

CARLISLE COMPANIES INC  
Form 10-Q  
July 26, 2011

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011**

**OR**

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

Commission file number 1-9278

## CARLISLE COMPANIES INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

**13925 Ballantyne Corporate Place, Suite 400, Charlotte, North Carolina 28277**

(Address of principal executive office, including zip code)

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**(704) 501-1100**

(Telephone Number)

Indicate by check mark whether 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Shares of common stock outstanding at July 20, 2011: 61,607,328

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## Item 1. Financial Statements

## Carlisle Companies Incorporated

## Unaudited Condensed Consolidated Statements of Earnings

| (Dollars in millions, except per share amounts)              | Second Quarter |          | First Six Months |            |
|--|----------------|----------|------------------|------------|
|  | 2011           | 2010     | 2011             | 2010       |
| Net sales  | \$ 870.8       | \$ 687.6 | \$ 1,564.4       | \$ 1,234.9 |
| Cost and expenses:   |                |          |                  |            |
| Cost of goods sold   | 687.1          | 544.0    | 1,233.6          | 979.3      |
| Selling and administrative expenses                          | 92.2           | 73.8     | 177.9            | 143.2      |
| Research and development expenses                            | 7.3            | 6.4      | 14.3             | 10.8       |
| Other income, net  | (1.2)          | (0.6)    | (2.0)            | (1.2)      |
| Earnings before interest and income taxes                    | 85.4           | 64.0     | 140.6            | 102.8      |
| Interest expense, net  | 4.9            | 1.8      | 10.0             | 3.7        |
| Income before income taxes                                   | 80.5           | 62.2     | 130.6            | 99.1       |
| Income tax expense   | 25.2           | 23.4     | 42.0             | 37.2       |
| Income from continuing operations, net of tax                | 55.3           | 38.8     | 88.6             | 61.9       |
| Discontinued operations                                      |                |          |                  |            |
| Income (loss) from discontinued operations                   | (1.3)          | (0.4)    | (1.2)            | 1.3        |
| Income tax expense (benefit)                                 | (0.6)          | (0.2)    | (0.6)            | 0.4        |
| Income (loss) from discontinued operations, net of tax       | (0.7)          | (0.2)    | (0.6)            | 0.9        |
| Net income   | \$ 54.6        | \$ 38.6  | \$ 88.0          | \$ 62.8    |
| Basic earnings per share attributable to common shares (1)   |                |          |                  |            |
| Income from continuing operations, net of tax                | \$ 0.89        | \$ 0.63  | \$ 1.43          | \$ 1.01    |
| Income (loss) from discontinued operations, net of tax       | (0.01)         |          | (0.01)           | 0.02       |
| Basic earnings per share                                     | \$ 0.88        | \$ 0.63  | \$ 1.42          | \$ 1.03    |
| Diluted earnings per share attributable to common shares (1) |                |          |                  |            |
| Income from continuing operations, net of tax                | \$ 0.87        | \$ 0.62  | \$ 1.40          | \$ 0.99    |
| Income (loss) from discontinued operations, net of tax       | (0.01)         |          | (0.01)           | 0.02       |
| Diluted earnings per share                                   | \$ 0.86        | \$ 0.62  | \$ 1.39          | \$ 1.01    |
| Average shares outstanding - in thousands                    |                |          |                  |            |
| Basic  | 61,449         | 60,832   | 61,293           | 60,811     |
| Diluted  | 62,701         | 61,686   | 62,425           | 61,678     |

(1) Numerator for basic and diluted EPS based on two class method of computing earnings per share

|                                   |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|
| Income from continuing operations | \$ 54.8 | \$ 38.4 | \$ 87.7 | \$ 61.2 |
| Net income                        | \$ 54.1 | \$ 38.2 | \$ 87.2 | \$ 62.1 |
| Dividends declared and paid       | \$ 10.6 | \$ 9.9  | \$ 21.1 | \$ 19.7 |

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|                                       |    |             |    |      |    |             |    |      |
|---------------------------------------|----|-------------|----|------|----|-------------|----|------|
| Dividends declared and paid per share | \$ | <b>0.17</b> | \$ | 0.16 | \$ | <b>0.34</b> | \$ | 0.32 |
|---------------------------------------|----|-------------|----|------|----|-------------|----|------|

See accompanying notes to these Unaudited Condensed Consolidated Financial Statements

## Carlisle Companies Incorporated

## Consolidated Balance Sheets

| (Dollars in millions, except share and per share amounts)   |           | June 30,<br>2011<br>(Unaudited) | December 31,<br>2010 |
|---|-----------|---------------------------------|----------------------|
| <b>Assets</b>   |           |                                 |                      |
| <b>Current assets:</b>  |           |                                 |                      |
| Cash and cash equivalents   | \$        | 99.1                            | \$ 89.4              |
| Receivables, less allowance of \$10.0 in 2011 and \$9.7 in 2010   |           | 571.4                           | 391.0                |
| Inventories   |           | 444.3                           | 430.5                |
| Deferred income taxes   |           | 46.4                            | 45.7                 |
| Prepaid expenses and other current assets   |           | 46.7                            | 60.3                 |
| <b>Total current assets</b>   |           | <b>1,207.9</b>                  | <b>1,016.9</b>       |
| <b>Property, plant and equipment, net of accumulated depreciation of \$564.5 in 2011 and \$539.6 in 2010</b>  |           |                                 |                      |
|   |           | <b>527.4</b>                    | <b>533.4</b>         |
| <b>Other assets:</b>  |           |                                 |                      |
| Goodwill, net   |           | 664.0                           | 667.1                |
| Other intangible assets, net  |           | 291.5                           | 297.9                |
| Other long-term assets  |           | 10.0                            | 12.6                 |
| Non-current assets held for sale  |           | 2.1                             | 1.6                  |
| <b>Total other assets</b>   |           | <b>967.6</b>                    | <b>979.2</b>         |
| <b>TOTAL ASSETS</b>   | <b>\$</b> | <b>2,702.9</b>                  | <b>\$ 2,529.5</b>    |
| <b>Liabilities and Shareholders' Equity</b>   |           |                                 |                      |
| <b>Current liabilities:</b>   |           |                                 |                      |
| Short-term debt, including current maturities   | \$        | 100.8                           | \$ 69.0              |
| Accounts payable  |           | 273.2                           | 195.4                |
| Accrued expenses  |           | 148.0                           | 174.9                |
| Deferred revenue  |           | 16.9                            | 17.1                 |
| <b>Total current liabilities</b>  |           | <b>538.9</b>                    | <b>456.4</b>         |
| <b>Long-term liabilities:</b>   |           |                                 |                      |
| Long-term debt  |           | 405.1                           | 405.1                |
| Deferred revenue  |           | 122.2                           | 122.6                |
| Other long-term liabilities   |           | 203.4                           | 204.7                |
| <b>Total long-term liabilities</b>  |           | <b>730.7</b>                    | <b>732.4</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; 61,578,799 outstanding in 2011 and 61,024,932 outstanding in 2010 |           |                                 |                      |
|   |           | 78.7                            | 78.7                 |
| Additional paid-in capital  |           | 110.2                           | 92.4                 |
| Cost of shares of treasury - 16,516,837 shares in 2011 and 17,011,676 shares in 2010  |           | (219.9)                         | (221.6)              |
| Accumulated other comprehensive loss  |           | (31.9)                          | (38.1)               |
| Retained earnings   |           | 1,496.2                         | 1,429.3              |
| <b>Total shareholders' equity</b>   |           | <b>1,433.3</b>                  | <b>1,340.7</b>       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>\$</b> | <b>2,702.9</b>                  | <b>\$ 2,529.5</b>    |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements



**Carlisle Companies Incorporated**

## Unaudited Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2011 and 2010

(Unaudited)

| (Dollars in millions)  | 2011 | June 30, | 2010    |
|--|------|----------|---------|
| <b>Operating activities</b>  |      |          |         |
| Net income   | \$   | 88.0     | \$ 62.8 |
| Reconciliation of net income to cash flows from operating activities:                  |      |          |         |
| Depreciation   |      | 36.5     | 30.2    |
| Amortization   |      | 9.1      | 6.1     |
| Non-cash compensation  |      | 7.3      | 7.2     |
| Loss (gain) on sale of property and equipment, net                                     |      | 0.8      | (3.6)   |
| Deferred taxes   |      | (0.4)    | (7.1)   |
| Change in tax benefits from stock-based compensation                                   |      | (3.0)    | (1.5)   |
| Foreign exchange gain  |      |          | (1.2)   |
| Changes in assets and liabilities, excluding effects of acquisitions and divestitures: |      |          |         |
| Current and long-term receivables  |      | (179.7)  | (123.5) |
| Inventories  |      | (11.7)   | (24.0)  |
| Accounts payable and accrued expenses  |      | 48.8     | 70.7    |
| Income taxes   |      | 15.2     | 4.9     |
| Long-term liabilities  |      | 2.7      | (0.1)   |
| Other operating activities   |      | 0.1      | (0.4)   |
| <b>Net cash provided by operating activities</b>                                       |      | 13.7     | 20.5    |
| <b>Investing activities</b>  |      |          |         |
| Capital expenditures   |      | (33.8)   | (31.6)  |
| Acquisitions, net of cash  |      | (2.7)    |         |
| Proceeds from sale of property and equipment   |      | 1.3      | 5.2     |
| Proceeds from sale of investments  |      | 5.3      |         |
| Proceeds from sale of business   |      |          | 20.3    |
| Other investing activities   |      | 0.1      | (0.2)   |
| <b>Net cash used in investing activities</b>   |      | (29.8)   | (6.3)   |
| <b>Financing activities</b>  |      |          |         |
| Net change in short-term borrowings and revolving credit lines                         |      | 90.9     | (0.1)   |
| Redemption of bonds  |      | (59.0)   |         |
| Dividends  |      | (21.1)   | (19.7)  |
| Treasury shares and stock options, net   |      | 9.2      | 5.0     |
| Change in tax benefits from stock-based compensation                                   |      | 3.0      | 1.5     |
| <b>Net cash provided by (used in) financing activities</b>                             |      | 23.0     | (13.3)  |
| <b>Effect of exchange rate changes on cash</b>   |      | 2.8      | (0.6)   |
| <b>Change in cash and cash equivalents</b>   |      | 9.7      | 0.3     |
| <b>Cash and cash equivalents</b>   |      |          |         |
| Beginning of period  |      | 89.4     | 96.3    |
| End of period  | \$   | 99.1     | \$ 96.6 |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements





## 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. 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, including adjustments of a normal recurring nature necessary to fairly present the financial statements for the interim periods presented herein. Results of operations for the second quarter and first six months of 2011 are not necessarily indicative of the operating results for the full year. The unaudited condensed consolidated financial statements include assets, liabilities, revenues, and expenses of all majority-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

### Note 2 Reclassifications and Revisions

Certain reclassifications and revisions have been made to the previously filed information regarding the second quarter of 2010 included in the Company's Current Report on Form 8-K filed on December 3, 2010 as follows:

- The segment disclosures pertaining to the second quarter of 2010 in Note 14 have been revised to reflect the creation, in the fourth quarter of 2010, of the Carlisle Brake & Friction (CBF) reportable segment as discussed in the Company's 2010 Annual Report on Form 10-K.

### Note 3 - New Accounting Pronouncements

#### *New accounting standards adopted*

There were no accounting standards adopted in the second quarter of 2011.

#### *New accounting standards issued but not yet adopted*

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, *Presentation of Comprehensive Income*. ASU 2011-05 revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in Accounting Standards Codification (ASC) 220, *Comprehensive Income*, and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. ASU 2011-05 will be

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effective for fiscal years and interim reporting periods within those years beginning after December 15, 2011. The adoption will not have a material effect on the Company's consolidated financial statements. There are currently no other 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 4 Borrowings**

#### *5.125% Notes Due 2020*

On December 9, 2010, the Company completed a public offering of \$250.0 million of notes with a stated interest rate of 5.125% due December 15, 2020 (the 2020 Notes), resulting in proceeds to the Company of approximately \$248.9 million. The proceeds were utilized to re-pay borrowings under the Company's Revolving Credit Facility that were used to partially finance the acquisition of Hawk.

#### *8.75% Hawk Senior Notes Due 2014*

In connection with the acquisition of Hawk on December 1, 2010, the Company assumed Hawk's 8.75% senior notes previously due November 1, 2014 (the Hawk senior notes). The Hawk senior notes were recorded at estimated fair value of \$59.0 million on the date of acquisition.

On January 10, 2011, the Company redeemed all of the outstanding Hawk senior notes for approximately \$59.1 million, of which \$57.1 million related to the outstanding principal amount, \$1.9 million related to a contractual redemption premium, and \$0.1 million for accrued and unpaid interest. There was no extinguishment gain or loss recorded as the carrying value and amount paid to redeem the Hawk senior notes were the same. The Company redeemed the Hawk senior notes using borrowings under its revolving credit facility. See Note 7 for further information regarding the Hawk acquisition.

#### *Other Matters*

At June 30, 2011, the fair value of the Company's par value \$250 million, 5.125% senior notes due 2020 and par value \$150 million, 6.125% senior notes due 2016, using the Level 2 inputs, is approximately \$253.6 million and \$158.9 million, respectively. Fair value is estimated based on current yield rates plus the Company's estimated credit spread available for financings with similar terms and maturities. The Company estimates that the fair value of amounts outstanding under the revolving credit facility approximates its carrying value.

#### **Note 5 - Fair Value Measurements**

##### *Recurring Fair Value Measurements*

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

| In millions               | Balance at<br>June 30,<br>2011 | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>Level 1 | Significant<br>Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
|---------------------------|--------------------------------|--|---|--|
| Cash and cash equivalents | \$ 99.1                        | \$ 99.1  | \$  | \$   |
| Short-term investments    | 0.5                            | 0.5  |   |  |
| Total                     | \$ 99.6                        | \$ 99.6  | \$  | \$   |

#### **Note 6 Stock-Based Compensation**

During the three and six month periods ended June 30, 2011 and 2010, the Company expensed stock-based compensation awards under the 2008 Executive Incentive Program and the 2005 Nonemployee Director Equity Plan. A detailed description of the awards under these plans is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

##### *Stock-Based Compensation Expense*

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The compensation cost recorded for all of the Company's share-based compensation plans during the second quarter and first six months of 2011 and 2010 was as follows:

| (in millions, except per share amounts) | Second Quarter |         | First Six Months |         |
|---|----------------|---------|------------------|---------|
|   | 2011           | 2010    | 2011             | 2010    |
| Pre-tax compensation expense            | \$ 3.5         | \$ 3.6  | \$ 7.3           | \$ 7.2  |
| After-tax compensation expense          | \$ 2.2         | \$ 2.3  | \$ 4.7           | \$ 4.7  |
| Impact on diluted EPS                   | \$ 0.04        | \$ 0.04 | \$ 0.08          | \$ 0.08 |

## Grants

In the first quarter of 2011, the Company awarded 631,855 stock options, 110,685 restricted stock awards and 108,075 performance share awards with an aggregate fair value of approximately \$16.8 million to be expensed over the requisite service period for each award which generally equals the stated vesting period.

The grant date fair value of the 2011 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 day of grant.

The grant date fair value of the 2011 stock options with a three-year graded vesting condition was estimated under the Black-Scholes-Merton formula using the following weighted-average assumptions:

|                         |        |
|-------------------------|--------|
| Expected dividend yield | 1.67%  |
| Expected life in years  | 5.76   |
| Expected volatility     | 31.99% |
| Risk-free interest rate | 2.22%  |

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 a peer group of companies over a pre-determined time period as determined by the Compensation Committee of the Board of Directors. The grant date fair value of the 2011 performance shares was estimated using a Monte-Carlo simulation approach. Such approach entails the use of assumptions regarding the future performance of the Company's stock and those of the peer group of companies. 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 in cash based upon the number of awards ultimately earned.

There were no additional grants of stock-based compensation awarded in the second quarter of 2011.

## Note 7 Acquisitions

### Hawk Corporation

On December 1, 2010, the Company completed the acquisition of all of the outstanding equity of Hawk for a total cash purchase price of \$414.1 million. The Company funded the acquisition with cash on hand, borrowings under the Company's revolving credit facility, and the issuance of the \$250 million 2020 Notes. See Note 4 for further information regarding borrowings.

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Hawk is a leading worldwide supplier of friction materials for brakes, clutches and transmissions. With this acquisition, the Company has created a comprehensive global braking solutions platform enabling it to provide a broader line of attractive products and increasing exposure to key emerging markets such as China, Brazil and India. Together with Carlisle's core industrial brake and friction product line, Hawk became part of the Carlisle Brake & Friction segment.

The following schedule illustrates changes recorded to the preliminary purchase price allocation initially performed in the fourth quarter of 2010:

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| (in millions)  | Preliminary<br>Allocation<br>12/31/2010 | Purchase<br>Accounting<br>Adjustments<br>6/30/2011 | Revised<br>Allocation<br>6/30/2011 |
|--|---|--|------------------------------------|
| <b>Cash consideration transferred:</b>   |   |  |                                    |
| Class A common stock   | \$ 388.0                                | \$   | \$ 388.0                           |
| Class A common stock options   | 24.6                                    |  | 24.6                               |
| Series D preferred stock   | 1.5                                     |  | 1.5                                |
| Total cash consideration transferred   | \$ 414.1                                | \$   | \$ 414.1                           |
| <b>Recognized amounts of identifiable assets<br/>acquired and liabilities assumed:</b> |   |  |                                    |
| Cash & cash equivalents  | 70.7                                    |  | 70.7                               |
| Short-term investments   | 5.3                                     |  | 5.3                                |
| Receivables  | 40.7                                    |  | 40.7                               |
| Inventories  | 45.1                                    |  | 45.1                               |
| Prepaid expenses and other current assets  | 12.9                                    |  | 12.9                               |
| Property, plant and equipment  | 74.7                                    | (2.3)  | 72.4                               |
| Definite-lived intangible assets   | 92.5                                    |  | 92.5                               |
| Indefinite-lived intangible assets   | 55.1                                    |  | 55.1                               |
| Other long-term assets   | 5.9                                     |  | 5.9                                |
| Accounts payable   | (30.6)                                  |  | (30.6)                             |
| Accrued expenses   | (33.7)                                  |  | (33.7)                             |
| Long-term debt   | (59.0)                                  |  | (59.0)                             |
| Pension obligations  | (2.3)                                   |  | (2.3)                              |
| Deferred tax liabilities   | (68.9)                                  |  | (68.9)                             |
| Deferred revenue   | (2.0)                                   |  | (2.0)                              |
| Other long-term liabilities  | (8.8)                                   | 2.8  | (6.0)                              |
| Total identifiable net assets  | 197.6                                   | 0.5  | 198.1                              |
| Goodwill   | \$ 216.5                                | \$ (0.5)   | \$ 216.0                           |

The adjustment to other long-term liabilities represents a reduction of tax liabilities on uncertain tax positions related to certain payments made in connection with the acquisition. The adjustment to property, plant and equipment represents an updated valuation for those assets.

As of June 30, 2011, the fair values of the property, plant and equipment and other intangible assets are still considered preliminary and subject to change pending receipt of the final third-party valuations for those assets. Also, the related current and deferred tax balances are preliminary and subject to change pending receipt of additional information regarding the deductibility of certain payments made in connection with the acquisition and final assessment of the acquisition date fair values and tax basis of the acquired assets and assumed liabilities, including any uncertain tax positions.

#### Note 8 Discontinued Operations and Assets Held for Sale

On October 4, 2010, as part of its commitment to concentrate on its core businesses, the Company sold its specialty trailer business. The final purchase price is subject to an earn-out provision whereby the Company could receive an additional \$5 million in proceeds based on future earnings.

On February 2, 2010, the Company sold all of the interest in its refrigerated truck bodies business. The final purchase price is subject to certain indemnifications made to the buyer, which could reduce the gain in subsequent periods.



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The Company does not believe any such adjustments will result in a material change to the purchase price.

Total assets held for sale were as follows:

| In millions                  | June 30,<br>2011 | December 31,<br>2010 |
|------------------------------|------------------|----------------------|
| <b>Assets held for sale:</b> |                  |                      |
| Thermoset molding operation  | \$ 1.0           | \$ 1.6               |
| Tire and wheel business      | 1.1              |                      |
| Total assets held for sale   | \$ 2.1           | \$ 1.6               |

At June 30, 2011, the remaining assets of the thermoset molding operation consisted of the land and building it formerly occupied. The assets held for sale by the tire and wheel business relate to the land and building from its Carlisle, PA facility, which was consolidated into its Jackson, TN facility in 2010.

Net sales and income (loss) before income taxes from discontinued operations were as follows:

| In millions  | Second Quarter<br>2011 | 2010     | First Six Months<br>2011 | 2010     |
|--|------------------------|----------|--------------------------|----------|
| <b>Net sales:</b>  |                        |          |                          |          |
| Specialty trailer business                                     | \$                     | \$ 21.8  | \$                       | \$ 36.5  |
| Refrigerated truck bodies business                             |                        |          |                          | 4.6      |
| Net sales from discontinued operations                         | \$                     | \$ 21.8  | \$                       | \$ 41.1  |
| <b>Income (loss) from discontinued operations:</b>             |                        |          |                          |          |
| Specialty trailer business                                     | \$ (0.2)               | \$ 0.2   | \$ (0.3)                 | \$ (0.1) |
| Refrigerated truck bodies business                             |                        | (0.2)    |                          | 0.1      |
| On-highway friction and brake shoe business                    |                        | (0.3)    | (0.2)                    | 1.6      |
| Thermoset molding operation                                    | (0.7)                  |          | (0.7)                    |          |
| Automotive components  | (0.4)                  |          |                          | (0.1)    |
| Systems and equipment  |                        | (0.1)    |                          | (0.2)    |
| Income (loss) before income taxes from discontinued operations | \$ (1.3)               | \$ (0.4) | \$ (1.2)                 | \$ 1.3   |

Results for the thermoset molding operation for the three and six months ended June 30, 2011 include a \$0.6 million write-down of the land and building.

Results of the on-highway friction and brake shoe business for the six months ended June 30, 2010 included a \$2.1 million pretax gain on the sale of property.

**Note 9 Inventories**

The Company is a diversified manufacturing entity comprised of multiple domestic and foreign operations manufacturing different products. The First-in, First-out ( FIFO ) method was used to value inventories.

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The components of inventories as of June 30, 2011 and December 31, 2010 were as follows:

| In millions           |    | June 30,<br>2011 |    | December 31,<br>2010 |
|-----------------------|----|------------------|----|----------------------|
| Finished goods        | \$ | 251.2            | \$ | 256.7                |
| Work-in-process       |    | 55.1             |    | 46.7                 |
| Raw materials         |    | 135.3            |    | 124.0                |
| Capitalized variances |    | 33.3             |    | 28.1                 |
| Reserves              |    | (30.6)           |    | (25.0)               |
| Inventories           | \$ | 444.3            | \$ | 430.5                |

## Note 10 Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 30, 2011 were as follows:

| In millions                     | Construction<br>Materials | Transportation<br>Products | Brake and<br>Friction | Interconnect<br>Technologies | FoodService<br>Products | Disc.<br>Ops | Total           |
|---------------------------------|---------------------------|----------------------------|-----------------------|------------------------------|-------------------------|--------------|-----------------|
| Balance at January 1, 2011      |                           |                            |                       |                              |                         |              |                 |
| Goodwill                        | \$ 86.3                   | \$ 155.5                   | \$ 231.6              | \$ 188.9                     | \$ 60.3                 | \$ 47.4      | \$ 770.0        |
| Accumulated impairment losses   |                           | (55.5)                     |                       |                              |                         | (47.4)       | (102.9)         |
|                                 | 86.3                      | 100.0                      | 231.6                 | 188.9                        | 60.3                    |              | 667.1           |
| Purchase accounting adjustments |                           |                            | (0.5)                 |                              |                         |              | (0.5)           |
| Currency translation            | 0.6                       | 0.1                        | (3.3)                 |                              |                         |              | (2.6)           |
| Goodwill                        | 86.9                      | 155.6                      | 227.8                 | 188.9                        | 60.3                    | 47.4         | 766.9           |
| Accumulated impairment losses   |                           | (55.5)                     |                       |                              |                         | (47.4)       | (102.9)         |
| <b>Balance at June 30, 2011</b> | <b>\$ 86.9</b>            | <b>\$ 100.1</b>            | <b>\$ 227.8</b>       | <b>\$ 188.9</b>              | <b>\$ 60.3</b>          | <b>\$</b>    | <b>\$ 664.0</b> |

The Company's other intangible assets at June 30, 2011 were as follows:

| In millions                         | Acquired<br>Cost | Accumulated<br>Amortization | Net Book<br>Value |
|-------------------------------------|------------------|-----------------------------|-------------------|
| Assets subject to amortization:     |                  |                             |                   |
| Patents                             | \$ 58.1          | \$ (8.8)                    | \$ 49.3           |
| Customer Relationships              | 194.4            | (38.2)                      | 156.2             |
| Other                               | 16.9             | (9.6)                       | 7.3               |
| Assets not subject to amortization: |                  |                             |                   |
| Trade names                         | 78.7             |                             | 78.7              |
| <b>Other intangible assets, net</b> | <b>\$ 348.1</b>  | <b>\$ (56.6)</b>            | <b>\$ 291.5</b>   |

Estimated amortization expense for the remainder of 2011 and the next four years is as follows: \$9.0 million remaining in 2011, \$16.7 million in 2012, \$15.7 million in 2013, \$15.4 million in 2014 and \$15.0 million in 2015.

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The net book value of the Company's Other intangible assets by reportable segment are as follows:

| In millions               | June 30,<br>2011 | December 31,<br>2010 |
|---------------------------|------------------|----------------------|
| Construction Materials    | \$ 15.8          | \$ 16.4              |
| Transportation Products   | 2.7              | 0.2                  |
| Brake and Friction        | 147.2            | 151.3                |
| Interconnect Technologies | 86.3             | 89.0                 |
| FoodService Products      | 39.5             | 41.0                 |
| <b>Total</b>              | <b>\$ 291.5</b>  | <b>\$ 297.9</b>      |

# Note 11 Retirement Plans and Other Post-Retirement Benefits

Components of net periodic benefit cost were as follows:

| In millions  | Pension and Other Post-Retirement Benefits |               |                  |               |
|--|--|---------------|------------------|---------------|
|  | Second Quarter                             |               | First Six Months |               |
|  | 2011                                       | 2010          | 2011             | 2010          |
| Service costs - benefits earned during the quarter | \$ 1.3                                     | \$ 1.3        | \$ 2.6           | \$ 2.7        |
| Interest cost on benefits earned in prior years    | 2.8  | 2.4           | 5.5              | 4.8           |
| Expected return on plan assets                     | (3.7)                                      | (3.2)         | (7.3)            | (6.4)         |
| Amortization of:                                   |  |               |                  |               |
| Unrecognized net actuarial loss                    | 1.1  | 0.7           | 2.3              | 1.3           |
| Prior service costs                                |  |               |                  | 0.1           |
| <b>Net periodic benefit costs</b>                  | <b>\$ 1.5</b>                              | <b>\$ 1.2</b> | <b>\$ 3.1</b>    | <b>\$ 2.5</b> |

The Company made \$1.0 million in contributions to the pension plans during the quarter ended June 30, 2011. The Company expects full year contributions to the pension plans to approximate \$4.0 million in 2011.

The Company maintains defined contribution plans to which it has contributed \$5.7 million during the six months ended June 30, 2011. Full year contributions are expected to approximate \$11.3 million.

# Note 12 Other Long-Term Liabilities

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

| In millions                                   | June 30,<br>2011 | December 31,<br>2010 |
|---|------------------|----------------------|
| Deferred taxes and other tax liabilities      | \$ 177.0         | \$ 179.4             |
| Pension and other post-retirement obligations | 17.6             | 18.3                 |
| Deferred compensation                         | 6.1              | 5.6                  |
| Other   | 2.7              | 1.4                  |
| <b>Other long-term liabilities</b>            | <b>\$ 203.4</b>  | <b>\$ 204.7</b>      |

# Note 13 Commitments and Contingencies

## Product Warranties

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

| <b>In millions</b>              | <b>June 30,</b> |             |
|---------------------------------|-----------------|-------------|
|                                 | <b>2011</b>     | <b>2010</b> |
| Beginning reserve               | \$ 20.8         | \$ 22.0     |
| Liabilities disposed of by sale |                 | (0.6)       |
| Current year provision          | 7.3             | 8.4         |
| Current year claims             | (6.9)           | (8.5)       |
| Ending reserve                  | \$ 21.2         | \$ 21.3     |

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. Deferred revenue related to the Company's installed roofing systems was approximately \$137.7 million and \$130.2 million at June 30, 2011 and 2010, respectively, of which approximately \$122.2 million and \$115.1 million was classified as long-term in the Consolidated Balance Sheet, respectively. The amount of extended product warranty revenues recognized was \$7.9 million and \$7.8 for the first six months of 2011 and 2010, respectively.

#### *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, \$0.1 million per occurrence for property and up to \$0.5 million for medical claims. The Company is insured for losses in excess of these limits.

The Company has accrued approximately \$20.8 million and \$20.5 million related to workers' compensation claims at June 30, 2011 and 2010, respectively. The amounts recognized are presented in Accrued expenses in the 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*

The Company received written correspondence from the U. S. Immigration and Customs Enforcement Office of Investigations ( ICE ) dated March 11, 2010 indicating that it initiated an investigation relating to the classification of certain rubber tires imported by its tire and wheel operation within the Carlisle Transportation Products segment since 2004. The Company responded to ICE's inquiry and, on August 19, 2010, ICE informed the Company that it had terminated its investigation. The Company continues to work separately with U. S. Customs and Border Protection to properly classify its products.

At this time, the Company cannot predict or determine the amount of additional duties and/or civil fines or penalties, if any, owed as a result of this classification effort. In the opinion of management, the ultimate outcome of such actions will not have a material adverse effect on the consolidated financial position of the Company.

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.

Other than the matter described below, to date, 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 a portion of certain of the Company's defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits.

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On December 22, 2010, the Company settled a case involving alleged asbestos-related injury. The total amount of the award and related loss, inclusive of insurance recoveries, was approximately \$5.8 million, which was recorded in discontinued operations in the fourth quarter of 2010, as the related alleged asbestos-containing product was manufactured by the Company's former on-highway brake business.

Based on an ongoing evaluation, including the above matter, the Company believes that the resolution of its remaining 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.

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 will not have a material adverse effect on the consolidated financial position of the Company, but may have a material impact on the Company's results of operations for a particular period. There were no material legal expenses recognized during the second quarter or first six months of 2011 and 2010.



*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.

**Note 14 - Segment Information**

The Company manages and reports its results under the following segments:

- **Carlisle Construction Materials:** The principal products of this segment are rubber (EPDM) and thermoplastic polyolefin (TPO) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes, coatings and waterproofing, and insulation products. The markets served include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants, and coatings and waterproofing.
- **Carlisle Transportation Products:** 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, agriculture, and construction.
- **Carlisle Brake & Friction:** The principal products of this segment include high-performance brakes and friction material, clutches and transmissions for the mining, construction, aerospace, agriculture, high-performance racing, and alternative energy markets.
- **Carlisle Interconnect Technologies:** The principal products of this segment are high-performance wire, cable, connectors and cable assemblies, including RF/microwave connectors and cable assemblies primarily for the aerospace, defense electronics, and test and measurement equipment markets.
- **Carlisle Foodservice Products:** The principal products of this group 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, healthcare, and sanitary maintenance professionals.

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Sales, EBIT, and assets of continuing operations by reportable segment are included in the following summary:

| Second Quarter<br>In millions      | 2011     |         | 2010     |         |
|------------------------------------|----------|---------|----------|---------|
|                                    | Sales(1) | EBIT    | Sales(1) | EBIT    |
| Carlisle Construction Materials    | \$ 412.0 | \$ 54.2 | \$ 345.8 | \$ 51.3 |
| Carlisle Transportation Products   | 204.3    | 6.8     | 192.0    | 6.3     |
| Carlisle Brake & Friction          | 119.4    | 19.3    | 26.2     | 2.9     |
| Carlisle Interconnect Technologies | 71.7     | 11.7    | 62.4     | 6.0     |
| Carlisle FoodService Products      | 63.4     | 5.3     | 61.2     | 6.3     |
| Corporate                          |          | (11.9)  |          | (8.8)   |
| Total                              | \$ 870.8 | \$ 85.4 | \$ 687.6 | \$ 64.0 |

| First Six Months<br>In millions    | 2011       |          | 2010       |          |
|------------------------------------|------------|----------|------------|----------|
|                                    | Sales(1)   | EBIT     | Sales(1)   | EBIT     |
| Carlisle Construction Materials    | \$ 663.3   | \$ 72.2  | \$ 562.3   | \$ 70.6  |
| Carlisle Transportation Products   | 413.4      | 21.8     | 381.6      | 17.8     |
| Carlisle Brake & Friction          | 230.2      | 37.6     | 48.7       | 5.0      |
| Carlisle Interconnect Technologies | 137.4      | 20.6     | 124.3      | 13.8     |
| Carlisle FoodService Products      | 120.1      | 10.8     | 118.0      | 12.8     |
| Corporate (2)                      |            | (22.4)   |            | (17.2)   |
| Total                              | \$ 1,564.4 | \$ 140.6 | \$ 1,234.9 | \$ 102.8 |

(1) Excludes intersegment sales

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

A reconciliation of assets reported above to total assets as presented on the Company's Consolidated Balance Sheets is as follows:

|   | June 30,<br>2011 |
|---|------------------|
| Assets per table above                          | \$ 2,701.9       |
| Assets held for sale of discontinued operations | 1.0              |
| Total Assets per Consolidated Balance Sheet     | \$ 2,702.9       |

## Note 15 - Income Taxes

The effective income tax rate on continuing operations for the six months ended June 30, 2011 was 32.2% compared to an effective income tax rate of 37.5% for the six months ended June 30, 2010. The decrease in the year to date rate compared to the previous year is primarily attributable to favorable legislation passed after June 30, 2010, which reduced the US taxation of foreign earned income, and reenacted the research credit. The effective tax rate of 32.2% varies from the United States statutory rate of 35.0% primarily due to the deduction for U.S. production activities, earnings in foreign jurisdictions taxed at rates different from the statutory U.S. federal rate, and a current tax benefit recorded in association with the recognition of previously unrecognized deferred tax assets of a Chinese wholly owned foreign entity that is experiencing significantly improved business conditions.



# Note 16 - Earnings Per Share

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 and per share amounts  | Second Quarter |         | First Six Months |         |
|--|----------------|---------|------------------|---------|
|  | 2011           | 2010    | 2011             | 2010    |
| Numerator:   |                |         |                  |         |
| Income from continuing operations  | \$ 55.3        | \$ 38.8 | \$ 88.6          | \$ 61.9 |
| Less: dividends declared - common stock outstanding, unvested restricted shares and restricted share units | (10.6)         | (9.9)   | (21.1)           | (19.7)  |
| Undistributed earnings   | 44.7           | 28.9    | 67.5             | 42.2    |
| Percent allocated to common shareholders (1)   | 99.0%          | 98.9%   | 99.0%            | 98.9%   |
|  | 44.3           | 28.6    | 66.8             | 41.7    |
| Add: dividends declared - common stock   | 10.5           | 9.8     | 20.9             | 19.5    |
| Numerator for basic and diluted EPS  | \$ 54.8        | \$ 38.4 | \$ 87.7          | \$ 61.2 |
| Denominator (in thousands):  |                |         |                  |         |
| Denominator for basic EPS: weighted-average common shares outstanding                                      | 61,449         | 60,832  | 61,293           | 60,811  |
| Effect of dilutive securities:   |                |         |                  |         |
| Performance awards   | 309            | 102     | 309              | 102     |
| Stock options  | 943            | 752     | 823              | 765     |
| Denominator for diluted EPS: adjusted weighted average common shares outstanding and assumed conversion    | 62,701         | 61,686  | 62,425           | 61,678  |
| Per share income from continuing operations:   |                |         |                  |         |
| Basic  | \$ 0.89        | \$ 0.63 | \$ 1.43          | \$ 1.01 |
| Diluted  | \$ 0.87        | \$ 0.62 | \$ 1.40          | \$ 0.99 |

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| (1) Basic weighted-average common shares outstanding   | 61,449 | 60,832 | 61,293 | 60,811 |
| Basic weighted-average common shares outstanding, unvested restricted shares expected to vest and restricted share units | 62,050 | 61,511 | 61,892 | 61,495 |
| Percent allocated to common shareholders   | 99.0%  | 98.9%  | 99.0%  | 98.9%  |

To calculate earnings per share for the Income (loss) 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. The Income (loss) from discontinued operations and Net income were as follows:

| In millions, except share amounts | Second Quarter |          | First Six Months |        |
|-----------------------------------|----------------|----------|------------------|--------|
|                                   | 2011           | 2010     | 2011             | 2010   |
|                                   | \$ (0.7)       | \$ (0.2) | \$ (0.6)         | \$ 0.9 |

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Income (loss) from discontinued operations  
attributable to common shareholders for basic  
and diluted earnings per share

|  |    |             |    |      |    |             |    |      |
|--|----|-------------|----|------|----|-------------|----|------|
| Net income attributable to common shareholders<br>for basic and diluted earnings per share | \$ | <b>54.1</b> | \$ | 38.2 | \$ | <b>87.2</b> | \$ | 62.1 |
|--|----|-------------|----|------|----|-------------|----|------|

|   |            |     |            |     |
|---|------------|-----|------------|-----|
| Antidilutive stock options excluded from EPS<br>calculation (1) | <b>200</b> | 702 | <b>200</b> | 702 |
|---|------------|-----|------------|-----|

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(1) 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.

## Note 17 - Comprehensive Income

Total comprehensive income consisted of the following:

| In millions   | Second Quarter |         | First Six Months |         |
|---|----------------|---------|------------------|---------|
|   | 2011           | 2010    | 2011             | 2010    |
| Net income  | \$ 54.6        | \$ 38.6 | \$ 88.0          | \$ 62.8 |
| Other comprehensive (loss) income:                    |                |         |                  |         |
| Foreign currency translation, net of tax              | 1.4            | (3.9)   | 5.0              | (6.2)   |
| Accrued post-retirement benefit liability, net of tax | 0.7            | 0.3     | 1.4              | 0.7     |
| Loss on hedging activities, net of tax                | (0.1)          |         | (0.2)            | (0.1)   |
| Other comprehensive (loss) income                     | 2.0            | (3.6)   | 6.2              | (5.6)   |
| Comprehensive income                                  | \$ 56.6        | \$ 35.0 | \$ 94.2          | \$ 57.2 |

Loss on hedging activities, net of tax included in Other comprehensive (loss) income for the three and six months ended June 30, 2011 represented the amortization of a \$5.6 million (\$3.5 million, net of tax) gain in Accumulated other comprehensive (loss) income resulting from the termination of treasury lock contracts on August 15, 2006. At June 30, 2011, the Company had a remaining unamortized gain of \$2.9 million (\$1.8 million, net of tax) which is reflected in Accumulated other comprehensive (loss) income on the Company's Consolidated Balance Sheets. Approximately \$0.3 million (\$0.2 million, net of tax) is expected to be amortized to reduce Interest expense, net during the remainder of 2011.

## Note 18 - Exit and Disposal Activities

The following table represents the effect of exit and disposal activities related to continuing operations on the Company's Consolidated Statements of Earnings for the three and six months ended June 30, for 2011 and 2010, respectively:

| In millions                         | Second Quarter |        | First Six Months |        |
|-------------------------------------|----------------|--------|------------------|--------|
|                                     | 2011           | 2010   | 2011             | 2010   |
| Cost of goods sold                  | \$ 0.6         | \$ 3.3 | \$ 3.0           | \$ 6.1 |
| Selling and administrative expenses |                | 0.6    |                  | 0.6    |
| Research and development expenses   |                | 0.1    |                  | 0.2    |
| Total exit and disposal costs       | \$ 0.6         | \$ 4.0 | \$ 3.0           | \$ 6.9 |

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

| In millions | Second Quarter |      | First Six Months |      |
|-------------|----------------|------|------------------|------|
|             | 2011           | 2010 | 2011             | 2010 |

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|                               |    |       |    |     |    |     |    |     |
|-------------------------------|----|-------|----|-----|----|-----|----|-----|
| Termination benefits          | \$ | (0.3) | \$ | 1.3 | \$ | 0.4 | \$ | 3.2 |
| Other associated costs        |    | 0.9   |    | 2.7 |    | 2.6 |    | 3.7 |
| Total exit and disposal costs | \$ | 0.6   | \$ | 4.0 | \$ | 3.0 | \$ | 6.9 |

Exit and disposal accrual activities for the six-month period ended June 30, 2011 were as follows:

| In millions                             |    | Termination<br>Benefits |    | Other<br>Associated<br>Costs |    | Total |
|---|----|-------------------------|----|------------------------------|----|-------|
| Balance at December 31, 2010            | \$ | 3.1                     | \$ | 1.1                          | \$ | 4.2   |
| 2011 charges to expense and adjustments |    | 0.4                     |    | 2.6                          |    | 3.0   |
| 2011 payments                           |    | (3.2)                   |    | (3.7)                        |    | (6.9) |
| Balance at June 30, 2011                | \$ | 0.3                     | \$ |                              | \$ | 0.3   |



Exit and disposal activities by segment were as follows:

| In millions                   | Second Quarter |        | First Six Months |        |
|-------------------------------|----------------|--------|------------------|--------|
|                               | 2011           | 2010   | 2011             | 2010   |
| Total by segment              |                |        |                  |        |
| Transportation Products       | \$ 0.6         | \$ 3.3 | \$ 2.6           | \$ 5.3 |
| Brake and Friction            |                | 0.3    | 0.4              | 0.6    |
| Interconnect Technologies     |                | 0.4    |                  | 1.0    |
| Total exit and disposal costs | \$ 0.6         | \$ 4.0 | \$ 3.0           | \$ 6.9 |

**Carlisle Transportation Products** During the first six months of 2011, the Company incurred \$2.6 million of exit and disposal costs, associated with the consolidation of its tire manufacturing operations in Heflin, AL, Carlisle, PA and portions of Buji, China into a new facility in Jackson, TN. The consolidation of these operations began in the third quarter of 2009 and is expected to cost approximately \$20.3 million in total, of which \$19.5 million has been incurred through June 30, 2011, and \$0.8 million is expected to be incurred in the third quarter of 2011. The consolidation was substantially completed in the first quarter of 2011; however additional activities related to the closure of facilities no longer in use will be completed in the third quarter of 2011. Included in Accrued expenses at June 30, 2011 was \$0.3 million related to unpaid severance.

**Carlisle Brake & Friction** In the fourth quarter of 2009, within its off-highway braking business, the Company announced plans to close its friction product manufacturing facility in Logansport, IN and to consolidate operations into its locations in Hangzhou, China and Bloomington, IN. This consolidation was substantially completed in the fourth quarter of 2010; however, additional activities related to the closure of the facility are expected to be completed in the third quarter of 2011. The total cost of this consolidation project is estimated at \$5.3 million, of which \$5.1 million has been incurred through June 30, 2011. The company recorded \$0.4 million expense during the first six months of 2011 primarily consisting of employee termination costs and other relocation costs.

**Carlisle Interconnect Technologies** In the fourth quarter of 2009, the Company announced that it would consolidate its Vancouver, WA facility into its facilities in Long Beach, CA and Yichang, China and close its Vancouver facility. This consolidation was completed during the third quarter 2010. The Company recorded \$1.0 million of expense during the first six months of 2010 primarily consisting of employee termination costs and other relocation costs.

#### Note 19 - Subsequent Events

On July 18, 2011, the Company entered into a definitive agreement to acquire all of the outstanding shares of Tarvos Investments GmbH and its subsidiary companies (collectively, PDT), a leading manufacturer of EPDM-based (rubber) roofing membranes and industrial components serving key European markets, for a purchase price of approximately 80 million, which includes the assumption of approximately 16 million of net debt and debt like items. The definitive agreement provides for contingent payments based upon PDT's future earnings. The transaction is subject to customary closing conditions, including obtaining regulatory approval in Germany and is expected to close by August 15, 2011.

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

**Executive Overview**

Carlisle Companies Incorporated ( Carlisle , the Company , we or our ) is a diversified manufacturing company focused on achieving profitable 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. Carlisle manages its businesses under the following segments:

- **Carlisle Construction Materials:** the construction materials business;
- **Carlisle Transportation Products:** the transportation products business;
- **Carlisle Brake & Friction:** the brake and friction products business;
- **Carlisle Interconnect Technologies:** the interconnect technologies business; and
- **Carlisle FoodService Products:** the foodservice products business.

Carlisle is a diverse multi-national company with manufacturing operations located throughout North America, Western 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, the Company 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 .

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Net sales increased 27% in the second quarter of 2011 compared to the same period in 2010. The acquisition of Hawk, reported in the Carlisle Brake & Friction segment, contributed \$83.5 million, or 12% to net sales in the second quarter of 2011. For the second quarter of 2011, organic growth of 14% was primarily driven by a 9.8% increase in sales volumes across all segments. To a lesser extent, selling price increases contributed to higher net sales. During the second quarter 2011, the increase in net sales from fluctuations in foreign currency exchange rates was less than 1%.

For the first six months of 2011, net sales increased 27% compared to the same period in 2010. The acquisition of Hawk, reported in the Carlisle Brake & Friction segment, contributed \$159.7 million, or 13%, to net sales in the first six months of 2011. For the first six months of 2011, organic growth of 13% was primarily driven by a 10% increase in sales volume. To a lesser extent, selling price increases contributed to higher net sales. During the first six months of 2011, the increase in net sales from fluctuations in foreign currency exchange rates was less than 1%.

Income from continuing operations, net of tax, of \$55.3 million was 43% higher in the second quarter of 2011 as compared to income of \$38.8 million in the second quarter of 2010. Income in the second quarter was positively impacted by the after-tax contribution from the Hawk acquisition, a lower effective tax rate, higher sales volumes, increased selling prices and reduced operating costs attributable to efficiencies gained through the implementation of the Carlisle Operating System. Partially offsetting this was the negative impact of significantly higher raw material costs experienced in the second quarter of 2011 compared to the prior year period.

Income from continuing operations, net of tax, of \$88.6 million was 43% higher in the first six months of 2011 as compared to income of \$61.9 million in the prior year period due to the same aforementioned factors contributing to income results during the second quarter of 2011.

Year to date, the Company has achieved strong sales performance most notably in its brake & friction, commercial re-roofing and aerospace businesses. The Company's EBIT margin has improved on a year to date basis from 8.3% in 2010 to 9.0% due to the contribution from the Hawk acquisition and earnings growth in the Interconnect Technologies segment. For the full year 2011, the Company expects sales growth from acquisitions and organic growth to total in the mid-twenty percent range. However, uncertainty regarding higher raw material costs, global market conditions and economic recovery could place negative pressure on sales and earnings in future periods.

The Company's effective income tax rates for the three and six month periods ending June 30, 2011 were 31.3% and 32.2%, respectively. The rates for the three and six month periods ending June 30, 2010 were 37.6% and 37.5%, respectively. The lower effective income tax rates during 2011 versus 2010 were primarily attributable to favorable tax legislation passed after June 30, 2010 related to taxation of foreign earned income. The effective tax rate for the full year of 2010 was 30.5%.

### Sales and Earnings

#### Net Sales

| (in millions) | 2011     | Second Quarter<br>2010 | Change | Acquisition<br>Effect | Volume<br>Effect | Price<br>Effect | Product<br>Mix Effect | Exchange<br>Rate Effect |
|---------------|----------|------------------------|--------|-----------------------|------------------|-----------------|-----------------------|-------------------------|
| Net Sales     | \$ 870.8 | \$ 687.6               | 26.6%  | 12.1%                 | 9.8%             | 4.3%            | 0.0%                  | 0.4%                    |

  

| (in millions) | 2011       | First Six Months<br>2010 | Change | Acquisition<br>Effect | Volume<br>Effect | Price<br>Effect | Product<br>Mix Effect | Exchange<br>Rate Effect |
|---------------|------------|--------------------------|--------|-----------------------|------------------|-----------------|-----------------------|-------------------------|
| Net Sales     | \$ 1,564.4 | \$ 1,234.9               | 26.7%  | 12.9%                 | 10.3%            | 3.3%            | -0.1%                 | 0.3%                    |

Organic sales growth was 14% during the second quarter 2011 versus the prior year period and was achieved by all segments. Organic sales growth was led by 33% growth in Brake & Friction, 19% growth in Construction Materials and 15% growth in Interconnect Technologies. The increase in sales from pricing primarily reflected the impact of selling price actions in the Transportation Products, Construction Materials and FoodService Products segments. The acquisition of Hawk reported in the Carlisle Brake & Friction segment contributed \$83.5 million to net sales in the second quarter of 2011.

For the first six months of 2011, the organic sales increase of 13% from the prior year reflected organic growth in all segments, led by the Brake & Friction, Construction Materials and Interconnect Technologies segments. The acquisition of Hawk in the Brake & Friction segment contributed \$159.7 million of sales during the first six months of 2011.

#### Gross Margin

| (in millions) | 2011 | Second Quarter<br>2010 | Change | 2011 | Six Months<br>2010 | Change |
|---------------|------|------------------------|--------|------|--------------------|--------|
|---------------|------|------------------------|--------|------|--------------------|--------|

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|              |    |              |    |       |       |    |              |    |       |       |
|--------------|----|--------------|----|-------|-------|----|--------------|----|-------|-------|
| Gross profit | \$ | <b>183.7</b> | \$ | 143.6 | 27.9% | \$ | <b>330.8</b> | \$ | 255.6 | 29.4% |
| Gross margin |    | <b>21.1%</b> |    | 20.9% |       |    | <b>21.1%</b> |    | 20.7% |       |

For the second quarter and first six months of 2011, the improvement in gross margin (gross profit expressed as a percentage of net sales) from the respective prior periods primarily resulted from margin contributed by the Hawk acquisition. Excluding the contributions from the Hawk acquisition, the positive impact from volume growth, selling price increases and efficiency gains from the Carlisle Operating System was offset by the negative impact from significantly higher raw material costs impacting all business segments as well as production inefficiencies from plant start-up activities within CTP's tire facility in Jackson, TN.

## Selling and Administrative Expenses

| (in millions)                | 2011    | Second Quarter<br>2010 | Change | 2011     | First Six Months<br>2010 | Change |
|------------------------------|---------|------------------------|--------|----------|--------------------------|--------|
| Selling & Administrative     | \$ 92.2 | \$ 73.8                | 24.9%  | \$ 177.9 | \$ 143.2                 | 24.2%  |
| As a percentage of net sales | 10.6%   | 10.7%                  |        | 11.4%    | 11.6%                    |        |

Selling and administrative expenses in the second quarter of 2011 included \$7.3 million related to the Hawk acquisition in the Brake & Friction segment and \$1.3 million in acquisition costs related to an acquisition opportunity that was not realized. In addition to the impact of acquisitions, selling and administrative expenses rose in connection with organic sales volume growth and expansion efforts in Asia Pacific.

Selling and administrative expenses in the first six months of 2011 included \$14.6 million of expenses from the Hawk acquisition and the aforementioned acquisition costs. In addition to the impact of acquisitions, selling and administrative expenses rose in connection with organic sales volume growth and expansion efforts in Asia Pacific.

## Research and Development Expenses

| (in millions)                | 2011   | Second Quarter<br>2010 | Change | 2011    | First Six Months<br>2010 | Change |
|------------------------------|--------|------------------------|--------|---------|--------------------------|--------|
| Research and Development     | \$ 7.3 | \$ 6.4                 | 14.1%  | \$ 14.3 | \$ 10.8                  | 32.4%  |
| As a percentage of net sales | 0.8%   | 0.9%                   |        | 0.9%    | 0.9%                     |        |

Research and development expenses in the three and six month periods ending June 30, 2011 included expenses of \$1.4 million and \$2.6 million, respectively, related to the Hawk acquisition in the Brake & Friction segment. On a year-to-date basis, the Company has increased its research and development activities in connection with new product development and future growth opportunities.

## EBIT (Earnings Before Interest and Taxes)

| (in millions) | 2011    | Second Quarter<br>2010 | Change | 2011     | First Six Months<br>2010 | Change |
|---------------|---------|------------------------|--------|----------|--------------------------|--------|
| EBIT          | \$ 85.4 | \$ 64.0                | 33.4%  | \$ 140.6 | \$ 102.8                 | 36.8%  |
| EBIT Margin   | 9.8%    | 9.3%                   |        | 9.0%     | 8.3%                     |        |

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EBIT in the second quarter of 2011 was higher than the prior year due to the contribution from the Hawk acquisition of \$15.6 million in the second quarter of 2011, higher organic sales volume in all segments and reduction in operating costs attributable to efficiencies gained through the Carlisle Operating System. Partially offsetting these impacts were higher raw materials costs incurred primarily in the Construction Materials and Transportation Products segments, production inefficiencies in the Transportation Products segment and costs for pursuit of acquisition opportunities. Plant restructuring charges in the second quarter of 2011 of \$0.6 million compared to plant and corporate restructuring charges of \$4.0 million during the second quarter of 2010.

The improvement in EBIT in the first six months of 2011 versus the prior year period was due to contributions from the Hawk acquisition of \$28.9 million for the first six months of 2011, higher organic sales volumes and operating cost efficiencies from the Carlisle Operating System. These positive impacts were partially offset by higher raw materials costs that were not fully recovered by selling price increases. Plant restructuring charges in the first six months of 2011 of \$3.0

million compared to plant and corporate restructuring charges of \$6.9 million during the first six months of 2010.

## Interest Expense

| (in millions)          | 2011   | Second Quarter<br>2010 | Change | 2011    | First Six Months<br>2010 | Change |
|------------------------|--------|------------------------|--------|---------|--------------------------|--------|
| Gross interest expense | \$ 5.1 | \$ 1.9                 |        | \$ 10.4 | \$ 3.9                   |        |
| Interest Income        | (0.2)  | (0.1)                  |        | (0.4)   | (0.2)                    |        |
| Interest Expense, net  | \$ 4.9 | \$ 1.8                 | 172.2% | \$ 10.0 | \$ 3.7                   | 170.3% |

The increase in interest expense for the second quarter and first six months of 2011, versus the respective prior year periods, reflects higher outstanding debt levels compared to the respective prior year period. In December 2010, the Company issued \$250 million 5.125% senior unsecured notes due 2020 in connection with its acquisition of Hawk.

## Income Taxes

| (in millions)      | 2011    | Second Quarter<br>2010 | Change | 2011    | First Six Months<br>2010 | Change |
|--------------------|---------|------------------------|--------|---------|--------------------------|--------|
| Income tax expense | \$ 25.2 | \$ 23.4                | 7.7%   | \$ 42.0 | \$ 37.2                  | 12.9%  |
| Effective tax rate | 31.3%   | 37.6%                  |        | 32.2%   | 37.5%                    |        |

The Company's effective tax rate varies from the statutory rate within the United States of 35% due primarily to the deduction attributable to U.S. production activities, state tax requirements, earnings in foreign jurisdictions taxed at rates different from the statutory U.S. federal rate, and tax credits. Income tax expense for the three and six month periods ended June 30, 2011 were lower than the respective prior year periods primarily due to favorable tax legislation passed after June 30, 2010, which reduced US taxation of foreign earned income, and reenacted the research credit. The full year effective tax rate in 2010 was 30.5%.

## Income from Continuing Operations and Net Income

| (in millions)                                 | 2011    | Second Quarter<br>2010 | Change | 2011    | First Six Months<br>2010 | Change |
|---|---------|------------------------|--------|---------|--------------------------|--------|
| Income from continuing operations, net of tax | \$ 55.3 | \$ 38.8                | 42.5%  | \$ 88.6 | \$ 61.9                  | 43.1%  |
| EPS   |         |                        |        |         |                          |        |
| Basic   | \$ 0.89 | \$ 0.63                | 41.3%  | \$ 1.43 | \$ 1.01                  | 41.6%  |
| Diluted                                       | \$ 0.87 | \$ 0.62                | 40.3%  | \$ 1.40 | \$ 0.99                  | 41.4%  |

Second Quarter

First Six Months



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| (in millions) | 2011    | 2010    | Change | 2011    | 2010    | Change |
|---------------|---------|---------|--------|---------|---------|--------|
| Net Income    | \$ 54.6 | \$ 38.6 | 41.5%  | \$ 88.0 | \$ 62.8 | 40.1%  |
| EPS           |         |         |        |         |         |        |
| Basic         | \$ 0.88 | \$ 0.63 | 39.7%  | \$ 1.42 | \$ 1.03 | 37.9%  |
| Diluted       | \$ 0.86 | \$ 0.62 | 38.7%  | \$ 1.39 | \$ 1.01 | 37.6%  |

The increase in income from continuing operations, net of tax, and in net income in the second quarter of 2011 were attributable to higher overall EBIT, including that contributed from the Hawk acquisition. In addition, the effective tax rate for the second quarter 2011 was lower than the comparative prior year period. These factors similarly drove the increase in income from continuing operations, net of tax, and in net income for the first six months of 2011 versus the prior year period.

## Acquisitions

On December 1, 2010, the Company completed the acquisition of all of the outstanding equity of Hawk Corporation ( Hawk ) for a total cash purchase price of \$414.1 million. Hawk is a leading worldwide supplier of friction materials for brakes, clutches and transmissions. With this acquisition, the Company created a comprehensive global braking solutions platform enabling it to provide a broader line of attractive products and increasing exposure to key emerging markets such as China, Brazil and India. Together with Carlisle's core industrial brake and friction product line, Hawk became part of the Carlisle Brake & Friction segment. As of June 30, 2011, the preliminary amount of goodwill recorded related to the acquisition of Hawk was approximately \$216 million. See Note 7 to the Unaudited Condensed Consolidated Financial Statements for further information regarding the acquisition of Hawk.

## Financial Reporting Segments

### Carlisle Construction Materials ( CCM )

| (in millions) | Second Quarter |          |              |             | First Six Months |          |              |             |
|---------------|----------------|----------|--------------|-------------|------------------|----------|--------------|-------------|
|               | 2011           | 2010     | Change<br>\$ | Change<br>% | 2011             | 2010     | Change<br>\$ | Change<br>% |
| Net Sales     | \$ 412.0       | \$ 345.8 | \$ 66.2      | 19.1%       | \$ 663.3         | \$ 562.3 | \$ 101.0     | 18.0%       |
| EBIT          | \$ 54.2        | \$ 51.3  | \$ 2.9       | 5.7%        | \$ 72.2          | \$ 70.6  | \$ 1.6       | 2.3%        |
| EBIT Margin   | 13.2%          | 14.8%    |              |             | 10.9%            | 12.6%    |              |             |

The increase in net sales in the Construction Materials segment during the second quarter of 2011 primarily reflected higher sales volume in the Company's commercial re-roofing business and, to a lesser extent, higher selling prices from pricing actions taken throughout 2011. CCM's sales for commercial re-roofing grew in all major product applications. In addition, CCM's sales outside of the U.S. grew 57% in the second quarter on higher demand in Canada and Europe. Sales at Insulfoam, which serves the residential new construction market, were up slightly during the second quarter of 2011 versus the prior year. The increase in CCM's net sales for the first six months of 2011 primarily reflected higher demand in its commercial re-roofing business.

The decline in EBIT margin (EBIT expressed as percentage of net sales) during the second quarter was primarily attributable to significantly higher raw material costs that were not fully offset by pricing actions. These factors similarly impacted the decline in EBIT margin for the first six months of 2011 as compared to the first six months of 2010. The Company has implemented a number of pricing actions throughout the first half of 2011. Additional price increases for the third quarter 2011 have been announced.

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On July 18, 2011, the Company announced a definitive agreement to purchase PDT GmbH ( PDT ) for approximately \$80 million. The acquisition is expected to close during the third quarter of 2011. PDT will operate within the CCM segment. PDT operates manufacturing facilities in Germany and is a leading manufacturer of EPDM based roofing materials, with annual sales of approximately \$80 million. PDT will be an important foothold for CCM in servicing the growing single-ply roofing market in Europe

Net sales and EBIT are generally higher for this segment in the second and third quarters of the year due to increased construction activity during these periods. Over the last two years, CCM's commercial roofing business has shifted significantly towards re-roofing, which currently constitutes 80% of its commercial activity. The re-roofing market is less cyclical and relatively more stable than the new construction market due to the large base of installed roofs requiring replacement in a given year. The re-roofing market has recently seen a significant increase in demand. In contrast to the re-roofing market, the market for new construction continues to show indications of a slow recovery and possible further weakness due to state and municipal budget constraints.

Raw material costs for this segment continue to be significantly higher than the prior year and there is concern over limited supply of certain key raw materials. CCM's ability to recover additional raw material costs through price increases or

surcharges is subject to significant price competition.

#### Carlisle Transportation Products ( CTP )

| (in millions) | Second Quarter |          |              |             | First Six Months |          |              |             |
|---------------|----------------|----------|--------------|-------------|------------------|----------|--------------|-------------|
|               | 2011           | 2010     | Change<br>\$ | Change<br>% | 2011             | 2010     | Change<br>\$ | Change<br>% |
| Net Sales     | \$ 204.3       | \$ 192.0 | \$ 12.3      | 6.4%        | \$ 413.4         | \$ 381.6 | \$ 31.8      | 8.3%        |
| EBIT          | \$ 6.8         | \$ 6.3   | \$ 0.5       | 7.9%        | \$ 21.8          | \$ 17.8  | \$ 4.0       | 22.5%       |
| EBIT Margin   | 3.3%           | 3.3%     |              |             | 5.3%             | 4.7%     |              |             |

Carlisle Transportation Product's net sales increase of 6.4% during the second quarter 2011 primarily reflected higher selling prices that were implemented in connection with increased raw material costs. The segment experienced higher demand for its tire and wheel products in its agricultural and power sports applications. This increase was offset by lower sales volume for its outdoor power equipment tire product line. For the first six months of 2011, sales growth of 8.3% primarily reflected higher selling prices from pricing actions taken in response to increased raw material costs.

During the second quarter 2011, EBIT margin of 3.3% was negatively impacted by production start-up inefficiencies from the new tire plant in Jackson, TN and additional charges to inventory reserves for changes in customer demand. Also during the second quarter 2011, CTP experienced significant raw material cost increases particularly for natural and synthetic rubber that were offset by selling price increases. Restructuring expenses of \$0.6 million in the second quarter of 2011 compared to expenses of \$3.3 million in the second quarter of 2010.

The increase in EBIT margin during the first six months of 2011 versus the prior year was primarily a result of higher sales volume, increasing selling prices and savings from plant consolidation efforts and efficiencies from the Carlisle Operating Systems. These positive impacts were largely offset by higher raw material costs and production inefficiencies from plant start-up and the aforementioned inventory charges. Restructuring expenses for the six months ended June 30, 2011 of \$2.6 million compared to expenses of \$5.3 million in the prior year period.

During the three and six month period ended June 30, 2011, the Company incurred \$0.6 million and \$2.6 million, respectively, of exit and disposal costs, associated with the consolidation of its tire manufacturing operations in Heflin, AL, Carlisle, PA and portions of Buji, China into a new facility in Jackson, TN. The consolidation of these operations began in the third quarter of 2009 and is expected to cost approximately \$20.3 million in total, of which \$19.5 million has been incurred through June 30, 2011, and \$0.8 million is expected to be incurred in the third quarter of 2011. The consolidation was substantially completed in the first quarter of 2011; however additional activities related to the closure of facilities no longer in use is expected to be completed in the third quarter of 2011.

Cost savings related to the tire manufacturing consolidation into Jackson, TN, primarily resulting from the reduction of operating costs, are expected to approximate \$16 million per year by 2013. An estimated \$10 million is expected in 2012, and an additional \$6 million is expected in 2013. In addition, the Company expects savings during 2011 of \$3.2 million related to other consolidations of tire and wheel operations that were completed during 2010.

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During the second quarter 2011, CTP announced it would centralize headquarters in Franklin, TN, in order to streamline administrative operations and enhance coordination of service, manufacturing and strategy. The Company expects to incur approximately \$2.0 million of expense in the second half of 2011 connected with the headquarter set up and relocation of key personnel to Franklin, TN.

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 lines. The Company expects sales to increase over the prior year at their current trend, primarily reflecting higher selling prices to offset higher raw material costs and strengthening in some end markets. However, higher raw material costs as well as higher costs capitalized into inventory as of June 30, 2011 are expected to continue to pressure earnings in future periods. In addition, production in the Company's tire facility in Jackson, TN has not reached planned levels. The continued ramp-up of U.S. tire production in Jackson could cause additional disruptions to customers or higher operating costs for manufacturing inefficiencies.

As of June 30, 2011, the carrying value of CTP's goodwill and intangible assets was \$100.1 million and \$2.7 million, respectively. Goodwill and intangible assets with indefinite useful lives are tested at least annually for impairment or when evidence of a potential impairment exists. The Company did not recognize any goodwill or intangible asset impairment through June 30, 2011 related to CTP or any of its other segments. However, deterioration of the outlook for CTP at a higher than expected level due to the conditions mentioned above could potentially result in a future impairment loss within this segment. For additional information, refer to Item 1A of the Company's 2010 Annual Report on Form 10-K.

In addition, the Company could be negatively impacted by the U.S Customs Matter described in Note 13 to the Unaudited Condensed Consolidated Financial Statements.

### Carlisle Brake & Friction ( CBF )

| (in millions) | Second Quarter |         |              |             | First Six Months |         |              |             |
|---------------|----------------|---------|--------------|-------------|------------------|---------|--------------|-------------|
|               | 2011           | 2010    | Change<br>\$ | Change<br>% | 2011             | 2010    | Change<br>\$ | Change<br>% |
| Net Sales     | \$ 119.4       | \$ 26.2 | \$ 93.2      | 355.7%      | \$ 230.2         | \$ 48.7 | \$ 181.5     | 372.7%      |
| EBIT          | \$ 19.3        | \$ 2.9  | \$ 16.4      | 565.5%      | \$ 37.6          | \$ 5.0  | \$ 32.6      | 652.0%      |
| EBIT Margin   | 16.2%          | 11.1%   |              |             | 16.3%            | 10.3%   |              |             |

The acquisition of Hawk contributed \$83.5 million to net sales and \$15.6 million to EBIT for CBF in the second quarter of 2011. Sales and EBIT for Hawk during the second quarter 2011 reflected strong demand for friction products used in the global market for off-highway applications and reduction in operating expenses resulting from successful integration efforts. For the six months ended June 30, 2011, Hawk contributed \$159.7 million to net sales and \$28.9 million to EBIT.

Organic sales growth for CBF increased during the second quarter 2011 by 33%, reflecting the high demand in the global off highway braking systems market consistent with the sales performance of Hawk. The impact of foreign exchange rates had a positive impact of 3.8% on CBF's change in net sales in the second quarter of 2011. For the six months ended June 30, 2011, organic sales for CBF increased by 42% over the prior year period. The brake and friction businesses are experiencing robust demand, particularly in agricultural markets in Europe and construction and mining markets in the Asia Pacific region.

The significant increase in EBIT margin for the combined CBF segment to over 16% for both the three and six month periods ended June 30, 2011, versus the respective prior year periods, primarily reflected contribution from Hawk and synergy savings from the integration of Hawk with the core braking business.

The outlook for the markets that CBF serves is favorable due to the continued growth in infrastructure spending in developing regions such as Asia Pacific and South America and current demand for commodities fueling growth in the agriculture and mining sector. Sales and EBIT in future periods could be impacted by a downturn in global economic conditions or curtailment in non-US government spending programs. Rising inflation in emerging markets such as China could cause these countries to put in measures to temper growth. The Company also faces increased raw material costs for materials such as steel and copper and the ability to recover additional costs through selling price actions is unknown.

**Carlisle Interconnect Technologies ( CIT )**

| (in millions) | Second Quarter |         |              |             | First Six Months |          |              |             |
|---------------|----------------|---------|--------------|-------------|------------------|----------|--------------|-------------|
|               | 2011           | 2010    | Change<br>\$ | Change<br>% | 2011             | 2010     | Change<br>\$ | Change<br>% |
| Net Sales     | \$ 71.7        | \$ 62.4 | \$ 9.3       | 14.9%       | \$ 137.4         | \$ 124.3 | \$ 13.1      | 10.5%       |
| EBIT          | \$ 11.7        | \$ 6.0  | \$ 5.7       | 95.0%       | \$ 20.6          | \$ 13.8  | \$ 6.8       | 49.3%       |
| EBIT Margin   | 16.3%          | 9.6%    |              |             | 15.0%            | 11.1%    |              |             |

The increase in net sales by CIT in the second quarter of 2011 primarily reflected higher sales volume in the aerospace market of 20% and in the military defense market of 8%. Growth in the aerospace market was driven by sales of

cable, wire and integrated assemblies related to Boeing's legacy airline (737 and 777) programs and increased demand for CIT's in-flight entertainment applications. While demand for CIT's specialty military applications grew by 8% during the second quarter 2011, the Company experienced some shifts and delays in defense programs. For the first six months of 2011, organic sales increased by 11% primarily reflecting growth in the aerospace market of 15% and flat demand year to date in the military applications market.

Despite significantly higher raw material costs for copper and silver, EBIT margin improved by 6.7% to 16.3% in the second quarter 2011 compared to 9.6% in the second quarter 2010, reflecting higher sales volume, efficiency savings from the Carlisle Operating System and savings from plant consolidations completed during 2010. These factors similarly contributed to the significant increase in EBIT margin for the first six months of 2011 to 15.0% from EBIT margin of 11.1% in the first six months of 2010.

The Company expects additional sales from the ramp up of Boeing's 787 program in the second half of 2011, and the long-term growth prospects for the aerospace market continue to be favorable. However, potential further delays or cancellations in new airplane manufacturing schedules and the impact of potential defense budget cuts could have a negative impact on future results. In addition, further increases in the cost of raw materials could continue to pressure earnings in this segment.

#### Carlisle FoodService Products ( CFS )

| (in millions) | Second Quarter |         |              |             | First Six Months |          |              |             |
|---------------|----------------|---------|--------------|-------------|------------------|----------|--------------|-------------|
|               | 2011           | 2010    | Change<br>\$ | Change<br>% | 2011             | 2010     | Change<br>\$ | Change<br>% |
| Net Sales     | \$ 63.4        | \$ 61.2 | \$ 2.2       | 3.6%        | \$ 120.1         | \$ 118.0 | \$ 2.1       | 1.8%        |
| EBIT          | \$ 5.3         | \$ 6.3  | \$ (1.0)     | -15.9%      | \$ 10.8          | \$ 12.8  | \$ (2.0)     | -15.6%      |
| EBIT Margin   | 8.4%           | 10.3%   |              |             | 9.0%             | 10.8%    |              |             |

For both the three and six month periods ended June 30, 2011, sales growth at CFS was primarily driven by price increases introduced at the beginning of 2011 to address higher raw material costs. Despite the overall weak trend in the foodservice industry, demand for CFS's foodservice products grew during the second quarter as restaurants sought new product for retooled menu offerings and replenished aging equipment and supplies. This increase in demand was offset by a decline within the healthcare products market.

The decline in EBIT margin for both the three and six month periods ended June 30, 2011, versus the respective prior year periods, reflected higher raw material and freight costs in 2011 that were not fully offset by selling price increases.

The foodservice products business is generally not subject to seasonal demand. Although foodservice traffic growth is anticipated to remain slow throughout 2011, modest growth trends are emerging in the industry due to the need for restaurants to retool menus and remodel stores. In addition, healthcare facilities are expected to upgrade their meal delivery systems. Earnings in future periods may continue to face pressure from increased raw material costs. The Company's ability to recover raw material increases through higher selling prices remains uncertain.

#### Corporate expense



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| (in millions)                | 2011      | Second Quarter<br>2010 | Change | 2011      | First Six Months<br>2010 | Change |
|------------------------------|-----------|------------------------|--------|-----------|--------------------------|--------|
| Corporate expenses           | \$ (11.9) | \$ (8.8)               | -35.2% | \$ (22.4) | \$ (17.2)                | -30.2% |
| As a percentage of net sales | -1.4%     | -1.3%                  |        | -1.4%     | -1.4%                    |        |

The increase in corporate expense from the second quarter of 2010 to the second quarter 2011 includes \$1.3 million of costs for acquisition opportunities that were not realized, as well as foreign exchange gains recognized during the second quarter of 2010. The increase in corporate expense for the first six months of 2011 versus the prior year period primarily

reflects the aforementioned expenses for acquisition opportunities as well as the impact of foreign exchange.

### *Liquidity and Capital Resources*

As of June 30, 2011, the Company had \$99.1 million of cash and cash equivalents on hand, of which \$83.6 million was located in wholly owned subsidiaries of the Company outside the United States. The Company intends to fund the purchase of PDT for approximately 80 million during the third quarter of 2011 with cash and cash equivalents on hand and availability under its revolving credit facility.

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

| In millions   | First Six Months |        |      |        |
|---|------------------|--------|------|--------|
|   | 2011             |        | 2010 |        |
| Net cash provided by operating activities           | \$               | 13.7   | \$   | 20.5   |
| Net cash used in investing activities               |                  | (29.8) |      | (6.3)  |
| Net cash provided by (used in) financing activities |                  | 23.0   |      | (13.3) |
| Effect of exchange rate changes on cash             |                  | 2.8    |      | (0.6)  |
| Change in cash and cash equivalents                 | \$               | 9.7    | \$   | 0.3    |

The change in net cash provided by operating activities from the first six months of 2010 to the first six months of 2011 was primarily due to greater cash used for working capital during 2011 versus 2010. Cash used for working capital and other assets and liabilities of \$124.7 million for the first six months of 2011 compared to \$72.0 million for the first six months of 2010. Cash used for working capital and other assets and liabilities in 2011 primarily reflected an increase in receivables and inventory due to higher sales. During the first six months of 2011, sales to customers outside the U.S. increased by 64%, including 31% from the Hawk acquisition, resulting in greater working capital requirements during the first half of the year. In addition, greater purchases of certain key raw materials were made to address supply concerns and avoid potential disruption to customers. Cash provided by operating activities is generally higher in the second half of the year reflecting collections of accounts receivable from higher sales in the second and third quarters.

The Company views the ratio of its 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 its ability to effectively manage its cash requirements in relation to changes in sales activity. For the first six months of 2011, average working capital as a percentage of annualized sales was 21.7%, as compared to a percentage of 21.4% for the first six months of 2010. The Company is focused on using the Carlisle Operating System across all the business segments to improve cash flow and key working capital measurements such as Days Sales Outstanding ( DSO ), Inventory Turns and Days Payable Outstanding ( DPO ).

Cash used for investing activities was \$29.8 million for the first six months of 2011, compared to \$6.3 million for the first six months of 2010. Capital expenditures were \$33.8 million in the first six months of 2011 compared to capital expenditures of \$31.6 million in the first six months of 2010. During the second quarter of 2011, the Company purchased certain trademark rights within the Transportation Products segment for \$2.7 million. During the first half of 2010, the Company received proceeds from the sale of the refrigerated truck bodies business of \$20.3 million.

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Cash provided by financing activities of \$23.0 million for the first six months of 2011 primarily reflects \$90 million in proceeds from borrowings under the Company's revolving credit facility offset by the redemption of senior unsecured notes assumed in the Hawk acquisition for \$59 million and \$21 million for the payment of dividends. Cash used by financing activities of \$13.3 million for the first six months of 2010 primarily reflects the payment of dividends.

### **Debt Instruments, Guarantees and Covenants**

At June 30, 2011 the Company had \$369 million available under its \$500 million revolving credit facility. The revolving credit facility provides for grid-based interest pricing based on the credit rating of the Company's senior unsecured bank debt or other unsecured senior debt and the Company's utilization of the facility. The facility requires the Company 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 in 2011 and 2010. The average interest rate of borrowings under the revolving credit facility during the three and six month periods ended June

30, 2011 was 0.63% and 0.61%, respectively. The revolving credit facility terminates on July 12, 2012. The Company is in discussions with its banking partners on plans to renew its revolving credit facility in anticipation of the termination date.

The Company also maintains a \$55 million uncommitted line of credit, all of which was available at June 30, 2011.

On December 9, 2010, the Company completed a public offering of \$250.0 million of notes with a stated interest rate of 5.125% due December 15, 2020 (the 2020 Notes). The 2020 Notes were issued at a discount of approximately \$1.1 million, resulting in proceeds to the Company of approximately \$248.9 million. Interest on the 2020 Notes will be paid each June 15 and December 15, commencing on June 15, 2011. The proceeds were utilized to re-pay borrowings under the Company's Revolving Credit Facility that were used to partially finance the acquisition of Hawk.

In connection with the acquisition of Hawk on December 1, 2010, the Company assumed Hawk's 8.75% senior notes due November 1, 2014 (the Hawk senior notes). On January 10, 2011, the Company redeemed all of the outstanding Hawk senior notes for approximately \$59.1 million, of which \$57.1 million related to the outstanding principal amount, \$1.9 million related to an early redemption premium, and \$0.1 million for accrued and unpaid interest. The Company redeemed the Hawk senior notes using borrowings under its revolving credit facility.

Both the Company's \$150 million senior unsecured notes due 2016 and its \$250 million senior unsecured notes due 2020 are rated BBB by Standard & Poor's and Baa2 by Moody's. The Company views its 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 its ability to utilize debt in financing acquisitions. As of June 30, 2011, the Company's debt to capital ratio was 26%.

### **New Accounting Pronouncements**

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

### ***Forward-Looking Statements***

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are made based on known events and circumstances at the time of publication, and as such, are subject in the future to unforeseen risks and uncertainties. It is possible that the Company's future performance may differ materially from current expectations expressed in these forward-looking statements, due to a variety of factors such as: increasing price and product/service competition by foreign and domestic competitors, including new entrants; technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the Company's mix of products/services; increases in raw material costs which cannot be recovered in product pricing; domestic and foreign governmental and public policy changes including environmental regulations; threats associated with and efforts to combat terrorism; protection and validity of patent and other intellectual property rights; the successful identification and integration of the Company's strategic acquisitions; the cyclical nature of the Company's businesses; and the outcome of pending and future litigation and governmental proceedings. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions including interest rate and currency exchange rate fluctuations. Further, any conflict in

the international arena may adversely affect the general market conditions and the Company's future performance. The Company undertakes no duty to update forward-looking statements.

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

There have been no material changes in the Company's market risk for the period ended June 30, 2011. For additional information, refer to Item 7A of the Company's 2010 Annual Report on Form 10-K.

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

(a) Under the supervision and with the participation of the Company's management, including the Company's chief executive officer and chief financial officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation and as of June 30, 2011, 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.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

#### *Litigation*

The Company received written correspondence from the U. S. Immigration and Customs Enforcement Office of Investigations ( ICE ) dated March 11, 2010 indicating that it initiated an investigation relating to the classification of certain rubber tires imported by its tire and wheel operation within the Carlisle Transportation Products segment since 2004. The Company responded to ICE 's inquiry and, on August 19, 2010, ICE informed the Company that it had terminated its investigation. The Company continues to work separately with U. S. Customs and Border Protection to properly classify its products.

At this time, the Company cannot predict or determine the amount of additional duties and/or civil fines or penalties, if any, owed as a result of this classification effort. In the opinion of management, the ultimate outcome of such actions will not have a material adverse effect on the consolidated financial position of the Company.

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.

Other than the matter described below, to date, 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 a portion of certain of the Company 's defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits.

On December 22, 2010, the Company settled a case involving alleged asbestos-related injury. The total amount of the award and related loss, inclusive of insurance recoveries, was approximately \$5.8 million, which was recorded in discontinued operations in the fourth quarter of 2010, as the related alleged asbestos-containing product was manufactured by the Company 's former on-highway brake business.

Based on an ongoing evaluation, including the above matter, the Company believes that the resolution of its remaining 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.

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 will not have a material adverse effect on the consolidated financial position of the Company, but may have a material impact on the Company 's results of operations for a particular period. There were no material legal expenses recognized during the second quarter or first six months of 2011 and 2010.

*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 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\*

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\* In accordance with Rule 406T of Regulation S-T promulgated by the Securities and Exchange Commission, Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**SIGNATURE**

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

Carlisle Companies Incorporated

July 26, 2011

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