

CARLISLE COMPANIES INC

Form 10-Q

October 22, 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 SEPTEMBER 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)

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**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 October 18, 2013: 63,602,956

---

Table of Contents

INDEX

	<b>Page</b>
PART I. FINANCIAL INFORMATION	
<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>	41
	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 4.</u>	41
	<u>Controls and Procedures</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	42
	<u>Legal Proceedings</u>
<u>Item 1A.</u>	42
	<u>Risk Factors</u>
<u>Item 2.</u>	42
	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
<u>Item 3.</u>	42
	<u>Defaults Upon Senior Securities</u>
<u>Item 4.</u>	42
	<u>Mine Safety Disclosures</u>
<u>Item 5.</u>	43
	<u>Other Information</u>
<u>Item 6.</u>	43
	<u>Exhibits</u>
	<u>Signature</u>
	44

---

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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net sales	\$ 968.8	\$ 910.2	\$ 2,821.9	\$ 2,783.8
Costs and expenses:				
Cost of goods sold	734.0	684.3	2,159.3	2,091.2
Selling and administrative expenses	105.8	101.1	321.2	314.6
Research and development expenses	8.8	8.1	27.4	24.4
Impairment of assets			100.0	
Other (income) expense, net	(3.2)	6.1	(2.0)	6.5
Earnings before interest and income taxes	123.4	110.6	216.0	347.1
Interest expense, net	8.5	6.2	25.4	19.2
Earnings before income taxes from continuing operations	114.9	104.4	190.6	327.9
Income tax expense (Note 8)	38.3	34.7	50.5	108.7
Income from continuing operations	76.6	69.7	140.1	219.2
Discontinued operations (Note 5)				
Income (loss) from discontinued operations		(0.2)	(0.2)	3.3
Income tax (benefit) expense			(0.1)	0.1
Income (loss) from discontinued operations		(0.2)	(0.1)	3.2
Net income	\$ 76.6	\$ 69.5	\$ 140.0	\$ 222.4
Basic earnings per share attributable to common shares (Note 9)				
Income from continuing operations	\$ 1.20	\$ 1.11	\$ 2.19	\$ 3.50
Income (loss) from discontinued operations		(0.01)		0.05
Basic earnings per share	\$ 1.20	\$ 1.10	\$ 2.19	\$ 3.55
Diluted earnings per share attributable to common shares (Note 9)				
Income from continuing operations	\$ 1.18	\$ 1.08	\$ 2.16	\$ 3.43
Income (loss) from discontinued operations				0.05
Diluted earnings per share	\$ 1.18	\$ 1.08	\$ 2.16	\$ 3.48
Average shares outstanding - in thousands (Note 9)				
Basic	63,567	62,708	63,429	62,347
Diluted	64,890	63,946	64,714	63,520
Dividends declared and paid	\$ 14.1	\$ 12.6	\$ 39.7	\$ 35.1
Dividends declared and paid per share	\$ 0.22	\$ 0.20	\$ 0.62	\$ 0.56
<b>Comprehensive Income</b>				
Net income	\$ 76.6	\$ 69.5	\$ 140.0	\$ 222.4
Other comprehensive income (Note 19)				
Change in foreign currency translation, net of tax	11.5	4.8	1.1	0.3
Change in accrued post-retirement benefit liability, net of tax	0.9	0.8	3.3	2.4
Loss on hedging activities, net of tax	(0.1)	(0.1)	(0.3)	(0.3)
Other comprehensive income	12.3	5.5	4.1	2.4
Comprehensive income	\$ 88.9	\$ 75.0	\$ 144.1	\$ 224.8

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents**Carlisle Companies Incorporated**

## Condensed Consolidated Balance Sheets

(in millions except share amounts)	September 30 2013 (Unaudited)	December 31 2012
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 332.4	\$ 112.5
Receivables, net of allowance of \$4.7 in 2013 and \$6.0 in 2012	572.3	482.7
Inventories (Note 11)	481.3	538.0
Deferred income taxes (Note 8)	41.8	43.1
Prepaid expenses and other current assets	34.3	29.0
<b>Total current assets</b>	<b>1,462.1</b>	<b>1,205.3</b>
<b>Property, plant and equipment, net of accumulated depreciation of of \$681.5 in 2013 and \$635.7 in 2012 (Note 12)</b>	<b>645.3</b>	<b>637.1</b>
<b>Other assets:</b>		
Goodwill, net (Note 13)	859.6	958.8
Other intangible assets, net (Note 13)	590.4	617.5
Other long-term assets	35.3	38.6
Non-current assets held for sale (Note 5)	4.2	
<b>Total other assets</b>	<b>1,489.5</b>	<b>1,614.9</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,596.9</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	274.3	259.7
Accrued expenses	224.2	193.3
Deferred revenue (Note 17)	17.1	17.6
<b>Total current liabilities</b>	<b>515.6</b>	<b>470.6</b>
<b>Long-term liabilities:</b>		
Long-term debt (Note 15)	752.6	752.5
Deferred revenue (Note 17)	140.7	135.4
Other long-term liabilities (Note 18)	264.4	310.7
<b>Total long-term liabilities</b>	<b>1,157.7</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; 63,597,143 outstanding in 2013 and 63,127,299 outstanding in 2012	78.7	78.7
Additional paid-in capital	194.4	171.4
Deferred compensation equity (Note 7)	3.3	0.6
Cost of shares in treasury - 14,823,115 shares in 2013 and 15,249,714 shares in 2012	(210.0)	(215.4)
Accumulated other comprehensive loss (Note 19)	(31.4)	(35.5)
Retained earnings	1,888.6	1,788.3
<b>Total shareholders equity</b>	<b>1,923.6</b>	<b>1,788.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 3,596.9</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)	Nine Months Ended September 30,	
	2013	2012
<b>Operating activities</b>		
Net income	\$ 140.0	\$ 222.4
Reconciliation of net income to cash flows from operating activities:		
Depreciation	59.1	55.7
Amortization	30.8	22.8
Non-cash compensation, net of tax benefit	10.2	5.8
Gain on sale of businesses		(3.7)
Loss on sale of property and equipment, net	0.4	0.9
Impairment of assets	100.0	6.1
Deferred taxes	(39.6)	(4.6)
Foreign exchange (gain) loss	(0.2)	1.8
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:		
Receivables	(90.4)	(76.4)
Inventories	56.2	11.4
Prepaid expenses and other assets	0.8	21.6
Accounts payable	14.6	11.1
Accrued expenses and deferred revenues	33.8	40.8
Long-term liabilities	(0.9)	6.7
Other operating activities	0.7	0.8
<b>Net cash provided by operating activities</b>	<b>315.5</b>	<b>323.2</b>
<b>Investing activities</b>		
Capital expenditures	(77.7)	(93.7)
Acquisitions, net of cash		(49.3)
Proceeds from sale of property and equipment	6.7	
Proceeds from sale of business		25.8
<b>Net cash used in investing activities</b>	<b>(71.0)</b>	<b>(117.2)</b>
<b>Financing activities</b>		
Net change in short-term borrowings and revolving credit lines	(0.2)	(189.3)
Dividends	(39.7)	(35.1)
Stock options and treasury shares, net	15.5	29.9
<b>Net cash used in financing activities</b>	<b>(24.4)</b>	<b>(194.5)</b>
<b>Effect of exchange rate changes on cash</b>	<b>(0.2)</b>	<b>0.9</b>
<b>Change in cash and cash equivalents</b>	<b>219.9</b>	<b>12.4</b>
<b>Cash and cash equivalents</b>		
Beginning of period	112.5	74.7
End of period	\$ 332.4	\$ 87.1

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 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.

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 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.

**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.

**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. Corporate assets also include assets of ceased operations not classified as held for sale.

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 September 30, (in millions)	2013		2012	
	Sales(1)	EBIT	Sales(1)	EBIT
Carlisle Construction Materials	\$ 505.7	\$ 83.0	\$ 456.7	\$ 79.6
Carlisle Interconnect Technologies	147.8	24.8	115.0	18.7
Carlisle Brake & Friction	85.2	5.2	110.6	18.9
Carlisle FoodService Products	58.1	6.9	62.7	(1.2)
Carlisle Transportation Products	172.0	13.9	165.2	7.4
Corporate		(10.4)		(12.8)
<b>Total</b>	<b>\$ 968.8</b>	<b>\$ 123.4</b>	<b>\$ 910.2</b>	<b>\$ 110.6</b>

Nine Months Ended September 30, (in millions)	2013			2012		
	Sales(1)	EBIT	Assets	Sales(1)	EBIT	Assets
Carlisle Construction Materials	\$ 1,335.8	\$ 197.0	\$ 966.3	\$ 1,280.5	\$ 207.0	\$ 892.2
Carlisle Interconnect Technologies	434.7	65.5	1,028.0	340.5	52.8	794.4
Carlisle Brake & Friction	269.6	28.6	601.4	361.3	66.6	671.2
Carlisle FoodService Products	178.9	19.3	187.2	185.2	10.0	204.4
Carlisle Transportation Products	602.9	(58.4)	446.7	616.3	47.7	567.1

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Corporate			(36.0)		367.3		(37.0)		113.0			
Total	\$	2,821.9	\$	216.0	\$	3,596.9	\$	2,783.8	\$	347.1	\$	3,242.3

---

(1) Excludes intersegment sales

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  As of 12/31/2012	Measurement Period Adjustments Nine Months Ended 9/30/2013	Revised Preliminary Allocation  As of 9/30/2013
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
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.

Determination of final purchase price and residual fair value assigned to goodwill is pending finalization of the working capital settlement in accordance with the purchase agreement. 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.

Table of ContentsHertalan 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

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



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

Construction Materials reporting unit. Indefinite-lived intangible assets 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.

Table of Contents*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 allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which 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)
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

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

that will lower costs and improve product quality. Favorable trends in the 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

Table of Contents

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. See Note 10 for further information regarding settlement of the contingent consideration in the third quarter of 2013.

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 September 30, 2013, the Company had no income before income taxes from discontinued operations. For the nine months ended September 30, 2013, the Company had a loss before income taxes of \$0.2 million pertaining primarily to legacy workers compensation claims.

As of September 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 September 30, 2013, assets held for sale includes \$0.3 million of long-lived tangible assets related to the Zevenaar, The Netherlands distribution center. On September 30, 2013, the Company completed the sale of Reno, NV long-lived tangible assets for \$6.2 million, recognizing a gain of \$1.0 million.

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 nine months ended September 30, 2013 and 2012, respectively:

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,			
	2013	2012		2013	2012		
Cost of goods sold	\$	\$	0.7	\$	0.6	\$	2.6
Selling and administrative expenses			0.2		0.1		
Other expense			3.5				3.8
Total exit and disposal costs	\$	\$	4.4	\$	0.7	\$	6.4

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

Three Months Ended September 30,	Nine Months Ended September 30,
----------------------------------	---------------------------------

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

(in millions)	2013		2012	
Termination benefits	\$		\$	0.9
Impairments				3.5
Other associated costs				0.6
<b>Total exit and disposal costs</b>	\$		\$	4.4
				0.1
				2.6
				3.8
				6.4

Exit and disposal accrual activities for the nine months ended September 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)		(1.1)	(3.0)
<b>Balance at September 30, 2013</b>	\$	\$	\$ 0.1	\$ 0.1



Table of Contents

Exit and disposal activities by segment were as follows:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total by segment				
Carlisle Construction Materials	\$	\$	\$	\$ 0.3
Carlisle Brake & Friction				0.1
Carlisle FoodService Products		4.4	<b>0.4</b>	4.4
Carlisle Transportation Products			<b>0.3</b>	1.6
Total exit and disposal costs	\$	\$ 4.4	\$ <b>0.7</b>	\$ 6.4

**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 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 September 30, 2013, a \$0.1 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 million was incurred in 2012. During the nine months ended September 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. On September 30, 2013, the Company completed the sale of Reno, NV long-lived tangible assets for \$6.2 million, recognizing a gain of \$1.0 million.

**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 nine months ended September 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.

**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 \$2.8 million and \$3.6 million for the three months ended September 30, 2013 and 2012, respectively and \$13.7 million and \$13.5 million for the nine months ended September 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 September 30, 2013, 3,074,840 shares were available for grant under this plan, of which 693,705 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 September 30, 2013, 267,466 shares were available for grant under this plan, of which 37,466 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 nine months ended September 30, 2013, the Company awarded 283,975 stock options, 71,255 restricted stock awards, 71,255 performance share awards and 11,592 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 \$1.2 million and \$2.1 million for the three months ended September 30, 2013 and 2012, respectively, and \$3.6 million and \$5.6 million for the nine months ended September 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 nine months ended September 30, 2013 was 26.5% compared to an effective income tax rate of 33.2% for the nine months ended September 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 an \$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 year 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 26.5% 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 increase to 30% as the impact of the aforementioned \$11.8 million discrete tax benefit has a lower overall impact on the effective tax rate on full year earnings before income taxes.

**Note 9 Earnings Per Share**

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

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 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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>Numerator:</b>				
Income from continuing operations	\$ 76.6	\$ 69.7	\$ 140.1	\$ 219.2
Less: dividends declared - common stock outstanding, unvested restricted shares and restricted share units	(14.1)	(12.6)	(39.7)	(35.1)
Undistributed earnings	62.5	57.1	100.4	184.1
Percent allocated to common shareholders (1)	99.5%	99.4%	99.5%	99.4%
	62.2	56.8	99.9	183.0
Add: dividends declared - common stock	14.0	12.5	39.5	34.9
Numerator for basic and diluted EPS	\$ 76.2	\$ 69.3	\$ 139.4	\$ 217.9
<b>Denominator (in thousands):</b>				
Denominator for basic EPS: weighted-average common shares outstanding	63,567	62,708	63,429	62,347
<b>Effect of dilutive securities:</b>				
Performance awards	374	448	374	448
Stock options	949	790	911	725
Denominator for diluted EPS: adjusted weighted average common shares outstanding and assumed conversion	64,890	63,946	64,714	63,520
<b>Per share income from continuing operations:</b>				
Basic	\$ 1.20	\$ 1.11	\$ 2.19	\$ 3.50
Diluted	\$ 1.18	\$ 1.08	\$ 2.16	\$ 3.43
<hr/>				
(1) Basic weighted-average common shares outstanding	63,567	62,708	63,429	62,347
Basic weighted-average common shares outstanding, unvested restricted shares expected to vest and restricted share units	63,892	63,067	63,755	62,707
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 September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Income (loss) from discontinued operations attributable to common shareholders for basic and diluted earnings per share	\$	\$ (0.2)	\$ (0.1)	\$ 3.2

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Net income attributable to common shareholders for basic and diluted earnings per share	\$	76.2	\$	69.1	\$	139.3	\$	221.1
--	----	------	----	------	----	-------	----	-------

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 September 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	\$ 332.4	\$ 332.4	\$	\$
Short-term investments	1.3	1.3		
Commodity swap agreements				
Foreign currency forward contracts	0.4		0.4	
Total assets measured at fair value	\$ 334.1	\$ 333.7	\$ 0.4	\$
Commodity swap agreements	\$ 0.8	\$	\$ 0.8	\$
Contingent consideration	9.5			9.5
Total liabilities measured at fair value	\$ 10.3	\$	\$ 0.8	\$ 9.5

Cash and cash equivalents include \$3.4 million in money market accounts for the Company's deferred compensation program. Short-term investments of \$1.3 million at September 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 September 30, 2013 in Prepaid expenses and other current assets.

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

Foreign exchange forward contracts at September 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 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 September 30, 2013 the fair values of contracts based on the Canadian Dollar was a \$0.4 million asset. The fair values of these contracts are recorded within Prepaid expenses and other current assets in the condensed consolidated balance sheet as of September 30, 2013 as none of the contract terms exceed one year from the balance sheet date.

Commodity swap agreements at September 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 (income) expense. The fair value of these swaps is recorded within Accrued expenses in the condensed consolidated balance sheet as of September 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. During the three months ended September 30, 2013, the Company agreed to settle the earn-out for 7.0 million. The balance of \$9.5 million at September 30, 2013 represents the U.S. Dollar value of the settlement as of that date and is recorded within Accrued expenses in the condensed consolidated balance sheet as the payout is expected to occur during the fourth quarter of 2013. 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 and was estimated using a discounted cash flow model based on financial projections of the acquired company.

*Non-Recurring Measurements*

During the nine months ended September 30, 2013, the Transportation Products segment recognized a 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 September 30, 2013 and December 31, 2012 were as follows:

(in millions)	September 30, 2013	December 31, 2012
Finished goods	\$ 317.7	\$ 340.0
Work-in-process	56.8	55.8
Raw materials	146.8	169.3
Capitalized variances	(1.1)	8.6
Reserves	(38.9)	(35.7)
Inventories	\$ 481.3	\$ 538.0

**Note 12 Property, Plant and Equipment**

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

(in millions)	September 30, 2013	December 31, 2012
Land	\$ 49.0	\$ 45.8
Buildings and leasehold improvements	338.1	311.9
Machinery and equipment	880.0	845.2
Projects in progress	59.7	69.9
	1,326.8	1,272.8
Accumulated depreciation	(681.5)	(635.7)
Property, plant and equipment, net	\$ 645.3	\$ 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 nine months ended September 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	1.0			(0.2)			0.8
Gross balance at September 30, 2013	128.2	155.5	226.7	444.4	60.3	47.4	1,062.5
Accumulated impairment losses		(155.5)				(47.4)	(202.9)
<b>Net balance at September 30, 2013</b>	<b>\$ 128.2</b>	<b>\$</b>	<b>\$ 226.7</b>	<b>\$ 444.4</b>	<b>\$ 60.3</b>	<b>\$</b>	<b>\$ 859.6</b>

*Goodwill Impairment*

During the three months ended June 30, 2013, the Company's Transportation Products reporting unit recognized a 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 was 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

Table of Contents

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. During the three months ended September 30, 2013, management completed the process of determining 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. Finalization of the impairment analysis did not result in any adjustments to the initial estimate of impairment loss.

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

(in millions)	Acquired Cost	Accumulated Amortization	Net Book Value
Assets subject to amortization:			
Patents	\$ 134.0	\$ (26.9)	\$ 107.1
Customer Relationships	442.3	(88.8)	353.5
Other	20.6	(11.2)	9.4
Assets not subject to amortization:			
Trade names	120.4		120.4
<b>Other intangible assets, net</b>	<b>\$ 717.3</b>	<b>\$ (126.9)</b>	<b>\$ 590.4</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>

Estimated amortization expense for the remainder of 2013 and the next four years is as follows: \$9.2 million remaining in 2013, \$37.2 million in 2014, \$36.6 million in 2015, \$35.6 million in 2016, and \$35.4 million in 2017.

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

(in millions)	September 30, 2013	December 31, 2012
Carlisle Construction Materials	\$ 87.1	\$ 89.7
Carlisle Interconnect Technologies	336.1	353.4

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Carlisle Brake & Friction		<b>131.7</b>		136.8
Carlisle FoodService Products		<b>32.8</b>		34.9
Carlisle Transportation Products		<b>2.7</b>		2.7
<b>Total</b>	<b>\$</b>	<b>590.4</b>	<b>\$</b>	617.5



Table of Contents

**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 \$21.1 million and \$23.9 million for the nine months ended September 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 \$8.9 million for the remainder of 2013, \$20.2 million in 2014, \$16.2 million in 2015, \$13.3 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 September 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.

The Company has accrued approximately \$26.0 million and \$24.1 million related to workers' compensation claims at September 30, 2013 and December 31, 2012, respectively. At September 30, 2013, \$9.0 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-1940s and the mid-1980s. 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.

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

Table of Contents

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

(in millions)	September 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 (\$0.3) and (\$0.4) respectively	149.7	149.6
Revolving credit facility		
Industrial development and revenue bonds through 2018	4.5	4.5
Other, including capital lease obligations	0.2	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 September 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 nine months ended September 30, 2013 there was no interest on borrowings under the revolving credit facility.

*Uncommitted Line of Credit*

The Company also maintains an uncommitted line of credit of which \$45.0 million was available for borrowing as of September 30, 2013 and December 31, 2012. The average interest rate on the uncommitted line of credit was 1.5% for the nine months ended September 30, 2012.

There were no borrowings under the uncommitted facility for the nine months ended September 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 September 30, 2013 and December 31, 2012.

Table of Contents

*Other Matters*

Cash payments for interest were \$22.0 million and \$19.0 million in the nine months ended September 30, 2013 and 2012, respectively. Interest expense, net is presented net of interest income of \$0.3 million and \$0.3 million in the nine months ended September 30, 2013 and 2012, respectively.

At September 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 \$333.2 million, \$264.9 million and \$165.7 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*

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		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30,		September 30,		September 30,		September 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
Service cost	\$ 1.3	\$ 1.4	\$ 3.9	\$ 3.5	\$	\$	\$	\$

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Interest cost	<b>1.9</b>	3.8	<b>5.8</b>	8.7	0.1	<b>0.1</b>	0.3
Expected return on plan assets	<b>(3.1)</b>	(5.3)	<b>(9.2)</b>	(12.4)			
Amortization of unrecognized loss	<b>1.4</b>	1.3	<b>4.2</b>	3.9	<b>0.1</b>	<b>0.2</b>	
<b>Net periodic benefit cost</b>	<b>\$ 1.5</b>	\$ 1.2	<b>\$ 4.7</b>	\$ 3.7	<b>\$ 0.1</b>	\$ 0.1	<b>\$ 0.3</b>

The Company made no contributions to the pension plans during the three and nine months ended September 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 September 30, 2013 and 2012, respectively and \$9.4 million and \$8.8 million for the nine months ended September 30, 2013 and 2012, respectively. Full year contributions in 2013 are expected to approximate \$12.3 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

Table of Contents

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 September 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 September 30, 2013 is as follows:

(in millions)	2013	
December 31, 2012 reserve	\$	16.9
Current year provision		12.5
Current year claims		(13.6)
September 30, 2013 reserve	\$	15.8

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 \$4.4 million and \$4.5 million for the three months ended September 30, 2013 and 2012, respectively and \$12.9 million and \$12.8 million for the nine months ended September 30, 2013 and 2012, respectively.

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

(in millions)	September 30, 2013		December 31, 2012	
Deferred revenue				
Current	\$	16.7	\$	16.8
Long-term		140.7		135.4
Deferred revenue liability	\$	157.4	\$	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 September 30, 2013 and December 31, 2012, respectively, related primarily to contracts on brake pads.

**Note 18 Other Long-Term Liabilities**

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

<b>(in millions)</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Deferred taxes and other tax liabilities	\$ 206.8	\$ 246.1
Pension and other post-retirement obligations	23.2	23.9
Long-term workers compensation	17.0	17.0
Deferred credits	5.3	14.4
Deferred compensation	10.8	7.7
Other	1.3	1.6
<b>Total</b>	<b>\$ 264.4</b>	<b>\$ 310.7</b>



Table of Contents

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

**Note 19 Accumulated Other Comprehensive Income (Loss)**

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

(in millions)	Accrued post-retirement benefit liability(1)	Foreign currency translation	Hedging activities(2)	Total
Balance at June 30, 2013	\$ (31.7)	\$ (13.1)	\$ 1.1	\$ (43.7)
Other comprehensive income (loss) before reclassifications		11.5		11.5
Amounts reclassified from accumulated other comprehensive loss	1.5		(0.1)	1.4
Income tax expense	(0.6)			(0.6)
Net other comprehensive income (loss)	0.9	11.5	(0.1)	12.3
<b>Balance at September 30, 2013</b>	<b>\$ (30.8)</b>	<b>\$ (1.6)</b>	<b>\$ 1.0</b>	<b>\$ (31.4)</b>

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

(in millions)	Accrued post-retirement benefit liability(1)	Foreign currency translation	Hedging activities(2)	Total
Balance at June 30, 2012	\$ (39.1)	\$ (10.3)	\$ 1.4	\$ (48.0)
Other comprehensive income (loss) before reclassifications		4.7		4.7
Amounts reclassified from accumulated other comprehensive loss	1.3		(0.1)	1.2
Income tax expense	(0.5)			(0.5)
Net other comprehensive income (loss)	0.8	4.7	(0.1)	5.4
Balance at September 30, 2012	\$ (38.3)	\$ (5.6)	\$ 1.3	\$ (42.6)

(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 nine months ended September 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	1.1		1.6
Amounts reclassified from accumulated other comprehensive loss	4.4		(0.4)	4.0
Income tax expense	(1.6)		0.1	(1.5)
Net other comprehensive income (loss)	3.3	1.1	(0.3)	4.1
<b>Balance at September 30, 2013</b>	<b>\$ (30.8)</b>	<b>\$ (1.6)</b>	<b>\$ 1.0</b>	<b>\$ (31.4)</b>

The changes in Accumulated other comprehensive loss by component for the nine months ended September 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		0.3		0.3
Amounts reclassified from accumulated other comprehensive loss	3.9		(0.4)	3.5
Income tax expense	(1.5)		0.1	(1.4)
Net other comprehensive income (loss)	2.4	0.3	(0.3)	2.4
Balance at September 30, 2012	\$ (38.3)	\$ (5.6)	\$ 1.3	\$ (42.6)

(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.

**Note 20 Subsequent Event**

*Agreement to Sell Carlisle Transportation Products*

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

In October 2013, the Company entered into a definitive agreement to sell its Transportation Products business for total cash consideration of \$375 million, subject to working capital and other customary adjustments. The Transportation Products disposal group consists primarily of the assets and associated liabilities of the Transportation Products segment, with certain assets and liabilities excluded in accordance with the sale agreement. The Company expects that the sale, which is subject to customary closing conditions including regulatory clearances, is expected to close in the first quarter of 2014.

At September 30, 2013, the Transportation Products business did not meet the criteria to be considered held-for-sale. Beginning in the fourth quarter of 2013, in connection with the definitive agreement, the assets and associated liabilities of the Transportation Products disposal group will be considered held-for-sale and the related results of operations will be presented as discontinued operations in the Company's consolidated financial statements. All prior period results of operations will be retrospectively adjusted as discontinued operations.

Table of Contents

Major classes of assets and associated liabilities of the Transportation Products disposal group subject to this sale are as follows:

<b>(in millions)</b>	<b>September 30, 2013</b>
Cash and cash equivalents	\$ 0.5
Receivables, net of allowance	84.0
Inventories	181.5
Property, plant and equipment	162.2
Other assets	7.4
Total assets	\$ 435.6
Current liabilities	84.6
Other liabilities	1.5
Total liabilities	\$ 86.1

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 Interconnect Technologies ( CIT or the Interconnect Technologies segment );**
- **Carlisle Brake & Friction ( CBF or the Brake & Friction segment );**
- **Carlisle FoodService Products ( CFSP or the FoodService Products segment ); and**
- **Carlisle Transportation Products ( CTP or the Transportation 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 6.4% in the third quarter of 2013 to \$968.8 million, compared to \$910.2 million for the same period in 2012. Acquisitions in the Interconnect Technologies segment contributed \$23.7 million, or 2.6%, to net sales in the third quarter of 2013. For the third quarter of 2013, organic sales grew by 3.7% primarily reflecting strong demand at our Construction Materials and Interconnect Technologies segments partially offset by 23% lower sales by our Brake & Friction segment. During the third quarter of 2013, the increase in net sales from fluctuations in foreign currency exchange rates was negligible.

Contribution from the acquisition of Thermax/Raydex, the third quarter of 2013, EBIT (earnings before interest and taxes) increased by 12%, primarily due to higher sales volume, and earnings improvement at Transportation Products and Foodservice Products, partially offset by lower margin at Brake & Friction and plant startup costs at Construction Materials. Included in EBIT for the third quarter of 2012 was \$6.9 million in restructuring costs at Foodservice Products. Our income from continuing operations, net of tax, of \$76.6 million increased by 9.9% in the third quarter of 2013, from income of \$69.7 million in the third quarter of 2012, primarily due to EBIT growth during the quarter.

For the nine months ended September 30, 2013, net sales increased 1.4% to \$2.82 billion, compared to \$2.78 billion for the same period in 2012, reflecting contribution from acquisitions partially offset by a slight decline in organic sales. Acquisitions in the Interconnect Technologies and Construction Materials segments contributed \$78.9 million, or 2.8%, to net sales in the first nine months of 2013. For the first nine months of 2013, our organic sales decline of 1.5% primarily reflected lower volume at our Brake & Friction segment. Partially offsetting this was growth in our Construction Materials and Interconnect Technologies segments on higher commercial roofing and aerospace demand, respectively.

For the first nine months of 2013, our EBIT declined by 38%, primarily due to the \$100.0 million impairment charge at Transportation Products recorded during the second quarter of 2013. In addition to the impairment charge, EBIT declined due to lower sales volume and higher per-unit production costs primarily at Brake & Friction and unfavorable selling price versus raw material costs at Construction Materials. Income from continuing operations, net of tax, of \$140.1 million declined by 36% in the first nine months of 2013 from income of \$219.2 million in the first nine months of 2012, primarily due to the after-tax impact of the

Table of Contents

impairment charge, lower sales and production volume impacting earnings, partially offset by an \$11.8 million tax benefit recognized during the first nine 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. On October 20, 2013, we entered into a definitive agreement for the sale of the Transportation Products segment and associated assets to American Industrial Partners ( AIP ) for \$375 million in cash, subject to working capital and other customary adjustments. This transaction is expected to close in the first quarter of 2014. Beginning in the fourth quarter of 2013, the results of Transportation Products and all prior periods, including the impairment charge and any gain or loss on the sale, will be reported as discontinued operations.

For the full year of 2013, with the results of Transportation Products reclassified to discontinued operations, we expect sales growth from acquisitions and organic growth to total in the low single digit percent range. We expect continued growth in the commercial roofing and aerospace markets for our Construction Materials and Interconnect Technologies segments, respectively, in the fourth quarter of 2013. We are also expecting continued EBIT improvement at our Foodservice Products segment due to savings from restructuring activities completed in 2012. Due to the challenges in some of our end markets, particularly in Brake & Friction, we expect EBIT margin, excluding the results of Transportation Products, to be modestly less than the EBIT margin achieved in 2012.

With the anticipated proceeds from the sale of Transportation Products, in addition to our cash on hand, we intend to utilize our capital resources in furtherance of our long-term goals, including making investments in capital projects and acquisitions of businesses with a margin and growth profile that fits our objectives. In addition, we expect to be more active with share repurchases. We will have ample resources to pursue our long term objectives and other alternatives to increase shareholder value.

**Net Sales**

(in millions)	Three Months Ended September 30,			Acquisition	Volume	Price	Product	Exchange
	2013	2012	Change	Effect	Effect	Effect	Mix Effect	Rate Effect
Net Sales	\$ 968.8	\$ 910.2	6.4%	2.6%	5.9%	(2.2)%	0.0%	0.1%

(in millions)	Nine Months Ended September 30,			Acquisition	Volume	Price	Product	Exchange
	2013	2012	Change	Effect	Effect	Effect	Mix Effect	Rate Effect
Net Sales	\$ 2,821.9	\$ 2,783.8	1.4%	2.8%	(0.5)%	(1.0)%	0.1%	0.0%

For the third quarter of 2013, organic sales increased 3.7% primarily reflecting 10.7% growth at our Construction Materials segment, 7.8% organic growth at our Interconnect Technologies segment and 4.1% growth at our Transportation Products segment. This increase was partially offset by 23% lower sales at our Brake & Friction segment and 7.3% lower sales at our Foodservice Products segment. The acquisition of Thermax and Raydex (collectively Thermax/Raydex ) in the Interconnect Technologies segment contributed \$23.7 million to net sales in the third quarter of 2013. During the third quarter of 2013, the increase in net sales from fluctuations in foreign currency exchange rates was negligible.



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

For the first nine months of 2013, the 1.5% organic sales decline primarily reflected lower volume at our Brake & Friction, Foodservice Products and Transportation Products segments partially offset by higher sales volume at our Construction Materials and Interconnect Technologies segments. Our sales during the first half of 2013 were negatively impacted by unfavorable weather conditions affecting the Construction Materials and Transportation Products segments. These negative impacts were partially offset by 3.7% organic sales growth during the third quarter of 2013. Acquisitions in the Interconnect Technologies and Construction Materials segments contributed \$78.9 million to net sales in the first nine months of 2013.

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 increased 7% from \$190.8 million in the third quarter of 2012, or 21.0% of net sales, to \$204.6 million in the third quarter of 2013, or 21.1% of net sales. The acquisition of Thermax/Raydex in the Interconnect Technologies segment contributed \$6.4 million in global sales during the third quarter of 2013. Organic growth in global sales was driven primarily by strengthening demand for Construction Materials commercial roofing applications from customers in Europe and Canada. Brake & Friction's sales outside the United States decreased by only 6% versus the prior year, in part reflecting higher concentration of sales by its Italian subsidiary to overseas OEM's in the agriculture market, which experienced growth during the quarter. Our total sales to customers

Table of Contents

located outside the United States increased from \$596.9 million in the first nine months of 2012, or 21.4% of net sales, to \$603.2 million in the first nine months of 2013, or 21.4% of net sales.

**Gross Margin**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Gross profit	\$ 234.8	\$ 225.9	3.9%	\$ 662.6	\$ 692.6	(4.3)%
Gross margin	24.2%	24.8%		23.5%	24.9%	

For the third quarter of 2013, our gross margin (gross profit expressed as a percentage of net sales) decreased 60 basis points versus the prior year period due to lower sales and production primarily within the Brake & Friction segment and lower selling prices versus raw material expenses in the Construction Materials segment and plant start-up expense at Construction Materials. These negative impacts were partially offset by higher sales volume at Construction Materials, Transportation Products and Interconnect Technologies, lower raw material costs and operating improvements at Transportation Products and earnings improvement at Foodservice Products.

The decrease in gross margin for the first nine months of 2013 versus the prior year reflected lower sales volume and production primarily within the Brake & Friction segment and lower selling prices versus raw materials at Construction Materials. Included in gross margin for the first nine 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 and \$5.0 million related to plant startup expense at Construction Materials. By comparison, included in gross margin for the first nine 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 September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Selling & Administrative	\$ 105.8	\$ 101.1	4.6%	\$ 321.2	\$ 314.6	2.1%
As a percentage of net sales	10.9%	11.1%		11.4%	11.3%	

Selling and administrative expenses in the third quarter of 2013 included \$3.5 million in incremental selling expenses and administrative costs of acquired operations in the Interconnect Technologies segment, and higher selling expense at Construction Materials connected with higher sales volume. This increase was partially offset by reduced administrative cost spending connected with cost reduction efforts primarily at Brake & Friction and Foodservice Products.

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

Selling and administrative expenses in the first nine months of 2013 included \$11.8 million in incremental selling expenses and administrative costs of acquired operations in the Interconnect Technologies and Construction Materials segments and higher selling expense at Construction Materials. Partially offsetting this increase were lower costs in 2013 due to the non-recurrence of \$0.8 million in acquisition costs in the Construction Materials segment for Hertalan recorded in the first nine months of 2012 and reduced spending on administrative expenses during 2013 connected with cost reduction efforts primarily at Brake & Friction and Foodservice Products.

Table of Contents**Research and Development Expenses**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Research and Development	\$ 8.8	\$ 8.1	8.6%	\$ 27.4	\$ 24.4	12.3%
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 nine month periods ended September 30, 2013, reflected \$0.2 million and \$0.8 million, respectively, in expenses related to acquisitions and increased activities related to product reengineering and development primarily in the Interconnect Technologies segment.

**Goodwill Impairment**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Goodwill Impairment	\$	\$	NA	\$ 100.0	\$	100.0%
As a percentage of net sales	%	%		3.5%	%	

During the three months ended June 30, 2013, the Company's Transportation Products reporting unit recognized a 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 was 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. During the three months ended September 30, 2013, management completed the process of determining 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. Finalization of the impairment analysis did not result in any adjustments to the initial estimate of impairment loss.

**Other (Income) Loss, net**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Other (Income) Loss, net	\$ (3.2)	\$ 6.1	152.5%	\$ (2.0)	\$ 6.5	130.8%

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

As a percentage of net sales	<b>(0.3)%</b>	0.7%	<b>(0.1)%</b>	0.2%
------------------------------	---------------	------	---------------	------

Other income, net in the three and nine month periods ending September 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 as well as net gain on the sale of fixed assets. During the third quarter of 2013, the Construction Materials recorded a \$1.3 million positive adjustment to the fair value of contingent consideration related to its 2011 acquisition of PDT based upon an earn-out settlement agreement with the former owners, which will be paid in the fourth quarter of

Table of Contents

2013. In addition, during the third quarter of 2013, Foodservice Products sold its distribution facility in Reno, NV and recognized a pre-tax gain of \$1.0 million on the sale.

Other loss, net in the three and nine month periods ending September 30, 2012 primarily reflects asset impairment charges of \$6.0 million related to actions taken by the Foodservice Products segment to exit certain operations and discontinue the flameless chafer product line.

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

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
EBIT	\$ 123.4	\$ 110.6	11.6%	\$ 216.0	\$ 347.1	(37.8)%
EBIT Margin	12.7%	12.2%		7.7%	12.5%	

The 12% growth in EBIT from the third quarter of 2012 to the third quarter of 2013 was primarily attributable to higher sales at our Construction Materials, Interconnect Technologies and Transportation Product segments, lower raw material and operating costs at Transportation Products, contributions from acquisitions and the non-recurrence of \$6.9 million in restructuring charges in the Foodservice Products segment. Restructuring charges at Foodservice Products during 2012 consisted of \$4.4 million in plant restructuring charges and \$2.5 million in non-cash charges related to the abandonment of Foodservice Products' flameless chafer product line. These positive impacts were partially offset by the significant sales volume decline and reduced EBIT at our Brake & Friction segment as well as negative selling price versus raw material costs and plant startup expense at Construction Materials.

The 38% decline in EBIT for the first nine months of 2013 was primarily impacted by the \$100.0 million impairment charge at our Transportation Products segment recorded during the second quarter of 2013. In addition, our EBIT declined during this period versus the prior year due to lower sales volume and higher per-unit production costs at our Brake & Friction segment, plant startup expense at Construction Materials, partially offset by the positive impact from the non-recurrence of \$6.4 million in plant restructuring costs and \$2.5 million for the aforementioned charges to abandon the flameless chafer product line at Foodservice Products.

EBIT from the acquisition of Thermax/Raydex in the Interconnect Technologies segment during the three months ended September 30, 2013 was \$4.0 million. During the nine months ended September 30, 2013, EBIT from the acquisitions of Thermax/Raydex in the Interconnect Technologies segment and from Hertalan in the Construction Materials segment totaled \$10.5 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 nine months ended September 30, 2012 included \$3.9 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**

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Gross interest expense	\$ 8.6	\$ 6.4		\$ 25.6	\$ 19.5	
Interest income	(0.1)	(0.2)		(0.2)	(0.3)	
Interest Expense, net	\$ 8.5	\$ 6.2	37.1%	\$ 25.4	\$ 19.2	32.3%

Increase in interest expense for both the three and nine months ended September 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.

Table of Contents**Income Taxes**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Income tax expense	\$ 38.3	\$ 34.7	10.4%	\$ 50.5	\$ 108.7	(53.5)%
Effective tax rate	33.2%	33.2%		26.5%	33.2%	

The effective income tax rate on continuing operations for the nine months ended September 30, 2013 was 26.5% compared to an effective income tax rate of 33.2% for the nine months ended September 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 an \$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 year-to-date effective tax rate of 26.5% 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 increase to 30% as the impact of the aforementioned \$11.8 million discrete tax benefit has a lower overall impact on the effective tax rate on full year earnings before income taxes.

We expect the recently announced disposition will result in an estimated 1 percentage point increase to our full year effective tax rate for continuing operations once the results of the Transportation Products business are reclassified to discontinued operations.

**Income from Continuing Operations**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Income from continuing operations, net of tax	\$ 76.6	\$ 69.7	9.9%	\$ 140.1	\$ 219.2	(36.1)%
EPS						
Basic	\$ 1.20	\$ 1.11		\$ 2.19	\$ 3.50	
Diluted	1.18	1.08		2.16	3.43	

The increase in income from continuing operations, net of tax, during the third quarter of 2013 versus the prior comparative period was primarily attributable to the 12% increase in EBIT versus the prior year period partially offset by increased interest expense. The decrease in income from continuing operations during the first nine months of 2013 versus the prior comparative period was primarily attributable to the after-tax impact of goodwill impairment recognized during the second quarter of 2013 of negative \$66.1 million.



Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

Included in the decline in Diluted EPS for the nine month period ended September 30, 2013 versus the same prior year period, is \$1.02 per diluted share reflecting the negative after-tax impact of the goodwill impairment.

**Income (Loss) from Discontinued Operations**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Income (loss) from discontinued operations	\$	\$ (0.2)	\$ (0.2)	\$ 3.3
Tax expense (benefit)			(0.1)	0.1
			(0.2)	3.2
<b>EPS</b>				
Basic	\$	\$ (0.01)	\$	0.05
Diluted				0.05

Table of Contents

Income from Discontinued Operations for the nine month periods ended September 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**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Change	2013	2012	Change
Net Income	\$ 76.6	\$ 69.5	10.2%	\$ 140.0	\$ 222.4	(37.1)%
EPS						
Basic	\$ 1.20	\$ 1.10		\$ 2.18	\$ 3.55	
Diluted	1.18	1.08		2.14	3.48	

The increase in Net income during the third quarter of 2013 versus the prior comparative period was primarily attributable to the 10% growth in Income from Continuing Operations versus the prior year period. The decrease in Net income during the first nine months of 2013 was impacted by the decline in Income from Continuing Operations, which included the goodwill impairment, as well as the decline in Income from Discontinued Operations versus the prior year period.

**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 September 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. During the third quarter of 2013 we reached an agreement with the former owner on early settlement terms for the contingent consideration. Settlement is scheduled to occur in the fourth quarter of 2013. As a result of this agreement, a favorable adjustment to the fair value of contingent consideration was recorded during the third quarter of 2013 of \$1.3 million. As of September 30, 2013, the fair value of contingent consideration was measured at \$9.5 million reflecting the terms of the settlement agreement.

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,

Table of Contents

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.

**Carlisle Construction Materials ( CCM )**

(in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 505.7	\$ 456.7	\$ 49.0	10.7%	\$ 1,335.8	\$ 1,280.5	\$ 55.3	4.3%
EBIT	\$ 83.0	\$ 79.6	\$ 3.4	4.3%	\$ 197.0	\$ 207.0	\$ (10.0)	(4.8)%
EBIT Margin	16.4%	17.4%			14.7%	16.2%		

CCM's sales growth of 11% during the third quarter of 2013 versus the same prior year period reflected improving market conditions for both non-residential construction and reroofing, partially offset by lower selling price. A portion of the sales growth during the third quarter of 2013 was from orders that were delayed earlier in the year due to unfavorable weather conditions for roof installations. While sales demand improved significantly from prior quarters in 2013, the market became slightly more price competitive during the third quarter of 2013. CCM achieved 13% sales growth in its waterproofing and coatings 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 11%.

For the first nine months of 2013, CCM's sales grew 4.3% versus the prior year reflecting growing demand throughout the year from increased non-residential construction and reroofing activity, partially offset by the negative impact of harsher than normal weather conditions earlier in 2013. On a year-to-date basis, CCM's sales of its waterproofing/coatings and Insulfoam products have grown by 13% and 12%, respectively.

During the third quarter of 2013, CCM's EBIT margin decreased by 100 basis points versus the prior year period to 16.4%, reflecting lower selling price and higher raw material costs primarily for its insulation product lines. Included in CCM's EBIT for the third quarter of 2013 was a \$1.3 million positive adjustment to the fair value of contingent consideration related to CCM's 2011 acquisition of PDT. Offsetting this were \$3.4 million in expenses related to the start-up of operations at CCM's new insulation plant in Montgomery, NY and the write-off of assets disposed as part of the plant relocation from Kingston, NY to Montgomery, NY.

For the first nine months of 2013, the decrease in CCM's EBIT margin of 150 basis points versus the prior year period primarily reflected lower selling price and higher raw material costs partially offset by higher sales volume. CCM also incurred start up expense related to two new polyiso facilities in Puyallup, WA and Montgomery, NY for the nine month period ended September 30, 2013 of \$5.5 million. By comparison, included in CCM's EBIT for the nine month period ending September 30, 2012 were charges of \$2.1 million for acquisitions primarily due to additional cost of goods sold resulting from the fair valuation of inventory, \$0.8 million for inventory writedown of discontinued product lines and \$0.3 million of exit and disposal costs related to plant consolidations.

CCM's total capital expenditures in 2013 are expected to be approximately \$66 million. In 2013, CCM completed construction on a 407,000 sq. ft. polyiso plant in Puyallup, WA to service demand in the Pacific-Northwest region and this plant is fully operational. During 2013, CCM

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

completed construction on a 300,000 square foot facility in Montgomery, NY to relocate polyiso operations from its previous 168,000 square foot facility in Kingston, NY. Production at the new Montgomery plant commenced during the third quarter. In addition, CCM is currently constructing a new PVC (polyvinyl chloride) roofing membrane manufacturing line at our Greenville, Illinois location. PVC membrane comprises approximately 16% of the commercial roofing market and is a growing market segment. The new PVC manufacturing line is expected to be operational by 2014. Beginning in the third quarter 2013, CCM commenced a project to add 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 reroofing, which currently constitutes approximately 75% of its commercial activity. The 75% share of reroofing to CCM's total

Table of Contents

commercial roofing activity may lessen in upcoming years as growth rates for non-residential construction are anticipated to be higher than reroofing during this period. However, reroofing activity is expected to remain a significant portion of CCM's business due to the large base of installed roofs requiring replacement in a given year. The near term outlook for growth in non-residential construction, particularly in the commercial construction market, is favorable due to underlying improvements in the housing market, increasing availability of credit and domestic energy production. Budget constraints at local and federal government levels could have a negative impact of growth rates in the market for institutional construction. Growth in demand in the housing and commercial construction market can be negatively impacted by changes in fiscal policy and rising interest rates.

While market conditions in the commercial roofing market are improving, maintaining current selling price levels or implementing selling price increases may continue to be challenging. CCM's ability to recover higher raw material costs through price increases or surcharges is subject to significant price competition.

**Carlisle Interconnect Technologies ( CIT )**

(in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 147.8	\$ 115.0	\$ 32.8	28.5%	\$ 434.7	\$ 340.5	\$ 94.2	27.7%
EBIT	\$ 24.8	\$ 18.7	\$ 6.1	32.6%	\$ 65.5	\$ 52.8	\$ 12.7	24.0%
EBIT Margin	16.8%	16.3%			15.1%	15.5%		

CIT's sales growth during the third quarter of 2013 of 29% reflected organic growth of 7.8% and sales from the Thermax/Raydex acquisition of \$23.7 million, or 20.6%. Sales in CIT's aerospace market were up 10%, driven by strong demand for in-flight entertainment applications and increased orders related to the ramp up of the Boeing 787 program and other Boeing and Airbus aircraft programs. CIT's sales to the test and measurement market, which currently comprises approximately 5% of CIT's total sales, nearly doubled related to new business development efforts. Growth in the aerospace and test and measurement product lines were partially offset by 11% lower sales to the military and defense market due to government fiscal constraints. CIT's sales to the industrial market, which currently comprises less than 3% of CIT's organic sales, declined by 21% reflecting weakness in the heavy equipment market.

For the nine months ended September 30, 2013, sales from the acquisition of Thermax/Raydex contributed \$75.2 million, or 22.1% to total sales. CIT's organic sales growth on a year-to-date basis of 5.6% reflects a 10% increase in aerospace sales and a 35% increase in test and measurement, partially offset by a 13% decline in military sales and a 20% decline in sales for CIT's industrial connector applications. On a year to date basis, CIT's sales to the industrial market comprise only 3% of CIT's organic sales. Demand in the industrial equipment market has been negatively impacted by the weakness in construction and mining activities impacting heavy equipment manufacturers throughout 2013. Including the sales from the acquisition of Thermax/Raydex, CIT's overall sales to the industrial market represent 8% of CIT's total year-to-date sales of \$434.7 million.

CIT's EBIT margin increased by 50 basis points in the third quarter of 2013 versus the prior year period primarily on higher sales volume offset by lower selling price and unfavorable mix changes. EBIT contribution from the Thermax/Raydex acquisition was \$4.0 million.

CIT's EBIT margin for the first nine months of 2013 decreased by 40 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 \$10.9 million year-to-date, including \$1.1 million in acquisition related costs mostly due to additional cost of goods sold resulting from the fair valuation of acquired inventory. By comparison, included in CIT's EBIT for the first nine months of 2012 were \$1.8 million in acquisition costs primarily due to additional cost of goods sold resulting from the fair valuation of inventory.

The outlook for CIT in the commercial aerospace market remains favorable with a strong delivery cycle for new wide body aircraft expected over the next few years. Both Airbus and Boeing forecast growing demand for aircraft delivery over the next several years. CIT is undergoing negotiations with Boeing under this customer's Accelerated Opportunity Capture ( AOC ) program related

Table of Contents

to pricing and securing of long-term contracts. The potential outcome related to these negotiations may negatively impact revenue and EBIT for CIT in future periods beginning in the fourth quarter of 2013. This may offset some of the benefits of the expected growth in this market.

The market for IFE applications has been a growth area for CIT in 2013 and the outlook remains positive. One of CIT's key IFE customers comprises approximately 19% of CIT's overall sales. Much of CIT's current sales for IFE applications pertain to interconnect products installed in aircraft seating. The use of wireless connectivity to personal devices ( BYOD ) for in-flight entertainment is increasing versus traditional seat installed IFE. Significant product development is occurring to develop applications for on board connectivity although some product launches have been delayed due to regulatory requirements that are being established in response to the new technology. The outlook for connectivity applications is expected to be strong but may result in lower or more moderate demand for installed IFE applications over a longer period of time. CIT manufactures and markets separate applications for both the connectivity and installed IFE space.

The outlook for military applications is expected to remain uncertain for the near term due to ongoing budget negotiations and sequestration. The weakness in demand for industrial applications to heavy equipment manufacturers is also expected to remain at current levels for the near term. While demand for interconnect applications for heavy equipment manufacturing remain depressed, CIT also supplies interconnect products to industrial customers in the energy exploration market, providing further product and end market diversification.

CIT is currently investing in projects to expand its offerings into the medical cabling industry in order to add market diversification and additional revenue for the remainder of 2013 and in future periods.

**Carlisle Brake & Friction ( CBF )**

(in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 85.2	\$ 110.6	\$ (25.4)	(23.0)%	\$ 269.6	\$ 361.3	\$ (91.7)	(25.4)%
EBIT	\$ 5.2	\$ 18.9	\$ (13.7)	(72.5)%	\$ 28.6	\$ 66.6	\$ (38.0)	(57.1)%
EBIT Margin	6.1%	17.1%			10.6%	18.4%		

Demand in CBF's primary markets for off-highway braking products continued to be significantly lower than the previous year reflecting depressed demand in the heavy equipment market. CBF's 23% lower sales during the third quarter 2013 primarily reflected lower volume and, to a much smaller extent, lower selling price. Demand for CBF's braking and friction applications to the construction and mining markets declined by 28% and 46%, respectively, versus the prior year. Partially offsetting these declines was an increase in CBF's sales into the agriculture market of 12%.

On a sequential basis, CBF's sales during the third quarter of 2013 of \$85.2 million declined 9.0% from sales during the second quarter of 2013 of \$93.6 million primarily reflecting lower demand and, to a lesser extent, lower selling price. A significant portion of the sale decline reflected an order delay from one of CBF's aircraft customers. Contractual orders to this customer have been rescheduled for the early part of 2014.



For the first nine months of 2013, CBF's sales decrease of 25% reflected the significant reduction in demand from global heavy equipment manufacturers due to the slowdown in construction and mining activity. Sales to the agriculture market increased by 5% on a year to date basis, reflecting lower demand in the first quarter of 2013 offset by improved market conditions during the second and third quarters of 2013.

EBIT decreased during the three months ended September 30, 2013 by 73% at CBF reflecting lower sales volume, lower selling price and higher per-unit production costs due to lower production. CBF's decline in EBIT during the first nine months of 2013 versus the same prior year period primarily reflected lower sales volume and higher per-unit production costs due to lower production, partially offset by operating and administrative cost savings due to cost reduction efforts. CBF is taking numerous steps to reduce operating costs in light of current market conditions which include reduction in administrative costs and personnel and targeted salary reductions. CBF has reduced headcount by approximately 20% since the beginning of 2012 in connection with lower sales.

Table of Contents

On October 11, 2013, to further streamline operations and reduce manufacturing costs, Carlisle Brake & Friction announced plans to close its manufacturing facility in Akron, OH; relocate manufacturing previously conducted at this facility to other Company facilities; and, sell the facility's remaining assets. The project is expected to cost approximately \$3.0 million, including costs for employee termination, contract termination, legal and consulting services, and relocation and retrofitting of plant assets. Of these costs, \$1.2 million pertains to non-cash expense for accelerated depreciation of fixed assets. As of September 30, 2013 no costs were incurred related to this project. All costs are expected to be incurred beginning in the fourth quarter of 2013 and through the first half of 2014. Annualized savings from this project are estimated to be \$0.6 million to be realized beginning in the latter part of 2014.

CBF's sales beginning in the latter part of 2012 through 2013 have been significantly impacted by the cyclical downturn in the heavy equipment market tied to emerging market growth being lower than expectations and reduced demand for commodities. Recovery is not expected in the near term. In addition, select pricing dynamics in the current demand environment may place pressure on sales and EBIT in future periods. One of CBF's customers represents approximately 18% of CBF's total sales. Decline in orders from this global OEM customer has had a significant impact on CBF's overall sales decline during 2013.

Despite the current contraction in the construction and mining end markets, the long term global macroeconomic drivers for CBF are favorable. Demand for infrastructure spending in developing regions such as Asia Pacific and South America and need for agriculture spending due to worldwide demographic trends are expected to grow over the long term and are underlying drivers of demand for CBF's highly specialized off-highway braking applications.

**Carlisle FoodService Products ( CFSP )**

(in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 58.1	\$ 62.7	\$ (4.6)	(7.3)%	\$ 178.9	\$ 185.2	\$ (6.3)	(3.4)%
EBIT	\$ 6.9	\$ (1.2)	\$ 8.1	675.0%	\$ 19.3	\$ 10.0	\$ 9.3	93.0%
EBIT Margin	11.9%	(1.9)%			10.8%	5.4%		

CFSP's sales decrease during the third quarter of 2013 primarily reflected lower sales volume, and, to a lesser extent, lower pricing due to a higher amount of rebates and allowances during 2013 versus 2012. Sales to the foodservice market were lower by 11% and sales to the healthcare industry were lower by 7% during the third quarter of 2013. These reductions were offset by 13% higher sales to the janitorial/sanitation market, which currently comprises approximately 15% of CFSP's total sales, reflecting new account conversions. For the first nine months of 2013, CFSP's 3.4% sales decline reflected 7% lower foodservice sales partially offset by 9% higher sales to the janitorial/sanitation market. Sales to the healthcare market were relatively level over the prior year for the first nine months of 2013.

CFSP's EBIT growth primarily reflected the non-recurrence of \$6.9 million in plant restructuring costs incurred during the third quarter of 2012. Also included in CFSP's EBIT for the third quarter of 2013 was a gain of \$1.0 million on the sale of its distribution facility in Reno, NV, which was closed last year as part of our restructuring and consolidation efforts. CFSP's EBIT increase of 93% for the first nine months of 2013 versus the prior year reflected savings from restructuring and administrative cost reductions, the non-recurrence of the aforementioned restructuring charges from the prior year, partially offset by lower sales volume.

During 2012, to streamline operations, CFSP closed its 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 \$4.1 million was realized through the first nine months of 2013.

The outlook for the foodservice market in the near term is expected to remain in line with U.S. GDP growth expectations with a still modest but slightly higher growth projected in 2014. The healthcare market has been challenging in 2013 due to cost pressures within this market; however pent-up demand for replacement equipment may provide modest growth in 2014. CFSP has made significant operating and performance improvements throughout the course of 2013. Continued margin increases are expected in upcoming periods based upon ongoing profit improvement initiatives addressing both operations and sales.

Table of Contents**Carlisle Transportation Products ( CTP )**

(in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Net Sales	\$ 172.0	\$ 165.2	\$ 6.8	4.1%	\$ 602.9	\$ 616.3	\$ (13.4)	(2.2)%
EBIT	\$ 13.9	\$ 7.4	\$ 6.5	87.8%	\$ (58.4)	\$ 47.7	\$ (106.1)	(222.4)%
EBIT Margin	8.1%	4.5%			(9.7)%	7.7%		

CTP's net sales increase of 4.1% during the third quarter of 2013 reflected improved market conditions particularly in the outdoor power equipment market, where orders had previously been delayed due to unfavorable weather conditions earlier in 2013 and excess channel inventory. CTP achieved increased sales in all major product lines with the exception of power sports. Sales in the outdoor power equipment, power transmission and high speed trailer markets increased by 18%, 12% and 5%, respectively. Sales to CTP's customers in the power sports market declined by 12%. Sales to CTP's customers in the agriculture/construction market were relatively level to the prior year.

CTP's net sales decline of 2.2% for the first nine months of 2013 primarily reflects lower sales volume and lower selling prices. The year-to-date decline in sales was impacted by lower demand in the outdoor power equipment and agriculture/construction markets occurring during the first half of 2013 that was in part due to unfavorable weather conditions earlier in the year and excess inventory at OEM's. This decline during the first half was partially offset by CTP's sales growth of 4.1% during the third quarter of 2013.

CTP's EBIT during the third quarter of 2013 increased by 88% due to higher sales volume, lower raw material costs and operating cost savings, including savings from prior year plant restructurings. CTP's EBIT margin improved 360 basis points to 8.1%. CTP's EBIT for the first nine months of 2013 decreased by 222% due primarily to a non-cash \$100.0 million charge for goodwill impairment, that was recorded during the second quarter of 2013. In addition to the impairment charge, CTP's EBIT for the first nine months of 2013 declined due to lower sales volume and selling price, partially offset by savings from plant consolidation activities.

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. CTP's practice of level loading to even out production throughout the year, despite sales being more concentrated during the first half of the year, has resulted in CTP's EBIT margin staying more consistent throughout the year. Near term demand in the outdoor power equipment market is expected to be favorable with inventory levels at customers having returned to more normalized levels. 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. 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. On October 20, 2013, we entered into a definitive agreement for the sale of the Transportation Products business and associated assets to AIP for \$375 million in cash, subject to working capital and other customary adjustments. This transaction is expected to close in the first quarter of 2014. Beginning in the fourth quarter of 2013, the results of Transportation Products and all prior periods, including the impairment charge and any associated gain or loss on the sale, will be reported as discontinued operations.



Table of Contents**Corporate expense**

(in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2013	2012	Change \$	Change %	2013	2012	Change \$	Change %
Corporate expenses	\$ (10.4)	\$ (12.8)	\$ 2.4	18.8%	\$ (36.0)	\$ (37.0)	\$ 1.0	2.7%
As a percentage of net sales	(1.1)%	(1.4)%			(1.3)%	(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 reduction in corporate expense during the third quarter of 2013 reflects lower stock-based compensation expense due to the acceleration of stock awards recorded during the first quarter of 2013 as well as lower overseas headquarters expense in 2013 versus the prior year. The reduction in corporate expense for the first nine months of 2013 versus the prior year period primarily reflects lower overseas headquarters expense.

***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 September 30, 2013, we had \$332.4 million of cash and cash equivalents on hand, of which \$108.0 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 September 30, 2013, we had cash and cash equivalents of \$14.0 million located in wholly owned subsidiaries of the Company within China.

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

Nine Months Ended September 30,

Edgar Filing: CARLISLE COMPANIES INC - Form 10-Q

(in millions)	2013	2012	Change
Net cash provided by operating activities	\$ 315.5	\$ 323.2	\$ (7.7)
Net cash used in investing activities	(71.0)	(117.2)	46.2
Net cash used in financing activities	(24.4)	(194.5)	170.1
Effect of exchange rate changes on cash	(0.2)	0.9	(1.1)
Change in cash and cash equivalents	\$ 219.9	\$ 12.4	

Net cash provided by operating activities of \$315.5 million for the nine months ended September 30, 2013 was \$7.7 million lower than they the prior year primarily due to lower earnings from operations during the current year versus the same prior year period. Cash provided by working capital and other assets and liabilities of \$14.1 million for the nine months ending September 30, 2013 compared to cash provided of \$15.2 million for the nine months ending September 30, 2012. A primary contributor to the positive contribution from working capital for the nine months ended September 30, 2013 was reduction in inventory, which provided cash of \$56.2 million since the start of 2013.

Table of Contents

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 the nine months ending September 30, 2013, average working capital as a percentage of annualized sales decreased to 20.7%, from 22.1% during the same prior year period. The reduction primarily reflected an increase in inventory turns and a 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 \$71.0 million for the nine months ended September 30, 2013, compared to \$117.2 million for the nine months ended September 30, 2012. Capital expenditures were \$77.7 million in the nine months ended September 30, 2013 compared to capital expenditures of \$93.7 million in the nine months ended September 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 \$108 million.

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

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

**Debt Instruments and Covenants**

At September 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 September 30, 2013. We did not incur any borrowings under the revolving credit facility during the nine months ended September 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 September 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 September 30, 2013, our debt to capital ratio was 28%.

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 September 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

Table of Contents

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.

***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 September 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 September 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 September 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 September 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

October 22, 2013

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