prior to the sale.

Operations

We manage our business as three segments: a Sealing Products segment, an Engineered Products segment, and a Power Systems segment. Our reportable segments are managed separately based on differences in their products and services and their end-customers. For financial information with respect to our business segments, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations,” and Note 19 to our Consolidated Financial Statements. Item 7 and Note 19 contain information about sales and profits for each segment, and Note 19 contains information about each segment’s assets.

Sealing Products Segment

Overview. Our Sealing Products segment includes three operating divisions, Garlock, Technetics and Stemco, that serve a wide variety of industries where performance and durability are vital for safety and environmental protection. Our products are used in many demanding environments, such as those characterized by high pressure, high temperature and chemical corrosion, and many of our products support critical applications with a low tolerance for failure.

The Garlock family of companies designs, manufactures and sells sealing products, including: metallic, non-metallic and composite material gaskets; dynamic seals; compression packing; hydraulic components; expansion joints; flange sealing and isolation products; pipeline casing spacers/isolators; casing end seals; and modular sealing systems for sealing pipeline penetrations.

Gasket products are used for sealing flange joints in chemical, petrochemical and pulp and paper processing facilities where high pressures, high temperatures and corrosive chemicals create the need for specialized and highly engineered sealing products. Our products are also used in sanitary markets such as food and beverage and pharmaceuticals where product integrity and safety are extremely important. We sell these gasket products under the Garlock®, Gylon®, Blue-Gard®, Stress-Saver®, Edge®, Graphonic®, Bio-Pro®, Tuf-Steel®, Detectomer®, and Flexseal® brand names. These products have a long-standing reputation for performance and reliability within the industries we serve.

Dynamic elastomeric seals are used in rotating applications to contain the lubricants that protect the bearings from excessive friction and heat generation. Because these sealing products are utilized in dynamic applications, they are subject to wear. Durability, performance, and reliability are, therefore, critical requirements of our customers. These rotary seals are used in demanding applications in the steel industry, mining and pulp and paper processing under

well-known brand names including KLOZURE® and Model 64®.

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Dynamic bearing isolator seals are used in power transmission systems to contain lubricants within bearing housings while also preventing contamination ingress. Bearing isolators provide users long-life sealing due to the non-contact seal design, and therefore are used in many OEM electric motors and gear boxes. Garlock continues to innovate and build a patent portfolio of bearing isolator products. Its well-known brands include GUARDIAN™, ISO-GARD™, EnDuro™ and SGI™.

Gar-Seal® brand PTFE-lined butterfly valves are used to control the flow of corrosive, abrasive or toxic media in the chemical processing industry.

Compression packing is used to provide sealing in pressurized, static and dynamic applications such as pumps and valves. Major markets for compression packing products are the pulp and paper, mining, petrochemical and hydrocarbon processing industries. Branded products for these markets include EVSP™, Synthepak® and Graph-lock®. Critical service flange gaskets, seals and electrical flange isolation kits are used in high-pressure wellhead equipment, flow lines, water injection lines, sour hydrocarbon process applications and crude oil and natural gas pipeline/transmission line applications. These products are sold under the brand names Pikotek®, VCS/LineSeal®, VCFS™, Flowlok™, PGE™, LineBacker® and Backer® 61™ NSF, GasketSeal® and ElectroStop®. Additional products for pipeline wall penetration sealing systems are supplied to water, construction and infrastructure industries under the Link-Seal® and Century-Line® brand names.

Technetics designs, manufactures and sells high performance metal seals, mechanical seals, elastomeric seals, edge-welded bellows, pedestals for semiconductor manufacturing, and a wide range of polytetrafluoroethylene (PTFE) products. These products are used in extreme applications for a variety of industries, including semiconductor, aerospace, industrial gas turbines, power generation, oil and gas, life sciences and other markets. Brands include HELICOFLEX®, BELFAB®, FELTMETAL™, BLADESAFE™, TEXOLON®, CEFILAC GPA®, VITAFLEX®, CEFIL'AIR®, and ORIGRAF®. Technetics also provides a number of value-added services, including surface and coating technologies, metal and plastics machining, fluoropolymer etching, as well as research, design, testing, and analysis for custom solutions.

Stemco designs, manufactures and sells heavy-duty truck wheel-end components and systems including: seals; hubcaps; mileage counters; bearings; locking nuts; brake products, such as brake drums, automatic brake adjusters, brake friction and shoes, brake pads, hardware and brake kits; suspension components, such as steering knuckle king-pins and bushings, spring pins and bushings, other polymer bushing components, and air springs for tractor, trailer and cab suspensions; and automatic tire inflation systems, RF-based tire pressure monitoring and inflation systems and automated mileage collection devices, as well as trailer aerodynamic devices designed to increase fuel efficiency. Its products primarily serve the medium and heavy-duty commercial vehicle market. Product brands include STEMCO®, STEMCO Kaiser®, STEMCO Duroline®, STEMCO Crewson®, STEMCO Motor Wheel®, Grit Guard®, Guardian HP®, Voyager®, Discover®, Endeavor®, Pro-Torq®, Zip-Torq®, Sentinel®, Defender®, Data Trac®, QwikKit®, Centrifuse®, Aeris™, Aeris Smart Sense™, BAT RF®, TrailerTail®, Spring Ride® and Super Cushion®.

Customers. Our Sealing Products segment sells products to industrial agents and distributors, original equipment manufacturers (“OEMs”), engineering and construction firms and end users worldwide. Sealing products are offered to global customers, with approximately 35% of sales delivered to customers outside the United States in 2017.

Representative customers include Saudi Aramco, Motion Industries, Applied Industrial Technologies, Electricite de France, AREVA, Bayer, BASF Corporation, Chevron, General Electric Company, Georgia-Pacific Corporation, Eastman Chemical Company, Exxon Mobil Corporation, Minara Resources, Queensland Alumina, AK Steel Corporation, Volvo Corporation, Wabash Trailer, Utility Trailer, Great Dane, Mack Trucks, International Truck, PACCAR, Hendrickson, Applied Materials, Carlisle Interconnect Technologies, Schlumberger, China Nuclear Power Engineering Company Ltd., and Flextronics. In 2017, the largest customer accounted for approximately 10% of segment revenues.

Competition. Competition in the sealing markets we serve is based on proven product performance and reliability, as well as price, customer service, application expertise, technical support, delivery terms, breadth of product offering, reputation for quality, and the availability of product. Our leading brand names, including Garlock® and STEMCO®, have been built upon long-standing reputations for reliability and durability. In addition, the breadth, performance and quality of our product offerings allow us to achieve premium pricing and have made us a preferred supplier among our

agents and distributors. We believe that our record of product performance in the major markets in which this segment operates is a significant competitive advantage for us. Major competitors include A.W. Chesterton Company, Klinger Group, Teadit, Lamons, SIEM/Flexitallic, SKF USA Inc., Federal-Mogul Corporation, Meritor, Firestone, Saint-Gobain, Eaton Corporation, Parker Hannifin Corporation, and Miropro Co. Ltd.

Raw Materials and Components. Our Sealing Products segment uses PTFE resins, aramid fibers, specialty elastomers, elastomeric compounds, graphite and carbon, common and exotic metals, cold-rolled steel, leather, aluminum die castings, nitrile rubber, powdered metal components, and various fibers and resins. We believe all of these raw materials and components are readily available from various suppliers.

Engineered Products Segment

Overview. Our Engineered Products segment includes two high performance industrial products businesses: GGB and Compressor Products International (CPI).

GGB designs, manufactures and sells self-lubricating, non-rolling, metal polymer, engineered plastics, and fiber reinforced composite bearing products, as well as aluminum bushing blocks for hydraulic applications. The bearing surfaces are often made of PTFE or a mixture that includes PTFE to provide maintenance-free performance and reduced friction. GGB's bearing products typically perform as sleeve bearings or thrust washers under conditions of no lubrication, minimal lubrication or pre-lubrication. These products are used in a wide variety of markets such as the automotive, aerospace, pump and compressor, construction, power generation and general industrial markets. GGB has approximately 20,000 bearing part numbers of different designs and physical dimensions. GGB is a leading and well recognized brand name and sells products under the DU[®], DP[®], DX[®], DS[®], HI-EX[®], EP[™], SY[™], HPMB[™], and GAR-MAX[™] names.

CPI designs, manufactures, sells and services components for reciprocating compressors and engines. These components, which include packing and wiper rings, piston and rider rings, compressor valve assemblies, divider block valves, compressor monitoring systems, lubrication systems and related components are utilized primarily in the refining, petrochemical, natural gas gathering, storage and transmission, and general industrial markets. Brand names for our products include Hi-Flo[™], Valvealert[™], Triple Circle[™], CPI Special Polymer Alloys[™], Twin Ring[™], Liard[™], ProFlo[™], SAFEGUARD[®], Neomag[®], CVP[®], XDC[®] POPR[®] and Proven Solutions for the Global Compression Industry[™].

Customers. The Engineered Products segment sells its products to a diverse customer base worldwide, with approximately 73% of sales delivered to customers outside the United States in 2017. GGB has customers worldwide in all major industrial sectors, and supplies products directly to customers through GGB's own local distribution system and indirectly to the market through independent agents and distributors with their own local networks. CPI sells its products and services globally through its internal sales force, independent sales representatives, distributors, and service centers. In 2017, the largest customer accounted for approximately 2% of segment revenues.

Competition. GGB has a number of competitors, including Kolbenschmidt Pierburg AG, Saint-Gobain's Norglide division, and Federal-Mogul Corporation. In the markets in which GGB competes, competition is based primarily on performance of the product for specific applications, product reliability, delivery, and price. CPI competes against other component manufacturers and service providers, such as Cook Compression, Hoerbiger Corporation, Graco and numerous smaller component manufacturers. In the markets served by CPI, the primary competitive drivers are trusted solutions with personalized customer care, product quality, availability, engineering support, and price.

Raw Materials. GGB's major raw material purchases include steel coil, bronze powder, bronze coil, PTFE and aluminum. GGB sources components from a number of external suppliers. CPI's major raw material purchases include PTFE, polyetheretherketone (PEEK), compound additives, bronze, steel, and stainless steel bar stock. We believe all of these raw materials and components are readily available from various suppliers, though there are limited suppliers for certain other minor, but critical, raw materials.

Power Systems Segment

Overview. Our Power Systems segment is composed of our Fairbanks Morse business, which designs, manufactures, sells and services heavy-duty, medium-speed diesel, natural gas and dual fuel reciprocating engines. We market these products and services under the Fairbanks Morse[®] brand name. Products in this segment include licensed heavy-duty, medium-speed diesel, natural gas and dual fuel reciprocating engines, in addition to our own designs. The reciprocating engines range in size from 700 to 31,970 horsepower and from five to 20 cylinders. These products are used in marine, oil and gas, and power generation markets. We have been building engines for over 115 years under the Fairbanks Morse[®] brand name and we have a large installed base of engines for which we supply aftermarket parts and service. Fairbanks Morse has been a key supplier to the U.S. Navy for medium-speed diesel engines and has supplied engines to the U.S. Navy for over 70 years.

Customers. Our Power Systems segment sells its products and services to customers worldwide, including major shipyards, municipal utilities, institutional and industrial organizations, sewage treatment plants, nuclear power plants and offshore oil and gas platforms, with approximately 21% of sales delivered to customers outside the United States in 2017. We market our products through a direct sales force of engineers in North America and through independent agents worldwide. Our representative customers include Northrop Grumman, General Dynamics, Lockheed Martin,

the U.S. Navy, the U.S. Coast Guard, Electricite de France, Areva, Abbvie, and Exelon. In 2017, the largest customer accounted for approximately 13% of segment revenues.

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Competition. Major competitors for our Power Systems segment include MTU, Caterpillar Inc., and Wartsila Corporation. Price, delivery time, engineering and service support, and engine efficiency relating to fuel consumption and emissions drive competition.

Raw Materials and Components. Our Power Systems segment purchases multiple ferrous and non-ferrous castings, forgings, plate stock and bar stock for fabrication and machining into engines. In addition, we buy a considerable amount of precision-machined engine components. We believe all of these raw materials and components are readily available from various suppliers, but may be subject to long and variable lead times.

Research and Development

The goal of our research and development effort is to strengthen our product portfolios for traditional markets while simultaneously creating distinctive and breakthrough products. We utilize a process to move product innovations from concept to commercialization, and to identify, analyze, develop and implement new product concepts and opportunities aimed at business growth.

We employ scientists, engineers and technicians throughout our operations to develop, design and test new and improved products. We work closely with our customers to identify issues and develop technical solutions. The majority of our research and development spending typically is directed toward the development of new sealing products for the most demanding environments, the development of truck and trailer fleet information systems, the development of bearing products and materials with increased load carrying capability and superior friction and wear characteristics, and the development of power systems to meet current and future emissions requirements while improving fuel efficiencies.

Net research and development expenditures in 2017, 2016 and 2015 were \$32.7 million, \$28.9 million, and \$22.5 million, respectively.

Backlog

At December 31, 2017, we had a backlog of orders valued at \$377.0 million compared with \$347.7 million at December 31, 2016. Approximately 13% of the backlog, primarily in our Power Systems segment, is expected to be filled beyond 2018. Backlog represents orders on hand we believe to be firm. However, there is no certainty the backlog orders will result in actual sales at the times or in the amounts ordered. In addition, for most of our business, backlog is not particularly predictive of future performance because of our short lead times and some seasonality.

Quality Assurance

We believe product quality is among the most important factors in developing and maintaining strong, long-term relationships with our customers. In order to meet the exacting requirements of our customers, we maintain stringent standards of quality control. We routinely employ in-process inspection by using testing equipment as a process aid during all stages of development, design and production to ensure product quality and reliability. These include state-of-the-art CAD/CAM equipment, statistical process control systems, laser tracking devices, failure mode and effect analysis, and coordinate measuring machines. We are able to extract numerical quality control data as a statistical measurement of the quality of the parts being manufactured from our CNC machinery. In addition, we perform quality control tests on parts that we outsource. As a result, we are able to significantly reduce the number of defective parts and therefore improve efficiency, quality and reliability.

As of December 31, 2017, 48 of our manufacturing facilities were ISO 9000, QS 9000 and/or TS 16949 certified. Eighteen of our facilities are ISO 14001 certified. OEMs are increasingly requiring these standards in lieu of individual certification procedures and as a condition of awarding business.

Patents, Trademarks and Other Intellectual Property

We maintain a number of patents and trademarks issued by the U.S. and other countries relating to the name and design of our products and have granted licenses to some of these patents and trademarks. We routinely evaluate the need to protect new and existing products through the patent and trademark systems in the U.S. and other countries. We also have unpatented proprietary information, consisting of know-how and trade secrets relating to the design, manufacture and operation of our products and their use. We do not consider our business as a whole to be materially dependent on any particular patent, patent right, trademark, trade secret or license granted or group of related patents, patent rights, trademarks, trade secrets or licenses granted.

In general, we are the owner of the rights to the products that we manufacture and sell. However, we also license patented and other proprietary technology and processes from various companies and individuals in order to broaden

our product

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offerings. We are dependent on the ability of these third parties to diligently protect their intellectual property rights. In several cases, the intellectual property licenses are integral to the manufacture of our products and certain services we perform. A failure on the part of the licensor to protect its own intellectual property could reduce our revenues. These licenses are subject to renewal and it is possible we may not successfully renegotiate these licenses or they could be terminated in the event of a material breach. If this were to occur, our business, financial condition, results of operations and cash flows could be adversely affected. For example, Fairbanks Morse licenses technology from MAN Diesel and Turbo (MDT) and its subsidiaries for a majority of the four-stroke reciprocating engines and spare parts it produces and for nearly all the new engines and parts it manufactures for use by the U.S. military. The terms of the licenses vary by engine type. These licenses have terms, subject to potential renewal, expiring in 2018 or 2019. The renewal terms for these licenses are currently being negotiated, and such licenses would expire if renewal terms cannot be agreed upon. The loss of these licenses could adversely affect our business, financial condition, results of operations and cash flows.

Employees and Labor Relations

We currently have approximately 6,000 employees worldwide in our consolidated operations. Approximately 3,300 employees are located within the U.S., and approximately 2,700 employees are located outside the U.S., primarily in Europe, Mexico, Canada and China. Approximately 25% of our U.S. employees are members of trade unions covered by four collective bargaining agreements with contract expiration dates from August 2020 to November 2021. Union agreements relate, among other things, to wages, hours, and conditions of employment. The wages and benefits furnished are generally comparable to industry and area practices.

ITEM 1A. RISK FACTORS

In addition to the risks stated elsewhere in this annual report, set forth below are certain risk factors that we believe are material. If any of these risks occur, our business, financial condition, results of operations, cash flows and reputation could be harmed. You should also consider these risk factors when you read “forward-looking statements” elsewhere in this report. You can identify forward-looking statements by terms such as “may,” “hope,” “will,” “could,” “should,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of those terms or other comparative terms. Those forward-looking statements are only predictions and can be adversely affected if any of these risks occur.

Risks Related to Our Business

Our business and some of the markets we serve are cyclical and distressed market conditions could have a material adverse effect on our business.

The markets in which we sell our products, particularly chemical companies, petroleum refineries, heavy-duty trucking, semiconductor manufacturing, capital equipment and the automotive industry, are, to varying degrees, cyclical and have historically experienced periodic downturns. Prior downturns have been characterized by diminished product demand, excess manufacturing capacity and subsequent erosion of average selling prices in these markets resulting in negative effects on our net sales, gross margins and net income. The most recent recession negatively affected our results of operations. A prolonged and severe downward cycle in our markets could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We face intense competition that could have a material adverse effect on our business.

We encounter intense competition in almost all areas of our businesses. Customers for many of our products are attempting to reduce the number of vendors from which they purchase. To remain competitive, we need to invest continuously in manufacturing, marketing, customer service and support and our distribution networks. We also need to develop new products to continue to meet the needs and desires of our customers. We may not have sufficient resources to continue to make such investments or maintain our competitive position. Additionally, some of our competitors are larger than we are and have substantially greater financial resources than we do. As a result, they may be better able to withstand the effects of periodic economic downturns. Certain of our products may also experience transformation from unique branded products to undifferentiated price sensitive products. This product commoditization may be accelerated by low cost foreign competition. Changes in the replacement cycle of certain of our products, including because of improved product quality or improved maintenance, may affect aftermarket demand for such products. Initiatives designed to distinguish our products through superior service, continuous improvement, innovation, customer relationships, technology, new product acquisitions, bundling with key services, long-term contracts or market focus may not be effective. Pricing and other competitive pressures could adversely

affect our business, financial condition, results of operations and cash flows.

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If we fail to retain the independent agents and distributors upon whom we rely to market our products, we may be unable to effectively market our products and our revenue and profitability may decline.

The marketing success of many of our businesses in the U.S. and abroad depends largely upon our independent agents' and distributors' sales and service expertise and relationships with customers in our markets. Many of these agents have developed strong ties to existing and potential customers because of their detailed knowledge of our products. A loss of a significant number of these agents or distributors, or of a particular agent or distributor in a key market or with key customer relationships, could significantly inhibit our ability to effectively market our products, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Increased costs for raw materials, the termination of existing supply agreements or disruptions of our supply chain could have a material adverse effect on our business.

The prices for some of the raw materials we purchase increased in 2017. While we have been successful in passing along some of these higher costs, there can be no assurance we will be able to continue doing so without losing customers. Additionally, our Power Systems segment has entered into long-term contracts to manufacture and sell engines and generator sets which do not allow for price adjustments to recover additional costs resulting from increases in the costs of materials and components during the contract period, and accordingly material increases in relevant costs could adversely affect the profitability of these long-term contracts and the profits of that segment. Similarly, the loss of a key supplier or the unavailability of a key raw material could adversely affect our business, financial condition, results of operations and cash flows.

We have exposure to some contingent liabilities relating to previously owned businesses, which could have a material adverse effect on our financial condition, results of operations or cash flows in any fiscal period.

We have contingent liabilities related to discontinued operations, including previously owned businesses of our predecessors, including environmental liabilities and liabilities for certain products and other matters. In some instances we have indemnified others against those liabilities, and in other instances we have received indemnities from third parties against those liabilities.

Claims could arise relating to products, facilities or other matters related to our discontinued operations. Some of these claims could seek substantial monetary payments. For example, EnPro has entered into an Administrative Settlement Agreement and Order on Consent for Interim Removal Action with the Environmental Protection Agency for the assessment and potential remediation of eight surface uranium mines in Arizona on the basis that our EnPro Holdings, Inc. subsidiary ("EnPro Holdings"), through which we hold all of our operating subsidiaries, was a potentially responsible party under federal environmental laws as the successor to a former operator in the 1950s of those mines. Similarly, in connection with a facility located in Water Valley, Mississippi, which was divested in 1996 and has trichloroethylene soil and groundwater contamination, EnPro has entered into an Agreed Order with the Mississippi Department of Environmental Quality requiring development and implementation of a corrective action work plan addressing both the sources of contamination at the facility and areas where the contamination has migrated, which include residential homes and commercial and local government facilities, and area homeowners, owners of commercial facilities and the local county government and possibly other private parties and individuals have reportedly engaged legal counsel to separately evaluate possible legal action. Further, we could potentially be liable with respect to firearms manufactured prior to March 1990 by Colt Firearms, a former operation of a corporate predecessor of EnPro Holdings, and electrical transformers manufactured prior to May 1994 by Central Moloney, another former operation of that corporate predecessor. EnPro Holdings also has ongoing obligations with regard to workers compensation, retiree medical and other retiree benefit matters associated with discontinued operations in connection with a corporate predecessor's periods of ownership of those operations.

We have insurance and reserves to address some of these liabilities. However, if our insurance coverage is depleted or our reserves are not adequate, environmental and other liabilities relating to discontinued operations could have a material adverse effect on our financial condition, results of operations and cash flows.

We conduct a significant amount of our sales activities outside of the U.S., which subjects us to additional business risks, including foreign exchange risks, that may cause our profitability to decline.

Because we sell our products in a number of foreign countries, we are subject to risks associated with doing business internationally. In 2017, we derived approximately 43% of our net sales from sales of our products outside of the U.S. In addition, we operate 54 primary manufacturing facilities located in 12 countries, including the U.S. Our sales and

operating activities outside of the U.S. are, and will continue to be, subject to a number of risks, including:
• unfavorable fluctuations in foreign currency exchange rates, including long-term contracts denominated in foreign currencies;

- adverse changes in foreign tax, legal and regulatory requirements;
- difficulty in protecting intellectual property;
- government embargoes, trade protection measures, such as “anti-dumping” duties applicable to classes of products, and import or export licensing requirements, as well as the imposition of trade sanctions against a class of products imported from or sold and exported to, or the loss of “normal trade relations” status with, countries in which we conduct business, could significantly increase our cost of products or otherwise reduce our sales and harm our business;
- cultural norms and expectations that may sometimes be inconsistent with our Code of Conduct and our requirements about the manner in which our employees, agents and distributors conduct business;
- differing labor regulations;
- political and economic instability, including instabilities associated with European sovereign debt uncertainties and the future continuity of membership of the European Union; and
- acts of hostility, terror or war.

Any of these factors, individually or together, could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, tapered roller bearings manufactured at our facilities in China that are imported into the United States before re-sale to customers are potentially subject to “anti-dumping” duties imposed by the U.S. Department of Commerce based on its periodic review and analysis of the manufacturing and selling activities of larger Chinese suppliers of these products. Such duties, if imposed, could be at levels that could materially adversely affect the commercial competitiveness of these products, which could adversely affect the business and results of operations of our Sealing Products segment.

Our operations outside the United States require us to comply with a number of United States and international regulations. For example, our operations in countries outside the United States are subject to the Foreign Corrupt Practices Act (the “FCPA”), which prohibits United States companies or their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. Our activities in countries outside the United States create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of the FCPA, even though these parties are not always subject to our control. We have internal control policies and procedures and have implemented training and compliance programs with respect to the FCPA. However, we cannot assure that our policies, procedures and programs always will protect us from reckless or criminal acts committed by our employees or agents. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances. In addition, we are subject to and must comply with all applicable export controls and economic sanctions laws and embargoes imposed by the United States and other various governments. Changes in export control or trade sanctions laws may restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities, and may result in modifications to compliance programs and increase compliance costs, and violations of these laws or regulations may subject us to fines, penalties and other sanctions, such as loss of authorizations needed to conduct aspects of our international business or debarments from export privileges. Violations of the FCPA or export controls or sanctions laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

We intend to continue to pursue international growth opportunities, which could increase our exposure to risks associated with international sales and operations. As we expand our international operations, we may also encounter new risks that could adversely affect our revenues and profitability. For example, as we focus on building our international sales and distribution networks in new geographic regions, we must continue to develop relationships with qualified local agents, distributors and trading companies. If we are not successful in developing these relationships, we may not be able to increase sales in these regions.

Failure to properly manage these risks could adversely affect our business, financial condition, results of operations and cash flows.

If we are unable to protect our intellectual property rights and knowledge relating to our products, our business and prospects may be negatively impacted.

We believe that proprietary products and technology are important to our success. If we are unable to adequately protect our intellectual property and know-how, our business and prospects could be negatively impacted. Our efforts to protect our intellectual property through patents, trademarks, service marks, domain names, trade secrets, copyrights, confidentiality, non-

compete and nondisclosure agreements and other measures may not be adequate to protect our proprietary rights. Patents issued to third parties, whether before or after the issue date of our patents, could render our intellectual property less valuable. Questions as to whether our competitors' products infringe our intellectual property rights or whether our products infringe our competitors' intellectual property rights may be disputed. In addition, intellectual property rights may be unavailable, limited or difficult to enforce in some jurisdictions, which could make it easier for competitors to capture market share in those jurisdictions.

Our competitors may capture market share from us by selling products that claim to mirror the capabilities of our products or technology. Without sufficient protection nationally and internationally for our intellectual property, our competitiveness worldwide could be impaired, which would negatively impact our growth and future revenue. As a result, we may be required to spend significant resources to monitor and police our intellectual property rights. Failure to maintain or renew licenses to certain patent and technology rights could adversely affect our business, financial condition, results of operations and cash flows.

In general, we are the owner of the rights to the products that we manufacture and sell. However, we also license patented and other proprietary technology and processes from various companies and individuals in order to broaden our product offerings. In several cases, the intellectual property licenses are integral to the manufacture of our products and certain services we perform. These licenses are subject to renewal and it is possible we may not successfully renegotiate these licenses or they could be terminated in the event of a material breach. If this were to occur, our business, financial condition, results of operations and cash flows could be adversely affected. See Item 1, "Business - Patents, Trademarks and Other Intellectual Property" for a discussion of the status of renewal of certain licenses.

Reductions in the U.S. Navy's requirements for engines offered by Fairbanks Morse could materially adversely affect the results of our Power Systems segment and our business with the U.S. Navy and other governmental agencies is subject to government contracting risks.

Sales of new engines for use by the U.S. Navy by our Power Systems segment, which have been a significant component of that segment's revenues, are based on the U.S. Navy's long-term ship-building programs. Although the Power Systems segment has expanded its activities in other markets, including the sale of diesel engine generator sets for emergency back-up power at nuclear power plants in France, the establishment of an exclusive distribution arrangement with a German engine manufacturer in the power generation industry in the U.S. and the introduction of its internally-developed Trident OP™ engine, any decline in demand from the U.S. Navy could materially adversely affect the results of our Power Systems segment.

Our business with the U.S. Navy, and other governmental agencies, including sales to prime contractors that supply these agencies, is subject to government contracting risks. U.S. government contracts are subject to termination by the government, either for the convenience of the government or for default as a result of our failure to perform under the applicable contract. If terminated by the government as a result of our default, we could be liable for additional costs the government incurs in acquiring undelivered goods or services from another source and any other damages it suffers. In addition, if we or one of our divisions were charged with wrongdoing with respect to a U.S. government contract, the U.S. government could suspend us from bidding on or receiving awards of new government contracts pending the completion of legal proceedings. If convicted or found liable, the U.S. government could subject us to fines, penalties, repayments and treble and other damages, and/or bar us from bidding on or receiving new awards of U.S. government contracts and void any contracts found to be tainted by fraud. The U.S. government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other seriously improper conduct.

We have made and expect to continue to make acquisitions, which could involve certain risks and uncertainties. We expect to continue to make acquisitions in the future. Acquisitions involve numerous inherent challenges, such as properly evaluating acquisition opportunities, properly evaluating risks and other diligence matters, ensuring adequate capital availability and balancing other resource constraints. There are risks and uncertainties related to acquisitions, including: difficulties integrating acquired technology, operations, personnel and financial and other systems; unrealized sales expectations from the acquired business; unrealized synergies and cost savings; unknown or underestimated liabilities; diversion of management attention from running our existing businesses and potential loss of key management employees of the acquired business. In addition, internal controls over financial reporting of

acquired companies may not be up to required standards. Our integration activities may place substantial demands on our management, operational resources and financial and internal control systems. Customer dissatisfaction or performance problems with an acquired business, technology, service or product could also have a material adverse effect on our reputation and business.

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Our products are often used in critical applications, which could expose us to potentially significant product liability, warranty and other claims and recalls. Our insurance coverage may be inadequate to cover all of our significant risks or our insurers may deny coverage of material losses we incur, which could adversely affect our profitability and overall financial condition.

Our products are often used in critical applications in demanding environments, including in the nuclear, oil and gas, automotive, aerospace and pharmaceutical industries. Accordingly, product failures can have significant consequences and could result in significant product liability, warranty and other claims against us, regardless of whether our products caused the incident that is the subject of the claim, and we may have obligations to participate in the recall of products in which our products are components, if any of the components we supply prove to be defective. We endeavor to identify and obtain in established markets insurance agreements to cover significant risks and liabilities, though insurance against some of the risks inherent in our operations (such as insurance covering down-stream customer product recalls) is either unavailable or available only at rates or on terms that we consider uneconomical. Depending on competitive conditions and other factors, we endeavor to obtain contractual protection against uninsured risks from our customers, including limitations on liability and indemnification. In some cases, we are unable to obtain such contractual protections, and when we do, such contractual protection may not be as broad as we desire, may not be supported by adequate insurance maintained by the customer, or may not be fully enforceable in the jurisdictions in which our customers are located. Such insurance or contractual protection may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. A successful claim or product recall for which we are not insured or for which we are underinsured could have a material adverse effect on us. Additionally, disputes with insurance carriers over coverage may affect the timing of cash flows and, if litigation with the carrier becomes necessary, an outcome unfavorable to us may have a material adverse effect on our results of operations.

Our business may be adversely affected by information technology disruptions.

Our business may be impacted by information technology disruptions, including information technology attacks. Cybersecurity attacks, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data (our own or that of third parties). We believe that we have adopted appropriate measures to mitigate potential risks to our systems from information technology-related disruptions. However, given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, misappropriation, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Many of the products that we manufacture are sold to industries and used in applications that are susceptible to challenges from trends to address climate change or other trends favoring “clean” energy solutions.

International trends favoring “clean” energy solutions to address climate change, sustainability and other environmental concerns may present challenges to a number of industries that we supply. These trends include increasing market replacement of vehicles powered by internal-combustion engines with electric-powered vehicles and increasing implementation of solar and wind energy solutions. In some jurisdictions, these trends have been spurred by applicable government regulation, and similar or additional regulations may be adopted in the future in other jurisdictions. Furthermore, technological advances may accelerate the pace of these trends. Many of the products that we manufacture are used by industries and in applications that may face challenges from, and may be adversely affected by, these trends and, as a result, the demand for certain of our current products could be similarly adversely affected by these trends. Accordingly, we are subject to risks and uncertainties with respect to these trends. While we anticipate considering these trends in the continued development and implementation of our long-term strategy, our business and results of operations could be adversely affected by these trends if they continue or accelerate at a pace that we do not anticipate.

The strategy of our Power Systems segment to deliver power generating systems depends on our ability to outsource various elements of the scope of this work to third parties, which may expose us to the business risks of our suppliers and subcontractors, which could have a material adverse impact on its business and results of operations.

Our Power Systems segment is implementing a strategy to offer customers power generating systems, in which it depends on third-party suppliers and subcontractors for outsourced products, components or services. The implementation of that strategy subjects us to the risk of customer dissatisfaction with the quality or performance of the products or services we sell due to supplier or subcontractor failure. In addition, business difficulties experienced by a third-party supplier or subcontractor could lead to the interruption of our ability to obtain outsourced products or services and ultimately our inability

to supply products or services to these customers. Third-party supplier and subcontractor business interruptions could include, but are not limited to, work stoppages, union negotiations and other labor disputes. Current or future economic conditions could also impact the ability of suppliers and subcontractors to access credit and, thus, impair their ability to provide us quality products or services in a timely manner, or at all. These factors may affect the timing and cost of completion of such projects and could adversely affect the business and results of operations of our Power Systems segment.

The strategy of our Power Systems segment includes development and commercialization of new power systems, including the Trident OPTM engine currently in development, to support growth, which involves significant investment and involves various risks and uncertainties. These new products may not achieve desired commercial or financial results.

The future growth of our Power Systems segment will depend, in part, on its ability to successfully develop and commercialize new product offerings, including the opposed piston engine currently in development which is being marketed as the Trident OP engine. Investments in developing new products such as the Trident OP engine involve varying degrees of uncertainties and risk, including whether a new product designed to meet specific performance, cost and safety criteria can be successfully developed in a cost effective manner and our ability to internally develop, or to license or purchase from third parties, technologies critical to new product development. Commercial success of new products depends on many factors, including the levels of innovation, the development costs, the levels of competition from others developing similar or other competing products (including the duration of our exclusive use of technologies critical to our new products), our ability to obtain or maintain government permits or certifications, the effectiveness of production, distribution and marketing efforts, and the costs to customers to deploy and provide support for the new products. We may not achieve significant revenues from new product development investments for a number of years, if at all. Moreover, new products may not be profitable, and, even if they are profitable, our operating margins from new products may not be as high as the margins we anticipate or have experienced historically.

Our business could be materially adversely affected by numerous other risks, including rising healthcare costs, changes in environmental laws and other unforeseen business interruptions.

Our business may be negatively impacted by numerous other risks. For example, medical and healthcare costs may continue to increase. Initiatives to address these costs, such as consumer driven health plan packages, may not successfully reduce these expenses as needed. Failure to offer competitive employee benefits may result in our inability to recruit or maintain key employees. Other risks to our business include potential changes in environmental rules or regulations, which could negatively impact our manufacturing processes. Use of certain chemicals and other substances could become restricted or such changes may otherwise require us to incur additional costs which could reduce our profitability and impair our ability to offer competitively priced products. Additional risks to our business include global or local events which could significantly disrupt our operations. Terrorist attacks, natural disasters, political insurgencies, pandemics and electrical grid disruptions and outages are some of the unforeseen risks that could negatively affect our business, financial condition, results of operations and cash flows.

Risks Related to Ownership of Our Common Stock

The market price and trading volume of our common stock may be volatile.

A relatively small number of shares traded in any one day could have a significant effect on the market price of our common stock. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section and elsewhere in this report or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability.

Because our quarterly revenues and operating results may vary significantly in future periods, our stock price may fluctuate.

Our revenue and operating results may vary significantly from quarter to quarter. A high proportion of our costs are fixed, due in part to significant selling and manufacturing costs. Small declines in revenues could disproportionately affect operating results in a quarter and the price of our common stock may fall. Other factors that could affect quarterly operating results include, but are not limited to:

- demand for our products;
- the timing and execution of customer contracts;
- the timing of sales of our products;
- increases in manufacturing costs due to equipment or labor issues;

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- changes in foreign currency exchange rates;
- changes in applicable tax rates;
- an impairment of goodwill or other intangibles at one of our reporting units;
- 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;
- increased expenses, whether related to sales and marketing, raw materials or supplies, product development or administration;
- major changes in the level of economic activity in major regions of the world in which we do business;
- costs related to possible future acquisitions or divestitures of technologies or businesses;
- an increase in the number or magnitude of product liability or environmental claims;
- our ability to expand our operations and the amount and timing of expenditures related to expansion of our operations, particularly outside the U.S.; and
- economic assumptions and market factors used to determine post-retirement benefits and pension liabilities.

Various provisions and laws could delay or prevent a change of control.

The anti-takeover provisions of our articles of incorporation and bylaws and provisions of North Carolina law could delay or prevent a change of control or may impede the ability of the holders of our common stock to change our management. In particular, our articles of incorporation and bylaws, among other things:

- require a supermajority shareholder vote to approve any business combination transaction with an owner of 5% or more of our shares unless the transaction is recommended by disinterested directors;

- limit the right of shareholders to remove directors and fill vacancies;

- regulate how shareholders may present proposals or nominate directors for election at shareholders' meetings; and

- authorize our board of directors to issue preferred stock in one or more series, without shareholder approval.

Future sales of our common stock in the public market could lower the market price for our common stock.

In the future, we may sell additional shares of our common stock to raise capital. In addition, a reasonable number of shares of our common stock are reserved for issuance under our equity compensation plans, including shares to be issued upon the exercise of stock options and vesting of restricted stock or unit grants. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sales of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock.

Risks Related to Our Capital Structure

Our debt agreement and the indenture governing our senior notes impose limitations on our operations, which could impede our ability to respond to market conditions, address unanticipated capital investments and/or pursue business opportunities.

The agreement governing our senior secured revolving credit facility and the indenture governing the senior notes impose limitations on our operations, such as limitations on certain restricted payments, investments, incurrence or repayment of indebtedness, and maintenance of a consolidated net leverage ratio and an interest coverage financial ratio. In addition, the indenture governing our senior notes contains limitations on certain restricted payments, investments and incurrence or repayment of indebtedness. These limitations could impede our ability to respond to market conditions, address unanticipated capital investment needs and/or pursue business opportunities.

We may not have sufficient cash to fund a required repurchase of the senior notes upon a change of control. Upon a change of control, as defined under the indenture governing the senior notes and includes events that may be beyond our control, the holders of the senior notes have the right to require us to offer to purchase all of the senior notes then outstanding at a price equal to 101% of their principal amount plus accrued and unpaid interest. In order to obtain sufficient funds to pay the purchase price of the outstanding notes, we expect that we would have to refinance the senior notes. We cannot assure you that we would be able to refinance the senior notes on reasonable terms, if at all. Our failure to offer to purchase all outstanding notes or to purchase all validly tendered notes would be an event of default under the indenture governing the senior notes. Such an event of default may cause the acceleration of our other debt.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We are headquartered in Charlotte, North Carolina and have 54 primary manufacturing facilities located in 12 countries, including the U.S. The following table outlines the location, business segment and size of our largest facilities, along with whether we own or lease each facility:

Location	Segment	Owned/Size Leased (Square Feet)
U.S.		
Palmyra, New York	Sealing Products	Owned 690,000
Berea, Kentucky	Sealing Products	Owned 240,000
Longview, Texas	Sealing Products	Owned 219,000
Rome, Georgia	Sealing Products	Owned 175,000
Chattanooga, Tennessee	Sealing Products	Owned 117,000
Thorofare, New Jersey	Engineered Products	Owned 171,000
Beloit, Wisconsin	Power Systems	Owned 433,000
Foreign		
San Luis Potosi, Mexico	Sealing Products	Owned 387,250
Mexico City, Mexico	Sealing Products	Owned 128,000
Neuss, Germany	Sealing Products	Leased 146,000
Saint Etienne, France	Sealing Products	Owned 108,000
Suzhou, China	Engineered Products	Owned 223,500
Anncy, France	Engineered Products	Owned 196,000
Heilbronn, Germany	Engineered Products	Owned 127,000
Sucany, Slovakia	Engineered Products	Owned 109,000

Our manufacturing capabilities are flexible and allow us to customize the manufacturing process to increase performance and value for our customers and meet particular specifications. We also maintain numerous sales offices and warehouse facilities in strategic locations in the U.S., Canada and other countries. We believe our facilities and equipment are generally in good condition and are well maintained and able to continue to operate at present levels.

ITEM 3. LEGAL PROCEEDINGS

Descriptions of environmental and other legal matters are included in Item 7 of this annual report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contingencies" and in Note 21 to our Consolidated Financial Statements, which descriptions are incorporated by reference herein.

In addition to the matters noted above 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.

We were not subject to any penalties associated with any failure to disclose “reportable transactions” under Section 6707A of the Internal Revenue Code.

BorgWarner

A subsidiary of BorgWarner has asserted claims against our subsidiary, GGB France E.U.R.L. (“GGB France”), regarding certain bearings supplied by GGB France to BorgWarner and used by BorgWarner in manufacturing hydraulic control units included in motor vehicle automatic transmission units, mainly that the bearings caused performance problems with and/or damage to the transmission units, leading to associated repairs and replacements. BorgWarner and GGB France participated 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 was a required predicate to the commencement of a legal proceeding for damages. The expert panel issued a final report on technical and financial matters on April 6, 2017. In the final report, the expert panel concluded that GGB France had a duty to notify BorgWarner regarding the change of source of raw material used in the bearings, but that the failure of the hydraulic control units was attributable to both the raw material supplier change and the insufficient design of the units by BorgWarner. The expert panel provided detail on a possible allocation of damages alleged to have been incurred by BorgWarner and its customer. Although the language of the report is not clear, the report appears to note a potential allocation of recoverable damages 35% to BorgWarner and 65% to GGB France. It also indicates that, though it is for a court to ultimately determine, the aggregate damages to BorgWarner and its customer was in the range of 7.9 million EUR to 10.2 million EUR, with 1.8 million EUR to 2.1 million EUR of this range being for damages to BorgWarner and the remainder being for damages to its customer. The experts noted the lower end of the range as being more likely and noted a lack of sufficient evidence provided substantiating the customer's damages. Applying a 65% liability allocation to GGB to the total aggregate range yields a range of 5.1 million EUR to 6.6 million EUR. In the final report, the expert panel deferred to a court the determination of whether GGB France had breached its contractual obligations to BorgWarner. On October 25, 2017, BorgWarner initiated a legal proceeding against GGB with respect to this matter by filing a writ of claim with the Commercial Court of Brive, France. The parties have begun briefing their legal positions and we expect court hearings to begin in the summer of 2018.

We continue to 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 are a contractual disclaimer of consequential damages, which, if controlling, would limit liability for consequential damages and provide for the replacement of the bearings at issue, at an aggregate replacement value we estimate to be approximately 0.4 million EUR; that the determination of any duty to notify of the change in the source of the raw material is a legal matter to be determined by the presiding court; and the insufficiency of evidence of damage to BorgWarner's customer provided to the expert panel. Based on the final report from the expert panel and GGB France's legal defenses described above, we estimate GGB France's reasonably possible range of loss associated with this matter to be approximately 0.4 million EUR to 6.6 million EUR plus a potential undetermined amount of apportioned proceeding expenses, with no amount within the range being a better estimate than the minimum of the range. Accordingly, GGB France has retained the accrual of 0.4 million EUR associated with this matter, which was established in the second quarter of 2016.

Lower Passaic River Study Area of the Diamond Alkali Superfund Site

Based on our prior ownership of Crucible Steel Corporation a/k/a Crucible, Inc. (“Crucible”), we may have contingent liabilities in one or more significant environmental matters. One such matter 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, which liabilities and other legacy non-asbestos liabilities were assumed by our subsidiary, EnPro Holdings, as part of the corporate restructuring of Coltec. 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 at the end of 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. In October 2016, Occidental Chemical Corporation, the successor to the entity that operated the Diamond Alkali chemical manufacturing facility, reached an agreement with the EPA to develop the design for this proposed remedy at an estimated cost of \$165 million. The EPA has estimated that it will take approximately four years to develop this design.

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 9 miles of the Lower Passaic River Study Area, we are unable to estimate a range of reasonably possible costs.

Onondaga Lake Superfund Site

Based on our prior ownership of Crucible, we may have contingent liability relating to 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 contacted us 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 us 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 have begun discussions with them regarding their claims. In addition, we have 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 \$1.5 million for reimbursement of EPA response costs and certain costs associated with the remedial investigation.

A&B Mines

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 the Comprehensive Environmental Response, Compensation and Liability Act ("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. In 2015, we reserved \$1.1 million for the minimum amount of probable loss associated with the first two mines 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 mines, which includes additional estimated costs of investigative work to be conducted at the eight mines. At September 30, 2017, we increased the reserve by \$1.9 million to a balance of \$4.0 million in anticipation of entering into an agreement with the EPA to perform investigations to determine the nature and extent of contamination at each site with the investigations to be completed by the end of 2019. On November 7, 2017, EnPro

Holdings entered into an Administrative Settlement Agreement and Order on Consent for Interim Removal Action with EPA for the performance of this work. We cannot at this time estimate a reasonably possible range of loss associated with remediation or other incremental costs related to these mines.

Water Valley

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. In February 2016, the Mississippi Department of Environmental Quality (MDEQ) issued an order

against EnPro requiring evaluation of potential vapor intrusion into residential properties and commercial facilities located over the groundwater plume as well as requiring additional groundwater investigation and remediation. MDEQ performed the initial vapor intrusion investigations at certain residential and commercial sites, with the findings all being below the applicable screening level. In April 2016, the parties entered into a new order including negotiated time frames for groundwater remediation. Pursuant to that order, MDEQ performed a second round of seasonal vapor intrusion sampling beginning in August 2016. Results from sampling outside of three residences were above screening levels. Follow-up sampling directly underneath those residences (either sub-slab or in crawl spaces) were all below applicable screening levels. Two separate sampling events at another residence were also below applicable screening levels. Due to an increasing trend in vapor concentrations, MDEQ requested that we develop and implement initial corrective action measures to address vapor intrusion resulting from groundwater contamination in this residential area. These measures were developed and approved by MDEQ but could not be implemented because the owner of the private property where the corrective action system would be located would not provide access. An alternate plan has been submitted to and is being reviewed by MDEQ. In addition, vapor intrusion sampling at the manufacturing facility owned by BorgWarner was conducted during the first quarter of 2017. The results showed exceedances of screening levels at various areas in the plant and exceedances of levels requiring responsive actions in a limited area of the plant. Implementation of the immediate responsive actions has been completed and corrective action consisting of a permanent vapor intrusion remediation system became operational in May 2017. We are also continuing soil and groundwater investigation work in the area inside the plant where the vapor intrusion remediation system is located and around the outside of the plant and developing corrective action plans for both the contamination remaining at the plant as well as contamination that has migrated off-site. All of the work to be performed at the residential area, the plant and off-site is set forth in an agreed Order that we and MDEQ entered into on September 11, 2017. During the quarter ended March 31, 2016, we established an additional \$1.3 million reserve with respect to this matter. During the quarter ended March 31, 2017, we reserved an additional \$3.3 million for further investigation, additional remediation, long-term monitoring costs, and legal fees to support regulatory compliance for the above noted actions. During the quarter ended December 31, 2017, we reserved an additional \$3.5 million for further investigation, additional remediation, long-term monitoring costs, and legal fees to support regulatory compliance for the above noted actions. The remaining reserve at December 31, 2017 is \$3.8 million. As the corrective actions are implemented and their performance monitored, further modifications to the remediation system at the site may be required which may result in additional costs beyond the current reserve.

On April 7, 2017, the State of Mississippi through its Attorney General filed suit against EnPro, OldCo and Goodrich Corporation in Mississippi Circuit Court in Yalobusha County seeking recovery of all costs and expenses to be incurred by the State in remediating the groundwater contamination, punitive damages and attorney's fees. We plan to aggressively defend this case. The additional reserve established in the quarter ended December 31, 2017, noted above, does not include any estimate of contingent loss associated with this lawsuit other than due to remediation and other actions with respect to this site based on the MDEQ orders described above. 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 or may engage legal counsel to separately evaluate possible legal action relating to potential vapor intrusion and groundwater contamination. We have been further advised that certain of these parties intend to file legal action based on these claims. Based upon limited information regarding any further remediation or other actions that may be required at the site, we cannot estimate a minimum loss estimate or a reasonably possible range of loss for remediation costs.

Asbestos Insurance Coverage Litigation

We are a party to legal proceedings initiated in August 2017 in the United States District Court for the Western District of North Carolina (the "District Court") with two insurers that collectively provide \$15 million of coverage under insurance policies purchased on or after January 1, 1976. The legal proceedings were initiated by one of the insurers seeking to compel arbitration of issues under its policy and, alternatively, a determination that its policy does not cover asbestos claims. We have counterclaimed, seeking a determination that the policy covers asbestos claims and that the insurer breached the terms of its policy by failing to provide coverage for these claims. We joined the second insurer in this action and are seeking similar relief against it. On October 12, 2017, the magistrate judge issued a decision denying the petitioning insurer's motion to compel arbitration and holding that the arbitration clause in the

policy was deleted by an endorsement. The insurer filed an objection to the magistrate judge's decision with the District Court. The District Court has not yet issued a ruling on the objection. These legal proceedings were commenced following the consummation on July 31, 2017 of a joint plan of reorganization (the "Joint Plan") confirmed by the District Court in proceedings under Chapter 11 of the United States Bankruptcy Code involving certain of our subsidiaries, including Garlock Sealing Technologies LLC, for resolution of claims alleging personal injury or death as a result of exposure to asbestos fibers. For a description of the Chapter 11 proceedings and the terms of the Joint Plan, see Note 20, "Subsidiary Asbestos Bankruptcies" to our Consolidated Financial Statements, which descriptions are incorporated by reference herein.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning our executive officers is set forth below:

Name	Age	Position
Stephen E. Macadam	57	President, Chief Executive Officer and Director
Marvin A. Riley	43	Executive Vice President, Chief Operating Officer and President, Fairbanks Morse
J. Milton Childress II	60	Executive Vice President and Chief Financial Officer
Steven R. Bower	59	Senior Vice President, Controller and Chief Accounting Officer
Robert S. McLean	53	Executive Vice President, Chief Administrative Officer, General Counsel and Secretary
Jan A. Myers	56	Vice President, Tax
William C. O'Neal	42	Senior Vice President, Strategy, Corporate Development and Investor Relations
Jon D. Rickers	44	Senior Vice President, Human Resources

Stephen E. Macadam has served as our Chief Executive Officer and President and as a director since April 2008. Prior to accepting these positions with EnPro, Mr. Macadam served as Chief Executive Officer of BlueLinx Holdings Inc. since October 2005. Before joining BlueLinx Holdings Inc., Mr. Macadam was the President and Chief Executive Officer of Consolidated Container Company LLC since August 2001. He served previously with Georgia-Pacific Corp. where he held the position of Executive Vice President, Pulp & Paperboard from July 2000 until August 2001, and the position of Senior Vice President, Containerboard & Packaging from March 1998 until July 2000. Mr. Macadam held positions of increasing responsibility with McKinsey and Company, Inc. from 1988 until 1998, culminating in the role of principal in charge of McKinsey's Charlotte, North Carolina operation. Mr. Macadam received a B.S. in mechanical engineering from the University of Kentucky, an M.S. in finance from Boston College and an M.B.A. from Harvard University, where he was a Baker Scholar.

Marvin A. Riley is currently Executive Vice President and Chief Operating Officer and has held this position since July 2017. Mr. Riley also serves as President, Fairbanks Morse Engine division, since May 2012. Prior to that Mr. Riley served as Vice President, Manufacturing, of EnPro since December 2011. Mr. Riley served as Vice President Global Operations, GGB division, from November 2009 until November 2011 and as Vice President Operations Americas, GGB division, from July 2007 until November 2011. Prior to joining EnPro, he was an executive with General Motors Vehicle Manufacturing and held multiple positions of increasing responsibility from 1997 to 2007 within General Motors.

J. Milton Childress II is currently Executive Vice President and Chief Financial Officer and has held this position since July, 2017. Mr. Childress previously served as Senior Vice President and Chief Financial Officer since March 2015, after having previously served as Vice President, Strategic Planning and Business Development since February 2006. Mr. Childress joined the EnPro corporate staff in December 2005. He was a co-founder of and served from October 2001 through December 2005 as Managing Director of Charlotte-based McGuireWoods Capital Group. Prior to that, Mr. Childress was Senior Vice President, Planning and Development of United Dominion Industries, Inc. from December 1999 until May 2001, having previously served as Vice President. Mr. Childress held a number of positions with Ernst & Young LLP's corporate finance consulting group prior to joining United Dominion in 1992.

Steven R. Bower is currently Senior Vice President, Controller and Chief Accounting Officer and has held this position since July 2017. Mr. Bower previously served as Vice President, Controller and Chief Accounting Officer since joining the Company in October 2014. Immediately prior to joining the Company, Mr. Bower was Corporate Controller of Polymer Group, Inc. (PGI) from July 2014 through October 2014. Prior to joining PGI, Mr. Bower was Vice President, Finance and Accounting and Corporate Secretary for HITCO Carbon Composites, Inc., (a subsidiary

of SGL Group), from April 2003 to February 2014. Prior to HITCO, Mr. Bower served at SGL's global headquarters in Germany as Controller -

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Central Planning and Coordination, from July 2001 to April 2003; and prior to that; as Corporate Controller - North America from August 1996 to June 2001. Prior to his positions with SGL Group, Mr. Bower served Collins & Aikman Corporation and its predecessor companies from November 1989 through August 1996 in accounting, public reporting and investor relations roles. Prior to Collins & Aikman, Mr. Bower was with Price Waterhouse LLP from July 1983 through November 1989, where he departed as an Audit Manager. Mr. Bower is both a Certified Public Accountant and a Certified Management Accountant.

Robert S. McLean is currently Executive Vice President, a position he has held since July 2017, as well as Chief Administrative Officer, a position he has held since January 2016, and General Counsel and Secretary of EnPro, positions he has held since May 2012. Mr. McLean served as Vice President, Legal and Assistant Secretary from April 2010 to May 2012. Prior to joining EnPro, Mr. McLean was a partner at the Charlotte, North Carolina law firm of Robinson Bradshaw & Hinson P.A., which he joined in 1995, and where he chaired the firm's corporate practice group. Prior to joining Robinson Bradshaw & Hinson, Mr. McLean worked with the Atlanta office of the King & Spalding law firm and the Charlotte office of the Smith, Helms, Mullis & Moore law firm (now part of McGuireWoods, LLP), after which he was the Assistant General Counsel and Secretary of the former Carolina Freight Corporation (now part of Arkansas Best Corporation).

William C. O'Neal is currently Senior Vice President, Strategy, Corporate Development and Investor Relations, a position he has held since July 2017. Mr. O'Neal previously served as Vice President, Strategy, Corporate Development and Investor Relations since April 2015. Mr. O'Neal first joined EnPro in 2008 as Director, Mergers and Acquisitions. He then served as Vice President Strategy, Development and Finance, Technetics division, from January 2012 to March 2015.

Jan A. Myers is currently Vice President, Tax and has held this position since July 2017. Prior to joining EnPro, Ms. Myers served as Vice President, Tax at Baker & Taylor from 2008 to 2017, and held positions of increasing responsibility with KB Home from 1992 to 2008, culminating in the position of Vice President, Tax. Ms. Myers began her career with Price Waterhouse and is a Certified Public Accountant.

Jon D. Rickers is currently Senior Vice President, Human Resources and has held this position since July 2017. Mr. Rickers previously served as Vice President, Human Resources since February 2017 and Vice President, Human Resources of the Stemco division from November 2007 to September 2013, and as Global Vice President, Human Resources of the Technetics Group division from September 2013 to December 2017 and of EnPro Europe from September 2013 to February 2017. Prior to joining EnPro Industries, Mr. Rickers was the Director of Human Resources with ITT Corporation.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is publicly traded on the New York Stock Exchange ("NYSE") under the symbol "NPO." As of December 31, 2017, there were 2,802 holders of record of our common stock. The price range of our common stock for each quarter from January 1, 2016 through December 31, 2017, and cash dividends declared on our common stock for these periods is listed below:

	Low Sale Price	High Sale Price	Dividend
Fiscal 2017:			
Fourth Quarter	\$ 77.73	\$ 94.79	\$ 0.22
Third Quarter	68.35	81.32	0.22
Second Quarter	63.62	74.89	0.22
First Quarter	61.36	71.76	0.22
Fiscal 2016:			
Fourth Quarter	\$ 52.00	\$ 69.24	\$ 0.21
Third Quarter	43.19	57.47	0.21
Second Quarter	42.56	60.47	0.21
First Quarter	37.53	63.82	0.21

For a discussion of the restrictions on payment of dividends on our common stock, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Dividends."

The following table sets forth all purchases made by us or on our behalf 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 fourth quarter of 2017.

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 (2)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
October 1 – October 31, 2017	—	—	—	—
November 1 – November 30, 2017	—	—	—	—
December 1 – December 31, 2017	496	(1)\$93.49	(1)—	—
Total	496	(1)\$93.49	(1)—	—

In December 2017, a total of 496 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. EnPro Holdings furnished these shares in exchange for management and other services provided by EnPro. 68 of these shares were valued at a price of \$93.39 per share, the closing trading price of our common stock on December 20, 2017, and 428 of these shares were valued at a price of \$93.51 per share, the closing trading price of our common stock on December 31, 2017. Accordingly, the total 496 shares were valued at a weighted average price of \$93.49. We do not consider the transfer of shares from EnPro Holdings in this context to be pursuant to a publicly announced plan or program.

Effective on October 28, 2017, EnPro's Board of Directors authorized the repurchase of up to \$50 million of our common shares over a three-year period, which repurchases may be effected in both open market and privately negotiated transactions. The repurchase program, which was publicly announced on October 30, 2017, may be

suspended or discontinued at any time. No repurchase transactions under this program or our prior program which expired on October 28, 2017 were effected during the quarter ended December 31, 2017.

CUMULATIVE TOTAL RETURN PERFORMANCE GRAPH

Set forth below is a line graph showing the yearly change in the cumulative total shareholder return for our common stock as compared to similar returns for the Russell 2000[®] Stock Index, a group of our peers (the “Peer Group”) consisting of Actuant Corporation, Barnes Group, Inc., and Circor International, Inc.

Each of the returns is calculated assuming the investment of \$100 in each of the securities on December 31, 2012, and reinvestment of dividends into additional shares of the respective equity securities when paid. The graph plots the respective values beginning on December 31, 2012, and continuing through December 31, 2017. Past performance is not necessarily indicative of future performance.

ITEM 6. SELECTED FINANCIAL DATA

The following historical consolidated financial information as of and for each of the years ended December 31, 2017, 2016, 2015, 2014 and 2013 has been derived from, and should be read together with, our Consolidated Financial Statements and the related notes, for each of those years. The audited Consolidated Financial Statements and related notes as of December 31, 2017 and 2016, and for the years ended December 31, 2017, 2016 and 2015, are included elsewhere in this annual report. The information presented below with respect to the last three completed fiscal years should also be read together with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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	Year Ended December 31,				
	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
	(3)		(2)	(2)	(2)
	(as adjusted, in millions, except per share data)				
Statement of Operations Data:					
Net sales	\$1,309.6	\$1,187.7	\$1,204.4	\$1,219.3	\$1,144.2
Net income (loss)	539.8	\$(40.1)	\$(20.9)	\$22.0	\$27.4
Balance Sheet Data:					
Total assets	\$1,886.1	\$1,546.4	\$1,498.8	\$1,597.5	\$1,396.4
Long-term debt (including current portion)	\$618.5	\$425.0	\$356.3	\$315.9	\$164.5
Notes payable to GST	\$—	\$295.9	\$283.2	\$271.0	\$259.3
Per Common Share Data – Basic:					
Net income (loss)	\$25.28	\$(1.86)	\$(0.93)	\$0.95	\$1.31
Per Common Share Data – Diluted:					
Net income (loss)	\$24.76	\$(1.86)	\$(0.93)	\$0.85	\$1.17
Cash dividends declared per share	\$0.88	\$0.84	\$0.80	\$—	\$—

For a discussion regarding the reconsolidation of GST and OldCo effective July 31, 2107, see Item 1, (1) "Business-Background." For a discussion of acquisitions and divestitures in the fiscal years ended December 31, 2017, 2016, 2015, 2014, and 2013, see Item 1, "Business-Acquisitions and Dispositions." (2) In 2016, we adopted a standard that amended 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, Total assets and Long-term debt (including current portion) in the above table have been recast as of December 31, 2013 through 2015. (3) On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted and contains several key tax provisions impacting us. The impact of these tax law changes, including the remeasurement of our deferred tax assets and liabilities based on the tax rates in effect at the time the deferred balances are expected to reverse, the reassessment of the net realizability of the deferred tax balances, and the transition tax, were recognized in our income tax provision in 2017.

ITEM 7. 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 consolidated financial condition and operating results during the periods included in the accompanying audited Consolidated Financial Statements and the related notes. You should read the following discussion in conjunction with our audited Consolidated Financial Statements and the related notes, included elsewhere in this annual report.

Forward-Looking Statements

This report contains certain statements that are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 (the "Act") and releases issued by the Securities and Exchange Commission (the "SEC"). The words "may," "hope," "will," "should," "could," "expect," "plan," "anticipate," "intend," "believe," "estimate," "potential," "continue," and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. We believe that it is important to communicate our future expectations to our shareholders, and we therefore make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control, and our actual results may differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We advise you to read further about

certain of these and other risk factors set forth in Item 1A of this annual report, entitled “Risk Factors.” We undertake no obligation to publicly update or revise any forward-looking statement, either as a result of new information, future events or otherwise. 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.

Overview and Outlook

Overview. We design, develop, manufacture, service and market proprietary engineered industrial products. We have 54 primary manufacturing facilities located in 12 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, 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, custom-engineered mechanical seals for applications in the aerospace industry and other markets, PTFE products, and heavy-duty commercial vehicle parts used in the wheel-end, braking, suspension, and tire and 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 of our subsidiaries, principally Garlock Sealing Technologies LLC (“GST LLC”) and The Anchor Packing Company (“Anchor”), had resulted in a substantial volume of asbestos litigation in which plaintiffs alleged personal injury or death as a result of exposure to asbestos fibers. On June 5, 2010 (the “GST Petition Date”), GST LLC, Anchor and another subsidiary, Garrison Litigation Management Group, Ltd. (“Garrison”), filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the “GST Chapter 11 Case”) in the U.S. Bankruptcy Court for the Western District of North Carolina in Charlotte (the “Bankruptcy Court”). GST LLC, Anchor and Garrison are sometimes referred to collectively as “GST” in this report. These filings were the initial step in a claims resolution process for an efficient and permanent resolution of pending and future asbestos claims through court approval of a plan of reorganization to establish a facility to resolve and pay all GST asbestos claims. The filings on the GST Petition Date did not include EnPro Industries, Inc. or any other EnPro Industries, Inc. operating subsidiary. GST LLC is one of the businesses in our broader Garlock group and, prior to the GST Petition Date, was included in our Sealing Products segment. GST LLC and its subsidiaries operate five manufacturing facilities, including operations in Palmyra, New York and Houston, Texas.

The financial results of GST and subsidiaries were included in our consolidated results through June 4, 2010, the day prior to the GST Petition Date. However, U.S. generally accepted accounting principles (“GAAP”) 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 required us to present our ownership interests in the net assets of GST at the GST Petition Date as an investment and we did not recognize any income or loss from GST and subsidiaries in our results of operations until the reconsolidation of these subsidiaries upon consummation of a plan of reorganization under these proceedings.

In January 2015, we announced that GST and we had reached an agreement with the court-appointed representative of future asbestos claimants (the “GST FCR”) in the GST Chapter 11 Case 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 reorganization plans filed by GST in the GST Chapter 11 Case. The GST FCR agreed to support, recommend and vote in favor of the second amended plan.

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