

CHART INDUSTRIES INC
Form 10-Q
July 30, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from _____ to _____
Commission File Number 1-11442

CHART INDUSTRIES, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware 34-1712937
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)
One Infinity Corporate Centre Drive, Suite 300, Garfield Heights, Ohio 44125
(Address of Principal Executive Offices) (ZIP Code)
Registrant's Telephone Number, Including Area Code: (440) 753-1490

NOT APPLICABLE

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ 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 ☒

At July 21, 2015, there were 30,544,681 outstanding shares of the Company's Common Stock, par value \$0.01 per share.

CHART INDUSTRIES, INC.
INDEX

Part I. Financial Information

<u>Item 1. Financial Statements</u>	<u>Page</u>
<u>Condensed Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income and Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2015 and 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014</u>	<u>5</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
<u>Item 4. Controls and Procedures</u>	<u>28</u>
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>29</u>
<u>Item 1A. Risk Factors</u>	<u>29</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>30</u>
<u>Item 6. Exhibits</u>	<u>30</u>
<u>Signatures</u>	<u>31</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CHART INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$82,885	\$103,656
Accounts receivable, less allowances of \$6,392 and \$6,475	203,912	189,115
Inventories, net	231,555	215,725
Unbilled contract revenue	47,465	58,645
Prepaid expenses	12,866	15,708
Deferred income taxes	17,380	17,248
Other current assets	15,537	15,009
Total Current Assets	611,600	615,106
Property, plant and equipment, net	264,676	257,645
Goodwill	404,054	405,522
Identifiable intangible assets, net	156,349	153,666
Other assets	29,374	30,124
TOTAL ASSETS	\$1,466,053	\$1,462,063
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$95,565	\$114,252
Customer advances and billings in excess of contract revenue	81,174	82,158
Accrued salaries, wages and benefits	29,781	35,655
Current portion of warranty reserve	12,281	14,325
Short-term debt	16,543	4,903
Other current liabilities	27,368	36,466
Total Current Liabilities	262,712	287,759
Long-term debt	209,753	204,099
Long-term deferred tax liabilities	48,246	46,888
Long-term portion of warranty reserve	8,483	9,921
Accrued pension liabilities	16,465	16,920
Other long-term liabilities	9,170	9,396
Total Liabilities	554,829	574,983
Equity		
Common stock, par value \$0.01 per share – 150,000,000 shares authorized, 30,542,201 and 30,482,252 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	305	305
Additional paid-in capital	384,146	377,209
Retained earnings	533,454	511,051
Accumulated other comprehensive loss	(13,841)	(8,686)
Total Chart Industries, Inc. Shareholders' Equity	904,064	879,879

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Noncontrolling interests	7,160	7,201
Total Equity	911,224	887,080
TOTAL LIABILITIES AND EQUITY	\$1,466,053	\$1,462,063

The balance sheet at December 31, 2014 has been derived from the audited financial statements at that date, but does not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

(Dollars and shares in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Sales	\$270,252	\$306,810	\$515,357	\$573,050
Cost of sales	195,372	214,629	367,954	403,323
Gross profit	74,880	92,181	147,403	169,727
Selling, general and administrative expenses	45,628	53,662	98,790	104,573
Amortization expense	4,123	4,475	8,527	8,964
Operating expenses	49,751	58,137	107,317	113,537
Operating income	25,129	34,044	40,086	56,190
Other expenses:				
Interest expense, net	3,999	4,137	7,921	8,286
Financing costs amortization	321	327	647	653
Foreign currency (gain) loss	(3,141	) 391	(77	) 509
Other expenses, net	1,179	4,855	8,491	9,448
Income before income taxes	23,950	29,189	31,595	46,742
Income tax expense	6,868	8,818	9,238	14,032
Net income	17,082	20,371	22,357	32,710
Noncontrolling interests, net of taxes	(75	) 302	(46	) 644
Net income attributable to Chart Industries, Inc.	\$17,157	\$20,069	\$22,403	\$32,066
Net income attributable to Chart Industries, Inc. per common share:				
Basic	\$0.56	\$0.66	\$0.73	\$1.06
Diluted	\$0.56	\$0.65	\$0.73	\$1.03
Weighted-average number of common shares outstanding:				
Basic	30,495	30,389	30,481	30,368
Diluted	30,735	30,978	30,693	31,170
Comprehensive income, net of taxes	\$19,777	\$20,269	\$17,207	\$30,583
Less: Comprehensive (loss) income attributable to noncontrolling interests, net of taxes	(41	) 318	(41	) 514
Comprehensive income attributable to Chart Industries, Inc., net of taxes	\$19,818	\$19,951	\$17,248	\$30,069

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollars in thousands)

	Six Months Ended June 30,	
	2015	2014
OPERATING ACTIVITIES		
Net income	\$22,357	\$32,710
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,584	20,360
Asset impairment	1,109	—
Interest accretion of convertible notes discount	5,654	5,226
Employee share-based compensation expense	7,786	5,883
Financing costs amortization	647	653
Unrealized foreign currency transaction gain	(1,309)	) (561)
Other non-cash operating activities	(424)	) (361)
Changes in asset and liabilities, net of acquisitions:		
Accounts receivable	(15,153)	) 23,528
Inventory	(17,802)	) (16,824)
Unbilled contract revenues and other assets	13,944	(13,261)
Accounts payable and other liabilities	(30,656)	) (2,850)
Customer advances and billings in excess of contract revenue	(119)	) (12,160)
Net Cash Provided By Operating Activities	8,618	42,343
INVESTING ACTIVITIES		
Capital expenditures	(24,479)	) (25,665)
Payments for land use rights	(11,043)	) —
Proceeds from sale of assets	200	1,691
Acquisition of businesses	(320)	) (11,943)
Net Cash Used In Investing Activities	(35,642)	) (35,917)
FINANCING ACTIVITIES		
Borrowings on revolving credit facilities	12,377	7,884
Repayments on revolving credit facilities	(743)	) (3,252)
Payments on long-term debt	—	(1,875)
Proceeds from exercise of stock options	469	624
Excess tax (deficiency) benefit from share-based compensation	(494)	) 1,727
Payment of contingent consideration	(611)	) (741)
Common stock repurchases	(823)	) (3,291)
Dividend distribution to noncontrolling interest	—	(1,206)
Other financing activities	(157)	) —
Net Cash Provided By (Used In) Financing Activities	10,018	(130)
Effect of exchange rate changes on cash	(3,765)	) (967)
Net (decrease) increase in cash and cash equivalents	(20,771)	) 5,329
Cash and cash equivalents at beginning of period	103,656	137,345
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$82,885	\$142,674
See accompanying notes to these unaudited condensed consolidated financial statements.		

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts)

NOTE 1 — Basis of Preparation

The accompanying unaudited condensed consolidated financial statements of Chart Industries, Inc. and its consolidated subsidiaries (the “Company” or “Chart”) have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for annual financial statements. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Nature of Operations: The Company is a leading diversified global manufacturer of highly engineered equipment for the industrial gas, energy, and biomedical industries. Chart’s equipment and engineered systems are primarily used for low-temperature and cryogenic applications utilizing our expertise in cryogenic systems and equipment, which operate at low temperatures sometimes approaching absolute zero (0 kelvin; -273° Centigrade; -459° Fahrenheit). The Company has domestic operations located across the United States, including principal executive offices located in Ohio, and an international presence in Asia, Australia, Europe and South America.

Principles of Consolidation: The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

Reclassifications: Certain reclassifications have been made to the 2014 condensed consolidated balance sheet and the Goodwill and Intangible Assets note (Note 3) to conform to the 2015 presentation.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates may also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Recently Issued Accounting Standards: In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-11, “Simplifying the Measurement of Inventory.” The amendments require an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments do not apply to inventory that is measured using the last-in, first-out cost method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out or average cost. This ASU is effective for fiscal years beginning after December 15, 2016. The Company is currently assessing the effect that the ASU will have on the Company’s financial position, results of operations, cash flows and disclosures.

In April 2015, the FASB issued Accounting Standards Update ASU 2015-03, “Interest–Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.” The amendments require an entity to present debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of debt issuance costs will continue to be reported as interest expense. This ASU is effective for fiscal years beginning after December 15, 2015 and interim reporting periods within those fiscal years. The new guidance will be applied retrospectively to each prior period presented. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers.” The amendments require entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU

was effective for fiscal years beginning after December 15, 2016, including interim periods within such fiscal years (the “original effective date”), however, in July 2015, the FASB approved a one-year deferral of this standard. As a result, the standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within such fiscal years. The ASU allows full retrospective or modified retrospective adoption. Early adoption before the original effective date is not permitted. The Company is currently assessing the transition method and effect that the ASU will have on the Company’s financial position, results of operations, cash flows and disclosures.

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

NOTE 2 — Inventories

The following table summarizes the components of inventory:

	June 30, 2015	December 31, 2014
Raw materials and supplies	\$86,140	\$94,437
Work in process	42,293	35,631
Finished goods	103,122	85,657
Total inventories, net	\$231,555	\$215,725

The allowances for excess, obsolete and lower of cost or market totaled \$5,442 and \$5,233 at June 30, 2015 and December 31, 2014, respectively.

NOTE 3 — Goodwill and Intangible Assets

Goodwill

The following table represents the changes in goodwill by segment:

	Energy & Chemicals	Distribution & Storage	BioMedical	Total
Balance at December 31, 2014	\$92,638	\$157,248	\$155,636	\$405,522
Foreign currency translation adjustments and other	8	(1,657)	—	(1,649)
Goodwill acquired during the year	—	181	—	181
Balance at June 30, 2015	\$92,646	\$155,772	\$155,636	\$404,054

Intangible Assets

The following table displays the gross carrying amount and accumulated amortization for finite-lived intangible assets and indefinite-lived intangible assets (exclusive of goodwill)⁽¹⁾⁽²⁾:

	June 30, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:				
Unpatented technology	\$34,018	\$(6,168)	\$35,933	\$(6,979)
Patents	7,779	(6,536)	7,809	(6,213)
Trademarks and trade names	8,976	(6,663)	8,981	(6,206)
Non-compete agreements	421	(263)	421	(88)
Customer relations	154,544	(91,121)	154,945	(84,776)
Land use rights	14,284	(457)	2,588	(411)
Total finite-lived intangible assets	\$220,022	\$(111,208)	\$210,677	\$(104,673)
Indefinite-lived intangible assets:				
Trademarks and trade names	\$47,535		\$47,662	

(1) Amounts include the impact of foreign currency translation. Fully amortized amounts are written off.

(2) The Company amortizes certain identifiable intangible assets mainly on a straight-line basis over their estimated useful lives, which range from one to 50 years.

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

Amortization expense for intangible assets subject to amortization was \$4,123 and \$4,475 for the three months ended June 30, 2015 and 2014, respectively. Amortization expense for intangible assets subject to amortization was \$8,527 and \$8,964 for the six months ended June 30, 2015 and 2014, respectively. The Company estimates amortization expense to be recognized during the next five years as follows:

For the Year Ending December 31,

2015	\$ 16,500
2016	14,400
2017	13,400
2018	12,700
2019	12,600

NOTE 4 — Debt and Credit Arrangements

Convertible Notes

The outstanding aggregate principal amount of the Company's 2.0% Convertible Senior Subordinated Notes due 2018 (the "Convertible Notes") is \$250,000. The Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 1 and August 1 of each year, and will mature on August 1, 2018. The effective interest rate at issuance was 7.9%.

The Convertible Notes are senior subordinated unsecured obligations of the Company and are not guaranteed by any of the Company's subsidiaries. The Convertible Notes are senior in right of payment to the Company's future subordinated debt, equal in right of payment with the Company's future senior subordinated debt and are subordinated in right of payment to the Company's existing and future senior indebtedness, including indebtedness under the Company's existing credit agreement.

In connection with the issuance of the Convertible Notes, the Company entered into privately-negotiated convertible note hedge and capped call transactions with affiliates of certain of the underwriters (the "Option Counterparties"). The convertible note hedge and capped call transactions relate to, collectively, 3,622 shares, which represents the number of shares of the Company's common stock underlying the Convertible Notes, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes. These convertible note hedge and capped call transactions are expected to reduce the potential dilution with respect to the Company's common stock upon conversion of the Convertible Notes and/or reduce the Company's exposure to potential cash or stock payments that may be required upon conversion of the Convertible Notes, except, in the case of the capped call transactions, to the extent that the market price per share of the Company's common stock exceeds the cap price of the capped call transactions. The Company also entered into separate warrant transactions with the Option Counterparties initially relating to the number of shares of the Company's common stock underlying the convertible note hedge transactions, subject to customary anti-dilution adjustments. The warrant transactions will have a dilutive effect with respect to the Company's common stock to the extent that the price per share of the Company's common stock exceeds the strike price of the warrants unless the Company elects, subject to certain conditions, to settle the warrants in cash. These warrants were exercisable as of the issuance date of the Convertible Notes. The cap price of the capped call transactions and the strike price of the warrant transactions was initially \$84.96 per share. Proceeds received from the issuance of the warrants totaled approximately \$48,848 and were recorded as an addition to additional paid-in-capital. The net cost of the convertible note hedge and capped call transactions, taking into account the proceeds from the issuance of the warrants, was approximately \$17,638.

In accordance with ASC 815, contracts are initially classified as equity if (1) the contract requires physical settlement or net-share settlement, or (2) the contract gives the entity a choice of net-cash settlement in its own shares (physical settlement or net-share settlement). The Company concluded that the settlement terms of the convertible note hedge, capped call and warrant transactions permit net-share settlement. As such, the convertible note hedge, capped call and warrant transactions were recorded in equity.

Upon issuance of the Convertible Notes, the Company bifurcated the \$250,000 principal balance of the Convertible Notes into a liability component of \$170,885, which was recorded as long-term debt, and an equity component of \$79,115, which was initially recorded as additional paid-in-capital. The liability component was recognized at the present value of its associated cash flows using a 7.9% straight-debt rate which represented the Company's interest rate for similar debt instruments at that time without a conversion feature and is being accreted to interest expense over the term of the Convertible Notes. At June 30,

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

2015 and December 31, 2014, the carrying amount of the liability component was \$209,753 and \$204,099, respectively, and the unamortized debt discount of the Convertible Notes was \$40,247 and \$45,901, respectively. For the three months ended June 30, 2015 and 2014, interest expense for the Convertible Notes was \$4,105 and \$3,889, respectively, which included \$2,855 and \$2,639 of non-cash interest accretion expense related to the carrying amount of the Convertible Notes, respectively, and \$1,250 of 2.0% cash interest for both periods. For the six months ended June 30, 2015 and 2014, interest expense for the Convertible Notes was \$8,154 and \$7,726, respectively, which included \$5,654 and \$5,226 of non-cash interest accretion expense related to the carrying amount of the Convertible Notes, respectively, and \$2,500 of 2.0% cash interest for both periods. In accordance with ASC 470-20, which requires issuers to separately account for the liability and equity components of convertible debt instruments that may be settled in cash upon conversion, the Company allocated debt issuance costs to the liability and equity components in proportion to their allocated value. Debt issuance costs were \$7,277, with \$2,303 recorded as a reduction in additional paid-in-capital. The remaining balance of \$4,974 is being amortized over the term of the Convertible Notes. For the three months ended June 30, 2015 and 2014, total expense associated with the amortization of these debt issuance costs was \$178 and \$177, respectively. For the six months ended June 30, 2015 and 2014, total expense associated with the amortization of these debt issuance costs was \$356 and \$355, respectively.

Prior to May 1, 2018, the Convertible Notes will be convertible at the option of the holders thereof only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2011 (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price (currently \$69.03) for the Convertible Notes on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "Measurement Period") in which, as determined following a request by a holder of Convertible Notes as provided in the bond indenture (the "Indenture"), the trading price per \$1,000 principal amount of Convertible Notes for each trading day of such Measurement Period was less than 97% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate for the Convertible Notes on each such trading day; or (3) upon the occurrence of specified corporate events pursuant to the terms of the Indenture. On or after May 1, 2018, until the close of business on the second scheduled trading day immediately preceding the maturity date of the Convertible Notes, holders of the Convertible Notes may convert their Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted and pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, in respect of the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted. It is the Company's intention to settle any excess conversion value in shares of the Company's common stock.

The conversion rate on the Convertible Notes will be subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest. In addition, following the occurrence of a make-whole fundamental change, the Company will, in certain circumstances, increase the conversion rate for a holder that converts its Convertible Notes in connection with such make-whole fundamental change. The Company may not redeem the Convertible Notes prior to maturity. If the Company undergoes a fundamental change, subject to certain conditions, holders may require the Company to purchase the Convertible Notes in whole or in part for cash at a fundamental change purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date. For purposes of calculating earnings per share, if the average market price of the Company's common stock exceeds the applicable conversion price during the periods reported, shares contingently issuable under the Convertible Notes will have a dilutive effect with respect to the Company's common stock.

The Company reassesses the convertibility of the Convertible Notes and the related balance sheet classification on a quarterly basis. At the end of the second quarter of 2015, events for early conversion were not met, and thus the Convertible Notes were not convertible as of and for the fiscal quarter beginning July 1, 2015.

Senior Secured Revolving Credit Facility

The Company has a five-year \$450,000 senior secured revolving credit facility (the “SSRCF”) which matures on October 29, 2019. The SSRCF includes a \$25,000 sub-limit for the issuance of swingline loans and a \$100,000 sub-limit to be used for letters of credit. There is a foreign currency limit of \$100,000 under the SSRCF which can be used for foreign currency denominated letters of credit and borrowings in a foreign currency, in each case in currencies agreed upon with the lenders. In addition, the facility permits borrowings up to \$100,000 made by the Company’s wholly-owned subsidiaries, Chart Industries

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

Luxembourg S.à r.l. (“Chart Luxembourg”) and Chart Asia Investment Company Limited (“Chart Asia”). The SSRCF also includes an expansion option permitting the Company to add up to an aggregate \$200,000 in term loans or revolving credit commitments from its lenders.

The Company recorded \$2,869 in deferred debt issuance costs associated with the SSRCF which are being amortized over the five-year term of the SSRCF. For the three months ended June 30, 2015 and 2014, the related financing costs amortization was \$143 and \$150, respectively. For the six months ended June 30, 2015 and 2014, the related financing costs amortization was \$291 and \$298, respectively.

Revolving loans under the SSRCF bear interest, at the applicable Borrower’s election, at either LIBOR or the greatest of (a) the JPMorgan prime rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% or (c) the Adjusted LIBOR Rate (as defined in the SSRCF) for the relative interest period on such day (or if such day is not a business day, the immediately preceding business day) plus 1% (the “Adjusted Base Rate”), plus a margin that varies with the Company’s leverage ratio. In addition, the Company is required to pay a commitment fee of between 0.25% and 0.40% of the unused revolver balance and a letter of credit participation fee equal to the daily aggregate letter of credit exposure at the rate per annum equal to the Applicable Margin for Eurocurrency Revolving Facility Borrowings (ranging from 1.5% to 2.75%, depending on the leverage ratio calculated at each fiscal quarter end). A fronting fee must be paid on each letter of credit that is issued equal to 0.125% per annum of the stated dollar amount of the letter of credit.

Significant financial covenants for the SSRCF include a minimum liquidity requirement equal to the principal amount of the Convertible Notes outstanding six months prior to the maturity date of the Convertible Notes and when holders of the Convertible Notes have the option to require the Company to repurchase the Convertible Notes, a maximum leverage ratio of 3.25 and a minimum interest coverage to EBITDA ratio of 3.0. The required leverage ratio can be relaxed on up to two occasions, upon notification to the lenders, to 3.75 for up to four consecutive fiscal quarters, for acquisitions and plant expansions of \$100,000 or greater. The SSRCF contains a number of other customary covenants including, but not limited to, restrictions on the Company’s ability to incur additional indebtedness, create liens or other encumbrances, sell assets, enter into sale and lease-back transactions, make certain payments, investments, loans, advances or guarantees, make acquisitions and engage in mergers or consolidations and pay dividends or distributions. At June 30, 2015, the Company was in compliance with all covenants.

As of June 30, 2015, there was \$10,000 outstanding under the SSRCF bearing interest at 1.7% on a weighted-average basis. The Company also had \$27,731 in letters of credit and bank guarantees supported by the SSRCF, which had availability of \$412,269 at June 30, 2015. The obligations under the SSRCF are guaranteed by the Company and substantially all of its U.S. subsidiaries and secured by substantially all of the assets of the Company and its U.S. subsidiaries and 65% of the capital stock of the Company’s material non-U.S. subsidiaries (as defined by the SSRCF) that are owned by U.S. subsidiaries.

Foreign Facilities – China

Chart Cryogenic Engineering Systems (Changzhou) Company Limited (“CCESC”), Chart Energy & Chemicals Wuxi Co., Ltd. (“Wuxi”) and Chart Biomedical (Chengdu) Co. Ltd. (“Chengdu”), wholly-owned subsidiaries of the Company, and Chart Cryogenic Distribution Equipment (Changzhou) Company Limited (“CCDEC”), a joint venture of the Company, maintain joint banking facilities (the “China Facilities”) which include a revolving facility with 50.0 million Chinese yuan (equivalent to \$8,178) in borrowing capacity which can be utilized for either revolving loans, bonds/guarantees, or bank draft acceptances. Any borrowings made by CCESC, CCDEC, Chengdu or Wuxi under the China Facilities are guaranteed by the Company. At June 30, 2015, there was 30.0 million Chinese yuan (equivalent to \$4,907) outstanding under the revolving line, bearing interest at 5.6% on a weighted-average basis.

CCESC and Chengdu share a facility for up to 10.0 million Chinese yuan (equivalent to \$1,636) which can be utilized for forward currency transactions. This facility is unsecured. There were no borrowings under this facility at June 30, 2015.

CCDEC maintains a credit facility with Bank of China whereby CCDEC may borrow up to 50.0 million Chinese yuan (equivalent to \$8,178) for working capital purposes, and 30.0 million Chinese yuan (equivalent to \$4,907) for non-financing bank guarantee purposes. This credit facility is effective until August 7, 2015. At June 30, 2015 there was 10.0 million Chinese yuan (equivalent to \$1,636) outstanding under this facility, bearing interest at 5.7%. CCESC maintains a credit facility with Bank of China whereby CCESC may borrow up to 100.0 million Chinese yuan (equivalent to \$16,357) for working capital purposes. This credit facility expired on July 8, 2015. There were no borrowings under this facility at June 30, 2015.

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

CCESC maintains an unsecured credit facility with HSBC whereby CCESC may borrow up to 30.0 million Chinese yuan (equivalent to \$4,907) for working capital purposes. There were no borrowings under this facility at June 30, 2015.

At June 30, 2015, CCESC, CCDEC and Wuxi had 23.2 million Chinese yuan (equivalent to \$3,803), 0.1 million Chinese yuan (equivalent to \$14) and 0.6 million Chinese yuan (equivalent to \$91) in bank guarantees, respectively.

Foreign Facilities – Europe

Chart Ferox, a.s. (“Ferox”), a wholly-owned subsidiary of the Company, maintains two secured credit facilities with capacity of up to 175.0 million Czech koruna (equivalent to \$7,185). Both of the facilities allow Ferox to request bank guarantees and letters of credit. Neither of the facilities allow revolving credit borrowings. Under both facilities, Ferox must pay letter of credit and guarantee fees equal to 0.70% per annum on the face amount of each guarantee or letter of credit. Ferox’s land and buildings secure the credit facilities. As of June 30, 2015, there were bank guarantees of 52.4 million Czech koruna (equivalent to \$2,152) supported by the Ferox credit facilities.

Chart Luxembourg, maintains an overdraft facility with \$5,000 in borrowing capacity. There were no borrowings under the Chart Luxembourg facility as of June 30, 2015.

Fair Value Disclosures

The fair value of the Convertible Notes was approximately 97% of their par value as of June 30, 2015 and approximately 95% of their par value as of December 31, 2014. The Convertible Notes are actively quoted instruments and, accordingly, the fair value of the Convertible Notes was determined using Level 1 inputs as defined in Note 8.

NOTE 5 — Derivative Financial Instruments

The Company utilizes certain derivative financial instruments to enhance its ability to manage foreign currency risk that exists as part of its ongoing business operations. Derivative instruments are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into contracts for speculative purposes, nor is it a party to any leveraged derivative instruments. The Company is exposed to foreign currency exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. The Company utilizes foreign currency forward purchase and sale contracts to manage the volatility associated with foreign currency purchases and certain intercompany transactions in the normal course of business. Contracts typically have maturities of less than one year. Principal currencies include the U.S. dollar, the euro, the Japanese yen, the Czech koruna, and the Chinese yuan. The Company’s foreign currency forward contracts do not qualify as hedges as defined by accounting guidance. Foreign currency forward contracts are measured at fair value and recorded in the condensed consolidated balance sheets as other current assets or liabilities and reported as financial assets and liabilities in Note 8. Changes in their fair value are recorded in the condensed consolidated statements of income and comprehensive income (loss) as foreign currency gains or losses. The Company’s foreign currency forward contracts are not exchange traded instruments and, accordingly, the valuation is performed using Level 2 inputs as defined in Note 8. Gains or losses on settled or expired contracts are recorded in the condensed consolidated statements of income and comprehensive income (loss) as foreign currency gains or losses. The changes in fair value with respect to the Company’s foreign currency forward contracts generated net gains of \$502 and \$179 for the three months ended June 30, 2015 and 2014, respectively. The change in fair value with respect to the Company’s foreign currency forward contracts generated net gains of \$2,997 and \$54 for the six months ended June 30, 2015 and 2014, respectively.

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

NOTE 6 — Product Warranties

The Company provides product warranties with varying terms and durations for the majority of its products. The Company estimates its warranty reserve by considering historical and projected warranty claims, historical and projected cost-per-claim and knowledge of specific product issues that are outside its typical experience. The Company records warranty expense in cost of sales. Product warranty claims not expected to occur within one year are recorded in the long-term portion of the warranty reserve in the condensed consolidated balance sheets.

The following table represents changes in the Company's consolidated warranty reserve:

Balance at December 31, 2014	\$24,246	
Warranty expense	7,497	
Warranty usage	(10,979)	)
Balance at June 30, 2015	\$20,764	

NOTE 7 — Business Combinations

Wuxi Acquisition

On May 27, 2014, Chart Asia finalized the acquisition of 100% of the equity of Wuxi Zhongbo Gas and Air Equipment Manufacturing Co. Ltd., which changed its name to Chart Energy & Chemicals Wuxi Co., Ltd., for an aggregate cash purchase price of 73.3 million Chinese yuan (equivalent to \$11,943), net of cash acquired. The fair value of the net assets acquired and goodwill at the date of acquisition was 15.6 million Chinese yuan and 57.7 million Chinese yuan, respectively. Wuxi, located in Wuxi, Jiangsu Province, China, designs, manufactures and sells low-pressure brazed aluminum heat exchangers. In addition, cold box fabrication operations were relocated from Changzhou, China to the Wuxi facility. Wuxi's results are included in the Company's Energy & Chemicals business segment as of the date of acquisition.

Contingent Consideration

The estimated fair value of total contingent consideration relating to a prior acquisition was valued using a discounted cash flow approach, which includes assumptions for the probabilities of achieving gross sales targets and the discount rate applied to the projected payments. The valuation is performed using Level 3 inputs as defined in Note 8. Changes in fair value of contingent consideration are recorded as selling, general and administrative expenses in the condensed consolidated statements of income and comprehensive income (loss).

Potential payments may be paid between July 1, 2015 and March 31, 2016 based on the attainment of certain revenue targets. The remaining potential payout related to total contingent consideration is between \$0 and \$1,648.

Balance at December 31, 2014	\$1,074	
Decrease in fair value of contingent consideration liabilities	(463)	)
Payment of contingent consideration	(611)	)
Balance at June 30, 2015	\$—	

During the three months ended June 30, 2015, the Company made a \$611 contingent consideration payment related to the BioMedical segment, which reduced the outstanding contingent consideration liabilities balance to zero. For the three months ended June 30, 2014, the fair value of contingent consideration related to the BioMedical segment increased by \$61. For the six months ended June 30, 2015 and 2014, the fair value of contingent consideration related to the BioMedical segment decreased by \$463 and increased by \$124, respectively.

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

NOTE 8 — Fair Value Measurements

The Company measures its financial assets and liabilities at fair value on a recurring basis using a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies. The three levels of inputs used to measure fair value are as follows:

Level 1 — Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Financial assets and liabilities measured at fair value on a recurring basis and presented in the Company's condensed consolidated balance sheets are as follows:

	June 30, 2015		
	Total	Level 2	Level 3
Foreign currency forward contracts	\$72	\$72	\$—
Total financial assets	\$72	\$72	\$—
Foreign currency forward contracts	\$74	\$74	\$—
Total financial liabilities	\$74	\$74	\$—

	December 31, 2014		
	Total	Level 2	Level 3
Foreign currency forward contracts	\$49	\$49	\$—
Contingent consideration liabilities	1,074	—	1,074
Total financial liabilities	\$1,123	\$49	\$1,074

Refer to Note 5 for further information regarding derivative financial instruments and Note 7 for further information regarding contingent consideration liabilities.

NOTE 9 — Equity

Accumulated Other Comprehensive (Loss) Income

The following tables represent changes in accumulated other comprehensive (loss) income by component:

	Foreign currency translation adjustments	Pension liability adjustments, net of taxes	Accumulated other comprehensive (loss) income
Balance at March 31, 2015	\$(4,240)	) \$(12,262	) \$(16,502)
Other comprehensive income	2,428	—	2,428
Amounts reclassified from accumulated other comprehensive (loss) income, net of income taxes of \$124 ⁽¹⁾	—	233	233
Net current-period other comprehensive income, net of taxes	2,428	233	2,661
Balance at June 30, 2015	\$(1,812)	) \$(12,029	) \$(13,841)

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

	Foreign currency translation adjustments	Pension liability adjustments, net of taxes	Accumulated other comprehensive income (loss)
Balance at March 31, 2014	\$ 16,495	\$(5,052)	\$ 11,443
Other comprehensive loss	(169)	—	(169)
Amounts reclassified from accumulated other comprehensive (loss) income, net of income taxes of \$29 ⁽¹⁾	—	51	51
Net current-period other comprehensive (loss) income, net of taxes	(169)	51	(118)
Balance at June 30, 2014	\$ 16,326	\$(5,001)	\$ 11,325
	Foreign currency translation adjustments	Pension liability adjustments, net of taxes	Accumulated other comprehensive (loss) income
Balance at December 31, 2014	\$ 3,808	\$(12,494)	\$(8,686)
Other comprehensive loss	(5,620)	—	(5,620)
Amounts reclassified from accumulated other comprehensive (loss) income, net of income taxes of \$249 ⁽²⁾	—	465	465
Net current-period other comprehensive (loss) income, net of taxes	(5,620)	465	(5,155)
Balance at June 30, 2015	\$(1,812)	\$(12,029)	\$(13,841)
	Foreign currency translation adjustments	Pension liability adjustments, net of taxes	Accumulated other comprehensive income (loss)
Balance at December 31, 2013	\$ 18,425	\$(5,103)	\$ 13,322
Other comprehensive loss	(2,099)	—	(2,099)
Amounts reclassified from accumulated other comprehensive (loss) income, net of income taxes of \$58 ⁽²⁾	—	102	102
Net current-period other comprehensive (loss) income, net of taxes	(2,099)	102	(1,997)
Balance at June 30, 2014	\$ 16,326	\$(5,001)	\$ 11,325

(1) Amounts reclassified from accumulated other comprehensive (loss) income were expensed and included in cost of sales (\$141 and \$31 for the three months ended June 30, 2015 and 2014, respectively) and selling, general and administrative expenses (\$216 and \$49 for the three months ended June 30, 2015 and 2014, respectively) in the condensed consolidated statements of income and comprehensive income (loss). The components in accumulated other comprehensive (loss) income are included in the computation of net periodic pension expense (income) as reported in Note 11.

(2) Amounts reclassified from accumulated other comprehensive (loss) income were expensed and included in cost of sales (\$281 and \$62 for the six months ended June 30, 2015 and 2014, respectively) and selling, general and administrative expenses (\$433 and \$98 for the six months ended June 30, 2015 and 2014, respectively) in the condensed consolidated statements of income and comprehensive income (loss). The components in accumulated other comprehensive (loss) income are included in the computation of net periodic pension expense (income) as

reported in Note 11.

14

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

Earnings Per Share

The following table presents calculations of net income per share of common stock:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income attributable to Chart Industries, Inc.	\$17,157	\$20,069	\$22,403	\$32,066
Net income attributable to Chart Industries, Inc. per common share:				
Basic	\$0.56	\$0.66	\$0.73	\$1.06
Diluted	\$0.56	\$0.65	\$0.73	\$1.03
Weighted average number of common shares outstanding — basic	30,495	30,389	30,481	30,368
Incremental shares issuable upon assumed conversion and exercise of share-based awards	240	269	212	273
Incremental shares issuable due to dilutive effect of the Convertible Notes	—	320	—	529
Weighted average number of common shares outstanding — diluted	30,735	30,978	30,693	31,170
Diluted earnings per share does not reflect the following potential common shares as the effect would be anti-dilutive:				
	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Share-based awards	160	29	188	26
Convertible note hedge and capped call transactions ⁽¹⁾	—	320	—	529
Warrants	3,368	3,368	3,368	3,368
Total anti-dilutive securities	3,528	3,717	3,556	3,923

(1) The convertible note hedge and capped call transactions offset any dilution upon actual conversion of the Convertible Notes up to a common stock price of \$84.96. See Note 4 for further information.

NOTE 10 — Income Taxes

The effective income tax rate of 28.7% and 29.2% for the three and six months ended June 30, 2015, respectively, differed from the U.S. federal statutory rate of 35% primarily due to the effect of income earned by certain of the Company's foreign entities being taxed at lower rates than the federal statutory rate. The effective income tax rate of 30.2% and 30.0% for the three and six months ended June 30, 2014, respectively, differed from the U.S. federal statutory rate of 35% primarily due to the effect of income earned by certain of the Company's foreign entities being taxed at lower rates than the federal statutory rate.

As of June 30, 2015, the Company has recorded a \$948 liability for gross unrecognized tax benefits. This amount includes \$462 of unrecognized tax benefits which, if ultimately recognized, will reduce the Company's annual effective income tax rate. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2015, the Company had accrued approximately \$108 for the payment of interest and penalties.

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

NOTE 11 — Employee Benefit Plans

The Company has a defined benefit pension plan which is frozen, that covers certain U.S. hourly and salaried employees. The defined benefit plan provides benefits based primarily on the participants' years of service and compensation. The following table represents the components of net periodic pension expense (income):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest cost	\$571	\$590	\$1,143	\$1,180
Expected return on plan assets	(800)	(776)	(1,599)	(1,552)
Amortization of net loss	357	80	714	160
Total net periodic pension expense (income)	\$128	\$(106)	\$258	\$(212)

NOTE 12 — Share-based Compensation

During the six months ended June 30, 2015, the Company granted 221 stock options, 117 restricted stock units and 24 performance units, while non-employee directors received 10 stock awards with a fair value of \$341. During the six months ended June 30, 2015, participants in the Company's stock option plans exercised options to purchase 38 shares of the Company's common stock, while 12 stock options were forfeited.

Stock options generally vest ratably over a four-year vesting period. Restricted stock and restricted stock units generally vest ratably over a three-year period, and performance units and leveraged restricted share units generally vest at the end of a three-year performance period based on the achievement of certain performance conditions.

During the six months ended June 30, 2015, 35 restricted stock and restricted stock units vested while 3 shares of restricted stock and restricted stock units were forfeited. Also, during the six months ended June 30, 2015, 27 and 11 performance units and leveraged restricted share units vested, respectively.

Share-based compensation expense was \$2,034 and \$1,926 for the three months ended June 30, 2015 and 2014, respectively. Share-based compensation expense was \$7,786 and \$5,883 for the six months ended June 30, 2015 and 2014, respectively. Share-based compensation expense is included in selling, general and administrative expenses in the condensed consolidated statements of income and comprehensive income (loss). As of June 30, 2015, total share-based compensation of \$10,617 is expected to be recognized over the weighted-average period of approximately 1.9 years.

NOTE 13 — Commitments and Contingencies

Enogex Matter

In November 2012, Chart Energy & Chemicals, Inc. ("CEC"), a subsidiary of the Company, filed a declaratory judgment action in the United States District Court for the Western District of Oklahoma (the "Federal Court") seeking a judgment that certain claims for damages alleged by Enogex Holdings LLC, Enogex Gathering & Processing, LLC and affiliated companies with respect to a December 2010 fire at the Enogex natural gas processing plant in Cox City, Oklahoma were barred based on multiple defenses, including Oklahoma's statute of repose. This action was precipitated by the receipt of a letter from Enogex alleging that CEC was responsible for damages in excess of \$75,000 with respect to the fire as a result of the alleged failure of CEC's equipment that was a component of the unit involved in the fire. Subsequent to the filing of CEC's declaratory judgment action, in December 2012, Enogex filed suit in the District Court of Tulsa County, State of Oklahoma (the "State Court") against the Company, CEC and its predecessors, a former employee of a predecessor of CEC, as well as other entities and an individual not affiliated with the Company, formalizing the allegations and claims contained in the November demand letter. Each party filed one or more motions to dismiss the other's lawsuit. Enogex's motion to dismiss initially was denied by the Federal Court, but Enogex moved for rehearing on its motion to dismiss, which the Federal Court granted based on a lack of jurisdictional diversity. The Company's and CEC's motions to dismiss were denied by the State Court. The Company, CEC and their affiliates filed multiple motions for summary judgment with the State Court, and the State Court granted a motion for partial summary judgment dismissing Enogex's breach of contract and warranty claims, but denied other motions for summary judgment. Accordingly, litigation continues in the State Court on Enogex's other

claims, and Enogex is claiming damages of approximately \$67,500, including investigation and repair costs and business interruption losses. This matter is set for trial beginning in late September 2015. The Company continues to believe that the allegations against the Company, CEC and their affiliates lack merit. The Company believes that it, CEC and their affiliates have strong factual and legal defenses to Enogex's claims and intends to vigorously assert such defenses. Accordingly, an accrual related to any damages that may result from the lawsuit has not been recorded because a potential loss is not currently probable. Furthermore, the Company believes that its

Table of Contents

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements – June 30, 2015

(Dollars and shares in thousands, except per share amounts) – Continued

existing product liability insurance is adequate for potential losses associated with these claims. While the Company cannot predict with certainty the ultimate result of these proceedings, the Company does not believe that the final outcome of these proceedings will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

D&S Restructuring

On March 31, 2015, Chart announced its intention to close its Distribution & Storage ("D&S") segment's facility located in Owatonna, Minnesota. This closure is a cost reduction measure in response to lower orders for products manufactured at this facility. Costs incurred during the six months ended June 30, 2015 related to this restructuring activity were approximately \$1,300 and include long-lived asset impairment charges, severance related costs and other miscellaneous costs. The majority of these costs are included in cost of sales in the condensed consolidated statements of income and comprehensive income (loss). The Company anticipates additional costs of approximately \$2,000 primarily related to lease exit costs and \$1,000 in severance costs for D&S segment cost reduction initiatives at other D&S segment facilities, which are expected to occur in the third quarter of 2015.

NOTE 14 — Reportable Segments

The structure of the Company's internal organization is divided into the following reportable segments, which are also the Company's operating segments: Energy & Chemicals ("E&C"), Distribution & Storage and BioMedical. Corporate includes operating expenses for executive management, accounting, tax, treasury, human resources, information technology, legal, internal audit, risk management and share-based compensation expenses that are not allocated to the reportable segments.

The following table represents information for the Company's reportable segments and its corporate function:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Sales				
Energy & Chemicals	\$91,339	\$92,954	\$178,809	\$179,100
Distribution & Storage	121,813	149,105	226,884	278,627
BioMedical	57,100	64,751	109,664	115,323
Consolidated	\$270,252	\$306,810	\$515,357	\$573,050
Operating Income (Loss)				
Energy & Chemicals	\$19,958	\$16,042	\$35,940	\$32,649
Distribution & Storage	11,367	24,222	22,642	42,309
BioMedical	6,225	7,424	9,878	9,819
Corporate	(12,421)	(13,644)	(28,374)	(28,587)
Consolidated	\$25,129	\$34,044	\$40,086	\$56,190

NOTE 15 — Subsequent Event

On July 1, 2015, the Company acquired 100% of the equity interests of Thermax, Inc. ("Thermax") for an initial purchase price of \$25,012, subject to working capital adjustments, and contingent consideration up to \$11,288 to be paid over four years based on the achievement of certain earnings targets. Thermax, headquartered in Dartmouth, Massachusetts, designs and sells cryogenic fluid vaporizers and other ambient and powered vaporizer products utilized in industrial gas, petrochemical, and liquefied natural gas applications. Thermax's results will be included in the Company's D&S segment.

Table of Contents

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

Overview

Chart Industries, Inc. (the "Company," "Chart," or "we") is a leading diversified global manufacturer of highly engineered equipment for the industrial gas, energy and biomedical industries. The largest portion of end-use applications for our products is energy-related. Our equipment and engineered systems are primarily used for low-temperature and cryogenic applications utilizing our expertise in cryogenic systems and equipment, which operate at low temperatures sometimes approaching absolute zero (0 kelvin; -273° Centigrade; -459° Fahrenheit).

Sales for the six months ended June 30, 2015 were \$515.4 million compared to sales of \$573.1 million for the six months ended June 30, 2014, reflecting a decrease of \$57.7 million, or 10.1%. This decrease was mainly attributable to a \$60.9 million shortfall in liquefied natural gas applications within our D&S segment and the strength of the U.S. dollar, which had a significant negative impact on the results of our European operations when translated to U.S. dollars. The overall currency translation impact was approximately \$16.2 million unfavorable on a constant currency basis. Gross profit for the six months ended June 30, 2015 was \$147.4 million, or 28.6% of sales, as compared to \$169.7 million, or 29.6% of sales, for the six months ended June 30, 2014. Gross profit decreased during the period mainly as a result of decreased volume related to liquefied natural gas applications within our D&S segment and the negative currency impact, and the related margin percentage decreased mainly due to product mix within our D&S segment as well as higher restructuring-related costs due to cost reduction initiatives including the Owatonna shutdown and reductions in headcount. Operating income for the six months ended June 30, 2015 was \$40.1 million compared to \$56.2 million for the six months ended June 30, 2014.

As previously disclosed, low oil prices continue to delay LNG conversions and LNG-related opportunities, which have negatively impacted our sales level this year. In addition, global competition continues to put pressure on pricing. Due to the uncertainty surrounding the price of oil and its impact on natural gas projects and our business, we continue to face challenges in the timing of orders. We remain encouraged by the long-term opportunities in low-cost small to mid-scale LNG liquefaction and larger multi-train LNG liquefaction, as evidenced by the recently announced pending equipment award for the Magnolia LNG export project, as well as previously disclosed potential opportunities with Venture Global LNG and Parallax Energy for which we continue to execute advance engineering for multi-train export facilities. We expect a staged release of the Magnolia LNG order commencing in the third quarter of 2015 with a commitment for all four trains by the end of 2015. The total order value is expected to be in excess of \$80 million. Overall orders decreased during the second quarter of 2015 compared to the first quarter of 2015 as D&S segment orders decreased by \$22.1 million compared to the prior quarter (net of \$47.6 million in backlog adjustments) and E&C segment orders decreased by \$20.0 million compared to the prior quarter.

On March 31, 2015, we announced our intention to close our D&S facility located in Owatonna, Minnesota. This closure is a cost reduction measure in response to lower orders for products manufactured at this facility. Costs incurred during the six months ended June 30, 2015 related to this restructuring activity were approximately \$1.3 million and include long-lived asset impairment charges, severance related costs and other miscellaneous costs. The majority of these costs are included in cost of sales in the condensed consolidated statements of income and comprehensive income (loss). We anticipate additional costs of approximately \$2.0 million primarily related to lease exit costs and \$1.0 million in severance costs for D&S segment cost reduction initiatives at other D&S segment facilities, which are expected to occur in the third quarter of 2015.

We continue to implement a number of cost reduction or avoidance actions, including headcount reductions. These actions equate to annualized savings in excess of \$40 million. We closely monitor our end markets and order rates and will continue to take appropriate and timely actions as necessary.

Table of Contents

The following table represents selected financial data for our operating segments for the three and six months ended June 30, 2015 and 2014 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		
	2015	2014	2015	2014	
Sales					
Energy & Chemicals	\$91,339	\$92,954	\$178,809	\$179,100	
Distribution & Storage	121,813	149,105	226,884	278,627	
BioMedical	57,100	64,751	109,664	115,323	
Consolidated	\$270,252	\$306,810	\$515,357	\$573,050	
Gross Profit					
Energy & Chemicals	\$27,680	\$24,613	\$52,543	\$49,336	
Distribution & Storage	28,485	45,684	58,533	82,026	
BioMedical	18,715	21,884	36,327	38,365	
Consolidated	\$74,880	\$92,181	\$147,403	\$169,727	
Gross Profit Margin					
Energy & Chemicals	30.3	% 26.5	% 29.4	% 27.5	%
Distribution & Storage	23.4	% 30.6	% 25.8	% 29.4	%
BioMedical	32.8	% 33.8	% 33.1	% 33.3	%
Consolidated	27.7	% 30.0	% 28.6	% 29.6	%
SG&A Expenses					
Energy & Chemicals	\$7,024	\$7,955	\$15,206	\$15,465	
Distribution & Storage	15,878	20,179	33,347	37,130	
BioMedical	10,325	11,884	21,902	23,391	
Corporate	12,401	13,644	28,335	28,587	
Consolidated	\$45,628	\$53,662	\$98,790	\$104,573	
SG&A Expenses (% of Sales)					
Energy & Chemicals	7.7	% 8.6	% 8.5	% 8.6	%
Distribution & Storage	13.0	% 13.5	% 14.7	% 13.3	%
BioMedical	18.1	% 18.4	% 20.0	% 20.3	%
Consolidated	16.9	% 17.5	% 19.2	% 18.2	%
Operating Income					
Energy & Chemicals	\$19,958	\$16,042	\$35,940	\$32,649	
Distribution & Storage	11,367	24,222	22,642	42,309	
BioMedical	6,225	7,424	9,878	9,819	
Corporate	(12,421)	) (13,644)	) (28,374)	) (28,587)	)
Consolidated	\$25,129	\$34,044	\$40,086	\$56,190	
Operating Margin					
Energy & Chemicals	21.9	% 17.3	% 20.1	% 18.2	%
Distribution & Storage	9.3	% 16.2	% 10.0	% 15.2	%
BioMedical	10.9	% 11.5	% 9.0	% 8.5	%
Consolidated	9.3	% 11.1	% 7.8	% 9.8	%

Table of Contents

Results of Operations for the Three Months Ended June 30, 2015 Compared to the Three Months Ended June 30, 2014

Sales

Sales for the three months ended June 30, 2015 were \$270.3 million compared to \$306.8 million for the three months ended June 30, 2014, reflecting a decrease of \$36.5 million, or 11.9%.

E&C segment sales decreased by \$1.6 million, or 1.7%, compared to the prior year period, largely driven by an \$8.1 million volume shortfall within industrial gas applications mainly related to brazed aluminum heat exchangers. This was partially offset by improved project mix in process systems related to small to mid-scale LNG liquefaction and petrochemical projects which led to a \$5.3 million increase within liquefied natural gas applications. Sales within natural gas processing (including petrochemical) applications increased by \$1.2 million.

D&S segment sales decreased by \$27.3 million, or 18.3%, compared to the prior year period, mainly attributable to a \$30.2 million shortfall related to liquefied natural gas applications globally, particularly in China. Also, sales within bulk industrial gas applications decreased by \$2.3 million during the quarter. These decreases were partially offset by a \$5.2 million increase within packaged gas industrial applications. Currency was also a factor that negatively impacted D&S sales. The overall currency translation impact on sales attributable to the D&S segment was approximately \$5.9 million unfavorable on a constant currency basis.

BioMedical segment sales decreased by \$7.6 million, or 11.8%, compared to the prior year period. This decrease in BioMedical segment sales was largely driven by an \$8.1 million decrease in respiratory therapy equipment sales, primarily in Europe, due to delays in the tendering process and currency. Sales within commercial oxygen generation systems increased by \$2.0 million while sales within life sciences decreased by \$1.5 million during the quarter. The overall currency translation impact on sales attributable to the BioMedical segment was approximately \$2.9 million unfavorable on a constant currency basis.

Gross Profit and Margin

Gross profit for the three months ended June 30, 2015 was \$74.9 million, or 27.7% of sales, versus \$92.2 million, or 30.0% of sales for the three months ended June 30, 2014, which reflected a decrease of \$17.3 million, while the related margin percentage decreased by 2.3 percentage points.

E&C segment gross profit increased by \$3.1 million mainly driven by improved project mix in process systems related to LNG liquefaction and petrochemical projects. E&C segment margin increased by 3.8 percentage points mainly due to project mix and improved project execution.

D&S segment gross profit decreased by \$17.2 million, and the related margin decreased by 7.2 percentage points. During the second quarter of June 30, 2014, the D&S segment experienced a favorable impact to gross profit as a result of resolving a LNG contract from a major oil company customer, which was partially cancelled. Excluding this impact, D&S segment gross profit and the related margin decreased by \$12.5 million and 5.7 percentage points, respectively, compared to the prior year period mainly due to lower volume in LNG applications globally and higher restructuring-related costs due to cost reduction initiatives including the Owatonna shutdown and reductions in headcount.

BioMedical segment gross profit decreased by \$3.2 million mainly due to lower volume in respiratory therapy equipment partially offset by higher volume in commercial oxygen generation systems, and the related margin decreased by 1.0 percentage point compared to the prior year period mainly due to product mix associated with respiratory therapy products, especially in Europe, partially offset by improved product mix within commercial oxygen generation systems. The BioMedical segment's warranty expense as a percent of sales was 4.2% during the three months ended June 30, 2015 compared to 4.3% in the prior year quarter.

Selling, General & Administrative ("SG&A") Expenses

SG&A expenses for the three months ended June 30, 2015 were \$45.6 million, or 16.9% of sales, compared to \$53.7 million, or 17.5% of sales, for the three months ended June 30, 2014, representing a decrease of \$8.1 million.

E&C segment SG&A expenses decreased by \$0.9 million compared to the prior year period mainly due to lower variable short-term incentive compensation based on current performance.

D&S segment SG&A expenses decreased by \$4.3 million compared to the prior year period primarily due to lower variable short-term incentive compensation based on current performance and lower bad debt expense.

BioMedical segment SG&A expenses decreased by \$1.6 million compared to the prior year period mainly due to lower employee-related costs primarily driven by cost reduction initiatives.

Table of Contents

Corporate SG&A expenses decreased by \$1.3 million compared to the prior year period primarily driven by cost reduction initiatives.

Operating Income

As a result of the foregoing, operating income for the three months ended June 30, 2015 was \$25.1 million, or 9.3% of sales, a decrease of \$8.9 million compared to operating income of \$34.0 million, or 11.1% of sales, for the same period in 2014.

Interest Expense, Net and Financing Costs Amortization

Net interest expense for the three months ended June 30, 2015 and 2014 was \$4.0 million and \$4.1 million, respectively. Interest expense for the three months ended June 30, 2015 included \$1.3 million of 2.0% cash interest and \$2.9 million of non-cash interest accretion expense related to the carrying value of the Convertible Notes. For each of the three months ended June 30, 2015 and 2014, financing costs amortization was \$0.3 million.

Foreign Currency (Gain) Loss

For the three months ended June 30, 2015, foreign currency gains were \$3.1 million compared to foreign currency losses of \$0.4 million for the three months ended June 30, 2014. Gains increased by \$3.5 million during the three months ended June 30, 2015 due to exchange rate volatility, especially with respect to the euro.

Income Tax Expense

Income tax expense of \$6.9 million and \$8.8 million for the three months ended June 30, 2015 and 2014, respectively, represents taxes on both U.S. and foreign earnings at a combined effective income tax rate of 28.7% and 30.2%, respectively. The decrease in the effective income tax rate was primarily due to the effect of income earned by certain of the Company's foreign entities being taxed at lower rates.

Net Income

As a result of the foregoing, net income attributable to the Company for the three months ended June 30, 2015 and 2014 was \$17.2 million and \$20.1 million, respectively.

Results of Operations for the Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014 Sales

Sales for the six months ended June 30, 2015 were \$515.4 million compared to \$573.1 million for the six months ended June 30, 2014, reflecting a decrease of \$57.7 million, or 10.1%.

E&C segment sales decreased slightly by \$0.3 million, or 0.2%, compared to the prior year period. Within industrial gas applications and natural gas processing (including petrochemical) applications, sales decreased by \$10.1 million and \$3.0 million, respectively. This decrease was partially offset by improved project mix in process systems related to small to mid-scale LNG liquefaction and petrochemical projects which led to a \$12.8 million increase within liquefied natural gas applications.

D&S segment sales decreased by \$51.7 million, or 18.6%, compared to the prior year period, mainly attributable to a \$60.9 million shortfall related to liquefied natural gas applications globally, particularly in China. This was partially offset by increases of \$7.1 million and \$2.1 million related to packaged gas industrial applications and bulk industrial gas applications, respectively. Currency was also a factor that negatively impacted D&S sales. The overall currency translation impact on sales attributable to the D&S segment was approximately \$11.0 million unfavorable on a constant currency basis.

BioMedical segment sales decreased by \$5.7 million, or 4.9%, compared to the prior year period. This decrease in BioMedical segment sales was largely driven by a \$9.7 million decrease in respiratory therapy equipment sales as a result of currency and tender delays in Europe, partially offset by a \$5.5 million increase in commercial oxygen generation systems. Sales within life sciences decreased by \$1.5 million during the period. The overall currency translation impact on sales attributable to the BioMedical segment was approximately \$5.2 million unfavorable on a constant currency basis.

Gross Profit and Margin

Gross profit for the six months ended June 30, 2015 was \$147.4 million, or 28.6% of sales, versus \$169.7 million, or 29.6% of sales, for the six months ended June 30, 2014, which reflected a decrease of \$22.3 million, while the related margin percentage decreased by 1.0 percentage point.

Table of Contents

E&C segment gross profit increased by \$3.2 million mainly due to improved project mix and execution in process systems related to liquefied natural gas applications, partially offset by decreased volume within industrial gas and natural gas processing applications in brazed aluminum heat exchangers, and the related margin increased by 1.9 percentage points due to favorable project mix.

D&S segment gross profit decreased by \$23.5 million, and the related margin decreased by 3.6 percentage points compared to the prior year period mainly due to decreased volume in LNG applications globally and higher restructuring-related costs due to cost reduction initiatives including the Owatonna shutdown and reductions in headcount.

BioMedical segment gross profit decreased by \$2.0 million mainly due to lower volume in respiratory therapy equipment partially offset by higher volume in commercial oxygen generation systems, and the related margin decreased slightly by 0.2 percentage points compared to the prior year period mainly as lower volume was partially offset by improved product mix within commercial oxygen generation systems. The BioMedical segment's warranty expense as a percent of sales was 4.1% during the six months ended June 30, 2015 compared to 5.0% in the prior year period.

SG&A Expenses

SG&A expenses for the six months ended June 30, 2015 were \$98.8 million, or 19.2% of sales, compared to \$104.6 million, or 18.2% of sales, for the six months ended June 30, 2014, representing a decrease of \$5.8 million.

E&C segment SG&A expenses decreased by \$0.3 million compared to the prior year period mainly due to lower variable short-term incentive compensation based on current performance, partially offset by increased bid and proposal marketing costs.

D&S segment SG&A expenses decreased by \$3.8 million compared to the prior year period mainly due to lower variable short-term incentive compensation based on current performance and lower bad debt expense.

BioMedical segment SG&A expenses decreased by \$1.5 million compared to the prior year period mainly due to employee-related costs primarily driven by cost reduction initiatives.

Corporate SG&A expenses decreased by \$0.2 million compared to the prior year period mainly due to lower variable short-term incentive compensation based on current performance and the impact of other cost reduction initiatives, largely offset by a \$1.9 million increase in share-based compensation expense mainly due to acceleration of expense based on retirement eligibility provisions as a greater mix of share-based awards satisfied these provisions during the first quarter of 2015.

Operating Income

As a result of the foregoing, operating income for the six months ended June 30, 2015 was \$40.1 million, or 7.8% of sales, a decrease of \$16.1 million compared to operating income of \$56.2 million, or 9.8% of sales, for the same period in 2014.

Interest Expense, Net and Financing Costs Amortization

Net interest expense for the six months ended June 30, 2015 and 2014 was \$7.9 million and \$8.3 million, respectively.

Interest expense for the six months ended June 30, 2015 included \$2.5 million of 2.0% cash interest and \$5.7 million of non-cash interest accretion expense related to the carrying value of the Convertible Notes. Financing costs amortization was \$0.6 million and \$0.7 million for the six months ended June 30, 2015 and 2014, respectively.

Foreign Currency (Gain) Loss

For the six months ended June 30, 2015, foreign currency gains were \$0.1 million compared to foreign currency losses of \$0.5 million for the six months ended June 30, 2014. Gains increased by \$0.6 million during the six months ended June 30, 2015 due to exchange rate volatility, especially with respect to the euro.

Income Tax Expense

Income tax expense of \$9.2 million and \$14.0 million for the six months ended June 30, 2015 and 2014, respectively, represents taxes on both U.S. and foreign earnings at a combined effective income tax rate of 29.2% and 30.0%, respectively. The decrease in the effective income tax rate was primarily due to the effect of income earned by certain of the Company's foreign entities being taxed at lower rates.

Net Income

As a result of the foregoing, net income attributable to the Company for the six months ended June 30, 2015 and 2014 was \$22.4 million and \$32.1 million, respectively.

Table of Contents

Liquidity and Capital Resources

Debt Instruments and Related Covenants

Convertible Notes: The outstanding aggregate principal amount of the Company's Convertible Notes is \$250.0 million. The Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 1 and August 1 of each year, and will mature on August 1, 2018. The effective interest rate at issuance, under generally accepted accounting principles, was 7.9%. Upon conversion, holders of the Convertible Notes will receive cash up to the principal amount of the Convertible Notes, and it is the Company's intention to settle any excess conversion value in shares of the Company's common stock. However, the Company may elect to settle, at its discretion, any such excess value in cash, shares of the Company's common stock or a combination of cash and shares. The initial conversion price of \$69.03 per share represents a conversion premium of 30% over the last reported sale price of the Company's common stock on July 28, 2011, the date of the Convertible Notes offering, which was \$53.10 per share. At the end of the second quarter of 2015, events for early conversion were not met, and thus the Convertible Notes were not convertible as of, and for the fiscal quarter beginning July 1, 2015. There have been no conversions as of the date of this filing. In the event that holders of Convertible Notes elect to convert, the Company expects to fund any cash settlement of any such conversion from cash balances or borrowings under its senior secured revolving credit facility.

Senior Secured Revolving Credit Facility: The Company has a five-year \$450.0 million senior secured revolving credit facility (the "SSRCF") which matures on October 29, 2019. The SSRCF includes a \$25.0 million sub-limit for the issuance of swingline loans and a \$100.0 million sub-limit to be used for letters of credit. There is a foreign currency limit of \$100.0 million under the SSRCF which can be used for foreign currency denominated letters of credit and borrowings in a foreign currency, in each case in currencies agreed upon with the lenders. In addition, the facility permits borrowings up to \$100.0 million made by the Company's wholly-owned subsidiaries, Chart Industries Luxembourg S.à r.l. ("Chart Luxembourg") and Chart Asia Investment Company Limited. The SSRCF also includes an expansion option permitting the Company to add up to an aggregate \$200.0 million in term loans or revolving credit commitments from its lenders. Loans under the SSRCF bear interest at LIBOR or the Adjusted Base Rate as defined in the Debt and Credit Arrangements note (Note 4) to our condensed consolidated financial statements included elsewhere in this report, plus a margin that varies with the Company's leverage ratio. Significant financial covenants for the SSRCF include a leverage ratio and an interest ratio. As of June 30, 2015, there was \$10.0 million outstanding under the SSRCF bearing interest at 1.7% on a weighted-average basis. The Company also had \$27.7 million in letters of credit and bank guarantees supported by the SSRCF, which had availability of \$412.3 million, at June 30, 2015. The Company was in compliance with all covenants, including its financial covenants, at June 30, 2015.

Foreign Facilities – China: Chart Cryogenic Engineering Systems (Changzhou) Company Limited ("CCESC"), Chart Energy & Chemicals Wuxi Co., Ltd. ("Wuxi") and Chart Biomedical (Chengdu) Co. Ltd. ("Chengdu"), wholly-owned subsidiaries of the Company, and Chart Cryogenic Distribution Equipment (Changzhou) Company Limited ("CCDEC"), a joint venture of the Company, maintain joint banking facilities (the "China Facilities") which include a revolving facility with 50.0 million Chinese yuan (equivalent to \$8.2 million) in borrowing capacity which can be utilized for either revolving loans, bonds/guarantees, or bank draft acceptances. Any borrowings made by CCESC, CCDEC, Chengdu or Wuxi under the China Facilities are guaranteed by the Company. At June 30, 2015, there was 30.0 million Chinese yuan (equivalent to \$4.9 million) outstanding under the revolving line, bearing interest at 5.6% on a weighted-average basis.

CCESC and Chengdu share a facility for up to 10.0 million Chinese yuan (equivalent to \$1.6 million) which can be utilized for forward currency transactions. This facility is unsecured. There were no borrowings under this facility at June 30, 2015.

CCDEC maintains a credit facility with Bank of China whereby CCDEC may borrow up to 50.0 million Chinese yuan (equivalent to \$8.2 million) for working capital purposes, and 30.0 million Chinese yuan (equivalent to \$4.9 million) for non-financing bank guarantee purposes. This credit facility is effective until August 7, 2015. At June 30, 2015 there was 10.0 million Chinese yuan (equivalent to \$1.6 million) outstanding under this facility, bearing interest at 5.7%.

CCESC maintains a credit facility with Bank of China whereby CCESC may borrow up to 100.0 million Chinese yuan (equivalent to \$16.4 million) for working capital purposes. This credit facility expired on July 8, 2015. There were no borrowings under this facility at June 30, 2015.

CCESC maintains an unsecured credit facility with HSBC whereby CCESC may borrow up to 30.0 million Chinese yuan (equivalent to \$4.9 million) for working capital purposes. There were no borrowings under this facility at June 30, 2015.

At June 30, 2015, CCESC had 23.2 million Chinese yuan (equivalent to \$3.8 million) in bank guarantees. CCDEC and Wuxi also had bank guarantees at June 30, 2015 of approximately 0.6 million Chinese yuan (equivalent to \$0.1 million) in total.

Table of Contents

Foreign Facilities – Europe: Chart Ferox, a.s. (“Ferox”), a wholly-owned subsidiary of the Company, maintains two secured revolving credit facilities with capacity of up to 175.0 million Czech koruna (equivalent to \$7.2 million). Both of the facilities allow Ferox to request bank guarantees and letters of credit. Neither of the facilities allow revolving credit borrowings. Under both facilities, Ferox must pay letter of credit and guarantee fees equal to 0.70% per annum on the face amount of each guarantee or letter of credit. Ferox’s land and buildings secure the credit facilities. At June 30, 2015, there were 52.4 million Czech koruna (equivalent to \$2.2 million) of bank guarantees supported by such facilities.

Chart Luxembourg maintains an overdraft facility with \$5.0 million in borrowing capacity. There were no borrowings under the Chart Luxembourg facility as of June 30, 2015.

Our debt and related covenants are further described in the Debt and Credit Arrangements note (Note 4) to our condensed consolidated financial statements included elsewhere in this report.

Sources and Use of Cash

Our cash and cash equivalents totaled \$82.9 million at June 30, 2015, a decrease of \$20.8 million from the balance at December 31, 2014. Our foreign subsidiaries held cash of approximately \$69.9 million and \$82.9 million at June 30, 2015 and December 31, 2014, respectively, to meet their liquidity needs. No material restrictions exist to accessing cash held by our foreign subsidiaries. We expect to meet our U.S. funding needs without repatriating non-U.S. cash and incurring incremental U.S. taxes. Cash equivalents are invested in money market funds that invest in high quality, short-term instruments, such as U.S. government obligations, certificates of deposit, repurchase obligations and commercial paper issued by corporations that have been highly rated by at least one nationally recognized rating organization. We believe that our existing cash and cash equivalents, funds available under our SSRCF and cash provided by operations will be sufficient to finance our normal working capital needs, acquisitions, and investments in properties, facilities and equipment for the foreseeable future.

Cash provided by operating activities was \$8.6 million for the six months ended June 30, 2015 compared to \$42.3 million of cash provided by operating activities for the six months ended June 30, 2014. The decrease in cash provided by operations was due to lower net income and an increase in working capital. Timing of cash payments resulted in lower cash collections during the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. Also during the six months ended June 30, 2015, inventory increased by \$17.8 million, mainly in the D&S segment, as a result of lower than expected sales volume.

Cash used in investing activities was \$35.6 million and \$35.9 million for the six months ended June 30, 2015 and 2014, respectively. Capital expenditures and payments for land use rights were \$24.5 million and \$11.0 million, respectively, for the six months ended June 30, 2015, primarily for a D&S segment capacity expansion project in China. Also during the six months ended June 30, 2015, we used \$0.3 million of cash to fund an acquisition in the D&S segment.

Cash provided by financing activities for the six months ended June 30, 2015 was \$10.0 million compared to \$0.1 million of cash used in financing activities for the six months ended June 30, 2014. During the six months ended June 30, 2015, we borrowed \$10.0 million from our SSRCF (net of \$0.8 million in repayments) and 10.0 million Chinese yuan (equivalent to \$1.6 million) from our China Facilities. Also during the six months ended June 30, 2015, we received \$0.5 million in proceeds from stock option exercises. We used \$0.8 million for the purchase of common stock which was surrendered to cover tax withholding elections during the six months ended June 30, 2015. Other uses of cash included a \$0.6 million contingent consideration payment related to a prior acquisition.

Cash Requirements

We do not currently anticipate any unusual cash requirements for working capital needs for the year ending December 31, 2015. Management anticipates we will be able to satisfy cash requirements for our ongoing business for the foreseeable future with cash generated by operations, existing cash balances and available borrowings under our credit facilities. We expect capital expenditures for the remaining six months of 2015 to be in the range of \$30.0 to \$35.0 million, which will be deployed primarily within our D&S segment for a capacity expansion project in China. In July 2015, we used \$25.0 million to acquire Thermax which is part of our D&S segment. For the remaining six months of 2015, we contemplate the use of approximately \$13.0 to \$16.0 million of cash to pay U.S. and foreign

income taxes.

Orders and Backlog

We consider orders to be those for which we have received a firm signed purchase order or other written contractual commitment from the customer. Backlog is comprised of the portion of firm signed purchase orders or other written contractual commitments received from customers that we have not recognized as revenue upon shipment or under the percentage of completion method. Backlog can be significantly affected by the timing of orders for large projects, particularly in the E&C segment, and is not necessarily indicative of future backlog levels or the rate at which backlog will be recognized

Table of Contents

as sales. Orders included in our backlog may include customary cancellation provisions under which the customer could cancel part or all of the order, potentially subject to the payment of certain costs and/or fees. Orders may also be negatively impacted by ability or likelihood of customers to fulfill their obligations. Our backlog as of June 30, 2015 was \$524.7 million compared to \$608.7 million as of March 31, 2015.

The table below represents orders (net of backlog adjustments) and backlog by segment for the periods indicated (dollar amounts in thousands):

	Three Months Ended	
	June 30, 2015	March 31, 2015
Orders		
Energy & Chemicals	\$22,690	\$42,649
Distribution & Storage	101,964	124,031
BioMedical	58,891	52,867
Total	\$183,545	\$219,547
Backlog		
Energy & Chemicals	\$181,603	\$249,778
Distribution & Storage	322,271	340,477
BioMedical	20,793	18,436
Total	\$524,667	\$608,691

E&C orders for the three months ended June 30, 2015 were \$22.7 million compared to \$42.6 million for the three months ended March 31, 2015. E&C backlog totaled \$181.6 million at June 30, 2015, compared to \$249.8 million as of March 31, 2015. We experienced lower order activity in our E&C segment mainly related to natural gas processing applications. Order flow in the E&C segment is historically volatile due to project size and it is not unusual to see order intake change significantly quarter to quarter.

D&S orders for the three months ended June 30, 2015 were \$102.0 million (net of \$47.6 million in backlog adjustments related to China where circumstances indicated the customer would not fulfill their obligation) compared to \$124.0 million for the three months ended March 31, 2015. Excluding the impact of these backlog adjustments, orders increased mainly due to favorable order intake in the U.S. related to LNG vehicle tanks and systems, bulk trailers and railcars within bulk and packaged gas industrial applications. D&S backlog totaled \$322.3 million at June 30, 2015 compared to \$340.5 million as of March 31, 2015. Approximately half of the D&S backlog relates to China as of June 30, 2015, including approximately \$82.7 million related to PetroChina. Management continues to evaluate the backlog in China in light of lower oil prices and the economic slowdown in China and ability or likelihood of customers to fulfill their obligations.

BioMedical orders for the three months ended June 30, 2015 were \$58.9 million compared to \$52.9 million for the three months ended March 31, 2015. The increase in BioMedical orders was mainly attributable to respiratory therapy and life sciences applications. BioMedical backlog at June 30, 2015 totaled \$20.8 million compared to \$18.4 million as of March 31, 2015.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Application of Critical Accounting Policies

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. As such, some accounting policies have a significant impact on amounts reported in these unaudited condensed consolidated financial statements. A summary of those significant accounting policies can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. In particular, judgment is used in areas such as revenue recognition for long-term contracts, determining the allowance for doubtful accounts, goodwill, indefinite-lived intangibles, product warranty costs, pensions and share-based compensation. There have been no significant changes to our critical accounting policies since December 31, 2014. See an update to the goodwill and indefinite-lived intangible assets policy below.

Goodwill and Indefinite-Lived Intangible Assets. For the BioMedical reporting unit, we performed an interim quantitative assessment for both goodwill and certain indefinite-lived assets as of December 31, 2014. Based on the results of our Step 1 analysis, the excess fair value over the carrying amount of the BioMedical reporting unit was approximately 10% to 30%

Table of Contents

depending on discount rate assumptions and forecasts, and as such, we determined the goodwill as of December 31, 2014 was not impaired. During the first and second quarters of 2015, the BioMedical segment performed in-line with our expectations.

We believe that the performance of our stock price is driven by lower oil prices and its impact on our energy-related business in the E&C and D&S segments. Our common stock increased from a closing share price of \$34.20 at December 31, 2014 to a closing share price of \$35.75 at June 30, 2015. Subsequent to the end of the second quarter, our common stock decreased to a closing share price \$30.26 at July 28, 2015 accompanied by the decline of oil prices during the same period.

Assuming no changes in key assumptions identified and projected results, we currently anticipate the future fair value of the BioMedical reporting unit to increase over time; however, future declines in the operating results of the reporting unit or our market capitalization could indicate a need to reevaluate the fair value of our reporting units prior to the next annual assessment date and may ultimately result in an impairment to goodwill. We continue to monitor for any potential indicators of impairment.

Forward-Looking Statements

The Company is making this statement in order to satisfy the “safe harbor” provisions contained in the Private Securities Litigation Reform Act of 1995. This Quarterly Report on Form 10-Q includes “forward-looking statements.” These forward-looking statements include statements relating to our business. In some cases, forward-looking statements may be identified by terminology such as “may,” “should,” “expects,” “anticipates,” “believes,” “projects,” “forecasts,” “continues,” or variations of such terms or comparable terminology. Forward-looking statements contained herein (including future cash contractual obligations, liquidity, cash flow, orders, results of operations, projected revenues, and trends, among other matters) or in other statements made by us are made based on management’s expectations and beliefs concerning future events impacting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed or implied by forward-looking statements. We believe that the following factors, among others (including those described under Item 1A– “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2014), could affect our future performance and the liquidity and value of our securities and cause our actual results to differ materially from those expressed or implied by forward-looking statements made by us or on our behalf:

- the cyclical nature of the markets which we serve and the vulnerability of those markets to economic downturns;
- the loss of, or a significant reduction or delay in purchases by, our largest customers;
- a delay in the anticipated timing of LNG infrastructure build out or a delay or failure to receive possible large orders, including potential orders related to opportunities for LNG liquefaction facilities;
- fluctuations in energy prices;
- the potential for negative developments in the natural gas industry related to hydraulic fracturing;
- competition in our markets;
- governmental energy policies could change, or expected changes could fail to materialize;
- our ability to successfully manage our planned operational expansions;
- degradation of our backlog as a result of modification or termination of orders;
- our ability to successfully acquire or integrate companies that provide complementary products or technologies;
- economic downturns and deteriorating financial conditions;
- the impairment of our goodwill or other intangible assets;
- our ability to manage our fixed-price contract exposure;
- our reliance on the availability of key supplies and services;
- changes in government health care regulations and reimbursement policies;
- litigation and disputes involving us, including the extent of product liability, warranty, contract, employment, intellectual property and environmental claims asserted against us;
- general economic, political, business and market risks associated with our global operations;
- our warranty reserves may not adequately cover our warranty obligations;

the loss of key employees;
fluctuations in foreign currency exchange rates and interest rates;
financial distress of third parties;
our ability to control our costs while maintaining customer relationships and core business resources;
our ability to protect our intellectual property and know-how;

Table of Contents

- United States Food and Drug Administration and comparable foreign regulation of our products;
- the pricing and availability of raw materials;
- technological security threats and our reliance on information systems;
- the cost of compliance with environmental, health and safety laws and responding to potential liabilities under these laws;
- claims that our products or processes infringe intellectual property rights of others;
- additional liabilities related to taxes;
- our ability to continue our technical innovation in our product lines;
- labor costs and disputes and the deterioration of our relations with our employees;
- increased government regulation;
- the underfunded status of our pension plan;
- the risk of potential violations of the Foreign Corrupt Practices Act;
- disruptions in our operations due to severe weather;
- regulations governing the export of our products and other regulations applicable to us as a supplier of products to the U.S. government;
- risks associated with our indebtedness, leverage and liquidity;
- potential dilution to existing holders of our common stock as a result of the conversion of our Convertible Notes, and the need to utilize our cash balances and/or credit facility to fund any cash settlement related to such conversions;
- fluctuations in the price of our stock; and
- other factors described herein.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report and are expressly qualified in their entirety by the cautionary statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as the same may be updated from time to time. We undertake no obligation to update or revise forward-looking statements which may be made to reflect events or circumstances that arise after the filing date of this document or to reflect the occurrence of unanticipated events.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, the Company's operations are exposed to fluctuations in interest rates and foreign currency values that can affect the cost of operating and financing. Accordingly, the Company addresses a portion of these risks through a program of risk management.

Interest Rate Risk: The Company's primary interest rate risk exposure results from the SSRCF's various floating rate pricing mechanisms. As of June 30, 2015, there was \$10.0 million outstanding under the SSRCF bearing interest at 1.7% on a weighted-average basis. Based on current low borrowings under the SSRCF, the Company believes that interest rate exposure is not a material risk to the Company at this time. If interest rates were to increase 200 basis points (2 percent) from June 30, 2015 rates, and assuming no changes in borrowings under the SSRCF from the June 30, 2015 level, our additional annual expense would be approximately \$0.2 million on a pre-tax basis.

Foreign Currency Exchange Rate Risk: The Company operates in the United States, Asia, Australia, Europe and South America, creating exposure to foreign currency exchange fluctuations in the normal course of business which can impact our financial position, results of operations, cash flow and competitive position. The financial statements of foreign subsidiaries are translated into their U.S. dollar equivalents at end-of-period exchange rates for assets and liabilities, while income and expenses are translated at average monthly exchange rates. Translation gains and losses are components of other comprehensive income (loss) as reported in the condensed consolidated statements of income and comprehensive income (loss). Translation exposure is primarily with the euro, the Chinese yuan, and the Japanese yen. During the second quarter of 2015, the euro increased in relation to the U.S. dollar by 4% while the Chinese yuan remained flat and the Japanese yen decreased by 2% in relation to the U.S. dollar. At June 30, 2015, a hypothetical further 10% strengthening of the U.S. dollar would not materially affect the Company's financial statements.

Market Price Sensitive Instruments

In connection with the issuance of the Convertible Notes, the Company entered into privately-negotiated convertible note hedge and capped call transactions with affiliates of certain of the underwriters (the “Option Counterparties”). The convertible note hedge and capped call transactions relate to, collectively, 3.6 million shares, which represents the number of shares of the

Table of Contents

Company's common stock underlying the Convertible Notes, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes. These convertible note hedge and capped call transactions are expected to reduce the potential dilution with respect to the Company's common stock upon conversion of the Convertible Notes and/or reduce the Company's exposure to potential cash or stock payments that may be required upon conversion of the Convertible Notes, except, in the case of the capped call transactions, to the extent that the market price per share of the Company's common stock exceeds the cap price of the capped call transactions.

The Company also entered into separate warrant transactions with the Option Counterparties initially relating to the number of shares of the Company's common stock underlying the convertible note hedge transactions, subject to customary anti-dilution adjustments. The warrant transactions will have a dilutive effect with respect to the Company's common stock to the extent that the price per share of the Company's common stock exceeds the strike price of the warrants unless the Company elects, subject to certain conditions, to settle the warrants in cash. The cap price of the capped call transactions and the strike price of the warrant transactions was initially \$84.96 per share. Further information is located in the Debt and Credit Arrangements note to the Company's condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

As of June 30, 2015, an evaluation was performed, under the supervision and with the participation of the Company's management including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, such officers concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act (1) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) is accumulated and communicated to the Company's management including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

In November 2012, Chart Energy & Chemicals, Inc. (“CEC”), a subsidiary of the Company, filed a declaratory judgment action in the United States District Court for the Western District of Oklahoma (the “Federal Court”) seeking a judgment that certain claims for damages alleged by Enogex Holdings LLC, Enogex Gathering & Processing, LLC and affiliated companies with respect to a December 2010 fire at the Enogex natural gas processing plant in Cox City, Oklahoma were barred based on multiple defenses, including Oklahoma’s statute of repose. This action was precipitated by the receipt of a letter from Enogex alleging that CEC was responsible for damages in excess of \$75 million with respect to the fire as a result of the alleged failure of CEC’s equipment that was a component of the unit involved in the fire. Subsequent to the filing of CEC’s declaratory judgment action, in December 2012, Enogex filed suit in the District Court of Tulsa County, State of Oklahoma (the “State Court”) against the Company, CEC and its predecessors, a former employee of a predecessor of CEC, as well as other entities and an individual not affiliated with the Company, formalizing the allegations and claims contained in the November demand letter. Each party filed one or more motions to dismiss the other’s lawsuit. Enogex’s motion to dismiss initially was denied by the Federal Court, but Enogex moved for rehearing on its motion to dismiss, which the Federal Court granted based on a lack of jurisdictional diversity. The Company’s and CEC’s motions to dismiss were denied by the State Court. The Company, CEC and their affiliates filed multiple motions for summary judgment with the State Court, and the State Court granted a motion for partial summary judgment dismissing Enogex’s breach of contract and warranty claims, but denied other motions for summary judgment. Accordingly, litigation continues in the State Court on Enogex’s other claims, and Enogex is claiming damages of approximately \$67.5 million, including investigation and repair costs and business interruption losses. This matter is set for trial beginning in late September 2015. The Company continues to believe that the allegations against the Company, CEC and their affiliates lack merit. The Company believes that it, CEC and their affiliates have strong factual and legal defenses to Enogex’s claims and intends to vigorously assert such defenses. Accordingly, an accrual related to any damages that may result from the lawsuit has not been recorded because a potential loss is not currently probable. Furthermore, the Company believes that its existing product liability insurance is adequate for potential losses associated with these claims. While the Company cannot predict with certainty the ultimate result of these proceedings, the Company does not believe that the final outcome of these proceedings will have a material adverse effect on the Company’s financial position, results of operations, or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A, “Risk Factors,” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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

a.) None.

b.) None.

c.) During the second quarter of 2015, 460 shares of common stock were surrendered to us by participants under our share-based compensation plans to satisfy tax withholding obligations relating to the vesting or payment of equity awards for an aggregate purchase price of approximately \$16,800. The total number of shares repurchased represents the net shares issued to satisfy tax withholding. All such repurchased shares were subsequently retired during the three months ended June 30, 2015.

Period	Issuer Purchases of Equity Securities			Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	

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April 1 – 30, 2015	402	\$ 36.58	—	\$ —
May 1 – 31, 2015	24	35.64	—	—
June 1 – 30, 2015	34	35.32	—	—
Total	460	\$ 36.43	—	\$ —

29

Table of Contents

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following exhibits are included with this report:

- 31.1 Rule 13a-14(a) Certification of Chief Executive Officer (x)
- 31.2 Rule 13a-14(a) Certification of Chief Financial Officer (x)
- 32.1 Section 1350 Certification of Chief Executive Officer (xx)
- 32.2 Section 1350 Certification of Chief Financial Officer (xx)
- 101.INS XBRL Instance Document (xxx)
- 101.SCH XBRL Taxonomy Extension Schema Document (xxx)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document (xxx)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document (xxx)
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document (xxx)
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document (xxx)

(x) Filed herewith.

(xx) Furnished herewith.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or (xxx) otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Chart Industries, Inc.
(Registrant)

Date: July 30, 2015

By: /s/ Michael F. Biehl
Michael F. Biehl
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
(Duly Authorized Officer)