

CARLISLE COMPANIES INC

Form 10-Q

July 23, 2013

[Table of Contents](#)

## 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, 2013**

**OR**

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

**Commission file number 1-9278**

## CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of

**31-1168055**  
(I.R.S. Employer Identification No.)

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

incorporation or organization)

**11605 North Community House Road, Suite 600, Charlotte, North Carolina 28277**

(Address of principal executive office, including zip code)

**(704) 501-1100**

(Telephone Number)

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

Shares of common stock outstanding at July 18, 2013: 63,521,258

---

Table of Contents

INDEX

	<b>Page</b>
<b>PART I. FINANCIAL INFORMATION</b>	
<u>Item 1.</u>	1
	<u>Financial Statements</u>
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Income</u>
	<u>Condensed Consolidated Balance Sheets</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>
	<u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>
<u>Item 2.</u>	27
	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 3.</u>	40
	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 4.</u>	40
	<u>Controls and Procedures</u>
<b>PART II. OTHER INFORMATION</b>	
<u>Item 1.</u>	41
	<u>Legal Proceedings</u>
<u>Item 1A.</u>	41
	<u>Risk Factors</u>
<u>Item 2.</u>	41
	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
<u>Item 3.</u>	41
	<u>Defaults Upon Senior Securities</u>
<u>Item 4.</u>	41
	<u>Mine Safety Disclosures</u>
<u>Item 5.</u>	42
	<u>Other Information</u>
<u>Item 6.</u>	42
	<u>Exhibits</u>
	<u>Signature</u>
	43

Table of Contents*Item 1. Financial Statements***Carlisle Companies Incorporated**

## Unaudited Condensed Consolidated Statements of Comprehensive Income

(in millions except share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	\$ 996.1	\$ 984.6	\$ 1,853.1	\$ 1,873.9
Cost and expenses:				
Cost of goods sold	755.9	729.2	1,425.3	1,407.3
Selling and administrative expenses	106.6	106.0	215.4	213.5
Research and development expenses	9.2	8.5	18.6	16.3
Impairment of assets	100.0		100.0	
Other expense, net	1.9	0.6	1.2	0.3
Earnings before interest and income taxes	22.5	140.3	92.6	236.5
Interest expense, net	8.6	6.5	16.9	13.0
Earnings before income taxes from continuing operations	13.9	133.8	75.7	223.5
Income tax expense (Note 8)	5.7	44.4	12.2	74.1
Income from continuing operations	8.2	89.4	63.5	149.4
Discontinued operations (Note 5)				
Income (loss) from discontinued operations		3.6	(0.1)	3.6
Income tax expense		0.2		0.2
Income (loss) from discontinued operations		3.4	(0.1)	3.4
Net income	\$ 8.2	\$ 92.8	\$ 63.4	\$ 152.8
Basic earnings per share attributable to common shares (Note 9)				
Income from continuing operations	\$ 0.13	\$ 1.42	\$ 1.00	\$ 2.39
Income from discontinued operations		0.06		0.05
Basic earnings per share	\$ 0.13	\$ 1.48	\$ 1.00	\$ 2.44
Diluted earnings per share attributable to common shares (Note 9)				
Income from continuing operations	\$ 0.13	\$ 1.39	\$ 0.98	\$ 2.34
Income from discontinued operations		0.06		0.05
Diluted earnings per share	\$ 0.13	\$ 1.45	\$ 0.98	\$ 2.39
Average shares outstanding - in thousands (Note 9)				
Basic	63,409	62,419	63,343	62,166
Diluted	64,695	63,797	64,620	63,483
Dividends declared and paid	\$ 12.8	\$ 11.3	\$ 25.6	\$ 22.5
Dividends declared and paid per share	\$ 0.20	\$ 0.18	\$ 0.40	\$ 0.36

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

<b>Comprehensive Income</b>								
Net income	\$	<b>8.2</b>	\$	92.8	\$	<b>63.4</b>	\$	152.8
<b>Other comprehensive income (loss) (Note 19)</b>								
Change in foreign currency translation, net of tax		<b>(0.1)</b>		(8.7)		<b>(10.4)</b>		(4.4)
Change in accrued post-retirement benefit liability, net of tax		<b>1.0</b>		0.8		<b>2.4</b>		1.6
Loss on hedging activities, net of tax		<b>(0.1)</b>		(0.1)		<b>(0.2)</b>		(0.2)
Other comprehensive income (loss)		<b>0.8</b>		(8.0)		<b>(8.2)</b>		(3.0)
Comprehensive income	\$	<b>9.0</b>	\$	84.8	\$	<b>55.2</b>	\$	149.8

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**Carlisle Companies Incorporated**

## Condensed Consolidated Balance Sheets

(in millions except share amounts)	June 30, 2013 (Unaudited)	December 31, 2012
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 168.2	\$ 112.5
Receivables, less allowance of \$5.6 in 2013 and \$6.0 in 2012	597.5	482.7
Inventories (Note 11)	493.0	538.0
Deferred income taxes (Note 8)	42.9	43.1
Prepaid expenses and other current assets	26.7	29.0
<b>Total current assets</b>	<b>1,328.3</b>	<b>1,205.3</b>
<b>Property, plant and equipment, net of accumulated depreciation of \$665.9 in 2013 and \$635.7 in 2012 (Note 12)</b>	<b>634.5</b>	<b>637.1</b>
<b>Other assets:</b>		
Goodwill, net (Note 13)	858.0	958.8
Other intangible assets, net (Note 13)	596.4	617.5
Other long-term assets	34.4	38.6
Non-current assets held for sale (Note 5)	10.8	
<b>Total other assets</b>	<b>1499.6</b>	<b>1,614.9</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,462.4</b>	<b>\$ 3,457.3</b>
<b>Liabilities and Shareholders Equity</b>		
<b>Current liabilities:</b>		
Short-term debt, including current maturities (Note 15)	\$	\$
Accounts payable	283.5	259.7
Accrued expenses	164.8	193.3
Deferred revenue (Note 17)	16.9	17.6
<b>Total current liabilities</b>	<b>465.2</b>	<b>470.6</b>
<b>Long-term liabilities:</b>		
Long-term debt (Note 15)	752.6	752.5
Deferred revenue (Note 17)	138.3	135.4
Other long-term liabilities (Note 18)	265.1	310.7
<b>Total long-term liabilities</b>	<b>1,156.0</b>	<b>1,198.6</b>
<b>Shareholders equity:</b>		
Preferred stock, \$1 par value per share. Authorized and unissued 5,000,000 shares		
Common stock, \$1 par value per share. Authorized 100,000,000 shares; 78,661,248 shares issued; 63,516,542 outstanding in 2013 and 63,127,299 outstanding in 2012	78.7	78.7
Additional paid-in capital	188.0	171.4
Deferred compensation equity (Note 7)	3.3	0.6
Cost of shares in treasury - 14,901,476 shares in 2013 and 15,249,714 shares in 2012	(211.1)	(215.4)
Accumulated other comprehensive loss (Note 19)	(43.7)	(35.5)
Retained earnings	1,826.0	1,788.3
<b>Total shareholders equity</b>	<b>1,841.2</b>	<b>1,788.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 3,462.4</b>	<b>\$ 3,457.3</b>

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**Carlisle Companies Incorporated**

## Unaudited Condensed Consolidated Statements of Cash Flows

(in millions)	Six Months Ended June 30,	
	2013	2012
<b>Operating activities</b>		
Net income	\$ 63.4	\$ 152.8
Reconciliation of net income to cash flows from operating activities:		
Depreciation	39.4	37.0
Amortization	20.5	15.5
Non-cash compensation, net of tax benefit	8.6	4.0
Gain on sale of businesses		(3.7)
Loss on sale of property and equipment, net	0.9	0.8
Impairment of assets	100.0	
Deferred taxes	(46.3)	(4.3)
Foreign exchange gain	(0.1)	
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
Receivables	(118.3)	(138.7)
Inventories	42.7	(2.4)
Prepaid expenses and other assets	5.7	23.6
Accounts payable	24.8	49.7
Accrued expenses and deferred revenues	(26.6)	14.0
Long-term liabilities	6.0	5.2
Other operating activities	(1.2)	0.8
<b>Net cash provided by operating activities</b>	<b>119.5</b>	<b>154.3</b>
<b>Investing activities</b>		
Capital expenditures	(49.4)	(60.6)
Acquisitions, net of cash		(49.3)
Proceeds from sale of property and equipment	0.3	
Proceeds from sale of business		25.8
<b>Net cash used in investing activities</b>	<b>(49.1)</b>	<b>(84.1)</b>
<b>Financing activities</b>		
Net change in short-term borrowings and revolving credit lines	(0.1)	(64.3)
Dividends	(25.6)	(22.5)
Stock options and treasury shares, net	11.8	18.5
<b>Net cash used in financing activities</b>	<b>(13.9)</b>	<b>(68.3)</b>
<b>Effect of exchange rate changes on cash</b>	<b>(0.8)</b>	<b>0.2</b>
<b>Change in cash and cash equivalents</b>	<b>55.7</b>	<b>2.1</b>
<b>Cash and cash equivalents</b>		
Beginning of period	112.5	74.7
End of period	\$ 168.2	\$ 76.8

See accompanying notes to Unaudited Condensed Consolidated Financial Statements





Table of Contents

**Notes to the Unaudited Condensed Consolidated Financial Statements**

**Note 1 Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by Carlisle Companies Incorporated (the Company or Carlisle) in accordance and consistent with the accounting policies stated in the Company's Annual Report on Form 10-K and should be read in conjunction with the consolidated financial statements therein. The unaudited condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States and, of necessity, include some amounts that are based upon management estimates and judgments. Future actual results could differ from such current estimates. The unaudited condensed consolidated financial statements include assets, liabilities, revenues, and expenses of all majority-owned subsidiaries. Carlisle accounts for other investments in minority-owned companies where it exercises significant influence, but does not have control, on the equity basis. Intercompany transactions and balances are eliminated in consolidation.

The Company has reclassified certain prior period amounts in the condensed consolidated financial statements to be consistent with the current period presentation. See Note 3 regarding the transition of the Styled Wheels business between Carlisle Transportation Products (CTP) and Carlisle Brake & Friction (CBF).

**Note 2 New Accounting Pronouncements**

*Newly Adopted Accounting Standards*

On February 5, 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. ASU 2013-02 requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source (e.g., the release due to cash flow hedges from interest rate contracts) and the income statement line items affected by the reclassification (e.g., interest income or interest expense). If a component is not required to be reclassified to net income in its entirety (e.g., the net periodic pension cost), companies would instead cross reference to the related footnote for additional information (e.g., the pension footnote). ASU 2013-02 is effective for fiscal and interim reporting periods beginning after December 15, 2012. The adoption of this ASU had no material effect on the Company's consolidated financial statements.

In July 2012, FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 amends the guidance on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, entities have the option of first performing a qualitative assessment to determine whether there are any events or circumstances indicating that it is more likely than not that an indefinite-lived intangible asset is impaired. ASU 2012-02 is effective for fiscal and interim impairment tests performed in fiscal years beginning after September 15, 2012. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial statements.

*New Accounting Standards Issued but not yet adopted*

There are currently no new accounting standards that have been issued that will have a significant impact on the Company's financial position, results of operations, and cash flows upon adoption.

**Note 3 Segment Information**

The Company's operations are reported in the following segments:

**Carlisle Construction Materials ( CCM or the Construction Materials segment )** the principal products of this segment are rubber (EPDM) and thermoplastic polyolefin (TPO) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes, coatings and waterproofing, and insulation products. The markets served include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants, and coatings and waterproofing.

**Carlisle Transportation Products ( CTP or the Transportation Products segment )** the principal products of this segment include bias-ply, steel belted radial trailer tires, stamped or roll-formed steel wheels, tires, and tire and wheel assemblies, as well as industrial belts and related components. The markets served include lawn and garden, power sports, high-speed trailer, agriculture, and construction.

Table of Contents

**Carlisle Brake & Friction ( CBF or the Brake & Friction segment )** the principal products of this segment include high-performance brakes and friction material, and clutch and transmission friction material for the mining, construction, aerospace, agriculture, motor sports, and alternative energy markets.

**Carlisle Interconnect Technologies ( CIT or the Interconnect Technologies segment )** the principal products of this segment are high-performance wire, cable, connectors, contacts, and cable assemblies primarily for the aerospace, defense electronics, industrial, and test and measurement equipment markets.

**Carlisle FoodService Products ( CFSP or the FoodService Products segment )** the principal products of this segment include commercial and institutional foodservice permanentware, table coverings, cookware, catering equipment, fiberglass and composite material trays and dishes, industrial brooms, brushes, mops, and rotary brushes for commercial and non-commercial foodservice operators and sanitary maintenance professionals.

**Corporate** includes general corporate expenses. Corporate assets consist primarily of cash and cash equivalents, facilities, deferred taxes, and other invested assets. Corporate operations also maintain a captive insurance program for workers compensation costs on behalf of all the Carlisle operating companies.

Effective January 1, 2012, the Company's Styled Wheels business was transitioned from CTP to CBF. Styled wheels continued to be manufactured by CTP, but were marketed and sold by the performance racing group within CBF. Effective December 1, 2012, due to sales, marketing, and administrative inefficiencies, the Styled Wheels business was transitioned from CBF back to CTP. Prior period results have been retrospectively adjusted to reflect the Styled Wheels business in the Transportation Products segment.

Unaudited financial information for operations by reportable segment is included in the following summary:

Three Months Ended June 30, (in millions)	2013		2012	
	Sales(1)	EBIT	Sales(1)	EBIT
Carlisle Construction Materials	\$ 490.5	\$ 78.2	\$ 470.0	\$ 85.5
Carlisle Transportation Products	203.5	(86.8)	211.3	19.3
Carlisle Brake & Friction	93.6	12.4	125.3	23.9
Carlisle Interconnect Technologies	145.7	22.3	114.7	17.4
Carlisle FoodService Products	62.8	7.3	63.3	5.7
Corporate		(10.9)		(11.5)
<b>Total</b>	<b>\$ 996.1</b>	<b>\$ 22.5</b>	<b>\$ 984.6</b>	<b>\$ 140.3</b>

Six Months Ended June 30, (in millions)	2013		2012	
	Sales(1)	EBIT	Assets(2)	Assets(2)
Carlisle Construction Materials	\$ 830.1	\$ 114.0	\$ 979.1	\$ 944.7
Carlisle Transportation Products	430.9	(72.3)	440.5	560.8
Carlisle Brake & Friction	184.4	23.4	605.3	700.4

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Carlisle Interconnect Technologies	<b>286.9</b>	<b>40.7</b>	<b>1,042.3</b>	225.4	34.1	794.7
Carlisle FoodService Products	<b>120.8</b>	<b>12.4</b>	<b>198.0</b>	122.6	11.2	210.8
Corporate		<b>(25.6)</b>	<b>197.2</b>		(24.4)	85.2
<b>Total</b>	<b>\$ 1,853.1</b>	<b>\$ 92.6</b>	<b>\$ 3,462.4</b>	\$ 1,873.9	\$ 236.5	\$ 3,296.6

---

(1) Excludes intersegment sales

(2) Corporate assets include assets of ceased operations not classified as held for sale

Table of Contents**Note 4 Acquisitions***2012 Acquisitions*Thermax and Raydex/CDT Limited

On December 17, 2012, the Company acquired certain assets and assumed certain liabilities of Thermax ( Thermax ), an unincorporated North American division of Belden Inc., and acquired all of the outstanding shares of Raydex/CDT Limited ( Raydex and together with Thermax, Thermax/Raydex ), a company incorporated in England and Wales, for total cash consideration of approximately \$265.5 million, net of \$0.1 million cash acquired. The Company funded the acquisition with proceeds from its 3.75% senior unsecured notes due 2022 issued in November 2012. Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex adds capabilities and technology to strengthen the Company's interconnect products business by expanding its product and service range to its customers. Thermax/Raydex operates within the Interconnect Technologies segment.

The following table summarizes the consideration transferred to acquire Thermax/Raydex and the preliminary allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that the consideration be allocated to the acquired assets and assumed liabilities based on their acquisition date fair values with the remainder allocated to goodwill.

(in millions)	Preliminary Allocation	Measurement Period Adjustments Six Months Ended	Revised Preliminary Allocation
	As of 12/31/2012	6/30/2013	As of 6/30/2013
Total cash consideration transferred	\$ 265.6	\$	\$ 265.6
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>			
Cash & cash equivalents	\$ 0.1	\$	\$ 0.1
Receivables	14.3		14.3
Inventories	15.4		15.4
Prepaid expenses and other current assets	0.9		0.9
Property, plant and equipment	7.2		7.2
Definite-lived intangible assets	135.1		135.1
Indefinite-lived intangible assets	9.1		9.1
Accounts payable	(12.0)		(12.0)
Accrued expenses	(2.6)		(2.6)
Deferred tax liabilities	(2.8)		(2.8)
Total identifiable net assets	164.7		164.7

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Goodwill	\$	100.9	\$	100.9
----------	----	-------	----	-------

The preliminary goodwill recognized in the acquisition of Thermax/Raydex is attributable to the workforce of Thermax/Raydex, the consistent financial performance of this complementary supplier of high-reliability interconnect products to leading aerospace, avionics and electronics companies and the enhanced scale that Thermax/Raydex brings to the Company. Thermax/Raydex brings additional high-end cable products and qualified positions to serve the Company's existing commercial aerospace and industrial customers. Goodwill arising from the acquisition of Thermax is deductible for income tax purposes as the acquisition of Thermax was an asset purchase. All of the preliminary goodwill was assigned to the Interconnect Technologies reporting unit. Preliminary indefinite-lived intangible assets of \$9.1 million represent acquired trade names. The \$135.1 million value preliminarily allocated to definite-lived intangible assets consists of \$111.4 million of customer relationships with preliminary useful lives ranging from 17 to 18 years, \$23.5 million of acquired technology with preliminary useful lives ranging from 9 to 11 years, and a \$0.2 million non-compete agreement with a preliminary useful life of 5 years.

Table of Contents

The fair values of the inventory, property, plant and equipment, and other intangible assets are preliminary and subject to change pending receipt of the final third-party valuations for those assets. The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the December 17, 2012 closing date.

Hertalan Holding B.V.

On March 9, 2012, the Company acquired 100% of the equity of Hertalan Holding B.V. ( Hertalan ) for a total cash purchase price of 37.3 million, or \$48.9 million, net of 0.1 million, or \$0.1 million, cash acquired. The Company funded the acquisition with borrowings under its \$600 million senior unsecured revolving credit facility (the Facility ) and cash on hand. See Note 15 for further information regarding borrowings. The acquisition of Hertalan strengthens the Company's ability to efficiently serve European customers in the EPDM roofing market in Europe with local manufacturing and established distribution channels. Hertalan operates within the Construction Materials segment.

The following table summarizes the consideration transferred to acquire Hertalan and the allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that the consideration be allocated to the acquired assets and assumed liabilities based on their acquisition date fair values with the remainder allocated to goodwill.

(in millions)	Preliminary Allocation  As of 3/31/2012	Measurement Period Adjustments Twelve Months Ended 3/9/2013	Final Allocation  As of 3/9/2013
Total cash consideration transferred	\$ 49.3	\$ (0.3)	\$ 49.0
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>			
Cash & cash equivalents	\$ 0.1	\$	\$ 0.1
Receivables	3.7		3.7
Inventories	10.5	(1.0)	9.5
Prepaid expenses and other current assets	0.2		0.2
Property, plant and equipment	13.0	(0.1)	12.9
Definite-lived intangible assets	9.9	4.8	14.7
Indefinite-lived intangible assets	2.6	5.4	8.0
Other long-term assets	0.3		0.3
Accounts payable	(3.3)		(3.3)
Accrued expenses	(2.5)		(2.5)
Long-term debt	(1.3)		(1.3)
Deferred tax liabilities	(4.4)	(2.3)	(6.7)
Other long-term liabilities	(0.1)		(0.1)
Total identifiable net assets	28.7	6.8	35.5
Goodwill	\$ 20.6	\$ (7.1)	\$ 13.5



## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

The goodwill recognized in the acquisition of Hertalan is attributable to the workforce of Hertalan, the solid financial performance of this leading manufacturer of EPDM roofing and waterproofing systems and the significant strategic value of the business to Carlisle. Hertalan provides Carlisle with a solid manufacturing and knowledge base for EPDM roofing products in Europe and provides an established distribution network throughout Europe, both of which enhance Carlisle's goal of expanding its global presence. The European market shows favorable trends towards EPDM roofing applications and Carlisle can provide additional product development and other growth resources to Hertalan. Goodwill arising from the acquisition of Hertalan is not deductible for income tax purposes. All of the goodwill was assigned to the Construction Materials reporting unit. Indefinite-lived intangible assets

Table of Contents

of \$8.0 million represent acquired trade names. The \$14.7 million value allocated to definite-lived intangible assets represents customer relationships with useful lives of 9 years.

The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the March 9, 2012 closing date.

*2011 Acquisitions*Tri-Star Electronics International, Inc.

On December 2, 2011, the Company acquired 100% of the equity of TSEI Holdings, Inc. ( Tri-Star ) for a total cash purchase price of \$284.8 million, net of \$4.5 million cash acquired. The total cash purchase price includes a \$0.4 million purchase price adjustment during the three months ended March 31, 2012. The Company funded the acquisition with borrowings under the Facility. See Note 15 for further information regarding borrowings. The acquisition of Tri-Star adds capabilities and technology to strengthen the Company's interconnect products business by expanding its product and service range to its customers. Tri-Star operates within the Interconnect Technologies segment.

The following table summarizes the consideration transferred to acquire Tri-Star and the preliminary allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that the consideration be allocated to the acquired assets and assumed liabilities based on their acquisition date fair values with the remainder allocated to goodwill.

(in millions)	Preliminary Allocation  As of 12/31/2011	Measurement Period Adjustments Twelve Months Ended 12/2/2012	Final Allocation  As of 12/2/2012
Total cash consideration transferred	\$ 288.9	\$ 0.4	\$ 289.3
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>			
Cash & cash equivalents	\$ 4.5	\$	\$ 4.5
Receivables	14.0		14.0
Inventories	22.8		22.8
Prepaid expenses and other current assets	5.6		5.6
Property, plant and equipment	15.4	(2.1)	13.3
Definite-lived intangible assets	112.0	9.5	121.5
Indefinite-lived intangible assets	28.0	(8.6)	19.4
Other long-term assets	0.1		0.1
Accounts payable	(6.5)		(6.5)
Accrued expenses	(4.4)		(4.4)

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Deferred tax liabilities	(58.9)	3.4	(55.5)
Other long-term liabilities	(0.4)		(0.4)
Total identifiable net assets	132.2	2.2	134.4
Goodwill	\$ 156.7	\$ (1.8)	\$ 154.9

The goodwill recognized in the acquisition of Tri-Star is attributable to the workforce of Tri-Star, the consistent financial performance of this complementary supplier of high-reliability interconnect products to leading aerospace, avionics and electronics companies and the enhanced scale that Tri-Star brings to the Company. Tri-Star brings additional high-end connector products and qualified positions to serve the Company's existing commercial aerospace and industrial customers. Tri-Star will also supply the Company with efficient machining and plating processes that will lower costs and improve product quality. Favorable trends in the

Table of Contents

commercial aerospace markets and increasing electronic content in several industrial end markets provide a solid growth platform for the Interconnect Technologies segment. Goodwill arising from the acquisition of Tri-Star is not deductible for income tax purposes. All of the goodwill was assigned to the Interconnect Technologies segment. Indefinite-lived intangible assets of \$19.4 million represent acquired trade names. The \$121.5 million value allocated to definite-lived intangible assets consists of \$94.8 million of customer relationships with useful lives ranging from 12 to 21 years, \$23.2 million of acquired technology with useful lives of 16 years, \$2.5 million of non-compete agreements with useful lives ranging from 3 to 5 years, and \$1.0 million of customer certifications and approvals with useful lives of 3 years.

The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the December 2, 2011 closing date.

PDT Phoenix GmbH

On August 1, 2011, the Company acquired 100% of the equity of PDT Phoenix GmbH ( PDT ) for 77.0 million, or \$111.0 million, net of 5.3 million, or \$7.6 million, cash acquired. Of the 82.3 million, or \$118.6 million gross purchase price, 78.7 million, or \$113.4 million, was paid in cash initially funded with borrowings under the Facility and cash on hand. PDT is a leading manufacturer of EPDM-based (rubber) roofing membranes and industrial components serving European markets. The acquisition of PDT provides a platform to serve the European market for single-ply roofing systems, and expands the Company's growth internationally. PDT operates within the Construction Materials segment.

The agreement to acquire PDT provided for contingent consideration based on future earnings. The fair value of contingent consideration recognized at the acquisition date was 3.6 million, or \$5.2 million, and was estimated using a discounted cash flow model based on financial projections of the acquired company.

The purchase price of PDT included certain assets of the PDT Profiles business, which the Company sold on January 2, 2012 for 17.1 million, or \$22.1 million. The PDT Profiles business was classified as held for sale at the date of acquisition and on the Company's consolidated balance sheet as of December 31, 2011.

Table of Contents

The following table summarizes the consideration transferred to acquire PDT and the allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that the consideration be allocated to the acquired assets and assumed liabilities based on their acquisition date fair values with the remainder allocated to goodwill.

(in millions)	Preliminary Allocation	Measurement Period Adjustments Twelve Months Ended	Final Allocation
	As of 12/31/2011	8/1/2012	As of 8/1/2012
<b>Consideration transferred:</b>			
Cash consideration	\$ 113.4	\$	\$ 113.4
Contingent consideration	5.2		5.2
Total cash consideration transferred	\$ 118.6	\$	\$ 118.6
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>			
Cash & cash equivalents	\$ 7.6	\$	\$ 7.6
Receivables	12.2		12.2
Inventories	10.5		10.5
Prepaid expenses and other current assets	0.8		0.8
Current assets held for sale	3.6		3.6
Property, plant and equipment	3.4		3.4
Definite-lived intangible assets	57.1		57.1
Indefinite-lived intangible assets	6.9		6.9
Other long-term assets	0.1		0.1
Non-current assets held for sale	21.6	(0.6)	21.0
Accounts payable	(9.0)		(9.0)
Accrued expenses	(1.2)		(1.2)
Deferred tax liabilities	(21.5)		(21.5)
Other long-term liabilities	(3.3)		(3.3)
Total identifiable net assets	88.8	(0.6)	88.2
Goodwill	\$ 29.8	\$ 0.6	\$ 30.4

The purchase price allocation reflects updated fair value estimates for assets acquired and liabilities assumed. The amount of goodwill recognized in the acquisition of PDT is attributable to the workforce of PDT, the solid financial performance of this leading manufacturer of single-ply roofing and waterproofing systems and the significant strategic value of the business to Carlisle. PDT provides Carlisle with a solid manufacturing and knowledge base for single-ply roofing products in Europe and provides an established distribution network throughout Europe, both of which enhance Carlisle's goal of expanding its global presence. The European market shows favorable trends towards single-ply roofing applications and Carlisle can provide additional product development and other growth resources to PDT. Goodwill arising from the acquisition of PDT is not deductible for income tax purposes. All of the goodwill was assigned to the Construction Materials segment. Indefinite-lived intangible assets of \$6.9 million represent acquired trade names. Of the \$57.1 million value allocated to definite-lived intangible assets, approximately \$33.3 million was allocated to patents, with useful lives ranging from 10 to 20 years, and \$23.8 million was allocated to customer relationships, with useful lives of 19 years.

The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the August 1, 2011 closing date.



Table of Contents**Note 5 Discontinued Operations and Assets Held for Sale**

For the three months ended June 30, 2013, the Company had no income before income taxes from discontinued operations. For the six months ended June 30, 2013, the Company had a loss before income taxes of \$0.1 million pertaining primarily to legacy workers compensation claims.

As of June 30, 2013, the Company classified CCM's Kent, WA facility and related assets as held-for-sale following the relocation of operations to Puyallup, WA. The disposal group includes only long-lived tangible assets with a net book value of \$3.9 million.

In the third quarter of 2012, the Company announced plans to restructure certain of CFS's manufacturing and distribution operations. As of June 30, 2013, assets held for sale includes \$6.9 million of long-lived tangible assets related to the Reno, NV and Zevenaar, The Netherlands distribution centers.

On January 2, 2012, the Company completed the sale of the PDT Profiles business for 17.1 million, or \$22.1 million. The Company had acquired all of the equity of PDT on August 1, 2011 (see Note 4). Included with the acquisition were certain assets associated with the PDT Profiles business, which the Company classified as held for sale at the date of acquisition. No gain or loss was recognized upon the sale of the PDT Profiles business.

**Note 6 Exit and Disposal Activities**

The following table represents the effect of exit and disposal activities related to continuing operations during the three and six months ended June 30, 2013 and 2012, respectively:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,		
	2013	2012	2013	2012	2012
Cost of goods sold	\$	\$	1.8	\$ 0.6	\$ 1.9
Selling and administrative expenses			(0.2)	0.1	(0.2)
Other expense					0.3
Total exit and disposal costs	\$	\$	1.6	\$ 0.7	\$ 2.0

Exit and disposal activities by type of charge were as follows:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,		
	2013	2012	2013	2012	2012
Termination benefits	\$	\$	1.7	\$ 0.1	\$ 1.7
Impairments					0.3
Other associated costs			(0.1)	0.6	

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Total exit and disposal costs                   \$                   \$                   1.6 \$                   **0.7** \$                   2.0

Exit and disposal accrual activities for the six months ended June 30, 2013 were as follows:

(in millions)	Termination Benefits	Asset Write- downs	Other associated costs	Total
Balance at December 31, 2012	\$ 1.8	\$	\$ 0.6	\$ 2.4
2013 charges to expense and adjustments	0.1		0.6	0.7
2013 usage	(1.9)		(1.0)	(2.9)
<b>Balance at June 30, 2013</b>	<b>\$</b>	<b>\$</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>



Table of Contents

Exit and disposal activities by segment were as follows:

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Total by segment				
Carlisle Construction Materials	\$	\$	0.3	\$ 0.3
Carlisle Transportation Products			1.5	0.3
Carlisle Brake & Friction			(0.2)	0.1
Carlisle FoodService Products			0.4	
Total exit and disposal costs	\$	\$	1.6	\$ 2.0

**Carlisle Construction Materials** During the second quarter of 2012, the Company announced plans to consolidate its manufacturing operations in Elberton, GA into its locations in Terrell, TX and Carlisle, PA. Costs of \$0.8 million incurred in 2012 consisted of employee termination cost, equipment relocation, and other associated costs. No further costs are expected to be incurred related to this project.

**Carlisle Transportation Products** During 2012, the Company transferred its remaining manufacturing operations in Buji, China. The tire manufacturing operations were transferred from Buji to Meizhou, China. The belt manufacturing operations were transferred from Buji to existing manufacturing facilities in Fort Scott, KS and Springfield, MO. The total expected cost of the project is \$2.9 million. During the six months ended June 30, 2013, the Company incurred \$0.3 million of exit and disposal costs related to the transfer of its Buji, China tire and belt manufacturing operations, consisting of early lease termination costs. The Company expects no additional costs to be incurred related to this project.

**Carlisle Brake & Friction** In the third quarter of 2011, the Company decided to close its braking plant in Canada. The total cost of the project was \$1.0 million, including \$0.9 million of expense recognized in 2011 for employee termination costs and other associated costs. Expenses of \$0.1 million were recognized in 2012 reflecting \$0.3 million expense for the write down of assets sold in connection with the plant closure, net of \$0.2 million income to reverse an accrual for pension costs which will not be paid. As of June 30, 2013, a \$0.2 million liability, reported in Accrued expenses, exists for unpaid lease termination costs. The Company expects no additional costs to be incurred related to this project.

**Carlisle FoodService Products** In the third quarter of 2012, the Company announced plans to close its China manufacturing facility and its Zevenaar, Netherlands and Reno, NV distribution facilities. Manufacturing operations were moved from China to Carlisle's existing Oklahoma City, OK and Chihuahua, Mexico manufacturing facilities. The distribution activities previously conducted at the Zevenaar, Netherlands and Reno, NV facilities were relocated to the Oklahoma City, OK distribution center or to third party distributors throughout Europe. The total expected cost of the project is \$5.7 million, including costs for impairment of long-lived assets, employee termination, contract termination, legal and consulting services, and relocation and retrofitting of plant assets of which \$5.3 was incurred in 2012. During the six months ended June 30, 2013, the Company incurred \$0.4 million of exit and disposal costs for employee termination and equipment relocation. The Company expects no additional costs to be incurred related to this project.

**Note 7 Stock-Based Compensation**

Stock-based compensation cost is recognized over the requisite service period, which generally equals the stated vesting period, unless the stated vesting period exceeds the date upon which an employee reaches retirement eligibility. Pre-tax stock-based compensation expense was \$2.9 million and \$4.5 million for the three months ended June 30, 2013 and 2012, respectively and \$10.9 million and \$9.9 million for the six months ended June 30, 2013 and 2012, respectively.

2008 Executive Incentive Program

The Company maintains an Executive Incentive Program (the Program ) for executives and certain other employees of the Company and its operating divisions and subsidiaries. The Program was approved by shareholders on April 20, 2004 and was amended and restated effective January 1, 2012. The Program allows for awards to eligible employees of stock options, restricted stock, stock appreciation rights, performance shares and units or other awards based on Company common stock. At June 30, 2013, 3,051,670 shares were available for grant under this plan, of which 686,985 shares were available for the issuance of stock awards.

Table of Contents2005 Nonemployee Director Equity Plan

The Company also maintains the Nonemployee Director Equity Plan (the Plan) for members of its Board of Directors, with the same terms and conditions as the Program. At June 30, 2013, 267,745 shares were available for grant under this plan, of which 37,745 shares were available for the issuance of stock awards. Members of the Board of Directors that receive stock-based compensation are treated as employees for accounting purposes.

Grants

For the six months ended June 30, 2013, the Company awarded 283,975 stock options, 71,255 restricted stock awards, 71,255 performance share awards and 11,313 restricted stock units with an aggregate grant-date fair value of approximately \$16.9 million to be expensed over the requisite service period for each award.

*Stock Option Awards*

Effective 2008, options issued under these plans vest one-third on the first anniversary of grant, one-third on the second anniversary of grant and the remaining one-third on the third anniversary of grant. All options have a maximum term life of 10 years. Shares issued to cover options under the Program and the Plan may be issued from shares held in treasury, from new issuances of shares, or a combination of the two.

Pre-tax share-based compensation expense related to stock options was \$1.3 million and \$1.6 million for the three months ended June 30, 2013 and 2012, respectively, and \$2.4 million and \$3.5 million for the six months ended June 30, 2013 and 2012, respectively.

The Company utilizes the Black-Scholes-Merton (BSM) option pricing model to determine the fair value of its stock option awards. The BSM relies on certain assumptions to estimate an option's fair value. The weighted average assumptions used in the determination of fair value for stock option awards in 2013 and 2012 were as follows:

	2013	2012
Expected dividend yield	1.2%	1.5%
Expected life in years	5.71	5.78
Expected volatility	32.2%	36.0%
Risk-free interest rate	1.0%	0.9%
Weighted average fair value	\$ 17.58	\$ 14.57

The expected life of options is based on the assumption that all outstanding options will be exercised at the midpoint of the valuation date and the option expiration date. The expected volatility is based on historical volatility as well as implied volatility of the Company's options. The risk-free interest rate is based on rates of U.S. Treasury issues with a remaining life equal to the expected life of the option. The expected dividend

yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

*Restricted Stock Awards*

Restricted stock awarded under the Program is generally released to the recipient after a period of three years; however, 56,700 shares awarded to executive management in February 2008 vested ratably over five years. The \$64.80 grant date fair value of the 2013 restricted stock awards, which are released to the recipient after a period of three years, is based on the closing market price of the stock on the date of grant.

*Performance Share Awards*

The performance shares vest based on the employee rendering three years of service to the Company, and the attainment of a market condition over the performance period, which is based on the Company's relative total shareholder return versus the S&P Midcap 400 Index® over a pre-determined time period as determined by the Compensation Committee of the Board of Directors. The grant date fair value of the 2013 performance shares of \$91.33 was estimated using a Monte-Carlo simulation approach based on a three year measurement period. Such approach entails the use of assumptions regarding the future performance of the Company's stock and those of the S&P Midcap 400 Index®. Those assumptions include expected volatility, risk-free interest rates, correlation coefficients and dividend reinvestment. Dividends accrue on the performance shares during the performance period and are to be paid

Table of Contents

in cash based upon the number of awards ultimately earned. The Company expenses the compensation cost associated with the performance awards on a straight-line basis over the vesting period of three years.

*Restricted Stock Units*

The restricted stock units awarded to eligible directors are fully vested and will be paid in shares of Company common stock after the director ceases to serve as a member of the Board, or if earlier, upon a change in control of the Company. The \$64.80 grant date fair value of the 2013 restricted stock units is based on the closing market price of the stock on February 6, 2013, the date of the grant.

*Deferred Compensation*

Certain employees are eligible to participate in the Company's Non-qualified Deferred Compensation Plan (the "Deferred Compensation Plan"). In addition to the ability to defer a portion of their cash compensation, participants may elect to defer all or part of their stock-based compensation. Company stock held for future issuance of vested awards is classified as Deferred compensation equity in the condensed consolidated balance sheets and is recorded at grant date fair value.

**Note 8 Income Taxes**

The effective income tax rate on continuing operations for the six months ended June 30, 2013 was 16.1% compared to an effective income tax rate of 33.2% for the six months ended June 30, 2012. The decrease in the year-to-date tax rate is primarily due to a tax election made in a foreign jurisdiction that resulted in an increase in the tax basis of certain assets with a corresponding elimination of a deferred tax liability. The net tax impact of the transaction resulted in a \$11.8 million benefit in the first six months of the year. The year-to-date rate also decreased because of tax legislation passed in January 2013 related to taxation of foreign earned income and research and development expenditures. The tax impact of the current period impairment of the goodwill of Carlisle Transportation Products is included in the estimated annual effective tax rate rather than as a discrete item in the second quarter of 2013.

The year-to-date effective tax rate of 16.1% varies from the United States statutory rate of 35.0% primarily due to the foreign transaction discussed above, the January 2013 tax legislation, the deduction for U.S. production activities, and earnings in foreign jurisdictions taxed at rates lower than the U.S. federal rate. The effective tax rate for the full year is expected to approximate 30%.

**Note 9 Earnings Per Share**

The Company's unvested restricted shares and restricted stock units contain nonforfeitable rights to dividends and, therefore, are considered participating securities for purposes of computing earnings per share pursuant to the two-class method. The computation below of earnings per

## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

share excludes the income attributable to the unvested restricted shares and restricted stock units from the numerator and excludes the dilutive impact of those underlying shares from the denominator. Stock options are included in the calculation of diluted earnings per share utilizing the treasury stock method and performance share awards are included in the calculation of diluted earnings per share using the contingently issuable method. Neither is considered to be a participating security as they do not contain non-forfeitable dividend rights.

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Table of Contents

The following reflects the Income from continuing operations and share data used in the basic and diluted earnings per share computations using the two-class method:

(in millions except share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Numerator:</b>				
Income from continuing operations	\$ 8.2	\$ 89.4	\$ 63.5	\$ 149.4
Less: dividends declared - common stock outstanding, unvested restricted shares and restricted share units	(12.8)	(11.3)	(25.6)	(22.5)
Undistributed earnings	(4.6)	78.1	37.9	126.9
Percent allocated to common shareholders (1)	99.5%	99.4%	99.5%	99.4%
	(4.6)	77.6	37.7	126.2
Add: dividends declared - common stock	12.7	11.2	25.5	22.4
Numerator for basic and diluted EPS	\$ 8.1	\$ 88.8	\$ 63.2	\$ 148.6
<b>Denominator (in thousands):</b>				
Denominator for basic EPS: weighted-average common shares outstanding	63,409	62,419	63,343	62,166
<b>Effect of dilutive securities:</b>				
Performance awards	353	505	353	505
Stock options	933	873	924	812
Denominator for diluted EPS: adjusted weighted average common shares outstanding and assumed conversion	64,695	63,797	64,620	63,483
<b>Per share income from continuing operations:</b>				
Basic	\$ 0.13	\$ 1.42	\$ 1.00	\$ 2.39
Diluted	\$ 0.13	\$ 1.39	\$ 0.98	\$ 2.34

(1) Basic weighted-average common shares outstanding	63,409	62,419	63,343	62,166
Basic weighted-average common shares outstanding, unvested restricted shares expected to vest and restricted share units	63,737	62,783	63,670	62,529
Percent allocated to common shareholders	99.5%	99.4%	99.5%	99.4%

To calculate earnings per share for Income from discontinued operations and for Net income, the denominator for both basic and diluted earnings per share is the same as used in the above table. Income from discontinued operations and Net income were as follows:

(in millions except share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Income from discontinued operations attributable to common shareholders for basic and diluted earnings per share	\$	\$ 3.4	\$ (0.1)	\$ 3.4
Net income attributable to common shareholders for basic and diluted earnings per share	\$ 8.1	\$ 92.2	\$ 63.1	\$ 151.9

Antidilutive stock options excluded from EPS  
calculation(2)

---

(2)Represents stock options excluded from the calculation of diluted earnings per share as such options had exercise prices in excess of the weighted-average market price of the Company's common stock during these periods. Amounts in thousands.



Table of Contents**Note 10 Fair Value Measurements**

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value may be measured using three levels of inputs:

Level 1 quoted prices in active markets for identical assets and liabilities.

Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 unobservable inputs in which there is little or no market data available, which requires the reporting entity to develop its own assumptions.

*Recurring Measurements*

The fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis were as follows:

(in millions)	Balance at June 30, 2013	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and cash equivalents	\$ 168.2	\$ 168.2	\$	\$
Short-term investments	1.1	1.1		
Foreign currency forward contracts	0.2		0.2	
Total assets measured at fair value	\$ 169.5	\$ 169.3	\$ 0.2	\$
Commodity swap agreements	\$ 1.6	\$	1.6	\$
Contingent consideration	10.4			10.4
Foreign currency forward contracts	0.5		0.5	
Total liabilities measured at fair value	\$ 12.5	\$	\$ 2.1	\$ 10.4

Cash and cash equivalents include \$3.3 million in money market accounts for the Company's deferred compensation program. Short-term investments of \$1.1 million at June 30, 2013 consist of investments held in mutual funds for the Company's deferred compensation program and are classified in the condensed consolidated balance sheet at June 30, 2013 in Prepaid expenses and other current assets.

## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Foreign exchange forward contracts at June 30, 2013 relate to contracts held for purposes of mitigating the Company's exposure to fluctuations in foreign exchange rates, resulting from assets or liabilities that are held by certain of its operating subsidiaries in currencies other than the subsidiary's functional currency. Such forward contracts are valued at fair value using observable market inputs such as forward prices and spot prices of the underlying exchange rate pair. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. The Company has not designated these forward contracts as cash flow hedges and, accordingly, recognizes associated changes in fair value of the forwards through Other income (expense). At June 30, 2013 the fair values of contracts based on the Japanese Yen and Canadian Dollar were \$0.2 million asset and \$0.5 million liability, respectively. The fair values of these contracts are recorded within Prepaid expenses and other assets and Accrued expenses, respectively, in the condensed consolidated balance sheet as of June 30, 2013 as none of the contract terms exceed one year from the balance sheet date.

Commodity swap agreements at June 30, 2013 relate to swap agreements held for purposes of mitigating the Company's exposure to fluctuations in the prices of silver and copper, which are key raw materials within the Interconnect Technologies segment. Such swaps are valued using third-party valuation models that measure fair value using observable market inputs such as forward prices and spot prices of the underlying commodities. Based on these inputs, the derivative assets and liabilities are classified within Level 2 of the valuation hierarchy. The Company has not designated these swaps as cash flow hedges and, accordingly, recognizes associated changes in fair value of the swaps through Other expense. The fair value of these swaps is recorded within Accrued expenses in the condensed consolidated balance sheet as of June 30, 2013 as none of the swap terms exceed one year from the balance sheet date.

Table of Contents

Contingent consideration represents fair value of the earn-out associated with the purchase of PDT and was estimated using a discounted cash flow model based on financial projections of the acquired company. The fair value was \$8.0 million, or \$10.4 million, at June 30, 2013 and is recorded within Other long-term liabilities in the condensed consolidated balance sheet. See Note 4 for further information regarding the PDT acquisition.

(in millions)	Balance at December 31, 2012	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and cash equivalents	\$ 112.5	\$ 112.5	\$	\$
Short-term investments	0.6	0.6		
Commodity swap agreements	0.1		0.1	
Foreign currency forward contracts	0.3		0.3	
Total assets measured at fair value	\$ 113.5	\$ 113.1	\$ 0.4	\$
Contingent consideration	\$ 9.9	\$	\$	\$ 9.9
Total liabilities measured at fair value	\$ 9.9	\$	\$	\$ 9.9

Cash and cash equivalents at December 31, 2012 include \$1.6 million in money market accounts for the Company's Deferred Compensation Plan. Short-term investments of \$0.6 million at December 31, 2012 consist of investments held in mutual funds for the Company's deferred compensation program and are classified in the condensed consolidated balance sheet at December 31, 2012 in Prepaid expenses and other current assets. Commodity swap agreements relate to swap agreements held for purposes of mitigating the Company's exposure to fluctuations in the prices of silver and copper, which are key raw materials within the Interconnect Technologies segment and are classified in the condensed consolidated balance sheet at December 31, 2012 in Prepaid expenses and other current assets. Foreign exchange forward contracts relate to contracts held for purposes of mitigating the Company's exposure to fluctuations in foreign exchange rates, resulting from assets or liabilities that are held by certain of its operating subsidiaries in currencies other than the subsidiary's functional currency and are classified in the condensed consolidated balance sheet at December 31, 2012 in Prepaid expenses and other current assets. Contingent consideration represents fair value of the earn-out associated with the purchase of PDT.

*Non-Recurring Measurements*

For the three months ended June 30, 2013, the Transportation Products segment recognized an estimated goodwill impairment charge of \$100.0 million, reducing the carrying value of CTP's goodwill to \$0. The estimated fair value of goodwill was determined using the residual value method as required by ASC 350, *Goodwill and Other Intangible Assets*. This estimate was based on fair value determinations using Level 3 inputs. See Note 13 for information regarding asset impairment within the Transportation Products segment.

See Note 4 for information regarding assets acquired and liabilities assumed in the Thermax/Raydex and Hertalan acquisitions measured at fair value at initial recognition.



Table of Contents**Note 11 Inventories**

The components of inventories at June 30, 2013 and December 31, 2012 were as follows:

(in millions)	June 30, 2013	December 31, 2012
Finished goods	\$ 313.7	\$ 340.0
Work-in-process	59.8	55.8
Raw materials	154.2	169.3
Capitalized variances	3.7	8.6
Reserves	(38.4)	(35.7)
Inventories	\$ 493.0	\$ 538.0

**Note 12 Property, Plant and Equipment**

The components of property, plant and equipment at June 30, 2013 and December 31, 2012 were as follows:

(in millions)	June 30, 2013	December 31, 2012
Land	\$ 48.7	\$ 45.8
Buildings and leasehold improvements	331.3	311.9
Machinery and equipment	875.0	845.2
Projects in progress	45.4	69.9
	1,300.4	1,272.8
Accumulated depreciation	(665.9)	(635.7)
Property, plant and equipment, net	\$ 634.5	\$ 637.1

Property, plant and equipment at December 31, 2012 includes assets acquired from Thermax/Raydex and Hertalan recorded at estimated fair value based on preliminary valuation studies. See Note 4 for further information regarding these acquisitions.

**Note 13 Goodwill and Other Intangible Assets**

The changes in the carrying amount of goodwill for the six months ended June 30, 2013 were as follows:

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

(in millions)	Construction Materials	Transportation Products	Brake & Friction	Interconnect Technologies	FoodService Products	Disc. Ops	Total
Gross balance at January 1, 2013	\$ 127.2	\$ 155.5	\$ 226.7	\$ 444.6	\$ 60.3	\$ 47.4	\$ 1,061.7
Currency translation	(0.9)		(0.1)	0.2			(0.8)
Gross balance at June 30, 2013	126.3	155.5	226.6	444.8	60.3	47.4	1,060.9
Accumulated impairment losses		(155.5)				(47.4)	(202.9)
<b>Net balance at June 30, 2013</b>	<b>\$ 126.3</b>	<b>\$</b>	<b>\$ 226.6</b>	<b>\$ 444.8</b>	<b>\$ 60.3</b>	<b>\$</b>	<b>\$ 858.0</b>

Table of Contents*Goodwill Impairment*

During the three months ended June 30, 2013, the Company's Transportation Products reporting unit recognized an estimated goodwill impairment loss of \$100.0 million due to a decline in the reporting unit's estimated fair value relative to its carrying value. Fair value was based on an income approach utilizing the discounted cash flow method. The decline in the reporting unit's estimated fair value was primarily driven by a rise in the underlying interest rates used to determine the discount rate utilized in the discounted cash flow method. This rise in interest rates occurred substantially in the final month of the second quarter of 2013. Given the timing of events leading to the impairment, as of June 30, 2013, the impairment loss is estimated. ASC 350, *Intangibles - Goodwill and Other* requires that goodwill impairment be based on the implied value of a reporting unit's goodwill based on the residual method in the same manner as goodwill is recognized in a business combination under ASC 805, *Business Combinations*. Under the residual method, the implied fair value of the reporting unit's goodwill is equal to the difference between the reporting unit's fair value and the fair value of the reporting unit's assets and liabilities, both recognized and unrecognized. Management is currently in the process of finalizing the fair value of CTP's assets and liabilities, including identifiable intangible assets that are not currently recognized, nor will be recognized, in CTP's carrying value. Management expects to complete this process in the third quarter of 2013.

The Company's Other intangible assets, net at June 30, 2013, were as follows:

(in millions)	Acquired Cost	Accumulated Amortization	Net Book Value
Assets subject to amortization:			
Patents	\$ 135.3	\$ (24.4)	\$ 110.9
Customer Relationships	440.0	(81.6)	358.4
Other	20.6	(10.7)	9.9
Assets not subject to amortization:			
Trade names	117.2		117.2
<b>Other intangible assets, net</b>	<b>\$ 713.1</b>	<b>\$ (116.7)</b>	<b>\$ 596.4</b>

The Company's Other intangible assets, net at December 31, 2012, were as follows:

(in millions)	Acquired Cost	Accumulated Amortization	Net Book Value
Assets subject to amortization:			
Patents	\$ 133.2	\$ (20.0)	\$ 113.2
Customer Relationships	441.4	(68.3)	373.1
Other	20.9	(9.7)	11.2
Assets not subject to amortization:			
Trade names	120.0		120.0
<b>Other intangible assets, net</b>	<b>\$ 715.5</b>	<b>\$ (98.0)</b>	<b>\$ 617.5</b>

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Estimated amortization expense for the remainder of 2013 and the next four years is as follows: \$18.9 million remaining in 2013, \$37.1 million in 2014, \$36.3 million in 2015, \$35.4 million in 2016, and \$34.6 million in 2017.



Table of Contents

The net carrying values of the Company's Other intangible assets by reportable segment were as follows:

(in millions)	June 30, 2013	December 31, 2012
Carlisle Construction Materials	\$ 85.7	\$ 89.7
Carlisle Transportation Products	2.7	2.7
Carlisle Brake & Friction	133.3	136.8
Carlisle Interconnect Technologies	341.2	353.4
Carlisle FoodService Products	33.5	34.9
<b>Total</b>	<b>\$ 596.4</b>	<b>\$ 617.5</b>

**Note 14 Commitments and Contingencies***Leases*

The Company currently leases a portion of its manufacturing facilities, distribution centers, and equipment, some of which include scheduled rent increases stated in the lease agreement generally expressed as a stated percentage increase of the minimum lease payment over the lease term. The Company currently has no leases that require rent to be paid based on contingent events nor has it received any lease incentive payments. Rent expense was \$15.2 million and \$15.4 million for the six months ended June 30, 2013 and 2012, respectively, inclusive of rent based on scheduled rent increases and rent holidays recognized on a straight-line basis. Future minimum payments under the Company's various non-cancelable operating leases are approximately \$11.6 million for the remainder of 2013, \$19.6 million in 2014, \$15.5 million in 2015, \$12.8 million in 2016, \$10.3 million in 2017, and \$17.1 million thereafter.

*Purchase Obligations*

Although the Company has entered into purchase agreements for certain key raw materials, there were no such contracts with a term exceeding one year in place at June 30, 2013.

*Workers' Compensation, General Liability, and Property Claims*

The Company is self-insured for workers' compensation, medical and dental, general liability, and property claims up to applicable retention limits. Retention limits are \$1.0 million per occurrence for general liability, \$0.5 million per occurrence for workers' compensation, \$0.25 million per occurrence for property, and up to \$1.0 million for medical claims. The Company is insured for losses in excess of these limits.

## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

The Company has accrued approximately \$25.3 million and \$24.1 million related to workers' compensation claims at June 30, 2013 and December 31, 2012, respectively. At June 30, 2013, \$8.3 million and \$ 17.0 million are included in Accrued expenses and Other long-term liabilities, respectively, in the condensed consolidated balance sheet. The liability related to workers' compensation claims, both those reported to the Company and those incurred but not yet reported, is estimated based on actuarial estimates and loss development factors and the Company's historical loss experience.

### *Litigation*

Over the years, the Company has been named as a defendant, along with numerous other defendants, in lawsuits in various state courts in which plaintiffs have alleged injury due to exposure to asbestos-containing brakes, which Carlisle manufactured in limited amounts between the late-1940's and the mid-1980's. In addition to compensatory awards, these lawsuits may also seek punitive damages.

Generally, the Company has obtained dismissals or settlements of its asbestos-related lawsuits with no material effect on its financial condition, results of operations or cash flows. The Company maintains insurance coverage that applies to the Company's defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits, excluding punitive damages.

Table of Contents

At this time, the amount of reasonably possible additional asbestos claims, if any, is not material to the Company's financial position, results of operations or operating cash flows although these matters could result in the Company being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

From time-to-time the Company may be involved in various other legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions, either individually or in the aggregate, will not have a material adverse effect on the consolidated financial position, results of operations for a particular period or annual operating cash flows of the Company.

*Environmental Matters*

The Company is subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges, chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners' or operators' releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment of and compliance with environmental permits. To date, costs of complying with environmental, health, and safety requirements have not been material. The nature of the Company's operations and its long history of industrial activities at certain of its current or former facilities, as well as those acquired, could potentially result in material environmental liabilities.

While the Company must comply with existing and pending climate change legislation, regulation, international treaties or accords, current laws and regulations do not have a material impact on its business, capital expenditures or financial position. Future events, including those relating to climate change or greenhouse gas regulation, could require the Company to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

**Note 15 Borrowings**

As of June 30, 2013 and December 31, 2012 the Company's borrowings were as follows:

(in millions)	June 30, 2013	December 31, 2012
3.75% notes due 2022, net of unamortized discount of (\$1.0) and (\$1.1) respectively	\$ 349.0	\$ 348.9
5.125% notes due 2020, net of unamortized discount of (\$0.8) and (\$0.9) respectively	249.2	249.1
6.125% notes due 2016, net of unamortized discount of (\$0.4) and (\$0.4) respectively	149.6	149.6
Revolving credit facility		
Industrial development and revenue bonds through 2018	4.5	4.5
Other, including capital lease obligations	0.3	0.4
Total long-term debt	752.6	752.5
Less current portion		

Total long-term debt, net of current portion	\$	752.6	\$	752.5
----------------------------------------------	----	-------	----	-------

*Revolving Credit Facilities*

As of June 30, 2013 the Company had \$600.0 million available under its Third Amended and Restated Credit Agreement (the Amended Credit Agreement ) administered by JPMorgan Chase Bank, N.A. During the six months ended June 30, 2013 there was no interest on borrowings under the revolving credit facility; the average interest rate of borrowings under the revolving credit facility for the six months ended June 30, 2012 was 1.32%.

Table of Contents

*Uncommitted Line of Credit*

The Company also maintains an uncommitted line of credit of which \$45.0 million was available for borrowing as of June 30, 2013 and December 31, 2012. The average interest rate on the uncommitted line of credit was 1.5% for the six months ended June 30, 2012. There were no borrowings under the uncommitted facility for the six months ended June 30, 2013.

*Covenants and Limitations*

Under the Company's various debt and credit facilities, the Company is required to meet various restrictive covenants and limitations, including certain net worth, cash flow ratios, and limits on outstanding debt balances held by certain subsidiaries. The Company was in compliance with all covenants and limitations as of June 30, 2013 and December 31, 2012.

*Other Matters*

Cash payments for interest were \$17.4 million and \$13.5 million in the six months ended June 30, 2013 and 2012, respectively. Interest expense, net is presented net of interest income of \$0.1 million and \$0.2 million in the six months ended June 30, 2013 and 2012, respectively.

At June 30, 2013, the fair value of the Company's par value \$350 million, 3.75% senior notes due 2022, \$250 million, 5.125% senior notes due 2020, and par value \$150 million, 6.125% senior notes due 2016, using the Level 2 inputs, was approximately \$340.9 million, \$267.7 and \$166.9 million, respectively. Fair value is estimated based on current yield rates plus the Company's estimated credit spread available for financings with similar terms and maturities.

**Note 16 Retirement Plans**

*Defined Benefit Plans*

The Company maintains defined benefit retirement plans for certain employees. Benefits are based primarily on years of service and earnings of the employee. The Company recognizes the funded status of its defined benefit pension plans in the condensed consolidated balance sheets. The funded status is the difference between the retirement plans' projected benefit obligation and the fair value of the retirement plans' assets as of the measurement date.

*Post-retirement Welfare Plans*

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

The Company also has a limited number of unfunded post-retirement welfare programs. The Company's liability for post-retirement medical benefits is limited to a maximum obligation; therefore, the Company's liability is not materially affected by an assumed health care cost trend rate.

Components of net periodic benefit cost were as follows:

(in millions)	Pension Benefits				Post-retirement Benefits			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2013	2012	2013	2012	2013	2012	2013	2012
Service cost	\$ 1.3	\$ 1.2	\$ 2.6	\$ 2.3	\$	\$	\$	\$
Interest cost	2.0	2.5	3.9	5.0	0.1	0.1	0.1	0.2
Expected return on plan assets	(3.1)	(3.5)	(6.1)	(7.1)				
Amortization of unrecognized loss	1.4	1.3	2.8	2.6			0.1	
<b>Net periodic benefit cost</b>	<b>\$ 1.6</b>	<b>\$ 1.5</b>	<b>\$ 3.2</b>	<b>\$ 2.8</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>

Table of Contents

The Company made no contributions to the pension plans during the three and six months ended June 30, 2013, respectively. No minimum contributions to the pension plans are required in 2013. However, during 2013 the Company expects to pay approximately \$1.1 million in participant benefits under the executive supplemental and director plans. The Company expects to make discretionary contributions between \$0.0 and \$4.0 million to its other pension plans in 2013.

*Defined Contribution Plans*

The Company maintains defined contribution plans covering a significant portion of its employees. Expenses for the plans were approximately \$2.9 million and \$2.7 million for the three months ended June 30, 2013 and 2012, respectively and \$6.5 million and \$6.1 million for the six months ended June 30, 2013 and 2012, respectively. Full year contributions in 2013 are expected to approximate \$12.2 million.

*ESOP Plan*

The Company sponsors an employee stock ownership plan ( ESOP ) as part of one of its existing defined contribution plans. Costs for the ESOP are included in the previously discussed expenses. The ESOP is available to eligible domestic employees and includes a match of contributions made by plan participants to the savings plan up to a maximum of 4.0% of a participant's eligible compensation, divided between cash and an employee-directed election of the Company's common stock, not to exceed 50% of the total match, for non-union employees. Union employees match may vary and is based on negotiated union agreements. Participants are not allowed to direct savings plan contributions to an investment in the Company's common stock. Total shares held by the ESOP were 1.7 million and 1.8 million at June 30, 2013 and December 31, 2012, respectively.

**Note 17 Product Warranties**

The Company offers various warranty programs on its products, primarily installed roofing systems, braking products, tires and wheels, aerospace cables and assemblies, and foodservice equipment. The change in the Company's aggregate product warranty liabilities, including accrued costs and loss reserves associated with extended product warranties, for the period ended June 30, 2013 is as follows:

(in millions)	2013
December 31, 2012 reserve	\$ 16.9
Current year provision	8.5
Current year claims	(8.7)
June 30, 2013 reserve	\$ 16.7

The Company also offers separately priced extended warranty contracts on sales of certain products, the most significant being those offered on its installed roofing systems within the Construction Materials segment. The amount of revenue recognized due to extended product warranty revenues was \$4.3 million and \$4.2 million for the three months ended June 30, 2013 and 2012, respectively and \$8.5 million and \$8.3 million

## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

for the six months ended June 30, 2013 and 2012, respectively.

Product warranty deferred revenue as of June 30, 2013 and December 31, 2012 was as follows:

(in millions)	June 30, 2013	December 31, 2012
Deferred revenue		
Current	\$ 16.5	\$ 16.8
Long-term	138.3	135.4
Deferred revenue liability	\$ 154.8	\$ 152.2

In addition to deferred revenue related to extended warranty contracts, current Deferred revenue includes \$0.4 million and \$0.8 million as of June 30, 2013 and December 31, 2012, respectively, related primarily to contracts on brake pads.



Table of Contents**Note 18 Other Long-Term Liabilities**

The components of Other long-term liabilities were as follows:

(in millions)	June 30, 2013	December 31, 2012
Deferred taxes and other tax liabilities	\$ 198.4	\$ 246.1
Pension and other post-retirement obligations	23.6	23.9
Long-term workers compensation	17.0	17.0
Deferred credits	14.8	14.4
Deferred compensation	10.0	7.7
Other	1.3	1.6
Other long-term liabilities	\$ 265.1	\$ 310.7

Deferred credits consist primarily of contingent consideration for acquisitions and liabilities related to straight-line recognition of leases.

Table of Contents**Note 19 Accumulated Other Comprehensive Income (Loss)**

The changes in Accumulated other comprehensive loss by component for the three months ended June 30, 2013

were as follows:

(in millions)	Accrued post-retirement benefit liability(1)	Foreign currency translation	Hedging activities(2)	Total
Balance at March 31, 2013	\$ (32.7)	\$ (13.0)	\$ 1.2	\$ (44.5)
Other comprehensive income (loss) before reclassifications		(0.1)		(0.1)
Amounts reclassified from accumulated other comprehensive loss	1.5		(0.2)	1.3
Income tax expense	(0.5)		0.1	(0.4)
Net other comprehensive income (loss)	1.0	(0.1)	(0.1)	0.8
<b>Balance at June 30, 2013</b>	<b>\$ (31.7)</b>	<b>\$ (13.1)</b>	<b>\$ 1.1</b>	<b>\$ (43.7)</b>

The changes in Accumulated other comprehensive loss by component for the three months ended June 30, 2012 were as follows:

(in millions)	Accrued post-retirement benefit liability(1)	Foreign currency translation	Hedging activities(2)	Total
Balance at March 31, 2012	\$ (39.9)	\$ (1.6)	\$ 1.5	\$ (40.0)
Other comprehensive income (loss) before reclassifications		(8.7)		(8.7)
Amounts reclassified from accumulated other comprehensive loss	1.3		(0.2)	1.1
Income tax expense	(0.5)		0.1	(0.4)
Net other comprehensive income (loss)	0.8	(8.7)	(0.1)	(8.0)
Balance at June 30, 2012	\$ (39.1)	\$ (10.3)	\$ 1.4	\$ (48.0)

(1) Current period amounts related to accrued post-retirement benefit liability are related to amortization of unrecognized actuarial gains and losses which is included in net periodic benefit cost for pension and other post-retirement welfare plans. See Note 16.

(2) Current period amounts related to hedging activities are a reduction to interest expense. See Note 19 in the Company's 2012 Annual Report on Form 10-K for more information.

Table of Contents

The changes in Accumulated other comprehensive loss by component for the six months ended June 30, 2013 were as follows:

(in millions)	Accrued post-retirement benefit liability(1)	Foreign currency translation	Hedging activities(2)	Total
Balance at December 31, 2012	\$ (34.1)	\$ (2.7)	\$ 1.3	\$ (35.5)
Other comprehensive income (loss) before reclassifications	0.5	(10.4)		(9.9)
Amounts reclassified from accumulated other comprehensive loss	2.9		(0.3)	2.6
Income tax expense	(1.0)		0.1	(0.9)
Net other comprehensive income (loss)	2.4	(10.4)	(0.2)	(8.2)
<b>Balance at June 30, 2013</b>	<b>\$ (31.7)</b>	<b>\$ (13.1)</b>	<b>\$ 1.1</b>	<b>\$ (43.7)</b>

The changes in Accumulated other comprehensive loss by component for the six months ended June 30, 2012 were as follows:

(in millions)	Accrued post-retirement benefit liability(1)	Foreign currency translation	Hedging activities(2)	Total
Balance at December 31, 2011	\$ (40.7)	\$ (5.9)	\$ 1.6	\$ (45.0)
Other comprehensive income (loss) before reclassifications		(4.4)		(4.4)
Amounts reclassified from accumulated other comprehensive loss	2.6		(0.3)	2.3
Income tax expense	(1.0)		0.1	(0.9)
Net other comprehensive income (loss)	1.6	(4.4)	(0.2)	(3.0)
Balance at June 30, 2012	\$ (39.1)	\$ (10.3)	\$ 1.4	\$ (48.0)

(1) Current period amounts related to accrued post-retirement benefit liability are related to amortization of unrecognized actuarial gains and losses which is included in net periodic benefit cost for pension and other post-retirement welfare plans. See Note 16.

(2) Current period amounts related to hedging activities are a reduction to interest expense. See Note 19 in the Company's 2012 Annual Report on Form 10-K for more information.

Table of Contents

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

*Executive Overview*

Carlisle Companies Incorporated ( Carlisle , the Company , we , us or our ) is a diversified manufacturing company focused on achieving profit growth internally through new product development, product line extensions, entering new markets and externally through acquisitions that complement our existing technologies, products and market channels. We manage our businesses under the following segments:

- **Carlisle Construction Materials ( CCM or the Construction Materials segment );**
- **Carlisle Transportation Products ( CTP or the Transportation Products segment );**
- **Carlisle Brake & Friction ( CBF or the Brake & Friction segment );**
- **Carlisle Interconnect Technologies ( CIT or the Interconnect Technologies segment ); and**
- **Carlisle FoodService Products ( CFSP or the FoodService Products segment ).**

We are a diverse multi-national company with manufacturing operations located throughout North America, Europe, and the Asia Pacific region. Management focuses on maintaining a strong and flexible balance sheet, year-over-year improvement in sales, earnings before interest and income taxes ( EBIT ) margins and earnings, globalization, and reducing working capital (defined as Receivables, Inventories, net of Accounts payable) as a percentage of Net Sales. Resources are allocated among the operating companies based on management's assessment of their ability to obtain leadership positions and competitive advantages in the markets they serve.

During 2008, we began the implementation of the Carlisle Operating System, a manufacturing structure and strategy deployment system based on lean enterprise and six sigma principles. The purpose of the Carlisle Operating System is to eliminate waste in all production and business processes, improve manufacturing efficiencies to increase productivity, and to increase EBIT margins and improve cash conversion.

For a more in-depth discussion of the results discussed in this Executive Overview , please refer to the discussion on Financial Reporting Segments presented later in Management's Discussion and Analysis .

Net sales increased 1.2% in the second quarter of 2013 to \$996.1 million, compared to \$984.6 million for the same period in 2012. Acquisitions in the Interconnect Technologies segment contributed \$26.0 million, or 2.6%, to net sales in the second quarter of 2013. For the second quarter of 2013, organic sales declined 1.4% primarily reflecting lower sales at our Brake & Friction and Transportation Products segments. The Brake & Friction segment was impacted by significantly lower demand in the construction and mining markets. Sales in the Transportation Products segment were negatively impacted by unfavorable weather conditions reducing demand for its outdoor power equipment and agriculture/construction products. Partially offsetting this was higher commercial roofing demand at our Construction Materials segment and growth in aerospace at our Interconnect Technologies segment. During the second quarter of 2013, the decrease in net sales from fluctuations in foreign currency exchange rates was negligible.

For the second quarter of 2013, EBIT (earnings before interest and taxes) declined by 84%, primarily due to the non-cash pre-tax charge of \$100.0 million for goodwill impairment recorded in the Transportation Products segment due to a decline in the segment's fair value primarily resulting from a rise in underlying interest rates used to determine fair value. In addition to the impact of the impairment charge, our EBIT declined versus the prior year due to lower sales volume most notably in the Brake & Friction segment, higher per-unit production costs due to lower production levels primarily at Transportation Products and Brake & Friction, and lower selling price realization at our Construction Materials segment. Our income from continuing operations, net of tax, of \$8.2 million declined by 91% in the second quarter of 2013, from income of \$89.4 million in the second quarter of 2012, primarily due to the after-tax impact of the impairment charge of \$66.1 million, as well as lower sales and production volume impacting earnings.

For the six months ended June 30, 2013, net sales decreased 1.1% to \$1.85 billion, compared to \$1.87 billion for the same period in 2012. Acquisitions in the Interconnect Technologies and Construction Materials segments contributed \$55.2 million, or 3.0%, to net sales in the first six months of 2013. For the first six months of 2013, organic sales decline of 4.1% primarily reflected lower volume at our Brake & Friction and Transportation Products segments. Partially offsetting this was 4.5% organic sales growth in our Interconnect Technologies segment on higher aerospace demand.

For the first six months of 2013, our EBIT declined by 61%, primarily due to the \$100.0 million impairment charge at Transportation Products. In addition to the impairment charge, our EBIT declined due to lower sales volume and higher per-unit

Table of Contents

production costs primarily at Brake & Friction and Transportation Products and unfavorable selling price versus raw material costs. Our income from continuing operations, net of tax, of \$63.5 million declined by 57% in the first six months of 2013 from income of \$149.4 million in the first six months of 2012, primarily due to the after-tax impact of the impairment charge, lower sales and production volume impacting earnings, partially offset by a \$11.8 million tax benefit recognized during the first six months of 2013.

On July 23, 2013, after the completion of restructuring activities and the stabilization of operations at Transportation Products, we announced our intention to explore strategic options for this segment, which could include a possible sale of the business. We have retained SunTrust Robinson Humphrey as financial advisor to assist in evaluating strategic alternatives for Transportation Products.

For the full year of 2013, we expect sales growth from acquisitions and organic growth to total in the low-to-mid single digit percent range, up from our year-to-date sales decline of 1.1% due to favorable outlook in the commercial roofing and aerospace markets for our Construction Materials and Interconnect Technologies segments, respectively. We are also expecting continued EBIT improvement at our Foodservice Products segment due to savings from restructuring activities completed in 2012. As a result, we anticipate a modest increase in EBIT, excluding the impact of the impairment charge, for the full year 2013 versus 2012. We expect EBIT margin, excluding the impairment charge, to be slightly less than the 11.7% EBIT margin achieved in 2012.

**Net Sales**

(in millions)	Three Months Ended June 30,			Acquisition Effect	Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
	2013	2012	Change					
Net Sales	\$ 996.1	\$ 984.6	1.2%	2.6%	(0.8)%	(0.8)%	0.2%	%

(in millions)	Six Months Ended June 30,			Acquisition Effect	Volume Effect	Price Effect	Product Mix Effect	Exchange Rate Effect
	2013	2012	Change					
Net Sales	\$ 1,853.1	\$ 1,873.9	(1.1)%	3.0%	(3.8)%	(0.4)%	0.1%	%

For the second quarter of 2013, organic sales decreased 1.4% primarily reflecting 25% lower sales at our Brake & Friction segment and 3.7% lower sales at our Transportation Products segment. This decline was partially offset by 4.4% growth at our Construction Materials segment and 4.3% organic growth at our Interconnect Technologies segment. The acquisition of Thermax and Raydex (collectively Thermax/Raydex) in the Interconnect Technologies segment contributed \$26.0 million to net sales in the second quarter of 2013. During the second quarter of 2013, the decrease in net sales from fluctuations in foreign currency exchange rates was negligible.

For the first six months of 2013, the 4.1% organic sales decline primarily reflected lower volume at our Brake & Friction and Transportation Products segments partially offset by higher sales volume at our Interconnect Technologies segment. Organic sales growth at Construction Materials was relatively level during the first six month of 2013 versus the prior year. Acquisitions in the Interconnect Technologies and Construction Materials segments contributed \$55.2 million to net sales in the first six months of 2013.

## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

We have a long-term goal of achieving 30% of total net sales from outside the United States. Total sales to customers located outside the United States declined from \$406.1 million in the first six months of 2012, or 21.7% of net sales, to \$400.4 million in the first six months of 2013, or 21.6% of net sales. The acquisitions of Thermax/Raydex in the Interconnect Technologies segment and Hertalan in the Construction Materials segment contributed \$19.1 million in global sales during the first six months of 2013. This was partially offset by a year-to-date decline in organic sales to Europe and Asia.

Table of Contents**Gross Margin**

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Gross profit	\$ 240.2	\$ 255.4	(6.0)%	\$ 427.8	\$ 466.6	(8.3)%
Gross margin	24.1%	25.9%		23.1%	24.9%	

For the second quarter of 2013, our gross margin (gross profit expressed as a percentage of net sales) decreased 180 basis points versus the prior year period primarily due to lower sales volume, reduced overhead absorption as a result of lower production primarily within the Transportation Products and Brake & Friction segments and lower selling prices versus raw material expenses in the Construction Materials segment. These negative impacts were partially offset by savings from the Carlisle Operating System and savings within our Foodservice Products segment from plant restructuring activities from the prior year. These factors similarly impacted our gross margin for the first six months of 2013 versus the prior year. Included in gross margin for the first six months of 2013, was \$1.1 million of additional Cost of goods sold related to the fair valuation of inventory for the Thermax/Raydex acquisition in the Interconnect Technologies segment. By comparison, included in gross margin for the first six months of 2012 was additional Cost of goods sold of \$2.6 million related to the fair valuation of inventory for the Hertalan acquisition in the Construction Materials segment and the Tri-Star acquisition in the Interconnect Technologies segment.

**Selling and Administrative Expenses**

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Selling & Administrative	\$ 106.6	\$ 106.0	0.6%	\$ 215.4	\$ 213.5	0.9%
As a percentage of net sales	10.7%	10.8%		11.6%	11.4%	

Selling and administrative expenses in the second quarter of 2013 included \$3.8 million in incremental selling expenses and administrative costs of acquired operations in the Interconnect Technologies segment. This increase was partially offset by reduced administrative cost spending connected with cost reduction efforts.

Selling and administrative expenses in the first six month of 2013 included \$8.3 million in incremental selling expenses and administrative costs of acquired operations in the Interconnect Technologies and Construction Materials segments. Partially offsetting this increase were lower costs in 2012 due to the non-recurrence of \$0.8 million in acquisition costs in the Construction Materials segment for Hertalan recorded in the first half of 2012 and reduced spending on administrative expenses connected with cost reduction efforts.

**Research and Development Expenses**

Three Months Ended June 30,

Six Months Ended June 30,



Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

(in millions)	2013	2012	Change	2013	2012	Change
Research and Development	\$ 9.2	\$ 8.5	8.2%	\$ 18.6	\$ 16.3	14.1%
As a percentage of net sales	0.9%	0.9%		1.0%	0.9%	

The increase in research and development expenses during the three and six month periods ended June 30, 2013, reflected \$0.3 million and \$0.6 million, respectively, in expenses related to acquisitions in our Construction Materials and Interconnect Technologies segments and increased activities related to product reengineering and development primarily in the Interconnect Technologies segment.

Table of Contents**Goodwill Impairment**

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Goodwill Impairment	\$ 100.0	\$	100.0%	\$ 100.0	\$	100.0%
As a percentage of net sales	10.0%		%	5.4%		%

During the three months ended June 30, 2013, our Transportation Products segment recognized an estimated goodwill impairment loss of \$100.0 million due to a decline in this reporting unit's estimated fair value relative to its carrying value. Fair value was based on an income approach utilizing the discounted cash flow method. The decline in the reporting unit's estimated fair value was primarily driven by a rise in the underlying interest rates used to determine the discount rate utilized in the discounted cash flow method. This rise in interest rates occurred substantially in the final month of the quarter. Given the timing of events leading to the impairment, as of June 30, 2013, the impairment loss is estimated. ASC 350, *Intangibles - Goodwill and Other* requires that goodwill impairment be based on the implied value of a reporting unit's goodwill based on the residual method in the same manner as goodwill is recognized in a business combination under ASC 805, *Business Combinations*. Under the residual method, the implied fair value of the reporting unit's goodwill is equal to the difference between the reporting unit's fair value and the fair value of the reporting unit's assets and liabilities, both recognized and unrecognized. Management is currently in the process of finalizing the fair value of CTP's assets and liabilities, including identifiable intangible assets that are not currently recognized, nor will be recognized, in CTP's carrying value. Management expects to complete this process in the third quarter.

**Other Loss (Income), net**

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Other Loss (Income), net	\$ 1.9	\$ 0.6	216.7%	\$ 1.2	\$ 0.3	300.0%
As a percentage of net sales	0.2%	0.1%		0.1%		%

Other loss, net in the three and six month periods ending June 30, 2013 primarily reflects fair value adjustments related to future dated commodity swap agreements in the Interconnect Technologies segment and contingent consideration for the PDT acquisition in the Construction Materials segment.

**EBIT (Earnings Before Interest and Taxes)**

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
EBIT	\$ 22.5	\$ 140.3	(84.0)%	\$ 92.6	\$ 236.5	(60.8)%
EBIT Margin	2.3%	14.2%		5.0%	12.6%	

The 84% decline in EBIT from the second quarter of 2012 to the second quarter of 2013 was primarily attributable to the \$100.0 million impairment charge at our Transportation Products segment. In addition to the impairment charge, our EBIT declined in the second quarter of 2013 due to lower sales volume at our Brake & Friction and Transportation Products segments, higher per-unit production costs due to lower production levels primarily in the Brake & Friction and Transportation Products segments and lower selling price and higher raw material costs at Construction Materials. These negative impacts were partially offset by reduction in operating costs attributable to efficiencies gained through the Carlisle Operating System, higher sales at our Construction Materials and

Table of Contents

Interconnect Technologies segments, contributions from acquisitions and savings from plant restructuring activities in the Foodservice Products segment. The 61% decline in EBIT for the first six months of 2013 was similarly impacted by the above noted factors.

EBIT from the acquisition of Thermax/Raydex in the Interconnect Technologies segment during the three months ended June 30, 2013 was \$4.7 million. During the six months ended June 30, 2013, EBIT from the acquisitions of Thermax/Raydex in the Interconnect Technologies segment and from Hertalan in the Construction Materials segment totaled \$6.6 million and included \$1.1 million of acquisition related costs of additional Cost of goods sold related to the fair valuation of inventory for the Thermax/Raydex acquisition. By comparison, EBIT in the six months ended June 30, 2012 included \$3.6 million of acquisition related costs for transaction costs and additional Cost of goods sold related to recording the acquired inventory at estimated fair value.

**Interest Expense**

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Gross interest expense	\$ 8.7	\$ 6.6		\$ 17.0	\$ 13.2	
Interest income	(0.1)	(0.1)		(0.1)	(0.2)	
Interest Expense, net	\$ 8.6	\$ 6.5	32.3%	\$ 16.9	\$ 13.0	30.0%

Increase in interest expense for both the three and six months ended June 30, 2013 versus the same prior year periods reflects higher long term borrowing levels. In November 2012, we issued \$350 million in 3.75% senior notes due 2022 and utilized the proceeds to pay down borrowings under our revolving credit facility and fund the acquisition of Thermax/Raydex in December 2012.

**Income Taxes**

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Income tax expense	\$ 5.7	\$ 44.4	(87.2)%	\$ 12.2	\$ 74.1	(83.5)%
Effective tax rate	41.0%	33.2%		16.1%	33.2%	

Our effective tax rate of 16.1% for the first six months of 2013 reflects tax benefits pursuant to a tax election made in a foreign jurisdiction that resulted in an increase in the tax basis of certain assets with a corresponding elimination of a deferred tax liability. The net tax impact of the transaction resulted in an \$11.8 million benefit during the first six months of 2013. The year to date rate also decreased because of favorable tax legislation passed in January 2013.

## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Our effective tax rate of 41.0% for the second quarter of 2013 is elevated primarily due to the overall reduction in pre-tax earnings due to the goodwill impairment, and the fact that some of the goodwill was not tax deductible.

The year-to-date effective tax rate of 16.1% varies from the United States statutory rate of 35.0% primarily due to the foreign transaction discussed above, the January 2013 tax legislation, the deduction for U.S. production activities, and earnings in foreign jurisdictions taxed at rates lower than the U.S. federal rate. We anticipate that the effective tax rate for the full year will approximate 30%.

Table of Contents**Income from Continuing Operations**

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Income from continuing operations, net of tax	\$ 8.2	\$ 89.4	(90.8)%	\$ 63.5	\$ 149.4	(57.5)%
<b>EPS</b>						
Basic	\$ 0.13	\$ 1.42		\$ 1.00	\$ 2.39	
Diluted	0.13	1.39		0.98	2.34	

The decrease in income from continuing operations, net of tax, during the second quarter of 2013 versus the prior comparative period was primarily attributable to the 84% decline in EBIT versus the prior year period. The goodwill impairment recognized during the second quarter of 2013 had an after tax impact of negative \$66.1 million on income from continuing operations. These factors similarly impacted the decrease in income from continuing operations during the first six months of 2013 versus the prior comparative period.

Included in the decline in Diluted EPS for the three and six month periods ended June 30, 2013 versus the same prior year periods, is \$1.01 and \$1.02, respectively, per diluted share reflecting the negative after-tax impact of the goodwill impairment.

**Income (Loss) from Discontinued Operations**

	Three Months Ended June 30,		Six Months Ended June 30,			
	2013	2012	2013	2012		
Income (loss) from discontinued operations	\$	\$	3.6	(0.1)	\$	3.6
Tax expense (benefit)			0.2			0.2
			3.4	(0.1)		3.4
<b>EPS</b>						
Basic	\$	\$	0.06		\$	0.05
Diluted			0.06			0.05

Income from Discontinued Operations for the three and six month periods ended June 30, 2012 primarily reflects the \$3.75 million gain recognized in April 2012 upon final settlement of earn-out income from the 2010 sale of our specialty trailer business.

**Net Income**

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Net Income	\$ <b>8.2</b>	\$ 92.8	(91.2)%	\$ <b>63.4</b>	\$ 152.8	(58.5)%
<b>EPS</b>						
Basic	\$ <b>0.13</b>	\$ 1.48		\$ <b>1.00</b>	\$ 2.44	
Diluted	<b>0.13</b>	1.45		<b>0.98</b>	2.39	

The decrease in Net income during the second quarter of 2013 versus the prior comparative period was primarily attributable to the 91% decline in Income from Continuing Operations versus the prior year period, which included the goodwill impairment. The decrease in Net income during the first six months of 2013 was impacted by the decline in Income from Continuing Operations as well as the decline in Income from Discontinued Operations versus the prior year period.

Table of Contents

**Acquisitions and Disposals**

On December 17, 2012, we acquired certain assets and assumed certain liabilities of Thermax ( Thermax ), an unincorporated North American division of Belden Inc., and acquired all of the outstanding shares of Raydex/CDT Limited ( Raydex and together with Thermax,

Thermax/Raydex ), a company incorporated in England and Wales, for total cash consideration of approximately \$265.5 million, net of \$0.1 million cash acquired. We funded the acquisition with cash on hand, much of which was received from the proceeds of our November 20, 2012 \$350 million senior notes offering. Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex adds capabilities and technology to strengthen our interconnect products business by expanding its product and service range to its customers. Thermax/Raydex operates within the Interconnect Technologies segment. As of June 30, 2013, the preliminary amount of goodwill recorded related to the acquisition of Thermax/Raydex was approximately \$100.9 million.

On March 9, 2012, we acquired 100% of the equity of Hertalan Holding B.V. ( Hertalan ) for a total cash purchase price of approximately 37.3 million, or \$48.9 million, net of 0.1 million, or \$0.1 million, cash acquired. We funded the acquisition with borrowings under our \$600 million senior unsecured revolving credit facility (the Facility ) and cash on hand. The acquisition of Hertalan strengthens our ability to efficiently serve European customers in the EPDM roofing market in Europe with local manufacturing and established distribution channels. Hertalan operates within the Construction Materials segment. The final amount of goodwill recorded related to the acquisition of Hertalan was \$13.5 million.

On December 2, 2011, we acquired 100% of the equity of Tri-Star for a total cash purchase price of approximately \$284.8 million, net of \$4.5 million cash acquired. We funded the acquisition with borrowings under the Facility. The acquisition of Tri-Star adds capabilities and technology to strengthen our interconnect products business by expanding our product and service range to our customers. Tri-Star operates within the Interconnect Technologies segment. The final amount of goodwill recorded related to the acquisition of Tri-Star was \$154.9 million.

On August 1, 2011, we acquired 100% of the equity of PDT for approximately 77.0 million, or \$111.0 million, net of 5.3 million, or \$7.6 million, cash acquired. Of the 82.3 million, or \$118.6 million gross purchase price, 78.7 million, or \$113.4 million, was paid in cash initially funded with borrowings under our previous revolving credit facility as well as cash on hand. The purchase price includes contingent consideration based on future earnings. The fair value of the contingent consideration related to the Company's 2011 acquisition of PDT as of June 30, 2013 was \$10.4 million. Settlement of the contingent consideration is expected to occur in June 2015.

PDT operates within the Construction Materials segment. PDT is a leading manufacturer of EPDM-based (rubber) roofing membranes and industrial components serving European markets. The acquisition of PDT provides a platform to serve the European market for single-ply roofing systems, and expands our growth internationally. The final amount of goodwill recorded related to the acquisition of PDT was \$ 30.4 million. Included with the acquisition were \$24.6 million in assets related to the PDT Profiles business, which we classified as held for sale at the date of acquisition. We sold the PDT Profiles business on January 2, 2012 for \$22.1 million with no pre-tax gain or loss recognized upon the sale.

***Financial Reporting Segments***

**Carlisle Construction Materials ( CCM )**



Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 490.5	\$ 470.0	\$ 20.5	4.4%	\$ 830.1	\$ 823.9	\$ 6.2	0.8%
EBIT	\$ 78.2	\$ 85.5	\$ (7.3)	(8.5)%	\$ 114.0	\$ 127.5	\$ (13.5)	(10.6)%
EBIT Margin	15.9%	18.2%			13.7%	15.5%		

CCM's sales growth of 4.4% during the second quarter of 2013 versus the same prior year period reflected growth in new non-residential construction, partially offset by lower selling price realization. Prolonged winter weather conditions in the Midwest resulted in lower than anticipated sales growth particularly impacting commercial reroofing activity. CCM achieved double-digit

Table of Contents

sales growth in its waterproofing and coatings and Insulfoam product lines tied to growing demand for new construction. Sales from CCM's European operations, excluding the impact of foreign exchange fluctuations, grew organically by 4.8%.

For the first six months of 2013, CCM's sales were relatively level to the prior year. During the first quarter of 2013, harsher than normal weather conditions resulted in lower sales versus the same prior year period. This was partially offset by the growth in demand during the second quarter of 2013, versus the prior year period. On a year-to-date basis, CCM's sales of its waterproofing/coatings and Insulfoam products have grown by 13% and 19%, respectively. Sales for CCM's insulation products have also increased, offset by lower year-to-date demand for its roofing membrane products.

During the second quarter of 2013, CCM's EBIT margin decreased by 230 basis points versus the prior year period, reflecting lower selling price and higher raw material costs primarily for its insulation product lines. For the first six months of 2013, the decrease in CCM's EBIT margin of 180 basis points versus the prior year period reflected higher raw material costs and unfavorable mix changes. CCM also incurred start up expense related to two new polyiso facilities in Puyallup, WA and Montgomery, NY for the six month period ended June 30, 2013 of \$3.0 million. By comparison, included in CCM's EBIT for the six month period ending June 30, 2012 were charges of \$2.0 million for acquisitions primarily due to additional cost of goods sold resulting from the fair valuation of inventory.

CCM's total capital expenditures in 2013 are expected to be approximately \$66 million. In 2012, CCM completed construction on a 407,000 sq. ft. polyiso plant in Puyallup, WA in order to service increasing demand for energy efficient insulation solutions in the Pacific-Northwest region. Earlier this year, CCM completed construction on a 300,000 square foot facility in Montgomery, NY in order to relocate polyiso operations from its current 168,000 square foot Kingston, NY. Production at both these new facilities has been ramping up through the first six months of 2013. In addition, CCM is currently constructing a new PVC (polyvinyl chloride) roofing membrane manufacturing line at our Greenville, Illinois location. PVC membrane comprises approximately 17.5% of the commercial roofing market and is a growing market segment. The new PVC manufacturing line is expected to be operational by 2014. CCM also plans to commence a project in the second half of 2013 adding TPO (thermoplastic polyolefin) manufacturing capacity to its Carlisle, PA location to better service growing demand for TPO roofing applications in the Northeast. This project is expected to be completed in the latter part of 2014.

CCM's net sales and EBIT are generally higher in the second and third quarters of the year due to increased construction activity during these periods. Over the last several years, CCM's commercial roofing business has shifted significantly towards re-roofing, which currently constitutes approximately 75% of its commercial activity. The re-roofing market is less cyclical and relatively more stable than the new construction market due to the large base of installed roofs requiring replacement in a given year. The percent of business attributable to re-roofing has fallen from the prior year due to growth in new construction demand.

For the full year, we expect sales growth in this segment in the mid-single digit percentage range, in part reflecting improving market conditions from non-residential construction versus the prior year and recovery of orders previously delayed due to weather. However, maintaining current selling price levels or implementing selling price increases may be challenging. As stated above, CCM is facing higher costs due to continued pressure on key feed stocks impacting its insulation product lines. CCM's ability to recover higher raw material costs through price increases or surcharges is subject to significant price competition.

**Carlisle Transportation Products ( CTP )**

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 203.5	\$ 211.3	\$ (7.8)	(3.7)%	\$ 430.9	\$ 451.3	\$ (20.4)	(4.5)%
EBIT	\$ (86.8)	\$ 19.3	\$ (106.1)	(549.7)%	\$ (72.3)	\$ 40.2	\$ (112.5)	(279.9)%
EBIT Margin	(42.7)%	9.1%			(16.8)%	8.9%		

CTP's net sales decrease of 3.7% during the second quarter of 2013 reflects a combination of lower sales volume and lower selling price. Sales in the outdoor power equipment market declined by 10%, reflecting excess inventory at OEM's that carried over from unfavorable weather conditions in earlier periods. Sales in the agricultural/construction market also declined by 4.2% impacted by wet weather conditions in the Midwest during the second quarter of 2013. This decline was partially offset by increased demand for CTP's power sports products of 5.1%.

Table of Contents

CTP's net sales decline of 4.5% for the first six months of 2013 primarily reflects lower sales volume and, to a lesser extent, lower selling prices. The year-to-date decline in sales was similarly impacted by lower demand in the outdoor power equipment and agriculture/construction markets.

CTP's EBIT during the second quarter of 2013 includes a non-cash \$100.0 million charge for goodwill impairment. Under interim testing for impairment, it was determined that, primarily due to recent increases in interest rates, an increase in the discount rate assumption resulted in CTP's estimated fair value being less than its carrying value. In addition to the impact of the impairment charge, CTP's EBIT was also lower than the prior year period due to lower sales volume and higher per-unit production costs due to lower production levels. These factors, as well as the impairment charge taken in the second quarter of 2013, similarly impacted CTP's reduction in EBIT for the first six months of 2013 versus the same prior year period.

Net sales and EBIT for CTP are generally higher in the first six months of the year due to peak sales volumes in the outdoor power equipment product line. Near term demand in the outdoor power equipment market may continue to experience softness due to higher existing inventory levels at our OEM customers. Costs for some of CTP's key raw materials, such as natural and synthetic rubber, have been declining however certain of our sales arrangements include price adjustments tied to changes in the cost of underlying raw materials.

On July 23, 2013, we announced our intent to explore strategic alternatives for CTP which could include a sale of the business. The decision to explore alternatives was based upon the completion of several restructuring and consolidation activities beginning in 2009 and the stabilization of manufacturing and distribution operations at its various facilities and most notably, its Jackson, TN manufacturing plant, which was constructed in 2010. The process of reviewing strategic options for CTP could require significant management attention and may cause uncertainty among CTP's customers, suppliers and employees, which could have a negative impact on performance.

**Carlisle Brake & Friction ( CBF )**

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 93.6	\$ 125.3	\$ (31.7)	(25.3)%	\$ 184.4	\$ 250.7	\$ (66.3)	(26.4)%
EBIT	\$ 12.4	\$ 23.9	\$ (11.5)	(48.1)%	\$ 23.4	\$ 47.9	\$ (24.5)	(51.1)%
EBIT Margin	13.2%	19.1%			12.7%	19.1%		

Organic sales for CBF declined during the second quarter of 2013 by 25%. In addition, fluctuations in foreign exchange rates during the second quarter of 2013 had a negative impact on sales of 0.4%. Demand for CBF's braking and friction applications to the construction and mining markets declined by 28% and 42%, respectively, versus the prior year. Demand in these markets for CBF's off-highway braking products by global heavy equipment manufacturers was lower than the prior year reflecting excess inventory levels, slower economic conditions in emerging markets and reduced demand for commodities. These declines were partially offset by higher demand for our agriculture braking applications of 11% reflecting increasing strength in farm incomes and higher demand in Europe from OEM's in the agriculture equipment market.

## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

For the first six months of 2013, CBF's sales decline of 26% reflected the significant reduction in demand from global heavy equipment manufacturers in the areas of construction and mining. Sales to the agriculture market increased by 2.4% on a year to date basis, reflecting lower demand in the first quarter of 2013 offset by improved market conditions during the second quarter of 2013. Total sales by CBF during the second quarter of 2013 increased by 3.1% versus sales in the first quarter of 2013.

EBIT margin decreased during the three months ended June 30, 2013 by 590 basis points at CBF reflecting lower sales volume and higher per-unit production costs due to lower production. Lower sales volume and production similarly impacted the decline in EBIT margin during the first six months of 2013 versus the same prior year period. CBF has taken numerous steps to lower operating and administrative costs in light of lower sales volumes.

Despite the recent sales declines that began in the latter part of 2012, the long term outlook for CBF remains favorable due to the specialized nature of its friction and off-highway braking applications, long term demand for infrastructure spending in developing regions such as Asia Pacific and South America, and the geographic diversity of CBF's customer base. However, for the near term,

Table of Contents

CBF expects sales through the rest of 2013 to remain around current levels. In addition, select pricing dynamics around the currently lower global industrial equipment demand environment may place pressure on sales and EBIT in future periods. CBF continues to maintain cost controls to match the current demand environment.

**Carlisle Interconnect Technologies ( CIT )**

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 145.7	\$ 114.7	\$ 31.0	27.0%	\$ 286.9	\$ 225.4	\$ 61.5	27.3%
EBIT	\$ 22.3	\$ 17.4	\$ 4.9	28.2%	\$ 40.7	\$ 34.1	\$ 6.6	19.4%
EBIT Margin	15.3%	15.2%			14.2%	15.1%		

CIT's sales growth during the second quarter of 2013 of 27% reflected organic growth of 4.3% and sales from the Thermax/Raydex acquisition of \$26.0 million, or 22.7%. Sales in CIT's aerospace market were up 10%, driven by higher demand for in-flight entertainment applications. Sales ramp up of products for the Boeing 787 program began late in the second quarter of 2013. Growth in aerospace demand was partially offset by a 19% decline in sales to the military and defense market. CIT's sales to the test and measurement market grew by 29%; however, this growth was offset by lower sales to CIT's industrial customers for its contacts and connector products.

CIT's sales on a year-to-date basis reflected a 10% increase in aerospace sales, a 4.5% increase in test and measurement, partially offset by a 13% decline in military sales and a 19% decline in sales for CIT's industrial connector applications. CIT's sales into the industrial market are currently less than 5% of its overall sales. Demand in this market has been negatively impacted by the weakness in global demand for construction and mining applications that is expected to continue through the remainder of 2013.

CIT's EBIT margin increased by 10 basis points in the second quarter of 2013 versus the prior year period primarily on higher sales volume offset by unfavorable mix changes. EBIT contribution from the Thermax/Raydex acquisition was \$4.7 million. Also included in CIT's total EBIT for the six months ended June 30, 2013 was a \$1.2 million loss reflecting the change in fair value of future dated commodity swap agreements obtained to mitigate exposure to changes in the prices of copper and silver.

CIT's EBIT margin for the first six months of 2013 decreased 90 basis points versus the prior year period primarily due to lower selling price and unfavorable mix changes, partially offset by the positive impact of higher sales volume. EBIT contribution from the Thermax/Raydex acquisition was \$7.0 million year-to-date, including \$1.1 million in acquisition related costs primarily due to additional cost of goods sold resulting from the fair valuation of acquired inventory. Included in CIT's EBIT for the first six months of 2013 was a \$1.6 million loss reflecting the change in fair value of future dated commodity swap agreements. By comparison, included in CIT's EBIT for the first six months of 2012 were \$1.5 million in acquisition costs primarily due to additional cost of goods sold resulting from the fair valuation of inventory.



Table of Contents

The outlook for CIT in the commercial aerospace market remains favorable at growth rates at or slightly above ten percent. Build rates for the Boeing 787 are projected to increase from its current 7 planes per month to 10 planes per month by the end of 2013. The outlook for other Boeing and Airbus legacy programs for which CIT is a supplier remains favorable. However, Boeing is currently undergoing pricing renegotiations with its supplier base which could result in lower revenue and EBIT for CIT.

Although growth for CIT's IFE applications is expected to be moderately positive in 2013, the expanded use of personal devices to access onboard Wi-Fi during flights may reduce demand over the long term for CIT's IFE connectivity applications. However, increased in-flight Wi-Fi use may increase demand for CIT rack assembly and kit applications that support onboard Wi-Fi.

The outlook for military applications continues to be uncertain for the remainder of 2013 due to ongoing government spending negotiations and the impact of sequestration. As noted above, demand for industrial applications tied to global construction and mining activity is expected to remain at current levels through the remainder of 2013.

CIT is currently implementing new product initiatives to expand its offerings into the medical cabling industry. These offerings are anticipated to add further product diversification and revenue starting in the latter part of 2013.

**Carlisle FoodService Products ( CFSP )**

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 62.8	\$ 63.3	\$ (0.5)	(0.8)%	\$ 120.8	\$ 122.6	\$ (1.8)	(1.5)%
EBIT	\$ 7.3	\$ 5.7	\$ 1.6	28.1%	\$ 12.4	\$ 11.2	\$ 1.2	10.7%
EBIT Margin	11.6%	9.0%			10.3%	9.1%		

CFSP's sales decrease during the second quarter of 2013 primarily reflected 13% lower sales of our healthcare products partially offset by 4.1% higher sales for our foodservice products. Conditions in the restaurant industry reflected slow improvement during the second quarter of 2013 over the prior year as well versus the first quarter of 2013. Lower demand for CFSP's larger equipment products impacted sales in the healthcare market. For the first six months of 2013, CFSP's 1.5% sales decline reflected 4.4% lower healthcare sales offset by 0.7% lower sales in the foodservice market. Healthcare sales declined from the first quarter of 2013 to the second quarter of 2013 due to a more challenging pricing environment and lower equipment product sales.

CFSP's EBIT grew 28.1% as a result of savings realized from plant restructuring activities and reduction in administrative costs. CFSP's EBIT growth of 11% for the first six months of 2013 versus the prior year reflected savings from restructuring and administrative cost reductions, partially offset by lower sales volume and \$0.4 million in carryover expense from plant consolidation activities.



## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

During 2012, to streamline operations, CFSP closed distribution centers in Reno, NV and Zevenaar, The Netherlands as well as exited a manufacturing facility in Changzhou, China. The operations at these facilities were consolidated into CFSP's headquarters in Oklahoma City, OK. Annualized savings from these consolidation activities are estimated to be approximately \$5 million beginning in 2013, of which \$2.4 million was realized through the first half of 2013.

The outlook for the foodservice market in the near term is expected to remain in line with U.S. GDP growth expectations. Recent industry indicators reflect slow but steady growth in the restaurant market. The outlook for the healthcare market is expected to remain challenging. CFSP expects EBIT improvement in 2013 due to the non-recurrence of restructuring activities completed in 2012, reduced operating costs from the exit of unprofitable operations, and continued execution on its operational improvement plans.

Table of Contents**Corporate expense**

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Corporate expenses	\$ (10.9)	\$ (11.5)	\$ 0.6	(5.2)%	\$ (25.6)	\$ (24.4)	\$ (1.2)	4.9%
As a percentage of net sales	(1.1)%	(1.2)%			(1.4)%	(1.3)%		

Corporate expenses are largely comprised of compensation, benefits and travel expense for the corporate office staff. Corporate expenses also include certain external audit fees attributable to corporate activities and internal audit expenses as well as certain costs associated with our corporate support in Asia Pacific and Europe. We also maintain a captive insurance program for workers compensation costs on behalf of all the Carlisle operating companies. Reserves for incurred workers compensation claims that may be paid out in future periods are measured at present value and subject to changes in interest rate assumptions that are reviewed annually. The increase in corporate expense for the first six months of 2013 versus the prior year period reflects the acceleration of recognition of stock-based compensation expense recorded during the first quarter of 2013, based upon meeting vesting requirements.

**Liquidity and Capital Resources**

We maintain liquidity sources primarily consisting of cash and cash equivalents and the unused portion of our committed credit facility. As of June 30, 2013, we had \$168.2 million of cash and cash equivalents on hand, of which \$83.8 million was located in our wholly owned subsidiaries outside the United States. Cash held by subsidiaries outside the United States is held in the currency of the country in which it is located or in U.S. dollars. Such cash is used to fund the operating activities of our foreign subsidiaries and for further investment in foreign operations. Generally, we consider such cash to be permanently reinvested in our foreign operations and our current plans do not demonstrate a need to repatriate such cash to fund U.S. operations and corporate activities. Repatriation of cash held by foreign subsidiaries may require the accrual and payment of taxes in the United States.

In addition, cash held by subsidiaries in China is subject to local laws and regulations that require government approval for conversion of such cash to and from U.S. dollars as well as for transfer of such cash to entities that are outside of China. As of June 30, 2013, we had cash and cash equivalents of \$16.7 million located in wholly owned subsidiaries of the Company within China.

**Sources and Uses of Cash and Cash Equivalents**

(in millions)	Six Months Ended June 30,		
	2013	2012	Change
Net cash provided by operating activities	\$ 119.5	\$ 154.3	\$ (34.8)
Net cash used in investing activities	(49.1)	(84.1)	35.0
Net cash used in financing activities	(13.9)	(68.3)	54.4
Effect of exchange rate changes on cash	(0.8)	0.2	(1.0)

## Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Change in cash and cash equivalents	\$	55.7	\$	2.1
-------------------------------------	----	------	----	-----

The decrease in net cash provided by operating activities of \$34.7 million from the six months ended June 30, 2012 to the six months ended June 30, 2013 was primarily due to lower earnings from operations during the six months ended June 30, 2013 versus the same prior year period and difference in usage of cash to fund working capital. Cash used for working capital and other assets and liabilities of \$65.6 million for the six months ending June 30, 2013 compared to cash used of \$48.6 million for the six months ending June 30, 2012. The unfavorable change in working capital primarily reflected higher usage of cash for payment of accrued expenses partially offset by lower usage cash for receivables and cash provided from inventory reduction during the first six months of 2013.

We view the ratio of our average working capital balances (defined as the average of the quarter end balances of receivables, plus inventory less accounts payable) as a percentage of annualized sales (defined as year-to-date net sales calculated on an annualized basis) as an important measure of our ability to effectively manage our cash requirements in relation to changes in sales activity. For

Table of Contents

the six months ending June 30, 2013, average working capital as a percentage of annualized sales decreased to 21.0%, from 21.8% during the same prior year period. The reduction primarily reflected increase in inventory turns and reduction in Days Sales Outstanding (DSO) versus the prior year. This improvement was partially offset by a reduction in Days Payable Outstanding (DPO).

Cash used in investing activities was \$49.1 million for the six months ended June 30, 2013, compared to \$ 84.1 million for the six months ended June 30, 2012. Capital expenditures were \$49.4 million in the six months ended June 30, 2013 compared to capital expenditures of \$ 60.6 million in the six months ended June 30, 2012. Construction Materials is completing construction of two new insulation materials facilities as well as establishing a new PVC manufacturing line. We expect our full year capital expenditures will be approximately \$116 million.

During the six months ended June 30, 2012, we utilized cash of \$48.9 million to acquire Hertalan. Also during the six months ended June 30, 2012, we received proceeds from the sale of the PDT profiles business of \$22.1million.

Cash used in financing activities for the six months ended June 30, 2013 primarily reflects the payment of dividends offset by increased cash from stock option activity. Cash used in financing activities for the six months ended June 30, 2012 includes the repayment of short term borrowings.

**Debt Instruments and Covenants**

At June 30, 2013, we had \$600 million available under our \$600 million revolving credit facility. We were in compliance with all covenants and limitations under this facility as of June 30, 2013. We did not incur any borrowings under the revolving credit facility during the six months ended June 30, 2013. In November 2012, we issued \$350 million in 3.75% senior notes due 2022 and used the proceeds to repay our outstanding balance on the revolving credit facility as well as fund the acquisition of Thermax.

We also maintain a \$45 million uncommitted line of credit, of which \$45 million was available at June 30, 2013.

We have senior unsecured notes outstanding of \$150 million due 2016 (at a stated interest rate of 6.125%), \$250 million due 2020 (at a stated interest rate of 5.125%) and \$350 million due 2022 (at a stated interest rate of 3.75%) that are rated BBB by Standard & Poor's and Baa2 by Moody's. We view our debt to capital ratio (defined as short-term debt plus long-term debt divided by the sum of total Shareholders' equity, long-term debt and short-term debt) as an important indicator of our ability to utilize debt in financing acquisitions. As of June 30, 2013, our debt to capital ratio was 29%.

Under the Company's various debt and credit facilities, the Company is required to meet various restrictive covenants and limitations, including limitations on leverage ratios, interest coverage and limits on outstanding debt balances held by certain subsidiaries. The Company was in compliance with all covenants and limitations as of June 30, 2013 and December 31, 2012.

**New Accounting Pronouncements**

There are currently no new accounting standards that have been issued that are expected to have a significant impact on our financial position, results of operations, and cash flows upon adoption.

***Forward-Looking Statements***

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are made based on known events and circumstances at the time of publication, and as such, are subject in the future to unforeseen risks and uncertainties. It is possible that the Company's future performance may differ materially from current expectations expressed in these forward-looking statements, due to a variety of factors such as: increasing price and product/service competition by foreign and domestic competitors, including new entrants; technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the Company's mix of products/services; increases in raw material costs which cannot be recovered in product pricing; domestic and foreign governmental and public policy changes including environmental regulations; threats associated with and efforts to combat terrorism; protection and validity of patent and other intellectual property rights; the successful identification and integration of the Company's strategic acquisitions; the cyclical nature of the Company's businesses; and the outcome of pending and future litigation and governmental proceedings. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. Further, any conflict in the international arena may adversely affect the general market conditions and the Company's future performance. The Company undertakes no duty to update forward-looking statements.

Table of Contents

***Item 3. Quantitative and Qualitative Disclosure about Market Risk***

There have been no material changes in the Company's market risk for the period ended June 30, 2013. For additional information, refer to Item 7A of the Company's 2012 Annual Report on Form 10-K.

***Item 4. Controls and Procedures***

(a) Under the supervision and with the participation of the Company's management, including the Company's chief executive officer and chief financial officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation and as of June 30, 2013, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures are effective.

(b) There were no changes in the Company's internal control over financial reporting 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***

*Litigation*

Over the years, the Company has been named as a defendant, along with numerous other defendants, in lawsuits in various state courts in which plaintiffs have alleged injury due to exposure to asbestos-containing brakes, which Carlisle manufactured in limited amounts between the late-1940 s and the mid-1980 s. In addition to compensatory awards, these lawsuits may also seek punitive damages.

The Company typically obtains dismissals or settlements of its asbestos-related lawsuits with no material effect on its financial condition, results of operations, or cash flows. The Company maintains insurance coverage that applies to a portion of certain of the Company s defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits, excluding punitive damages.

Based on an ongoing evaluation, the Company believes that the resolution of its pending asbestos claims will not have a material impact on the Company s financial condition, results of operations, or cash flows, although these matters could result in the Company being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

In addition, from time-to-time the Company may be involved in various other legal actions arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions, either individually or in the aggregate, will not have a material adverse effect on the consolidated financial position or annual operating cash flows of the Company, but may have a more than inconsequential impact on the Company s results of operations for a particular period.

*Environmental Matters*

The Company is subject to increasingly stringent environmental laws and regulations, including those relating to air emissions, wastewater discharges, chemical and hazardous waste management and disposal. Some of these environmental laws hold owners or operators of land or businesses liable for their own and for previous owners or operators releases of hazardous or toxic substances or wastes. Other environmental laws and regulations require the obtainment and compliance with environmental permits. To date, costs of complying with environmental, health and safety requirements have not been material. The nature of the Company s operations and its long history of industrial activities at certain of its current or former facilities, as well as those acquired could potentially result in material environmental liabilities.

While the Company must comply with existing and pending climate change legislation, regulation, international treaties or accords, current laws and regulations do not have a material impact on its business, capital expenditures or financial position. Future events, including those relating to

climate change or greenhouse gas regulation could require the Company to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

***Item 1A. Risk Factors***

During the three months ended June 30, 2013, there were no material changes to the risk factors disclosed in PART I Item 1A. Risk Factors of the Company's 2012 Annual Report on Form 10-K.

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

There were no repurchases of common stock during the three months ended June 30, 2013.

***Item 3. Defaults Upon Senior Securities***

Not applicable.

***Item 4. Mine Safety Disclosures***

Not applicable.



Table of Contents

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(12) Ratio of Earnings to Fixed Charges

(31.1) Rule 13a-14(a)/15d-14(a) Certifications

(31.2) Rule 13a-14(a)/15d-14(a) Certifications

(32) Section 1350 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(101) Interactive Data File

Table of Contents

**SIGNATURE**

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.

Carlisle Companies Incorporated

July 23, 2013

By:	/s/ Steven J. Ford
Name:	Steven J. Ford
Title:	Vice President and Chief Financial Officer