

CHART INDUSTRIES INC
Form 10-Q
July 27, 2011

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, 2011

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)

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Delaware
(State or Other Jurisdiction of

34-1712937
(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 26, 2011, there were 29,436,383 outstanding shares of the Company's Common Stock, par value \$0.01 per share.

CHART INDUSTRIES, INC.

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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, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 152,375	\$ 165,112
Accounts receivable, net	121,730	88,131
Inventories, net	123,238	104,435
Unbilled contract revenue	23,457	22,070
Other current assets	33,624	26,733
Total Current Assets	454,424	406,481
Property, plant and equipment, net	123,295	116,158
Goodwill	279,730	275,913
Identifiable intangible assets, net	138,469	144,286
Other assets, net	12,644	13,047
TOTAL ASSETS	\$ 1,008,562	\$ 955,885
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 71,091	\$ 54,749
Customer advances and billings in excess of contract revenue	66,272	51,661
Accrued expenses and other current liabilities	47,521	59,319
Current portion of long-term debt	6,500	6,500
Total Current Liabilities	191,384	172,229
Long-term debt	215,175	218,425
Other long-term liabilities	61,086	63,857
Equity		
Chart Industries' shareholders' equity:		
Common stock, par value \$.01 per share 150,000,000 shares authorized, 29,435,223 and 28,831,724 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	294	288
Additional paid-in capital	271,991	258,425
Retained earnings	248,761	230,640
Accumulated other comprehensive income	17,221	9,811
Total Chart Industries, Inc. shareholders' equity	538,267	499,164
Noncontrolling interest	2,650	2,210
Total equity	540,917	501,374
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,008,562	\$ 955,885

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The balance sheet at December 31, 2010 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. The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Sales	\$ 200,698	\$ 139,144	\$ 363,639	\$ 257,412
Cost of sales	138,368	101,569	248,823	185,561
Gross profit	62,330	37,575	114,816	71,851
Selling, general and administrative expenses	36,337	25,529	71,199	49,486
Amortization expense	3,288	2,783	6,605	5,499
Loss on disposal of assets	1,216		1,216	
Asset impairment charge		700		700
	40,841	29,012	79,020	55,685
Operating income	21,489	8,563	35,796	16,166
Other expenses (income):				
Gain on acquisition of business		(1,124)		(1,124)
Interest expense, net	4,063	4,181	7,997	8,241
Financing costs amortization	324	1,962	649	2,366
Foreign currency losses (gains)	616	266	(143)	1,429
	5,003	5,285	8,503	10,912
Net income before income taxes	16,486	3,278	27,293	5,254
Income tax expense	5,466	820	8,870	1,377
Net income	11,020	2,458	18,423	3,877
Noncontrolling interest, net of taxes	429	59	302	94
Net income attributable to Chart Industries, Inc.	\$ 10,591	\$ 2,399	\$ 18,121	\$ 3,783
Net income attributable to Chart Industries, Inc. per common share basic	\$ 0.36	\$ 0.08	\$ 0.63	\$ 0.13
Net income attributable to Chart Industries, Inc. per common share diluted	\$ 0.35	\$ 0.08	\$ 0.61	\$ 0.13
Weighted average number of common shares outstanding basic	29,202	28,522	28,986	28,515
Weighted average number of common shares outstanding diluted	29,966	29,262	29,823	29,217

See accompanying notes to these unaudited condensed consolidated financial statements. The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)

	Six Months Ended June 30,	
	2011	2010
OPERATING ACTIVITIES		
Net income	\$ 18,423	\$ 3,877
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,389	11,630
Employee stock and stock option related compensation expense	2,801	2,261
Financing costs amortization	649	2,366
Gain on acquisition of business		(1,124)
Foreign currency (gains) losses	(143)	1,429
Asset impairment charge		700
Loss on disposal of equipment	1,216	
Other non-cash operating activities	(13)	2,366
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(29,109)	(12,431)
Inventory	(16,099)	941
Unbilled contract revenues and other current assets	(6,360)	4,115
Accounts payable and other current liabilities	(12,731)	(2,345)
Customer advances and billings in excess of contract revenue	13,198	895
Net Cash (Used In) Provided By Operating Activities	(14,779)	14,680
INVESTING ACTIVITIES		
Capital expenditures	(10,433)	(7,899)
Acquisition of businesses, net of cash acquired	(1,610)	(5,112)
Other investing activities	388	
Net Cash Used In Investing Activities	(11,655)	(13,011)
FINANCING ACTIVITIES		
Principal payments on long term debt	(3,250)	(15,000)
Stock option exercise proceeds	4,885	37
Payment of deferred financing costs	(347)	(2,515)
Tax benefit from exercise of stock options	6,984	
Other financing activities	(1,090)	(56)
Net Cash Provided By (Used In) Financing Activities	7,182	(17,534)
Net decrease in cash and cash equivalents	(19,252)	(15,865)
Effect of exchange rate changes on cash	6,515	(6,613)
Cash and cash equivalents at beginning of period	165,112	211,168
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 152,375	\$ 188,690

See accompanying notes to these unaudited condensed consolidated financial statements. The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE A Basis of Preparation

The accompanying unaudited condensed consolidated financial statements of Chart Industries, Inc. and its 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, 2010. 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, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

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. Investments in affiliates where the Company's ownership is between 20 percent and 50 percent, or where the Company does not have control, but has the ability to exercise significant influence over operations or financial policy, are accounted for under the equity method.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Nature of Operations: The Company is a leading global supplier of standard and custom-engineered products and systems serving a wide variety of low-temperature and cryogenic applications. The Company has developed an expertise in cryogenic systems and equipment, which operate at low temperatures sometimes approaching absolute zero. The majority of the Company's products, including vacuum insulated containment vessels, heat exchangers, cold boxes and other cryogenic components, are used throughout the liquid-gas supply chain for the purification, liquefaction, distribution, storage and end-use of industrial gases and hydrocarbons. The Company has domestic operations located throughout the United States, including principal executive offices located in Ohio, and an international presence in Asia, Australia and Europe.

Cost of Sales: Any expenses associated with manufacturing are included in cost of sales. These costs include all materials, direct and indirect labor, inbound freight, purchasing and receiving, inspection, internal transfers and distribution and warehousing of inventory. In addition, shop supplies, facility maintenance costs, manufacturing engineering, project management and depreciation expense for assets used in the manufacturing process are included in cost of sales.

Selling, general and administrative costs (SG&A): SG&A includes selling, marketing, customer service, product management, design engineering, and other administrative costs not directly supporting the manufacturing process as well as depreciation expense associated with non-manufacturing assets. In addition, SG&A includes corporate operating expenses for executive management, accounting, tax, treasury, human resources, information technology, legal, internal audit, risk management and stock-based compensation expense.

Cash and Cash Equivalents: The Company considers all investments with an initial maturity of three months or less when purchased to be cash equivalents. The June 30, 2011 and December 31, 2010 balances include money market investments.

Short-Term Investments: From time to time, the Company invests in short-term, highly liquid, variable rate instruments, which have stated maturities of greater than three months but less than six months. These short term investments are recorded at cost which approximates fair value. The Company has determined that its investment securities are available and intended for use in current operations and, accordingly, classifies investment securities as current assets. There are no short term investments at June 30, 2011 or December 31, 2010.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE A Basis of Preparation Continued

Inventories: Inventories are stated at the lower of cost or market with cost being determined by the first-in, first-out (FIFO) method. The components of inventory are as follows:

	June 30, 2011	December 31, 2010
Raw materials and supplies	\$ 42,795	\$ 35,565
Work in process	29,654	23,643
Finished goods	50,789	45,227
	\$ 123,238	\$ 104,435

Revenue Recognition: For the majority of the Company's products, revenue is recognized when products are shipped, title has transferred and collection is reasonably assured. For these products, there is also persuasive evidence of an arrangement, and the selling price to the buyer is fixed or determinable. For brazed aluminum heat exchangers, cold boxes, vacuum-insulated pipe, liquefied natural gas fueling stations and engineered tanks, the Company uses the percentage of completion method of accounting. Earned revenue is based on the percentage that incurred costs to date bear to total estimated costs at completion after giving effect to the most current estimates. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known. Earned revenue reflects the original contract price adjusted for agreed upon claims and change orders, if any. Losses expected to be incurred on contracts in process, after consideration of estimated minimum recoveries from claims and change orders are charged to operations as soon as such losses are known. Pre-contract costs relate primarily to salaries and benefits incurred to support the selling effort and, accordingly, are expensed as incurred. Change orders resulting in additional revenue and profit are recognized upon approval by the customer based on the percentage that incurred costs to date bear to total estimated costs at completion. Certain contracts include incentive-fee arrangements clearly defined in the agreement and are recognized as revenue when the criteria have been met. The incentive fees in such contracts can be based on a variety of factors but the most common are the achievement of target completion dates, target costs, and/or other performance criteria. Incentive fee revenue is not recognized until it is earned. Timing of amounts billed on contracts varies from contract to contract and could cause a significant variation in working capital requirements.

Product Warranties: The Company provides product warranties with varying terms and durations for the majority of its products. The Company records warranty expense in cost of sales. The changes in the Company's consolidated warranty reserve during the three and six months ended June 30, 2011 and 2010 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Beginning balance	\$ 13,561	\$ 9,117	\$ 13,372	\$ 8,764
Warranty expense	1,429	1,164	3,602	2,099
Warranty usage	(2,141)	(973)	(4,125)	(1,555)
Ending balance	\$ 12,849	\$ 9,308	\$ 12,849	\$ 9,308

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Goodwill and Other Intangible Assets: The Company does not amortize goodwill or other indefinite lived intangible assets, but reviews them at least annually, and on an interim basis if necessary, for impairment using a measurement date of October 1st. The Company amortizes intangible assets that have finite lives over their useful lives.

The Company determines the fair value of any indefinite-lived intangible assets using a discounted cash flow method, compares the fair value to its carrying value and records an impairment loss if the carrying value exceeds its fair value. Goodwill is tested utilizing a two-step approach. After recording any impairment losses for indefinite-lived intangible assets, the Company determines the fair value of each reporting unit and compares the fair value to its carrying value, including goodwill, of such reporting unit (step one). To test for impairment, the Company is required to estimate the fair value of each reporting unit. The reporting units are also the reportable segments: Energy & Chemicals, Distribution & Storage, and BioMedical. Consistent with prior years, the Company uses the income and market approaches to develop fair value estimates, which are weighted equally to arrive at a fair value estimate for each reporting unit. With respect to the income approach, a model has been developed to estimate the fair value of each reporting unit. This fair value model incorporates estimates of future cash flows, estimates of allocations of certain assets and cash flows among reporting units, estimates of future growth rates and management's judgment regarding the applicable discount rates to use to discount those estimated cash flows. With respect to the market approach, a guideline company method is used selecting companies with similar assets or businesses to estimate fair value of each reporting unit. Changes to these

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE A Basis of Preparation Continued

judgments and estimates could result in a significantly different estimate of the fair value of the reporting units, which could result in a different assessment of the recoverability of goodwill and other indefinite-lived intangible assets. If the fair value exceeds the carrying value, no impairment loss would be recognized. If the carrying value of the reporting unit exceeds its fair value, the goodwill of the reporting unit may be impaired. The amount of the impairment, if any, would then be measured in step two, which compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. As of October 1, 2010, the estimated fair values substantially exceeded the carrying value for all reporting units.

The following table displays the gross carrying amount and accumulated amortization for all intangible assets.

	Estimated Useful Life	June 30, 2011		December 31, 2010	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived assets:					
Unpatented technology	9 years	\$ 15,198	\$ (8,201)	\$ 15,073	\$ (7,275)
Patents	10 years	9,024	(4,865)	8,497	(4,304)
Product names	14 years	5,677	(1,529)	5,676	(1,285)
Non-compete agreements	3 years	2,130	(2,130)	2,130	(1,952)
Customer relations	13 years	126,043	(43,898)	125,848	(39,103)
		\$ 158,072	\$ (60,623)	\$ 157,224	\$ (53,919)
Indefinite-lived intangible assets:					
Trademarks and trade names		\$ 37,950		\$ 37,911	
In-process research and development		3,070		3,070	
		\$ 41,020		\$ 40,981	

The following table represents the changes in goodwill:

Balance at December 31, 2010	\$ 275,913
Acquisition of Clever Fellows Innovation Consortium	2,821
Foreign currency adjustments	996
Balance at June 30, 2011	\$ 279,730

Amortization expense for finite-lived intangible assets was \$3,288 and \$2,783 for the three months ended June 30, 2011 and 2010, respectively, and \$6,605 and \$5,499 for the six months ended June 30, 2011 and 2010, respectively, and is estimated to be approximately \$13,000 for 2011 and an average of \$11,000 for years 2012 through 2016.

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Stock-based Compensation: The Company records stock-based compensation according to current accounting guidance which requires all share-based payments to employees and directors, including grants of employee stock options, to be measured at fair value on the date of grant.

During the six months ended June 30, 2011, the Company granted 146 stock options, 57 restricted stock and restricted stock unit awards, and 57 performance stock units. The stock options vest over a four year period. Restricted stock and stock unit awards vest over a three year period and performance stock units are earned over a three year measurement period.

Stock-based compensation expense was \$1,400 and \$1,361 for the three months ended June 30, 2011 and 2010, respectively, and \$2,801 and \$2,261 for the six months ended June 30, 2011 and 2010, respectively. As of June 30, 2011, the total stock-based compensation expected to be recognized over the weighted average period of approximately 2.1 years is \$5,889.

Recently Issued Accounting Pronouncements: In October 2009, the FASB issued ASU 2009-13, Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements . This ASU eliminates the requirement that all undelivered elements must have objective and reliable evidence of fair value before a company can recognize the portion of the consideration that is attributable to items that already have been delivered. This may allow some companies to recognize revenue on transactions that involve multiple deliverables earlier than under the current requirements. Additionally, under the new guidance, the relative selling price method is required to be used in allocating consideration between deliverables and the residual value method will no longer be permitted. This ASU is effective prospectively for revenue arrangements entered into or materially modified beginning in fiscal 2011 although early adoption is permitted. A company may elect, but will not be required, to adopt the amendments in this ASU retrospectively for all prior periods. The adoption of this guidance did not have a material effect on the financial statements of the Company.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE A Basis of Preparation Continued

In December 2010, the FASB issued ASU 2010-28, Intangibles—Goodwill and Other (Topic 350). This ASU modifies the first step of the goodwill impairment test to include reporting units with zero or negative carrying amounts. For these reporting units, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss, if any, when it is more likely than not that a goodwill impairment exists. This ASU is effective for fiscal years and interim periods beginning after December 15, 2010. The Company has evaluated the ASU and does not believe it will have a material impact on the consolidated financial statements.

NOTE B Fair Value Measurements

The Company measures financial assets and liabilities at fair value in three levels of input. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is:

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.

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 euro, British pound, Japanese yen, and Czech koruna. The Company's foreign currency forward contracts do not qualify as hedges as defined by accounting guidance. Changes in their fair value are recorded in the consolidated statements of operations as foreign currency gains or losses. The changes in fair value generated a net loss of \$104 and a net gain of \$564 for the three and six months ended June 30, 2011, respectively, and net losses of \$666 and \$703 for the three and six months ended June 30, 2010, respectively.

At June 30, 2011 and December 31, 2010, the fair value of the Company's derivative liabilities representing foreign currency forward contracts was \$239 and \$807, respectively. These amounts were recorded on the balance sheet as other current liabilities. As of June 30, 2011, the Company held forward currency contracts to sell (i) 4,700 Czech koruna against the U.S. dollar, (ii) 8,000 euros against the U.S. dollar, (iii) 368,237 Japanese yen against the U.S. dollar, (iv) 600 Australian dollars against the U.S. dollar, (v) 300 British pounds against the euro, (vi) 2,000 Norwegian kroner against the euro, (vii) 850 U.S. dollars against the Czech koruna, and (viii) 1,300 euros against the Czech koruna. As of December 31, 2010, the Company held forward currency contracts to sell (i) 16,900 euros against the Czech koruna, (ii) 386,853 Japanese yen against the U.S. dollar, (iii) 5,000 U.S. dollars against the euro, (iv) 500 Australian dollars against the U.S. dollar, and (v) 75 British pounds against the euro. The Company's foreign currency forward contracts are not exchange traded instruments and, accordingly, are classified as being valued using level 2 inputs which are based on observable inputs such as quoted prices for similar assets and liabilities in active markets.

The Company does not enter into derivative instruments for trading or speculative purposes.

The fair value of the Company's Term Loan is estimated based on the present value of the underlying cash flows discounted at the Company's estimated borrowing rate. Under this method, the fair value of the Company's Term Loan approximated its carrying value at June 30, 2011 and December 31, 2010. The fair value of the Subordinated Notes is estimated based on a third party's bid price. The fair value approximated the carrying value of \$163,175 at June 30, 2011 and at December 31, 2010.

NOTE C Debt and Credit Arrangements

On May 18, 2010, the Company refinanced its prior senior secured credit facility with a five-year \$200,000 senior credit facility (the Senior Credit Facility). As a result of the refinancing, the Company wrote off \$1,706 of deferred financing fees related to the prior senior credit facility. The new Senior Credit Facility consists of a \$65,000 term loan (the Term Loan), of which \$58,500 remains outstanding and a \$135,000 revolving credit facility (the Revolver) with a scheduled maturity date of May 18, 2015 (the Maturity Date). The Revolver includes a \$25,000 sub-limit for the issuance of swingline loans and a \$50,000 sub-limit to be used for letters of credit. There is a foreign currency limit of \$40,000 under the Revolver 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 \$40,000 under the Revolver made by the Company's wholly-owned subsidiary, Chart Industries Luxembourg S.à r.l. The Company also has \$163,175 of 9 1/8% senior subordinated notes (the Subordinated Notes) outstanding.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE C Debt and Credit Arrangements Continued

On September 30, 2010, the Company began repaying the principal balance of the Term Loan with its first quarterly installment of \$1,625 and will continue to make quarterly installments through the Maturity Date. The Company may select a Eurocurrency Borrowing or an ABR Borrowing rate. If the Company elects the Eurocurrency Borrowing, the base rate for the elected period equals the applicable Adjusted LIBOR rate plus the applicable margin (as defined in the Senior Credit Facility). If the Company elects an ABR Borrowing, the base rate for any day equals an applicable interest margin (as defined in the Senior Credit Facility) plus the greatest of the Prime Rate in effect on such day, the Federal Funds Effective Rate in effect on such day plus 0.5%, and the Adjusted LIBOR Rate for a one month interest period on such day plus 1.0%. The applicable interest margin on the Senior Credit Facility could change based upon the leverage ratio calculated at each fiscal quarter end. In addition, the Company is required to pay a commitment fee of between 0.3% and 0.5% 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 2% to 3.5%, 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. The obligations under the Senior Credit Facility are guaranteed by the Company and substantially all of its U.S. subsidiaries and secured by substantially all of the assets of the Company's U.S. subsidiaries and 65% of the capital stock of the Company's Material (as defined by the Senior Credit Facility) non-U.S. subsidiaries that are owned by U.S. subsidiaries.

The Subordinated Notes are due in 2015 with interest payable semi-annually on April 15th and October 15th. Any of the Subordinated Notes may be redeemed solely at the Company's option, except as restricted by the Senior Credit Facility. The initial redemption price is 104.563% of the principal amount, plus accrued interest. The Subordinated Notes are general unsecured obligations of the Company and are subordinated in right of payment to all existing and future senior debt of the Company, including the Senior Credit Facility, *pari passu* in right of payment with all future senior subordinated indebtedness of the Company, and senior in right of payment with any future indebtedness of the Company that expressly provides for its subordination to the Subordinated Notes. The Subordinated Notes are unconditionally guaranteed jointly and severally by substantially all of the Company's U.S. subsidiaries.

The Senior Credit Facility agreement and provisions of the indenture governing the Subordinated Notes contain a number of 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, pay dividends or distributions, and make capital expenditures. The Senior Credit Facility and indenture governing the Subordinated Notes also include financial covenants relating to net leverage and interest coverage ratios. The Company is in compliance with all covenants. As of June 30, 2011, there was \$58,500 outstanding under the Term Loan and \$163,175 outstanding under the Subordinated Notes and \$25,571 in letters of credit issued but no borrowings outstanding under the Revolver.

Chart Ferox, a.s. (Ferox), a wholly-owned subsidiary of the Company, maintains secured credit facilities with capacity of up to 175,000 Czech koruna (CZK). Ferox maintains two separate facilities. Both of the facilities allow Ferox to request issuance of bank guarantees and letters of credit. None of the facilities allow revolving credit borrowings, including overdraft protection. Ferox is required to pay a commitment fee to the lender under its first facility in respect to the unutilized commitments thereunder. Under this first facility Ferox must pay letter of credit and guarantee fees equal to: (i) 0.70% p.a. on the face amount of each guarantee or letter of credit for maturities of up to 1 year, (ii) 0.80% p.a. for maturities between 1 and 3 years, (iii) 1.20% p.a. for maturities between 3 and 5 years. Under the second facility Ferox must pay letter of credit and guarantee fees equal to 0.70% p.a. on the face amount of each guarantee or letter of credit. Ferox is not required to pay a commitment fee to the lender under the second facility. Ferox's land, buildings and accounts receivable secure the credit facilities. As of June 30, 2011 there were \$8,374 of bank guarantees supported by the Ferox credit facilities.

Flow Instruments & Engineering GmbH (Flow), a wholly-owned subsidiary of Ferox, maintains two revolving lines of credit with 320 euros in borrowing capacity. As of June 30, 2011, there were no borrowings outstanding under either line of credit.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE D Restructuring Activities

In April 2010, Caire Inc., a wholly-owned subsidiary of the Company, announced its plan to close its liquid oxygen therapy manufacturing facility in Plainfield, Indiana and relocate the manufacturing and customer service operations to a facility close to existing BioMedical operations in Canton, Georgia. The Plainfield facility was acquired as part of the 2009 acquisition of the liquid oxygen therapy business of Covidien plc. The closure was substantially completed in the second quarter of 2011. The total anticipated cost of the restructuring is approximately \$7,000 which includes asset impairment charges. The cost includes cash expenditures for employee retention and separation benefits, as well as lease exit costs and loss on disposal of remaining assets. For the three and six months ended June 30, 2011, the Company recorded \$2,280 and \$2,479, respectively, related to the closure of the Plainfield, Indiana BioMedical facility and also recorded \$78 and \$981, respectively, in restructuring costs for employee separation benefits related to the integration of SeQual Technologies Inc., which was acquired on December 28, 2010. These charges were recorded in cost of sales (\$953 and \$965 for the three and six months ended June 30, 2011, respectively), selling, general and administrative expenses (\$652 and \$1,742 for the three and six months ended June 30, 2011, respectively), and loss on disposal of assets (\$1,216 for the three and six months ended June 30, 2011, respectively).

The following tables summarize the Company's restructuring activities for the three and six months ended June 30, 2011 and the three and six months ended June 30, 2010.

	Three Months Ended June 30, 2011				
	Energy & Chemicals	Distribution & Storage	BioMedical	Corporate	Total
Balance at March 31, 2011	\$ 64	\$ 259	\$ 2,400	\$	\$ 2,723
Restructuring charges		27	2,358	437	2,822
Loss on disposal of assets			(1,216)		(1,216)
Cash payments	(64)	(129)	(1,576)	(437)	(2,206)
Balance as of June 30, 2011	\$	\$ 157	\$ 1,966	\$	\$ 2,123

	Six Months Ended June 30, 2011				
	Energy & Chemicals	Distribution & Storage	BioMedical	Corporate	Total
Balance at January 1, 2011	\$ 103	\$ 388	\$ 2,088	\$	\$ 2,579
Restructuring charges		26	3,460	437	3,923
Loss on disposal of assets			(1,216)		(1,216)
Cash payments	(103)	(257)	(2,366)	(437)	(3,163)
Balance as of June 30, 2011	\$	\$ 157	\$ 1,966	\$	\$ 2,123

	Three Months Ended June 30, 2010				
	Energy & Chemicals	Distribution & Storage	BioMedical	Corporate	Total
Balance at March 31, 2010	\$ 305	\$ 1,182	\$ 220	\$ 22	\$ 1,729

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Restructuring charges		(41)	1,960	(22)	1,897
Asset impairment			(700)		(700)
Cash payments	(49)	(339)	(430)		(818)
Balance as of June 30, 2010	\$ 256	\$ 802	\$ 1,050	\$	\$ 2,108

	Six Months Ended June 30, 2010				
	Energy & Chemicals	Distribution & Storage	BioMedical	Corporate	Total
Balance at January 1, 2010	\$ 682	\$ 1,608	\$ 503	\$ 88	\$ 2,881
Restructuring charges		(41)	1,995	(22)	1,932
Asset impairment			(700)		(700)
Cash payments	(426)	(765)	(748)	(66)	(2,005)
Balance as of June 30, 2010	\$ 256	\$ 802	\$ 1,050	\$	\$ 2,108

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE E Earnings per Share

The following table presents calculations of net income per share of common stock for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income attributable to Chart Industries, Inc.	\$ 10,591	\$ 2,399	\$ 18,121	\$ 3,783
Net income attributable to Chart Industries, Inc. per common share - basic	\$ 0.36	\$ 0.08	\$ 0.62	\$ 0.13
Net income attributable to Chart Industries, Inc. per common share - diluted	\$ 0.35	\$ 0.08	\$ 0.61	\$ 0.13
Weighted average number of common shares outstanding - basic	29,202	28,522	28,986	28,515
Incremental shares issuable upon assumed conversion and exercise of stock options	764	740	837	702
Total shares - diluted	29,966	29,262	29,823	29,217

Certain options to purchase common stock of the Company were not included in net income attributable to Chart Industries, Inc. per common share-diluted as they were anti-dilutive and consisted of 142 and 71 shares for the three and six months ended June 30, 2011, respectively, and 407 and 400 shares, respectively, for the three and six months ended June 30, 2010.

NOTE F Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows:

	June 30, 2011	December 31, 2010
Foreign currency translation adjustments	\$ 22,166	\$ 14,938
Pension liability adjustments, net of taxes	(4,945)	(5,127)
	\$ 17,221	\$ 9,811

The following is a summary of the components of total comprehensive (loss) income, net of related income taxes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	\$ 11,020	\$ 2,458	\$ 18,423	\$ 3,877
Other comprehensive income (loss):				
Foreign currency translation gains (losses)	1,193	(8,652)	7,228	(12,013)

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Defined benefit pension plan amortization of net loss	91	68	182	135
Comprehensive income (loss)	12,304	(6,126)	25,833	(8,001)
Less: Comprehensive income (loss) attributable to noncontrolling interest	(429)	(59)	(302)	(94)
Comprehensive income (loss) attributable to Chart	\$ 11,875	\$ (6,185)	\$ 25,531	\$ (8,095)

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE G Acquisitions

On April 1, 2011, Chart Inc. completed the acquisition of 100% of the equity of Clever Fellows Innovation Consortium, Inc. (CFIC) for a total potential purchase price of \$5,000 in cash, of which \$2,000 has been paid. The remaining portion of the potential total purchase price represents contingent consideration to be paid over three years based on the attainment of certain revenue targets. The estimated value of the contingent consideration at acquisition was \$1,650, valued according to a discounted cash flow approach, which includes assumptions for the probabilities of achieving the gross sales targets and the discount rate applied to the projected payments. The valuation of contingent consideration is classified as utilizing Level 3 inputs consistent with reasonably available assumptions which would be made by other market participants. The fair value of the assets acquired and goodwill at the date of acquisition were \$829 and \$2,821, respectively. The purchase price allocation related to the CFIC acquisition is substantially complete with the exception of intangible assets and contingent consideration, which continue to be based on provisional fair values and are subject to revision as the Company finalizes appraisals and other analyses. CFIC is located in Troy, New York and develops and manufactures thermoacoustic technology products for cryogenic, heat transfer and related applications. CFIC's results are included in the Company's BioMedical segment.

In December 2010, Caire Inc. (Caire), a wholly-owned subsidiary of the Company, completed the acquisition of SeQual Technologies Inc. (SeQual) for a potential total purchase price of \$60,000 in cash, of which \$38,312 was paid after working capital adjustments. The cash purchase price is subject to post closing adjustments. The majority of the remaining potential total purchase price represents contingent consideration to be paid over two years beginning in 2012 based on the achievement of certain gross profit targets. The estimated value of the contingent consideration at June 30, 2011 was \$5,287, valued according to a discounted cash flow approach, which includes assumptions for the probabilities of achieving the gross profit targets and the discount rate applied to the projected payments. The increase in fair value of the contingent consideration for the six months ended June 30, 2011 of \$187 was recorded in the consolidated statement of operations. The valuation of contingent consideration is classified as utilizing Level 3 inputs consistent with reasonably available assumptions which would be made by other market participants. SeQual is located in San Diego, California and develops, manufactures and markets products for numerous applications utilizing pressure swing adsorption technology for air separation with its primary focus on medical oxygen concentrators. SeQual's results are included in the Company's BioMedical segment and added \$18,866 to net sales during the six months ended June 30, 2011.

The purchase price allocation related to the SeQual acquisition is substantially completed. Final determination of the fair value may result in further adjustments to the values presented below:

Net assets acquired:	
Cash	\$ 218
Accounts receivable, net	6,169
Inventory, net	4,959
Property and equipment	711
Other assets	889
Intangible assets	31,760
Goodwill	7,285
Liabilities assumed	(8,579)
 Total purchase price	 \$ 43,412

In August 2010, Chart Inc. acquired substantially all of the assets of Cryotech International, Inc. (Cryotech) for a potential total purchase price of \$6,653 in cash, of which \$4,053 was paid at closing. The remaining portion of the potential total purchase price represents contingent consideration to be paid over two years based on the achievement of certain revenue targets. The estimated fair value of the contingent consideration at June 30, 2011 was \$1,568. The value of the contingent consideration was valued according to a discounted cash flow approach, which includes assumptions for the probabilities of achieving the revenue targets and the discount rate applied to the projected payments. The decrease in fair value of the contingent consideration for the six months ended June 30, 2011 of \$232 was recorded in the consolidated statement of operations. The fair value of the assets acquired and goodwill at the date of acquisition were \$1,626 and \$4,227, respectively. Cryotech is

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located in San Jose, California and designs, manufactures, sells, and services cryogenic injectors, vacuum insulated piping systems, and manifolds, and also repairs liquid cylinders. Cryotech's results are included in the Company's Distribution & Storage segment and added \$7,217 to net sales during the six months ended June 30, 2011.

In April 2010, Chart Japan Co., Ltd. completed the acquisition of Covidien Japan Inc.'s liquid oxygen therapy business for \$1,008 in cash. The fair value of the assets acquired at closing was \$2,132 which exceeded the cash paid and, accordingly,

CHART INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011
(Dollars and shares in thousands, except per share amounts)
NOTE G Acquisitions Continued

resulted in a gain on acquisition of business of \$1,124 during the second quarter of 2010. Purchase accounting for this acquisition has been finalized. Available public information indicated that Covidien sought to streamline its business portfolio in an expeditious manner and reallocate resources to other businesses, therefore, the liquid oxygen therapy business was considered a non-core asset. Net sales of \$2,487 were added to the Company's BioMedical segment during the six months ended June 30, 2011 as a result of the acquisition.

Pro-forma information related to these acquisitions has not been presented because the impact on the Company's consolidated results of operations is not material.

NOTE H Income Taxes

At June 30, 2011, the Company has recorded a \$2,468 liability, in accordance with ASC 740-10-25 Income Taxes, for gross unrecognized tax benefits. This amount, if ultimately recognized, will reduce the Company's annual effective tax rate. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. At June 30, 2011, the Company had accrued approximately \$53 for the payment of interest and penalties. There were no material adjustments to the recorded liability for unrecognized tax benefits during the second quarter of 2011.

The effective tax rate for the three and six months ended June 30, 2011 differs 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 tax rate for the three and six months ended June 30, 2010 differs from the federal statutory rate 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 and permanent tax deductions.

NOTE I Employee Benefit Plans

The Company has one frozen defined benefit pension plan 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 sets forth the components of net periodic pension expense (benefit) for the three and six months ended June 30, 2011 and 2010.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Interest cost	\$ 603	\$ 612	\$ 1,206	\$ 1,224
Expected return on plan assets	(644)	(588)	(1,288)	(1,176)
Amortization of net loss	91	68	182	135
Total pension expense	\$ 50	\$ 92	\$ 100	\$ 183

NOTE J Reporting Segments

The structure of the Company's internal organization is divided into the following three reportable segments: Energy and Chemicals (E&C), Distribution and Storage (D&S) and BioMedical. The Company's reportable segments are business units that are each managed separately because they manufacture, offer and distribute distinct products with different production processes and sales and marketing approaches. The

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E&C segment sells brazed aluminum and air-cooled heat exchangers, cold boxes and liquefied natural gas vacuum-insulated pipe to natural gas, petrochemical processing and industrial gas companies who use them for the liquefaction and separation of natural and industrial gases. The D&S segment sells cryogenic bulk storage systems, cryogenic packaged gas systems, cryogenic systems and components, beverage liquid CO₂ systems, cryogenic flow meter systems and cryogenic services to various companies for the storage and transportation of both industrial and natural gases. The BioMedical segment sells medical respiratory products, biological storage systems and other oxygen products. Due to the nature of the products that each segment sells, there are no intersegment sales. Corporate includes operating expenses for executive management, accounting, tax, treasury, human resources, information technology, legal, internal audit, risk management and stock-based compensation expenses that are not allocated to the reporting segments.

The Company evaluates performance and allocates resources based on operating income or loss from continuing operations before net interest expense, financing costs amortization expense, gain on acquisition of business, foreign currency gain or loss, income taxes and noncontrolling interest. The accounting policies of the reportable segments are described in the summary of significant accounting policies.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

NOTE J Reporting Segments Continued

Information for the Company's three reportable segments and its corporate headquarters is presented below:

	Three Months Ended June 30, 2011				
	Energy & Chemicals	Distribution and Storage	BioMedical	Corporate	Total
Sales	\$ 49,121	\$ 101,682	\$ 49,895	\$	\$ 200,698
Operating income (loss)	5,605	17,102	7,223	(8,441)	21,489

	Six Months Ended June 30, 2011				
	Energy & Chemicals	Distribution and Storage	BioMedical	Corporate	Total
Sales	\$ 91,637	\$ 175,055	\$ 96,947	\$	\$ 363,639
Operating income (loss)	9,357	28,622	15,670	(17,853)	35,796

	Three Months Ended June 30, 2010				
	Energy & Chemicals	Distribution and Storage	BioMedical	Corporate	Total
Sales	\$ 31,381	\$ 68,146	\$ 39,617	\$	\$ 139,144
Operating income (loss)	(866)	10,402	6,499	(7,472)	8,563

	Six Months Ended June 30, 2010				
	Energy & Chemicals	Distribution and Storage	BioMedical	Corporate	Total
Sales	\$ 57,562	\$ 127,113	\$ 72,737	\$	\$ 257,412
Operating income (loss)	(1,130)	19,325	12,100	(14,129)	16,166

NOTE K Subsequent Event

On July 26, 2011, the Company announced that Chart Germany GmbH, a wholly-owned subsidiary of the Company, signed a definitive agreement to purchase GOFA Gocher Fahrzeugbau GmbH and related companies (collectively GOFA) for 27,000 EUR in cash, subject to customary working capital adjustments. Closing of the transaction is expected in the third quarter of 2011, subject to customary closing conditions. GOFA is located in Germany and manufactures and sells trailers, transport containers and swap bodies for cryogenic, chemical and gas applications. GOFA's results will be included in the Company's D&S segment.

CHART INDUSTRIES, INC. AND SUBSIDIARIES**Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011****(Dollars and shares in thousands, except per share amounts)****NOTE L Supplemental Guarantor Financial Information**

The Company's Subordinated Notes issued in October 2005 are guaranteed on a full, unconditional and joint and several basis by the following subsidiaries, all of which are 100% owned: Chart Inc., CAIRE Inc., Chart Energy and Chemicals, Inc., Chart Cooler Service Company, Inc., Chart International Holdings, Inc., Chart Asia, Inc., Chart International, Inc. and Chart SeQual Technologies Inc. The following subsidiaries are not guarantors of the notes:

Non-Guarantor Subsidiaries**Jurisdiction**

Abahsain Specialized Industrial Co. Ltd. (34% owned)	Saudi Arabia
Chart Asia Investment Company Ltd.	Hong Kong
Chart Australia Pty. Ltd.	Australia
Chart BioMedical Distribution LLC	Delaware
Chart BioMedical GmbH	Germany
Chart Biomedical Limited	United Kingdom
Chart Cryogenic Distribution Equipment (Changzhou) Co., Ltd. (50% owned)	China
Chart Cryogenic Engineering Systems (Changzhou) Co., Ltd.	China
Chart Cryogenic Equipment (Changzhou) Co., Ltd.	China
Chart Ferox, a.s.	Czech Republic
Chart Ferox GmbH	Germany
Chart France S.A.S.	France
Chart Industries Luxembourg S.à r.l	Luxembourg
Chart Italy S.r.l.	Italy
Chart Japan Co., Ltd.	Japan
Chengdu Golden Phoenix Liquid Nitrogen Container Company, Ltd.	China
Flow Instruments & Engineering GmbH	Germany
GTC of Clarksville, LLC	Delaware
Lox Taiwan (11.25% owned)	Taiwan

The following supplemental condensed consolidating and combining financial information of the Issuer (Chart Industries, Inc.), Subsidiary Guarantors and Subsidiary Non-Guarantors presents balance sheets as of June 30, 2011 and December 31, 2010, statements of operations for the three and six months ended June 30, 2011 and 2010, and statements of cash flows for the six months ended June 30, 2011 and 2010.

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

CONDENSED CONSOLIDATING BALANCE SHEET

As of June 30, 2011

	Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Total
ASSETS					
Cash and cash equivalents	\$ 57,181	\$ 1,531	\$ 93,663	\$	\$ 152,375
Accounts receivable, net		82,053	39,677		121,730
Inventory, net		60,945	61,743	550	123,238
Other current assets	11,631	33,935	11,640	(125)	57,081
Total current assets	68,812	178,464	206,723	425	454,424
Property, plant and equipment, net		71,226	52,069		123,295
Goodwill		205,236	74,494		279,730
Intangible assets, net		131,398	7,071		138,469
Investments in affiliates	337,629	201,070		(537,887)	812
Intercompany receivables	372,738			(372,738)	
Other assets	5,737	19,560	24,474	(37,939)	11,832
Total assets	\$ 784,916	\$ 806,954	\$ 364,831	\$ (948,139)	\$ 1,008,562
LIABILITIES AND STOCKHOLDERS EQUITY					
Accounts payable and accruals	\$ (8,918)	\$ 149,193	\$ 58,446	\$ (7,337)	\$ 191,384
Total current liabilities	(8,918)	149,193	58,446	(7,337)	191,384
Long-term debt	215,175		29,863	(29,863)	215,175
Intercompany payables		304,488	67,752	(372,240)	
Other long-term liabilities	37,742	15,644	7,700		61,086
Total liabilities	243,999	469,325	163,761	(409,440)	467,645
Common stock	294				294
Other stockholders equity	540,623	337,629	201,070	(538,699)	540,623
Total stockholders equity	540,917	337,629	201,070	(538,699)	540,917
Total liabilities and stockholders equity	\$ 784,916	\$ 806,954	\$ 364,831	\$ (948,139)	\$ 1,008,562

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2010

	Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Total
ASSETS					
Cash and cash equivalents	\$ 69,617	\$ 2,828	\$ 92,667	\$	\$ 165,112
Accounts receivable, net		53,735	34,396		88,131
Inventory, net		56,648	48,455	(668)	104,435
Other current assets	11,206	31,457	8,015	(1,875)	48,803
Total current assets	80,823	144,668	183,533	(2,543)	406,481
Property, plant and equipment, net		69,134	47,024		116,158
Goodwill		202,792	73,121		275,913
Intangible assets, net		136,925	7,361		144,286
Investments in affiliates	313,498	130,997		(443,663)	832
Intercompany receivables	358,225			(358,225)	
Other assets	6,040	19,826	7,482	(21,133)	12,215
Total assets	\$ 758,586	\$ 704,342	\$ 318,521	\$ (825,564)	\$ 955,885
LIABILITIES AND STOCKHOLDERS EQUITY					
Accounts payable and accruals	\$ 2,583	\$ 130,351	\$ 41,999	\$ (2,704)	\$ 172,229
Total current liabilities	2,583	130,351	41,999	(2,704)	172,229
Long-term debt	218,425		20,729	(20,729)	218,425
Intercompany payables		240,622	117,015	(357,637)	
Other long-term liabilities	36,204	19,872	7,781		63,857
Total liabilities	257,212	390,845	187,524	(381,070)	454,511
Common stock	288				288
Other stockholders equity	501,086	313,498	130,997	(444,495)	501,086
Total stockholders equity	501,374	313,498	130,997	(444,495)	501,374
Total liabilities and stockholders equity	\$ 758,586	\$ 704,343	\$ 318,521	\$ (825,565)	\$ 955,885

CHART INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements June 30, 2011

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

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Months Ended June 30, 2011

	Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Consolidating Adjustments	Total
Net sales	\$	\$ 132,816	\$ 70,189	\$ (2,307)	\$ 200,698
Cost of sales		84,531	56,526	(2,689)	138,368
Gross profit		48,285	13,663	382	62,330
Selling, general and administrative expenses	102	33,851	6,888		40,841
Operating (loss) income	(102)	14,434	6,775	382	21,489
Interest expense, net	4,058	(996)	1,001		4,063
Other expense (income), net	324	330	286		940
Noncontrolling interest, net of tax			429		429
Income (loss) before income taxes and equity in net (income) loss of subsidiaries	(4,484)	15,100	5,059	382	16,057
Income tax (benefit) provision	(1,593)	6,521	538		5,466
Equity in net (income) loss of subsidiaries	(13,482)	(4,905)		18,385	
Net income (loss) attributable to Chart Industries, Inc.	\$ 10,591	\$ 13,482			