

ENPRO INDUSTRIES, INC
Form 10-K
February 22, 2017

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, 2016

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

Commission File Number 001-31225

ENPRO INDUSTRIES, INC.

(Exact name of registrant, as specified in its charter)

North Carolina 01-0573945
(State or other jurisdiction 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting and nonvoting common stock of the registrant held by non-affiliates of the registrant as of June 30, 2016 was \$933,966,840. As of February 15, 2017, there were 21,414,181 shares of common stock of the registrant outstanding, which includes 193,699 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 2017 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. 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, 2016, we had 55 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 2016, 2015 and 2014 were as follows:

	2016	2015	2014
	(in millions)		
United States	\$682.4	\$696.2	\$674.1
Europe	289.9	289.5	315.9
Other	215.4	218.7	229.3
Total	\$1,187.7	\$1,204.4	\$1,219.3

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 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 – Garlock Sealing Technologies LLC and Garrison Litigation Management Group, Ltd.” and “Contingencies — Subsidiary Bankruptcies” and “— Contingencies — Asbestos,” and Notes 19 and 20 to our Consolidated Financial Statements, included in this report. Because of the filing, the results of these subsidiaries have been deconsolidated from our results since the GST Petition Date. The deconsolidated entities had sales for the years ended December 31, 2016, 2015 and 2014 as follows:

	2016	2015	2014
	(in millions)		
United States	\$101.6	\$114.9	\$125.9
Europe	9.4	11.4	14.6
Other	84.8	91.3	100.1
Total	\$195.8	\$217.6	\$240.6

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

On April 29, 2016, we acquired certain assets and assumed certain liabilities of Rubber Fab Gasket & Molding, Inc. ("Rubber Fab"), a privately-held company offering a full range of high performance sanitary gaskets, hoses and fittings for the hygienic process industries. Rubber Fab is managed as part of EnPro's Garlock division within the Sealing Products segment. In total, we paid \$22.6 million in 2016 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 expands 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. The acquisition of Fabrico includes a contingent consideration arrangement that requires additional consideration to be paid based on the future gross profit of Fabrico during the two-years subsequent to the acquisition. The range of undiscounted amounts we could pay under the contingent consideration agreement is between \$0 and \$7.0 million. The fair value of the contingent consideration recognized on the acquisition date was \$1.9 million. The amount recognized as of December 31, 2016 is insignificant based on projected attainment. 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 April 2012, the Company acquired Motorwheel Commercial Vehicle Systems, Inc. ("Motorwheel"). Motorwheel is a leading U.S. manufacturer of lightweight brake drums for heavy-duty trucks and other commercial vehicles. Motorwheel also sells wheel-end component assemblies for the heavy-duty market, sells fasteners for wheel-end applications and provides related services to its customers, including product development, testing and certification. Motorwheel is managed as part of the Stemco operations in the Sealing Products segment. The business operates manufacturing facilities in Chattanooga, Tennessee and Berea, Kentucky. We paid for the Motorwheel acquisition

with approximately \$85 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 late December, while the CPI Thailand sale closed in early 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. It was previously managed as part of the Garlock operations in the Sealing Products segment. The business was sold for \$42.3 million, net of transaction expenses; \$2.9 million of the sales proceeds being held in an escrow account for 18 months to fund indemnification payments, if any, to the buyer under the sale agreement. The escrow amount was received in 2016. GRT reported net sales of \$31.3 million for the year ended December 31, 2014.

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 18 to our Consolidated Financial Statements. Item 7 and Note 18 contain information about sales and profits for each segment, and Note 18 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 pharma 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®, 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®.

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. GST LLC 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™, LineBackerBacker®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 Group designs, manufactures and sells high performance metal seals; elastomeric seals; bellows and bellows assemblies; pedestals for semiconductor manufacturing; and a wide range of polytetrafluoroethylene ("PTFE") products. These

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products are used in a variety of industries, including electronics and semiconductor, aerospace, land-based turbines, power generation, oil and gas, food and beverage and other industries. Brands include Helicoflex®, Belfab®, Feltmetal®, Plastomer™, BioGuardian™ and Origraf®.

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, 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 RF-based tire pressure monitoring and inflation systems and automated mileage collection devices, as well as trailer end 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®, Sentinel®, Data Trac®, DataTrac®, QwikKit®, Centrifuse®, Aeris™, BAT RF®, TrailerTail®, Spring Ride® and Super Cushion®.

Garlock Sealing Technologies LLC (“GST LLC”) is one of three of our subsidiaries that filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code on the GST Petition Date. GST LLC is one of the businesses within our broader Garlock group. GST LLC and its subsidiaries operate five primary facilities, including facilities in Palmyra, New York and Houston, Texas. Because GST LLC and its subsidiaries remain wholly-owned indirect subsidiaries of ours, we have continued to include a description of their products, customers, competition, and raw materials in this segment discussion.

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 37% of sales delivered to customers outside the United States in 2016.

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, 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 2016, the largest customer accounted for approximately 8% 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™, Mentor™, Triple Circle™, CPI Special Polymer Alloys™, Twin Ring™, Lian ProFlo™, Neomag™, CVP™, XDC™, POPR™ and Protecting Compressors World Wide™.

Customers. The Engineered Products segment sells its products to a diverse customer base using a combination of direct sales and independent distribution networks worldwide, with approximately 72% of sales delivered to customers outside the United States in 2016. 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 2016, 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 (formerly Engine Products and Services) 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 14% of sales delivered to customers outside the United States in 2016. 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, Toshiba America Nuclear Energy Corp., Electricite de France, EcoPetrol, and Exelon. In 2016, the largest customer accounted for approximately 11% of segment revenues.

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

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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.

Backlog

At December 31, 2016, we had a backlog of orders valued at \$347.7 million compared with \$346.6 million at December 31, 2015. Approximately 34% of the backlog, primarily in our Power Systems segment, is expected to be filled beyond 2017. 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, 2016, 49 of our manufacturing facilities were ISO 9000, QS 9000 and/or TS 16949 certified. Twenty-one 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 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. For example, Fairbanks Morse licenses technology from MAN Diesel and its subsidiaries for certain of the four-stroke reciprocating engines it produces. The terms of the licenses vary by engine type. The renewal terms of a set of licenses for certain engine types are currently being negotiated, and such licenses would expire if renewal terms cannot be agreed upon. Licenses for the remaining engine types have terms, subject to potential renewal, expiring in 2018 or 2019. A loss of these licenses or 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 for a material breach. If this were to occur, our business, financial condition, results of operations and cash flows could be adversely affected.

Employees and Labor Relations

We currently have approximately 5,000 employees worldwide in our consolidated operations. Approximately 2,700 employees are located within the U.S., and approximately 2,300 employees are located outside the U.S., primarily in Europe, Mexico, Canada and China. Approximately 22% of our U.S. employees are members of trade unions covered by three

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collective bargaining agreements with contract expiration dates from August 2017 to February 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. Our deconsolidated subsidiaries, primarily GST LLC, have about 850 additional employees worldwide.

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

Certain of our subsidiaries have filed Chapter 11 petitions to resolve asbestos litigation.

The historical business operations of certain of our subsidiaries, principally GST LLC and The Anchor Packing Company (“Anchor”), have resulted in a substantial volume of asbestos litigation in which plaintiffs have alleged personal injury or death as a result of exposure to asbestos fibers. Those subsidiaries manufactured and/or sold industrial sealing products, predominately gaskets and packing products, which contained encapsulated asbestos fibers. Anchor is inactive and insolvent, there is no remaining insurance coverage available to Anchor and it has no assets. Our subsidiaries’ exposure to asbestos litigation and their relationships with insurance carriers has been actively managed through another subsidiary, Garrison Litigation Management Group, Ltd. (“Garrison,” collectively with GST LLC and Anchor, “GST”). On the GST Petition Date, GST LLC, Anchor and Garrison filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Western District of North Carolina in Charlotte (the “Bankruptcy Court”) to address these claims (the “GST Chapter 11 Case”). These subsidiaries have been deconsolidated from our financial statements since the GST Petition Date.

Although no current EnPro subsidiary other than GST LLC and Anchor has ever made indemnity payments to asbestos claimants, thousands of claims have been made in the past against Coltec Industries Inc (“Coltec”), a subsidiary which has since been merged into our OldCo, LLC subsidiary (“OldCo”), and its former businesses based principally on alleged exposure to asbestos-containing gaskets and other components in equipment sold by those businesses. Coltec and its insurers have spent several million dollars defending those claims. At the GST Petition Date, thousands of claims alleging exposure to asbestos contained in products sold by Coltec and its former businesses were pending, but have been stayed by the Bankruptcy Court during the pendency of the GST Chapter 11 Case.

On March 17, 2016, we announced that we had reached a comprehensive consensual settlement (the “Consensual Settlement”) to resolve current and future asbestos claims. The Consensual Settlement was reached with both the official committee representing current asbestos claimants (the “GST Current Asbestos Claimants’ Committee”) in the GST Chapter 11 Case and the court-appointed representative of future asbestos claimants (the “GST Future Claimants’ Representative”) in the GST Chapter 11 Case, as well as with ad-hoc representatives for current and future asbestos claimants (the “Ad-hoc Representatives”) against Coltec. The terms of the settlement are set forth in the Term Sheet for Permanent Resolution of All Present and Future GST Asbestos Claims and Coltec Asbestos Claims dated March 17, 2016 among EnPro, Coltec, GST, the GST Current Asbestos Claimants’ Committee, the GST Future Claimants’ Representative and the Ad-hoc Representatives included as Exhibit 99.2 to our Form 8-K furnished to the Securities and Exchange Commission on March 18, 2016. Under the Consensual Settlement, the GST Current Asbestos Claimants’ Committee, the GST Future Claimants’ Representative and the Ad-hoc Representatives agreed to join GST and Coltec (and OldCo as the successor by merger to Coltec) in proposing a joint plan of reorganization (the “Joint Plan”) that incorporates the Consensual Settlement and to ask asbestos claimants and the Bankruptcy Court and the United States District Court for the Western District of North Carolina (the “District Court”) to approve the Joint Plan. The Joint Plan was filed with the Bankruptcy Court in the GST Chapter 11 Case on May 20, 2016 and technical amendments to the Joint Plan were filed with the Bankruptcy Court on June 21, 2016, July 29, 2016 and December 2, 2016. The Joint Plan supersedes all prior plans of reorganization filed by GST in the GST Chapter 11 Case.

If approved and consummated, the Joint Plan would permanently resolve current and future asbestos claims against GST and OldCo, as the successor by merger to Coltec, and would protect EnPro and its subsidiaries from those

claims, under Section 524(g) of the U.S. Bankruptcy Code. Before the Joint Plan may be consummated, it is required to be approved by the

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Bankruptcy Court and the District Court and by a vote of GST asbestos claimants and Coltec asbestos claimants by 75% or more in number and at least two-thirds (2/3) in dollar amount of claims that are actually voted.

The Consensual Settlement and Joint Plan provide that the Joint Plan is a prepackaged plan of reorganization as to Coltec/OldCo and that Coltec will undertake the Coltec Restructuring (described below) and commence a Chapter 11 case to obtain confirmation of the Joint Plan if Coltec asbestos claimants and GST asbestos claimants voted in sufficient numbers to approve the Joint Plan. Accordingly, the Coltec asbestos claimants and GST asbestos claimants were solicited simultaneously for their vote on the approval of the Joint Plan prior to the filing of a Chapter 11 case by Coltec or OldCo. The solicitation process to obtain approval of the asbestos claimants was completed successfully on December 9, 2016, with 95.85% in number and 95.80% in amount of claims held by asbestos claimants casting valid ballots voting in favor of approval of the Joint Plan.

The Joint Plan and Consensual Settlement contemplate that, as an appropriate and necessary step to facilitate the implementation of the Consensual Settlement and not to delay or hinder creditors or the resolution of claims, 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 our major business units, would be distributed to a new direct EnPro subsidiary, EnPro Holdings, Inc., which was formerly named New Coltec, Inc. (“EnPro Holdings”). EnPro Holdings 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, which is a direct subsidiary of EnPro Holdings. OldCo, as the restructured entity, retained responsibility for all asbestos claims and rights to certain insurance assets of Coltec, as well as the business operated by our EnPro Learning System, LLC subsidiary (“EnPro Learning System”), which provides occupational safety training and consulting services to third parties. EnPro Learning System was also merged into OldCo and had revenues in 2016 of approximately \$0.4 million. In connection with the Coltec Restructuring, the obligations of OldCo, as the successor by merger to Coltec, under an original issue amount \$73.4 million Amended and Restated Promissory Note due January 1, 2018 (the “Coltec Note”) in favor of GST LLC, and Coltec’s guaranty of an original issue amount \$153.8 million Amended and Restated Promissory Note due January 1, 2018 entered into by our Stemco LP subsidiary in favor of GST LLC (the “Stemco Note”) were assumed by EnPro Holdings, and OldCo was released from those obligations. In addition, the Coltec Note and the Stemco Note were amended to extend their maturity date to January 1, 2018. Following the Coltec Restructuring and prior to the filing of the Chapter 11 bankruptcy petition by OldCo described below, OldCo was released from its obligations under our senior secured revolving credit facility and designated as an “unrestricted subsidiary” under the indenture governing our 5.875% Senior Notes due 2022, as a result of which it was automatically released from its obligations under such indenture. In connection with the restructuring, EnPro Holdings entered into a keep well agreement with OldCo, which is enforceable by third-party beneficiaries. Under the keep well agreement, EnPro Holdings agreed to make equity contributions to OldCo sufficient, together with other funds available to OldCo, to permit OldCo to pay and discharge its liabilities as they become due and payable, other than under the Coltec Note, the guarantee of the Stemco Note, the senior secured revolving credit facility and the indenture governing our 5.875% Senior Notes due 2022 (OldCo having been separately released from its obligations under each of those instruments).

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

operations or products of GST or Coltec/OldCo. Under the Joint Plan, all non-asbestos creditors would be paid in full and EnPro, through its subsidiaries, would retain ownership of OldCo, GST LLC and Garrison.

As contemplated by the Joint Plan and the Consensual 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”). As a result of that filing, OldCo will be deconsolidated from our financial statements commencing on the OldCo Petition Date. On February 3, 2017, the Bankruptcy Court issued an order for the joint administration of the OldCo Chapter 11 Case with the GST Chapter 11 Case. The Bankruptcy Court has scheduled the confirmation hearing on the Joint Plan to commence on May 15, 2017 and set,

as the deadlines for filing objections to the Joint Plan, December 9, 2016 in the GST Chapter 11 Case and March 24, 2017 in the OldCo Chapter 11 Case.

Although no asbestos claimant or creditor filed any objection to the Joint Plan in the GST Chapter 11 Case, objections have been filed by the appointed bankruptcy administrator and by three insurers. The technical objection filed by the bankruptcy administrator, which is a non-judicial, federal appointee that is involved in cases from a perspective independent of an interested party, concerns the scope of the Joint Plan's "exculpatory" provisions that would extend limited protection to the debtors in the case, their affiliates, committees appointed in the case, the future claimants' representative and their respective professional advisors from liability for ancillary claims related to their actions or failure to act in connection with the case. The objections of the three insurers primarily concern the impact of the Joint Plan on insurance policies and related contracts to which they are parties. The hearing on objections to the Joint Plan filed in both proceedings will be part of the confirmation hearings for approval of the Joint Plan by the Bankruptcy Court scheduled to commence on May 15, 2017.

The Consensual Settlement includes as a condition to our obligations to proceed with the settlement that EnPro, Coltec, GST and Garlock of Canada Ltd (an indirect subsidiary of GST LLC) enter into a written agreement, to be consummated concurrently with the effective date of consummation of the Joint Plan, with the Canadian provincial workers' compensation boards (the "Provincial Boards") resolving remedies the Provincial Boards may possess against Garlock of Canada Ltd, GST, Coltec or any of their affiliates, including releases and covenants not to sue, for any present or future asbestos-related claim, and that the agreement is either approved by the Bankruptcy Court following notice to interested parties or the Bankruptcy Court concludes that its approval is not required. On November 11, 2016, we entered into such an agreement (the "Canadian Settlement") with the Provincial Boards to resolve current and future claims against EnPro, GST, Garrison, Coltec, and Garlock of Canada Ltd. for recovery of a portion of amounts the Provincial Boards have paid and will pay in the future under asbestos-injury recovery statutes in Canada for claims relating to asbestos-containing products. The Canadian Settlement provides for an aggregate cash settlement payment to the Provincial Boards of \$20 million (U.S.), payable on the fourth anniversary of the effective date of the Joint Plan. Under the Canadian Settlement, after the effective date of the Joint Plan, the Provincial Boards will have the option of accelerating the payment, in which case the amount payable would be discounted from the fourth anniversary of the effective date of the Joint Plan to the payment date at a discount rate of 4.5% per annum. This is consistent with the present value estimate of approximately \$17 million, before tax, that we committed for the resolution of these claims when entering into the Consensual Settlement. In return, the Provincial Boards have separately agreed to provide a covenant not to sue EnPro, any of EnPro's affiliates or the Trust for any present or future asbestos-related claims. On February 3, 2017, the Bankruptcy Court issued an order approving the Canadian Settlement.

The Consensual Settlement includes as an additional condition to our obligations to proceed with the settlement that we receive a private letter ruling from the IRS that the Trust will be recognized as a "designated settlement fund" or "qualified settlement fund" under section 468B of the Internal Revenue Code, and any related regulations (or, if such a ruling is not available, a legal opinion satisfactory in form and substance to us that the IRS will so recognize the Trust). On February 6, 2017, the IRS issued a private letter ruling satisfying this condition.

Under the Consensual Settlement and Joint Plan, GST and OldCo will retain their rights to seek reimbursement under insurance policies for any amounts they have paid in the past to resolve asbestos claims and for \$480 million in aggregate contributions they will make to the Trust under the Joint Plan. As of December 31, 2016, approximately \$62.0 million of available products hazard limits or insurance receivables arising from settlements with insurance carriers existed to cover claims against both GST and OldCo from solvent carriers with investment grade ratings. The Joint Plan provides that GST and OldCo are entitled to collect and retain 100% of any settlements and judgments related to these insurance policies.

In addition, Coltec purchased a number of primary and excess general liability insurance policies that were in effect prior to January 1, 1976 (the "Pre-Garlock Coverage Block"). The policies provide coverage for "occurrences" happening during the policy periods and cover losses associated with product liability claims against Coltec and certain of its subsidiaries. Asbestos claims against GST are not covered under these policies because GST was not a Coltec subsidiary prior to 1976.

OldCo may have rights against primary and excess general liability insurance policies in the Pre-Garlock Coverage Block to recover its contributions to the Trust. Such rights, however, are disputed and uncertain. Of the Pre-Garlock Coverage Block, the bulk of the primary coverage was provided under six policies issued by Insurance Company of North America (“INA”). INA disputes that coverage exists under these policies, claiming that Coltec released such coverage when it settled coverage under separate policies INA issued to GST and Anchor. In addition, \$7.2 million of the primary coverage in the Pre-Garlock Coverage Block was issued by American Motorists Insurance Co., which is in insolvency proceedings.

The Joint Plan provides that OldCo may retain the first \$25 million of any settlements and judgments related to insurance policies in the Pre-Garlock Coverage Block and OldCo and the Trust will share equally in any settlements and judgments OldCo may collect in excess of \$25 million.

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

- the risk that the Joint Plan is not approved by the Bankruptcy Court and the District Court and that orders so approving the Joint Plan do not become final; and

- risks and uncertainties about whether any interested parties may further object to the Joint Plan or appeal any order issued by the Bankruptcy Court or District Court approving the Joint Plan, which objections and appeals, even if favorably resolved, may delay the consummation of the Joint Plan and increase our costs in connection with such proceedings.

In addition, our subsidiaries' filing of Chapter 11 bankruptcy petitions and matters related to asbestos claims exposes us to a number of other risks and uncertainties, including:

Possible changes in the value of the deconsolidated subsidiaries reflected in our financial statements. Our investment in GST is, and for periods ending after the OldCo Petition Date our investment in OldCo will be, subject to periodic reviews for impairment. To estimate the fair value, the Company considers many factors and uses both discounted cash flow and market valuation approaches. The asbestos claims value is an important part of the value of that investment. The actual value will be determined in the Chapter 11 process, and accordingly adverse developments with respect to the terms of the resolution of such claims that differ from the terms of the Joint Plan and the Canadian Settlement may materially adversely affect the value of our investments in GST and OldCo.

- The financial viability of our subsidiaries' insurance carriers and their reinsurance carriers, and our subsidiaries' ability to collect on claims from them. Agreements with certain of these insurance carriers and the terms of applicable policies define specific annual amounts to be paid or limit the amount that can be recovered in any one year, and accordingly substantial insurance payments for submitted claims have been deferred and are payable in installments through 2018, and an additional \$38.0 million of other insurance payments may be payable only upon the conclusion of the bankruptcy process. OldCo's ability to collect insurance from policies in the Pre-Garlock Coverage Block may depend on litigation, the outcome, cost, and timing of which is uncertain.

The costs of the bankruptcy proceedings and the length of time necessary to resolve the cases. Through December 31, 2016, GST has recorded Chapter 11 case-related fees and expenses totaling \$159.9 million. We have recorded an additional \$11.0 million in case-related fees and expenses incurred directly by EnPro, Coltec and OldCo.

For a further discussion of the filings and the asbestos exposure of our subsidiaries, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview and Outlook," "— Contingencies — Asbestos" and "—Contingencies – Subsidiary Bankruptcies," and Notes 19 and 20 to our Consolidated Financial Statements, included in this report.

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 recent recession 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 in order to reduce inventories. 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

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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.

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 2016. While we have been successful in passing along some or all 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 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.

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 and the establishment of an exclusive distribution arrangement with a German engine manufacturer in the power generation industry in the U.S., 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 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, Coltec has received a notice from the Environmental Protection Agency asserting that Coltec is a potentially responsible party under federal environmental laws as the successor to a former operator in the 1950s of eight uranium mines in Arizona. In addition, in connection with a facility located in Water Valley, Mississippi, which was divested in 1996 and at which Coltec has been managing trichloroethylene soil and groundwater contamination, the Mississippi Department of Environmental Quality issued an order against EnPro requiring evaluation of potential vapor intrusion into residential homes and commercial facilities located over the groundwater plume as well as requiring additional groundwater investigation and remediation, 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 Coltec, and electrical transformers manufactured prior to May 1994 by Central Moloney, another former Coltec operation. Coltec also has ongoing obligations with regard to workers compensation, retiree medical and other retiree benefit matters associated with discontinued operations in connection with Coltec's periods of ownership of those operations. These and other potential liabilities of Coltec (other than with respect to claims related to asbestos exposure) have been assumed by EnPro Holdings in the Coltec Restructuring.

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 2016, we derived approximately 43% of our net sales from sales of our products outside of the U.S. Our international operations 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;
- trade protection measures and import or export licensing requirements;
- 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.

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.

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.

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.

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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. We may also incur charges to income to cover increases in the estimate of our subsidiaries' future asbestos liability. 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;
- changes in foreign currency exchange rates;
- changes in applicable tax rates;
- an impairment in the value of our investment in GST or OldCo;
- an impairment of goodwill 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 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 55 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	Leased 160,000
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 131,000
Neuss, Germany	Sealing Products	Leased 146,000
Saint Etienne, France	Sealing Products	Owned 108,000
Suzhou, China	Engineered Products	Owned 223,500
Annecy, France	Engineered Products	Owned 196,000
Heilbronn, Germany	Engineered Products	Owned 127,000
Sucany, Slovakia	Engineered Products	Owned 109,000

* These facilities are owned by GST LLC or one of its subsidiaries, which were deconsolidated from our Consolidated Financial Statements on the GST Petition Date.

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, asbestos and 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 20 to our Consolidated Financial Statements, which descriptions are incorporated by reference herein.

On June 5, 2010, GST LLC, Anchor and Garrison filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Western District of North Carolina in Charlotte (the "Bankruptcy Court") as a result of tens of thousands of pending and expected future asbestos personal injury claims.

The status of these proceedings is set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contingencies – Subsidiary Bankruptcies," which is incorporated by reference. Other matters relevant to such proceedings are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contingencies – Asbestos," which is incorporated by reference herein. The Company is also subject to certain environmental and other legal matters which are included in Note 20 to the Consolidated Financial Statements in this report, which is incorporated herein by reference.

In addition to the matters noted and discussed in those sections of this report, we are from time to time subject to, and are presently involved in, other litigation and legal proceedings arising in the ordinary course of business. We believe that the outcome of such other litigation and legal proceedings will not have a material adverse effect on our financial condition, results of operations and cash flows

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, Inc. ("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 the transmission units, leading to associated repairs and replacements. BorgWarner and GGB France are participating in a technical review before a panel of experts to determine, among other things, whether there were any defects in such bearings that were a cause of the damages claimed by BorgWarner, including whether GGB France was required to notify BorgWarner of a change in the source of a raw material used in the manufacture of such bearings. This technical review is a required predicate to the commencement of a legal proceeding for damages. In June 2016, the expert panel issued a preliminary report on technical matters considered by the experts. This preliminary report concluded that the change in the source of the raw material was the technical cause of the performance problems claimed by BorgWarner and that GGB France was obligated to notify BorgWarner regarding the change. Separately, in November 2016, the expert panel issued a preliminary report on related financial matters. In that report, the experts estimated the impact to BorgWarner arising from problems alleged to be caused by GGB France's bearings to be within a range of 6.6 million EUR to 7.6 million EUR, while indicating that the lower end of this range was more probable and noting that BorgWarner had not provided to the experts certain evidence needed to substantiate BorgWarner's claims regarding performance problems and associated repair costs. It is not clear how this information, if provided, may affect the expert panel's estimates. In their November 2016 preliminary report on financial matters, the experts also noted other possible technical causes of the performance problems unrelated to GGB France's bearings, which contradicts the June 2016 preliminary report on technical matters. In response to these preliminary reports, we have made a number of filings which assert and clarify our positions, including that the bearings conformed to applicable specifications, there were other causes for the performance issues unrelated to the bearings supplied by GGB France and GGB France had no duty to notify BorgWarner regarding the change of source of raw material. The expert panel is expected to issue a final report on technical and financial matters in the first quarter of 2017. We believe that GGB France has valid factual and legal defenses to these claims and we are vigorously defending these claims. Among GGB France's legal defenses is a contractual disclaimer of consequential damages, which, if controlling, would eliminate 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, and 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. We cannot estimate GGB France's reasonably possible range of loss associated with this matter, but we estimate the minimum amount to be approximately 0.4 million EUR, based on the preliminary reports of the expert panel and GGB's legal defenses described above. Accordingly, in 2016, GGB France accrued \$0.4 million associated with this matter.

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

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 2 uranium mines in Arizona. On October 15, 2015, Coltec received another notice from the EPA asserting that Coltec is a potentially responsible party as the successor to the former operator of six additional uranium mines in Arizona. At this time, although discussions with the EPA and other interested parties are ongoing, we have limited information regarding the sites and cannot estimate a reasonably possible range of loss associated with remediation or other costs at these sites. In 2015, we reserved \$1.1 million for the minimum amount of probable loss associated with the first 2 sites identified by the EPA, including the cost of the investigative work to be conducted at such sites. During t