CARLISLE COMPANIES INC
Form 10-K
February 19, 2014

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# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

ý **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

**OR**

o **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**<br>(State or other jurisdiction of incorporation or organization) | **31-1168055**<br>(I.R.S. Employer Identification No.) |
|---|---|
| **11605 North Community House Road, Suite 600, Charlotte, North Carolina 28277**<br>(Address of principal executive office, including zip code) | **(704) 501-1100**<br>(Telephone Number) |

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common stock, $1 par value | New York Stock Exchange |
| Preferred Stock Purchase Rights | New York Stock Exchange |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

| Large accelerated filer ý | Accelerated filer o | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

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

The aggregate market value of the shares of common stock of the registrant held by non-affiliates was approximately $3.7 billion based upon the closing price of the common stock on the New York Stock Exchange on June 30, 2013.

As of February 14, 2014, 63,852,641 shares of common stock of the registrant were outstanding;

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2014 are incorporated by reference in Part III.

**Part I**

**Item 1. Business.**

**Overview**

Carlisle Companies Incorporated ("Carlisle", the "Company", "we", "us" or "our") was incorporated in 1986 in Delaware as a holding company for Carlisle Corporation, whose operations began in 1917, and its wholly-owned subsidiaries. Carlisle is a diversified manufacturing company consisting of four segments which manufacture and distribute a broad range of products. Additional information is contained in Items 7 and 8.

The Company's executive offices are located at 11605 North Community House Road, Suite 600, Charlotte, North Carolina. The Company's main telephone number is (704) 501-1100. The Company's Internet website address is *www.carlisle.com*. Through this Internet website (found in the "Investor Relations" link), the Company makes available free of charge its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and all amendments to those reports, as soon as reasonably practicable after these reports are electronically filed with or furnished to the Securities and Exchange Commission.

**Management Philosophy/Business Strategy**

The Company strives to be the market leader in the various niche markets it serves. The Company is dedicated to achieving low cost positions and providing service excellence based on, among other things, superior quality, on-time delivery, and short cycle times.

The presidents of the various operating companies are given considerable autonomy and have a significant level of independent responsibility for their businesses and their performance. The Company believes that this structure encourages entrepreneurial action and enhances responsive decision making thereby enabling each operation to better serve its customers and react quickly to its customers' needs.

The Company's executive management role is to (i) provide general management oversight and counsel, (ii) manage the Company's portfolio of businesses including identifying acquisition candidates and assisting in acquiring candidates identified by the operating companies, as well as identifying businesses for divestiture in an effort to optimize the portfolio, (iii) allocate and manage capital, (iv) evaluate and motivate operating management personnel, and (v) provide selected other services.

During 2008, the Company began the implementation of the Carlisle Operating System ("COS"), a manufacturing structure and strategy deployment system based on lean enterprise and six sigma principles. COS is a continuous improvement process and is redefining the way the Company does business. Waste is being eliminated and efficiencies improved enterprise wide, allowing the Company to increase overall profitability. Improvements are not limited to production areas, as COS is also driving improvements in new product innovation, engineering, supply chain management, warranty, and product rationalization. COS is creating a culture of continuous improvement across all aspects of the Company's business operations.

**Acquisitions and Divestitures**

The Company has a long-standing acquisition strategy. Traditionally, the Company has focused on acquiring new businesses that can be added to existing operations, or "bolt-ons." In addition, the Company considers acquiring new businesses that can operate independently from other Carlisle companies. Factors considered by the Company in making an acquisition include consolidation opportunities, technology, customer dispersion, operating capabilities, and growth potential.

On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the

additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The Company recognized a $6.2 million after-tax gain on the sale. All prior period results of operations have been retrospectively adjusted to reflect the Transportation Products business as discontinued operations and related assets and liabilities as held for sale.

For more details regarding the acquisition, consolidation, and divestiture of the Company's businesses during the past three years, see "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Acquisitions", Notes 3 and 4 to the Consolidated Financial Statements in Item 8, and "Discontinued Operations," also in Item 1 below.

Information on the Company's revenues, earnings, and identifiable assets for continuing operations by industry segment for the last three fiscal years is as follows (amounts in millions):

**Financial Information about Industry Segments**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Sales to Unaffiliated Customers(1)** | | | |
| Carlisle Construction Materials | **$ 1,776.5** | $ 1,695.8 | $ 1,484.0 |
| Carlisle Interconnect Technologies | **577.7** | 463.1 | 299.6 |
| Carlisle Brake & Friction | **350.0** | 449.0 | 473.0 |
| Carlisle FoodService Products | **238.8** | 243.3 | 235.8 |
| Total | **$ 2,943.0** | $ 2,851.2 | $ 2,492.4 |
| **Earnings Before Interest and Income Taxes** | | | |
| Carlisle Construction Materials | **$ 264.0** | $ 273.4 | $ 177.9 |
| Carlisle Interconnect Technologies | **89.4** | 69.1 | 41.9 |
| Carlisle Brake & Friction | **33.5** | 75.6 | 77.2 |
| Carlisle FoodService Products | **27.0** | 12.3 | 13.2 |
| Corporate(2) | **(47.1)** | (58.5) | (44.2) |
| Total | **$ 366.8** | $ 371.9 | $ 266.0 |
| **Identifiable Assets** | | | |
| Carlisle Construction Materials | **$ 886.9** | $ 860.4 | $ 774.4 |
| Carlisle Interconnect Technologies | **1,017.5** | 1,075.7 | 782.1 |
| Carlisle Brake & Friction | **603.7** | 625.7 | 665.8 |
| Carlisle FoodService Products | **193.2** | 190.1 | 206.8 |
| Corporate(3) | **791.4** | 132.3 | 116.4 |
| Total | **$ 3,492.7** | $ 2,884.2 | $ 2,545.5 |

(1)

Intersegment sales or transfers are not material

(2)
Includes general corporate expenses

(3)
Consists primarily of cash and cash equivalents, facilities, and other invested assets, and includes 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 in Item 8 is as follows:

| | 2013 | 2012 |
|---|---|---|
| Total Identifiable Assets by segment per table above | **$ 3,492.7** | $ 2,884.2 |
| Assets held for sale of discontinued operations* | **0.3** | 573.1 |
| Total assets per Consolidated Balance Sheets in Item 8 | **$ 3,493.0** | $ 3,457.3 |

* See Note 4 to the Consolidated Financial Statements in Item 8.

**Description of Businesses by Segment**

**Carlisle Construction Materials ("CCM" or the "Construction Materials segment")**

The Construction Materials segment manufactures and sells rubber ("EPDM") and thermoplastic polyolefin ("TPO") roofing systems. In addition, CCM markets and sells polyvinyl chloride membrane ("PVC") and accessories purchased from third party suppliers. Beginning in the first quarter of 2014, CCM will also manufacture PVC. CCM also manufactures and distributes energy-efficient rigid foam insulation panels for substantially all roofing applications. Roofing materials and insulation are sold together in warranted systems or separately in non-warranted systems to the new construction, re-roofing and maintenance, general construction, and industrial markets. Through its coatings and waterproofing operation, this segment manufactures and sells liquid and spray-applied waterproofing membranes, vapor and air barriers, and HVAC duct sealants and hardware for the commercial and residential construction markets. The majority of CCM's products are sold through a network of authorized sales representatives and distributors.

On March 9, 2012, the Company acquired 100% of the equity of Hertalan Holding B.V. ("Hertalan") for a total cash purchase price of approximately €37.3 million, or $48.9 million, net of €0.1 million, or $0.1 million, cash acquired. The acquisition of Hertalan strengthens the Company's ability to efficiently serve European customers in the EPDM roofing market in Europe with local manufacturing and established distribution channels. See Note 3 in Item 8 for further information regarding the acquisition and the related purchase price allocation.

On August 1, 2011, the Company acquired PDT Phoenix GmbH ("PDT") for approximately $111.0 million, net of $7.6 million cash acquired. The purchase price of $118.6 million was comprised of $113.4 million in cash and $5.2 million in contingent consideration. Contingent consideration was subsequently increased to $9.9 million as of December 31, 2012 due to an increase in expected earnings of PDT in 2014. The contingent consideration was settled in 2013 for €7.0 million, or $9.5 million. PDT operates manufacturing facilities in Germany and is a leading manufacturer of EPDM based roofing materials. The acquisition of PDT is an important foothold for CCM in servicing the growing single-ply roofing market in Europe. See Note 3 in Item 8 for further information regarding the acquisition and the related purchase price allocation. On January 2, 2012, the Company completed the sale of PDT's non-roofing and waterproofing unit ("PDT Profiles") to Datwyler Group of Altdorf, Switzerland for $22.1 million with no pre-tax gain or loss recognized upon the sale. See Note 4 in Item 8 regarding discontinued operations.

CCM operates manufacturing facilities located throughout the United States, its primary market, and in Germany, Netherlands, and Romania. Insulation facilities are located in Montgomery, New York, Franklin Park, Illinois, Lake City, Florida, Terrell, Texas, Tooele, Utah, Smithfield, Pennsylvania, and Puyallup, Washington. EPDM manufacturing operations are located in Carlisle, Pennsylvania, Greenville, Illinois, and in Hamburg and Waltershausen, Germany. Following the acquisition of Hertalan, the Company also operates EPDM manufacturing facilities in Kampen, Netherlands, and

Baia Mare, Romania. TPO facilities are located in Senatobia, Mississippi and Tooele, Utah. Coatings and waterproofing manufacturing operations include four production facilities in North America. Block molded expanded polystyrene, or EPS, operations include ten production and fabrication facilities across the United States. CCM completed construction of a PVC manufacturing plant in Greenville, Illinois, in 2013 and is expected to begin production in the first quarter of 2014.

Raw materials for this segment include EPDM polymer, TPO polymer, carbon black, processing oils, solvents, asphalt, methylene diphenyldiisocyanate, polyol, polyester fabric, black facer paper, oriented strand board, clay, and various packaging materials. Critical raw materials generally have at least two vendor sources to better assure adequate supply. For raw materials that are single sourced, the vendor typically has multiple processing facilities.

Sales and earnings for CCM tend to be somewhat higher in the second and third quarters due to increased construction activity during those periods.

The working capital practices for this segment include:

(i) Standard accounts receivable payment terms of 45 days to 90 days.

(ii) Standard accounts payable payment terms of 30 days to 60 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand.

CCM serves a large and diverse customer base; however, in 2013 two customers represented approximately 25% of this segment's revenues, but neither customer represented 10% of the Company's consolidated revenues. The loss of either of these customers could have a material adverse effect on this segment's revenues and cash flows.

This segment faces competition from numerous competitors that produce roofing, insulation, and waterproofing products for commercial and residential applications. The level of competition within this market varies by product line. As one of two leading manufacturers in the niche single-ply industry, CCM competes through pricing, innovative products, long-term warranties, and customer service. CCM offers separately-priced extended warranty contracts on its installed roofing systems, ranging from five years to 30 years and, subject to certain exclusions, covering leaks in the roofing system attributable to a problem with the particular product or the installation of the product. In order to qualify for the warranty, the building owner must have the roofing system installed by an authorized roofing applicator, an independent roofing contractor trained by CCM to install its roofing systems.

**Carlisle Interconnect Technologies ("CIT" or the "Interconnect Technologies segment")**

The Interconnect Technologies segment designs and manufactures high performance wire, cable, contacts, fiber optic, RF/microwave and specialty filtered connectors, specialty cable assemblies, integrated wired racks, trays, and fully integrated airframe subsystem solutions primarily for the aerospace, defense electronics, industrial, medical, and test and measurement equipment industries. This segment operates manufacturing facilities in the United States, Switzerland, China, Mexico, and the United Kingdom, with the United States, Europe, and China being the primary target markets for sales. Sales are made by direct sales personnel and independent sales representatives.

On December 17, 2012, the Company acquired certain assets and assumed certain liabilities of Thermax ("Thermax"), an unincorporated North American division of Belden Inc., and acquired all of the outstanding shares of Raydex/CDT Limited ("Raydex" and together with Thermax, "Thermax/Raydex"), a company incorporated in England and Wales, for total cash consideration of approximately $265.5 million, net of $0.1 million cash acquired. With combined annual sales of approximately $110 million, Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex adds capabilities and technology to strengthen the Company's interconnect products

business by expanding its product and service range to its customers. See Note 3 in Item 8 for further information regarding the acquisition and the related purchase price allocation.

On December 2, 2011, the Company completed the purchase of TSEI Holdings, Inc. ("Tri-Star") for approximately $284.8 million, net of $4.5 million cash acquired. With annual sales of approximately $95 million, Tri-Star is based in El Segundo, California, with machining facilities in Riverside, California, and Lugano, Switzerland. Tri-Star is a supplier to the world's leading aerospace, avionics, and electronics companies. Tri-Star designs, manufactures, and sells customized, high-reliability contacts and connectors critical for accurate and efficient transmission of data and power on aircraft and defense platforms, as well as in high-end industrial equipment. See Note 3 in Item 8 for further information regarding the acquisition and the related purchase price allocation.

Raw materials for this segment include gold, copper conductors that are plated with tin, nickel, or silver, polyimide tapes, polytetrafluoroethylene ("PTFE") tapes, PTFE fine powder resin, thermoplastic resins, stainless steel, beryllium copper rod, machined metals, plastic parts, and various marking and identification materials. Key raw materials are typically sourced worldwide and have at least two vendor sources to better assure adequate supply.

The operations of the Interconnect Technologies segment are generally not seasonal in nature.

The working capital practices for this segment include:

(i) Standard accounts receivable payment terms of 30 days to 60 days.

(ii) Standard accounts payable payment terms of 30 days to 60 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand. The majority of CIT's sales are from made-to-order products, resulting in inventories purchased on demand.

CIT serves a large and diverse customer base; however, in 2013 one customer represented 18% of this segment's revenues, but did not represent 10% of the Company's consolidated revenues. The loss of this customer could have a material adverse effect on this segment's revenues and cash flows.

The Interconnect Technologies segment is known for its engineering and product quality. Product performance, either mechanical or electrical in nature, is a principal competitive criterion, with pricing, delivery, and service also being key buying criteria for the customer.

**Carlisle Brake & Friction ("CBF" or the "Brake & Friction segment")**

The Brake & Friction segment consists of off-highway braking systems and friction products for off-highway, on-highway, aircraft, and other industrial applications. CBF also includes the performance racing group which markets and sells high-performance motorsport braking products. CBF's products are sold by direct sales personnel to OEMs, mass merchandisers, and various wholesale and industrial distributors around the world, including North America, Europe, Asia, South America, and Africa. Key markets served include agriculture, construction, aircraft, mining, heavy truck, wind and alternative energy, and performance racing. Manufacturing facilities are located in the United States, the United Kingdom, Italy, China, and Japan.

The brake manufacturing operations require the use of various metal products such as castings, pistons, springs, and bearings. With respect to friction products, the raw materials used are fiberglass, phenolic resin, metallic chips, copper and iron powders, steel, custom-fabricated cellulose sheet, and various other organic materials. Raw materials are sourced worldwide to better assure adequate supply, and critical raw materials generally have at least two vendor sources.

Sales and earnings tend to be marginally higher in the second and third quarters.

The working capital practices for this segment include:

(i) Standard accounts receivable payment terms of 30 days to 120 days.

(ii) Standard accounts payable payment terms of 30 days to 120 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand.

CBF serves a large and diverse customer base; however, in 2013 one customer represented approximately 18% of this segment's revenues, but did not represent 10% of the Company's consolidated revenues. The loss of this customer could have a material adverse effect on this segment's revenues and cash flows.

This segment competes globally against regional and international manufacturers. Few competitors participate in all served markets. A majority participate in only a few of CBF's served markets on a regional or global basis. Markets served are competitive and the major competitive factors include product performance, quality, product availability, and price. The relative importance of these competitive factors varies by market segment and channel.

On October 11, 2013, to further streamline operations and reduce manufacturing costs, CBF announced plans to close its manufacturing facility in Akron, OH, relocate manufacturing previously conducted at this facility to other CBF facilities, and sell the facility's remaining assets once operations cease which is expected in the second half of 2014. See Item 7 for further information about the Akron closing.

**Carlisle FoodService Products ("CFSP" or the "FoodService Products segment")**

The FoodService Products segment manufactures and distributes i) commercial and institutional foodservice permanentware, table coverings, cookware, display pieces, lighting equipment, and supplies to restaurants, hotels, hospitals, nursing homes, schools, and correctional facilities, and (ii) industrial brooms, brushes, mops, and rotary brushes for industrial, commercial, and institutional facilities. CFSP's product line is distributed from two primary distribution centers located in Charlotte, North Carolina, and Oklahoma City, Oklahoma to wholesalers, distributors, and dealers. These distributor and dealer customers, in turn, sell to commercial and non-commercial foodservice operators and sanitary maintenance professionals. Distributors and dealers are solicited through subcontracted manufacturer representatives and direct sales personnel. The FoodService Products segment operates manufacturing facilities in the United States and Mexico, and sales are made primarily in North America and Europe.

Raw materials used by the FoodService Products segment include polymer resins, stainless steel, and aluminum. Key raw materials are sourced nationally from recognized suppliers of these materials.

Sales in the FoodService Products segment tend to be marginally stronger in the second and third quarters.

The working capital practices for this segment include:

(i) Standard accounts receivable payment terms of 30 days to 60 days.

(ii) Standard accounts payable payment terms of 45 days to 60 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand.

The FoodService Products segment serves a large and diverse customer base; however, in 2013 two customers together represented 19% of this segment's revenues, but neither represented 10% of the Company's consolidated revenues. The loss of one of these customers could have a material adverse effect on this segment's revenues and cash flows.

The FoodService Products segment is engaged in markets that are generally highly competitive, and competes equally on price, service, and product performance.

**Discontinued Operations**

On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The Company recognized a $6.2 million after-tax gain on the sale. All prior period results of operations have been retrospectively adjusted to reflect the Transportation Products business as discontinued operations and related assets and liabilities as held for sale.

On August 1, 2011, the Company acquired all of the equity of PDT. Included with the acquisition were certain assets associated with PDT's profiles and frames business ("PDT Profiles"), which the Company classified as held for sale at the date of acquisition. The Company completed the sale of the PDT Profiles business on January 2, 2012 for $22.1 million with no pre-tax gain or loss recognized upon the sale.

On October 4, 2010, as part of its commitment to concentrate on its core businesses, the Company sold its specialty trailer business for cash proceeds of $39.4 million, including a working capital adjustment of $4.4 million. The Company recorded a pre-tax gain on sale of $6.3 million in the fourth quarter of 2010. On April 19, 2012, the Company entered into an agreement with the buyer of its specialty trailer business whereby the contingent consideration related to the sale was settled for $3.75 million. This amount was recognized as a gain within discontinued operations during the second quarter of 2012. The Company also recorded after-tax, currency related gains of $4.3 million and $1.8 million in the fourth quarter of 2010 related to the final dissolution of its on-highway friction and brake shoe, and systems and equipment businesses, respectively.

The results of operations for these businesses, and any gains or losses recognized from their sale, are reported as "discontinued operations" for all periods presented.

See Note 4 in Item 8 for further information regarding discontinued operations.

**Principal Products**

The Company's products are discussed above and in Note 2 to the Consolidated Financial Statements in Item 8.

**Intellectual Property**

The Company owns or holds the right to use a variety of patents, trademarks, licenses, inventions, trade secrets, and other intellectual property rights. The Company has adopted a variety of measures and programs to ensure the continued validity and enforceability of its various intellectual property rights. While the Company's intellectual property is important to its success, the loss or expiration of any particular intellectual property right would not materially affect the Company or any of its segments.

**Backlog**

Backlog of orders from continuing operations generally is not a significant factor in most of the Company's businesses, as most of the Company's products have relatively short order-to-delivery periods. Backlog of orders from continuing operations was $386.1 million at December 31, 2013 and $392.4 million at December 31, 2012; however, not all of these orders are firm in nature.

**Government Contracts**

At December 31, 2013, the Company had no material contracts that were subject to renegotiation of profits or termination at the election of the U.S. government.

**Research and Development**

Research and development activities include the development of new product lines, the modification of existing product lines to comply with regulatory changes, and the research of cost efficiencies through raw material substitution and process improvements. The Company's research and development expenses in continuing operations were $29.3 million in 2013 compared to $26.1 million in 2012 and $21.7 million in 2011.

**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 and we do not currently have any significant accruals related to potential future costs of environmental remediation at December 31, 2013 and 2012, nor does the Company have any asset retirement obligations recorded at those dates. However, 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 or asset retirement obligations.

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.

**Employees**

The Company had approximately 8,000 employees, less than 1% of whom were covered by a collective bargaining agreement, in its continuing operations at December 31, 2013. The Company believes the state of its relationship with its employees is generally good.

**International**

For foreign sales and an allocation of the assets of the Company's continuing operations, see Note 2 to the Consolidated Financial Statements in Item 8.

**NYSE Affirmation**

On May 10, 2013, David A. Roberts, the Company's Chief Executive Officer, submitted to the New York Stock Exchange (the "NYSE") the Annual CEO Certification and certified therein that he was not aware of any violation by the Company of the NYSE's Corporate Governance listing standards.

**Item 1A. Risk Factors.**

The Company's business, financial condition, results of operations, and cash flows can be affected by a number of factors including but not limited to those set forth below, those set forth in our

"Forward Looking Statements" disclosure in Item 7, and those set forth elsewhere in this Annual Report on Form 10-K, any one of which could cause the Company's actual results to vary materially from recent results or from anticipated future results.

***Several of the market segments that the Company serves are cyclical and sensitive to domestic and global economic conditions.***

Several of the market segments in which the Company sells its products are, to varying degrees, cyclical, and may experience periodic downturns in demand. For example, the Brake & Friction segment is susceptible to downturns in the mining and construction industries, the Interconnect Technologies segment is susceptible to downturns in the commercial airline industry, and the Construction Materials segment is susceptible to downturns in the commercial construction industry.

In addition, both the Interconnect Technologies segment and the Brake & Friction segment may be negatively impacted by reductions in military spending.

Current uncertainty regarding global economic conditions may have an adverse effect on the businesses, results of operations, and financial condition of the Company and its customers, distributors, and suppliers. Among the economic factors which may affect performance are: manufacturing activity, commercial and residential construction, difficulties entering new markets, and general economic conditions such as inflation, deflation, interest rates, and credit availability. These effects may, among other things, negatively impact the level of purchases, capital expenditures, and creditworthiness of the Company's customers, distributors, and suppliers, and therefore, the Company's results of operations, margins, and orders. The Company cannot predict if, when, or how much worldwide economic conditions will improve. These conditions are highly unpredictable and beyond the Company's control. If these conditions deteriorate, however, the Company's business, financial condition, results of operations, and cash flows could be materially adversely affected.

***Raw Material costs are a significant component of the Company's cost structure.***

The Company utilizes petroleum-based products, steel, and other commodities in its manufacturing processes. Raw materials, including inbound freight, accounted for approximately 64% of the Company's cost of goods sold in 2013. Significant increases in the price of these materials may not be recovered through selling price increases and could adversely affect the Company's business, financial condition, results of operations, and cash flows. The Company also relies on global sources of raw materials, which could be adversely impacted by unfavorable shipping or trade arrangements and global economic conditions.

***The Company's growth is partially dependent on the acquisition and successful integration of other businesses.***

The Company has a long standing acquisition program and expects to continue acquiring businesses. Typically, the Company considers acquiring bolt-ons. Acquisitions of this type involve numerous risks, which may include potential difficulties in integrating the business into existing operations; a failure to realize expected growth, synergies, and efficiencies; increasing dependency on the markets served by certain businesses; increased debt to finance the acquisitions or the inability to obtain adequate financing on reasonable terms.

If the Company is unable to successfully integrate the acquired business or realize growth, synergies, and efficiencies that were expected when determining a purchase price, goodwill and other intangible assets acquired may be considered impaired, resulting in an adverse impact on the Company's results of operations. See "Part II Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies" for a discussion of factors considered in subsequent valuation of the Company's acquired goodwill and intangible assets.

The Company also considers the acquisition of businesses which can operate independent of existing operations, which has an increased possibility of diverting management's attention from its core operations.

***The Company has significant concentrations in the general construction market.***

For the year ended December 31, 2013, approximately 60% of the Company's revenues from continuing operations, and 64% of its EBIT from continuing operations (excluding Corporate expenses) were generated by the Construction Materials segment. Construction spending is affected by economic conditions, changes in interest rates, demographic and population shifts, and changes in construction spending by federal, state, and local governments. A decline in the commercial construction market, as well as certain other operations of the Company, could adversely affect the Company's business, financial condition, results of operations, and cash flows.

The Construction Materials segment competes through pricing, among other factors. Increased competition in this segment has and could continue to place negative pressure on operating results in future periods.

***The commercial construction market can be affected by weather.***

Adverse weather conditions, such as heavy or sustained rainfall, cold weather, and snow can limit construction activity and reduce demand for roofing materials. Weather conditions can also be a positive factor, as demand for roofing materials may rise after harsh weather conditions due to the need for replacement materials.

***The Company is subject to risks arising from international economic, political, legal, and business factors.***

The Company has increased, and anticipates that it will continue to increase, its presence in global markets. Approximately 23% of the Company's revenues in 2013 were generated outside the United States and the Company expects that this percentage will grow as the Company continues to expand its international sales efforts.

In addition, to compete globally against low-cost manufacturers, several of the Company's segments operate manufacturing facilities outside the United States, especially in China.

The Company's reliance on non-U.S. revenues and non-U.S. manufacturing bases exposes it to a number of risks, including price and currency controls; exchange rate fluctuations; government embargoes or foreign trade restrictions; extraterritorial effects of U.S. laws such as the Foreign Corrupt Practices Act; expropriation of assets; war, civil uprisings, and riots; political instability; nationalization of private enterprises; hyperinflationary conditions; the necessity of obtaining governmental approval for new and continuing products and operations, currency conversion, or repatriation of assets; legal systems of decrees, laws, taxes, regulations, interpretations, and court decisions that are not always fully developed and that may be retroactively or arbitrarily applied; cost and availability of international shipping channels; and local customer loyalty to local companies.

***The loss of, or a significant decline in business with, one or more of the Company's key customers could adversely affect the Company's business, financial condition, results of operations, and cash flows.***

The Company operates in several specialty niche markets in which a large portion of the segment's revenues are attributable to a few large customers. See "Item 1. Business Overview Description of Businesses by Segment" for discussion of customer concentrations by segment. A significant reduction in purchases by one or more of these customers could have a material adverse effect on the business, financial condition, results of operations, or cash flows of one or more of the Company's segments.

Some of the Company's key customers enjoy significant purchasing power that may be used to exert pricing pressure on the Company. Additionally, as many of the Company's businesses are part of a long supply chain to the ultimate consumer, the Company's business, financial condition, results of operations, or cash flows could be adversely affected if one or more key customers elects to in-source the production of a product or products that the Company currently provides.

***If the Company or its business partners are unable to adequately protect the Company's information assets from cyber-based attacks or other security incidents, the Company's operations could be disrupted.***

The Company is increasingly dependent on information technology, including the internet, for the storage, processing, and transmission of its electronic, business-related, information assets. The Company leverages its internal information technology infrastructures, and those of its business partners, to enable, sustain, and support its global business interests. In the event that the Company or its business partners are unable to prevent, detect, and remediate cyber-based attacks or other security incidents in a timely manner, the Company's operations could be disrupted or the Company may incur financial or reputational losses arising from the theft, alteration, misuse, unauthorized disclosure, or destruction of its information assets.

***The Company may be impacted by new regulations related to conflict minerals.***

In August 2012, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted new disclosure regulations for public companies that manufacture products that contain certain minerals and their derivatives, namely tin, tantalum, tungsten, or gold, known as conflict minerals, if these minerals are necessary to the functionality or production of the company's products. These regulations require such companies to report annually whether or not the minerals originate from the Democratic Republic of Congo (DRC) and adjoining countries and in some cases to perform extensive due diligence on their supply chains for the minerals. While the regulations do not require that a company discontinue the use of conflict minerals, the Company nevertheless may be impacted by the regulations. If one or more of the Company's key customers declares that it will become "conflict free", the Company may be forced to re-evaluate the sourcing of certain of its raw materials or risk the loss of business with the customer. This could have the effect of limiting the pool of suppliers from which the Company sources its raw materials and the Company may be unable to obtain conflict free raw materials at competitive prices, which could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows. Additionally, given the complex nature of the Company's supply chain and, in some cases, an extensive chain of custody for materials that the Company uses in its production processes, the Company may incur significant costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals used in its products.

***Currency conversion could have a material impact on the Company's reported results of business operations.***

The Company's global sales and other activities are translated into U.S. dollars for reporting purposes. The strengthening or weakening of the U.S. dollar could result in unfavorable translation effects as the results of transactions in foreign countries are translated into U.S. dollars. In addition, sales and purchases in currencies other than the U.S. dollar expose the Company to fluctuations in foreign currencies relative to the U.S. dollar. Increased strength of the U.S. dollar will decrease the Company's reported revenues or margins in respect of sales conducted in foreign currencies to the extent the Company is unable or determines not to increase local currency prices. Likewise, decreased strength of the U.S. dollar could have a material adverse effect on the cost of materials and products purchased overseas.

***Increases in the cost of providing pension benefits and healthcare benefits could adversely affect the Company's business, financial condition, results of operations, and cash flows.***

Pension expense associated with the Company's defined benefit retirement plans may fluctuate significantly depending on future market performance of plan assets and changes in actuarial assumptions.

Net income may be negatively impacted by a decrease in the rate of return on plan assets. Income or expense for the plans is calculated using actuarial valuations. Unfavorable changes in key economic indicators can change the assumptions. The most significant assumptions used are the discount rate and the expected long-term rate of return on plan assets. The key economic factors that affect the expense would also likely affect the amount of cash contributions to the core pension and post-employment plans.

To help mitigate the fluctuation in future cash contributions to the core pension plan, the Company implemented a liability driven investment approach in 2009. This approach seeks to invest primarily in fixed income investments to match the changes in the plan liabilities that occur as a result of changes in the discount rate. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The established target allocation is 88% fixed income securities and 12% equity securities. Fixed income investments are diversified across core fixed income, long duration and high yield bonds. Equity investments are diversified across large capitalization U.S. and international stocks. Investment risk is measured and monitored on an ongoing basis through investment portfolio reviews, annual liability measures, and asset/liability studies.

The Company further reduced its net pension obligation in 2012 by offering a one-time lump-sum window to certain former employees who participate in the Company's core pension plan and in 2013 by transferring certain pension assets and obligations upon sale of the Transportation Products business.

Additionally, the Company's business, financial condition, results of operations, and cash flows may be impacted by future increases in healthcare cost trends as well as costs associated with compliance with the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care Education Affordability Reconciliation Act of 2010.

***Dispositions, failure to successfully complete dispositions, or restructuring activities could negatively affect the Company.***

From time to time, the Company, as part of its commitment to concentrate on its core business, may dispose of all or a portion of certain businesses. Such dispositions involve a number of risks and present financial, managerial, and operational challenges, including diversion of management attention from the Company's core businesses, increased expense associated with the dispositions, potential disputes with the customers or suppliers of the disposed businesses, potential disputes with the acquirers of the disposed businesses, and a potential dilutive effect on the Company's earnings per share. If dispositions are not completed in a timely manner there may be a negative effect on the Company's cash flows and/or the Company's ability to execute its strategy. See Note 4 in Item 8 for discussion of Discontinued Operations and Assets Held for Sale.

Additionally, from time to time, the Company may undertake consolidation projects in an effort to reduce costs and streamline its operations. Such restructuring activities may divert management attention from the Company's core businesses, increase expenses on a short-term basis, and lead to potential disputes with the customers or suppliers of the affected businesses. If restructuring activities are not completed in a timely manner or if anticipated cost savings, synergies, and efficiencies are not realized there may be a negative effect on the Company's business, financial condition, results of operations, and cash flows. See Note 5 in Item 8 for discussion of Exit and Disposal Activities.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

The number, location, and size of the Company's principal properties as of December 31, 2013 are shown on the following chart, by segment.

| | Location | | | | Square Footage (in millions) | |
|---|---|---|---|---|---|---|
| **Segment** | **North America** | **Europe** | **Asia** | **No. of Facilities** | **Owned** | **Leased** |
| Carlisle Construction Materials | 21 | 6 | | 27 | 3.9 | 0.9 |
| Carlisle Interconnect Technologies | 8 | 2 | 1 | 11 | 0.2 | 0.7 |
| Carlisle Brake and Friction | 5 | 2 | 4 | 11 | 0.9 | 0.5 |
| Carlisle FoodService Products | 9 | | | 9 | 0.5 | 0.6 |
| Totals | 43 | 10 | 5 | 58 | 5.6 | 2.6 |

In addition to the manufacturing plants and warehousing facilities listed above, we lease our corporate offices in Charlotte, NC and in Shanghai, China. We consider these principal properties, as well as the related machinery and equipment, to be well maintained and suitable and adequate for their intended purpose.

**Item 3. Legal Proceedings.**

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

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

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

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

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Part II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The Company's common stock is traded on the New York Stock Exchange. At December 31, 2013, there were 1,498 shareholders of record.

Quarterly cash dividends paid and the high and low prices of the Company's stock on the New York Stock Exchange in 2013 and 2012 were as follows:

| **2013** | **First** | **Second** | **Third** | **Fourth** |
|---|---|---|---|---|
| **Dividends per share** | **$ 0.20** | **$ 0.20** | **$ 0.22** | **$ 0.22** |
| **Stock Price** | | | | |
| **High** | **$ 70.55** | **$ 68.12** | **$ 70.48** | **$ 80.21** |
| **Low** | **$ 59.19** | **$ 60.34** | **$ 62.00** | **$ 67.98** |

| **2012** | **First** | **Second** | **Third** | **Fourth** |
|---|---|---|---|---|
| Dividends per share | $ 0.18 | $ 0.18 | $ 0.20 | $ 0.20 |
| Stock Price | | | | |
| High | $ 51.16 | $ 56.03 | $ 55.19 | $ 59.36 |
| Low | $ 45.56 | $ 48.69 | $ 48.25 | $ 51.10 |

The following table summarizes the Company's purchases of its common stock for the quarter ended December 31, 2013:

| **Period** | **(a) Total Number of Shares Purchased** | **(b) Average Price Paid Per Share** | **(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs** | **(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)** |
|---|---|---|---|---|
| October 2013 | | $ | | |
| November 2013 | 2,000 | $ 73.51 | | |
| December 2013 | | $ | | |
| **Total** | 2,000 | | | 3,024,499 |

(1) Represents the number of shares that can be repurchased under the Company's stock repurchase program. The stock repurchase program was originally approved on November 3, 1999, and was reactivated on August 17, 2004. At the time of the authorization, the Company had the authority to purchase 741,890 split-adjusted shares of common stock. The Board of Directors authorized the repurchase of an additional 2,500,000 shares of the Company's common stock on August 1, 2007, and the repurchase of an additional 1,400,000 shares of the Company's common stock on February 12, 2008.

**Item 6. Selected Financial Data.**

**Five-Year Summary**

In millions except shares, shareholders of record, and per share data

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Summary of Operations** | | | | | |
| Net sales | **$ 2,943.0** | $ 2,851.2 | $ 2,492.4 | $ 1,842.8 | $ 1,624.5 |
| Gross margin | **$ 745.6** | $ 767.0 | $ 584.1 | $ 434.7 | $ 391.8 |
| Selling & administrative expenses | **$ 353.7** | $ 356.6 | $ 298.8 | $ 244.7 | $ 215.0 |
| Research & development expenses | **$ 29.3** | $ 26.1 | $ 21.7 | $ 16.4 | $ 11.0 |
| Other (income) expense, net | **$ (4.2)** | $ 12.4 | $ (2.4) | $ (0.9) | $ 7.3 |
| Earnings before interest and income taxes | **$ 366.8** | $ 371.9 | $ 266.0 | $ 174.4 | $ 158.5 |
| Interest expense, net | **$ 33.8** | $ 25.5 | $ 21.0 | $ 8.2 | $ 8.8 |
| Income from continuing operations, net of tax | **$ 235.2** | $ 228.7 | $ 172.0 | $ 107.9 | $ 114.6 |
| Basic earnings per share | **$ 3.69** | $ 3.64 | $ 2.77 | $ 1.75 | $ 1.87 |
| Diluted earnings per share | **$ 3.61** | $ 3.57 | $ 2.73 | $ 1.73 | $ 1.85 |
| (Loss) income from discontinued operations, net of tax | **$ (25.5)** | $ 41.5 | $ 8.3 | $ 37.7 | $ 30.0 |
| Basic (loss) earnings per share | **$ (0.40)** | $ 0.66 | $ 0.14 | $ 0.61 | $ 0.49 |
| Diluted (loss) earnings per share | **$ (0.39)** | $ 0.65 | $ 0.13 | $ 0.61 | $ 0.49 |
| Net income | **$ 209.7** | $ 270.2 | $ 180.3 | $ 145.6 | $ 144.6 |
| Basic earnings per share | **$ 3.29** | $ 4.30 | $ 2.91 | $ 2.36 | $ 2.36 |
| Diluted earnings per share | **$ 3.22** | $ 4.22 | $ 2.86 | $ 2.34 | $ 2.34 |
| **Financial Position** | | | | | |
| Net working capital(1) | **$ 1,158.6** | $ 734.7 | $ 617.2 | $ 560.5 | $ 498.7 |
| Property, plant and equipment, net (held & used) | **$ 497.2** | $ 465.2 | $ 379.3 | $ 352.4 | $ 298.9 |
| Total assets | **$ 3,493.0** | $ 3,457.3 | $ 3,137.9 | $ 2,529.5 | $ 1,913.9 |
| Long-term debt | **$ 751.0** | $ 752.3 | $ 604.2 | $ 405.1 | $ 156.1 |
| % of total capitalization(2) | **27.4** | 29.6 | 28.7 | 23.2 | 11.5 |
| Shareholders' equity | **$ 1,986.1** | $ 1,788.1 | $ 1,500.1 | $ 1,340.7 | $ 1,218.6 |
| **Other Data** | | | | | |
| Average shares outstanding basic *(in thousands)* | **63,471** | 62,513 | 61,457 | 60,901 | 60,601 |
| Average shares outstanding diluted *(in thousands)* | **64,806** | 63,610 | 62,495 | 61,592 | 61,234 |
| Dividends paid | **$ 53.7** | $ 48.0 | $ 43.5 | $ 40.6 | $ 38.6 |
| Per share | **$ 0.84** | $ 0.76 | $ 0.70 | $ 0.66 | $ 0.63 |
| Capital expenditures | **$ 110.8** | $ 140.4 | $ 79.6 | $ 64.6 | $ 48.2 |
| Depreciation & amortization | **$ 113.9** | $ 104.9 | $ 88.0 | $ 71.9 | $ 67.5 |
| Shareholders of record | **1,498** | 1,591 | 1,669 | 1,758 | 1,861 |

(1) Net working capital is defined as total current assets less total current liabilities.

(2) Percent of total capitalization defined as long-term debt divided by long-term debt plus shareholders' equity.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

***Executive Overview***

We are a diversified manufacturing company focused on achieving profitable growth internally through new product development, product line extensions, and entering new markets, and externally through acquisitions that complement our existing technologies, products, and market channels. We have approximately 8,000 employees in our continuing operations. We currently manage our businesses under the following segments:

**Carlisle Construction Materials ("CCM" or the "Construction Materials segment");**

**Carlisle Interconnect Technologies ("CIT" or the "Interconnect Technologies segment");**

**Carlisle Brake & Friction ("CBF" or the "Brake & Friction segment"); and**

**Carlisle FoodService Products ("CFSP" or the "FoodService Products segment").**

We are a 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 net 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.

On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The results for the Transportation Products business are reported in discontinued operations for all periods presented. Prior to its sale, the Transportation Products business was our second largest segment based on $767.9 million in net sales in 2013. However, this segment was not core to our strategy and did not support our net sales growth and EBIT margin objectives. We intend to use the proceeds to provide value to shareholders by either making investments in furtherance of our long term goals or returning capital to shareholders.

In 2008 we established 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 of Financial Condition and Results of Operations".

We achieved a record $2.94 billion in net sales from continuing operations in the year ended December 31, 2013, a 3.2% increase from net sales of $2.85 billion for the year ended December 31, 2012. Organic sales (defined as net sales excluding sales from acquisitions and divestitures within the last twelve months, as well as the impact of changes in foreign exchange rates) declined 0.4% for the year ended December 31, 2013 versus the prior year, reflecting a decline in sales at Carlisle Brake & Friction largely offset by organic sales growth at Carlisle Construction Materials and Carlisle Interconnect Technologies. Our Brake & Friction segment experienced a 22% decline in sales during 2013 due to a global downturn in the market for heavy equipment. Carlisle Construction Materials and Carlisle Interconnect Technologies experienced growth in the commercial roofing and commercial aerospace markets, respectively. Acquisitions in the Construction Materials and Interconnect

Technologies segments contributed $98.9 million to sales in 2013. The impact of foreign exchange rates had a negligible impact on the year-over-year change in sales.

For the year ended December 31, 2013, EBIT declined 1.4% to $366.8 million primarily due to the sales downturn at Carlisle Brake & Friction as well as the impact of lower selling price and higher raw material cost at Carlisle Construction Materials. Offsetting these negative impacts were higher earnings from organic sales growth at Carlisle Interconnect Technologies and significant profit improvement at Carlisle Foodservice Products from previous consolidation efforts and performance improvement initiatives. Our EBIT margin (EBIT as a percent of net sales) decreased 50 basis points in 2013 to 12.5% primarily due to the lower performance at Carlisle Brake & Friction.

Income from continuing operations was $235.2 million, or $3.61 per diluted share, for the year ended December 31, 2013, a slight increase compared to income of $228.7 million, or $3.57 per diluted share, for the year ended December 31, 2012. For more information regarding the change in income from continuing operations from 2012 to 2013, refer to the discussion below on "2013 Compared to 2012".

2012 was a breakthrough year for Carlisle with respect to sales growth, earnings growth and margin improvement. During 2012, we achieved sales of $2.85 billion, a 14.4% increase from net sales of $2.49 billion for the year ended December 31, 2011. Organic sales (defined as net sales excluding sales from acquisitions and divestitures within the last twelve months, as well as the impact of changes in foreign exchange rates) increased 8.5% for the year ended December 31, 2012 versus the prior year, reflecting higher demand primarily in the Interconnect Technologies and Construction Materials segments and strong selling price realization in the Construction Materials and Foodservice Products segments. Our Brake & Friction Products segment experienced a 5% decline in sales during 2012 due to softening conditions in the worldwide market for off-highway mining and construction applications. Acquisitions in the Construction Materials and Interconnect Technologies segments contributed $158.9 million to sales in 2012. The impact of foreign exchange rates had a negligible impact on the year-over-year change in sales.

For the year ended December 31, 2012, EBIT grew 40% to $371.9 million, due to strong selling price realization, contribution from acquisitions, higher sales volumes and savings from the Carlisle Operating System. For the full year 2012, increased selling prices achieved by our segments exceeded the impact of higher raw material costs. Pre-tax expense related to acquisitions, business development activity and excess costs related to acquired inventory in 2012 were $8.1 million, versus pre-tax expense in 2011 of $6.4 million. See Note 3 in Item 8 for discussion of these acquisitions. In 2012, EBIT margin rose 230 basis points to 13.0% from 10.7% in 2011, reflecting strong price realization and operating performance.

In 2012, as a result of our strong sales and operational performance, we achieved income from continuing operations of $228.7 million, or $3.57 per diluted share, a 33% increase compared to income of $172.0 million, or $2.73 per diluted share, for the year ended December 31, 2011. For more information regarding the change in income from continuing operations from 2011 to 2012, refer to the discussion below on "2012 Compared to 2011".

Due to favorable outlook in some of our key markets and performance initiatives already put in place, we expect higher sales growth and EBIT improvement in 2014 versus 2013. For the full year of 2014, we expect sales growth to total in the high- single digit percentage range and corresponding improvement in EBIT and EBIT margin. Growth in 2014 is anticipated to primarily reflect sales expansion from commercial construction at Carlisle Construction Materials and commercial aerospace demand and new product offerings generating growth at Carlisle Interconnect Technologies. Recovery in the off-highway braking market for Carlisle Brake & Friction in 2014 is expected to be modest. We are also planning for continued sales and EBIT improvement at Carlisle Foodservice Products.

As of December 31, 2013, we had $755 million of cash on hand, including proceeds from the sale of the Transportation Products business, and $600 million of availability under our revolving credit facility. We are committed to using this liquidity to maximize shareholder value by acquiring companies that fit our long term growth profile, investing in our businesses to fuel organic growth and returning capital to shareholders through dividends and our share repurchase program. We currently have authorization from our Board to repurchase 3,024,499 shares.

*2013 Compared to 2012*

**Net Sales**

| (in millions) | 2013 | 2012 | Change | Acquisition Effect | Volume Effect | Price Effect | Product Mix Effect | Exchange Rate Effect |
|---|---|---|---|---|---|---|---|---|
| Net Sales | **$ 2,943.0** | $ 2,851.2 | 3.2% | 3.5% | 0.4% | -0.8% | 0.0% | 0.1% |

In 2013, we achieved record net sales of $2.94 billion and an overall increase in sales over 2012 of 3.2%. Acquisitions in the Construction Materials and Interconnect Technologies segments contributed $98.9 million to net sales in 2013. Refer to the discussion below on "Acquisitions".

During 2013, our organic sales declined slightly by 0.4% primarily due to the large decline in demand at Brake & Friction resulting from a global downturn in the heavy equipment market. Largely offsetting this decline was growth in our Construction Materials and Interconnect Technologies segments from increased demand for commercial roofing and aerospace growth, respectively. Despite higher demand, selling price at Construction Materials fell slightly due to increased pressure in its markets. Brake & Friction also experienced some selling price decline towards the latter part of 2013 resulting from pricing renegotiations with key customers.

*Sales by Geographic Area*

| Country | 2013 | | 2012 | |
|---|---|---|---|---|
| United States | **$ 2,260.8** | **77%** | $ 2,206.0 | 77% |
| International: | | | | |
| Europe | **330.4** | | 315.9 | |
| Asia | **126.3** | | 117.3 | |
| Canada | **90.1** | | 82.6 | |
| Mexico and Latin America | **69.7** | | 65.8 | |
| Middle East and Africa | **47.4** | | 46.6 | |
| Other | **18.3** | | 17.0 | |
| Total International | **682.2** | **23%** | 645.2 | 23% |
| Net sales | **$ 2,943.0** | | $ 2,851.2 | |

We have a long-term goal of achieving 30% of total net sales from outside the United States. Total sales to customers located outside the United States increased by 5.7% from $645.2 million in 2012 to $682.2 million in 2013. Of the growth in 2013, $31.2 million in sales came from the acquisitions of Hertalan and Thermax/Raydex. Sales from outside the United States as a percentage of total net sales grew from 22.6% in 2012 to 23.2% in 2013.

**Gross Margin**

| (in millions) | 2013 | 2012 | Change |
|---|---|---|---|
| Gross profit | **$ 745.6** | $ 767.0 | -2.8% |
| Gross margin | **25.3%** | 26.9% | |

Our gross margin (net sales less cost of goods sold, expressed as a percent of net sales) declined by 160 basis points in 2013 versus 2012. The decline in gross margin primarily reflected loss of margin from the sales decline at Brake & Friction as well as lower selling price and higher raw material costs at Construction Materials. Partially offsetting this was organic sales growth at Construction Materials and Interconnect Technologies, efficiency gains from the Carlisle Operating System and savings from plant consolidation activities and other performance improvement initiatives at Foodservice Products.

**Selling and Administrative Expenses**

| (in millions) | 2013 | 2012 | Change |
|---|---|---|---|
| Selling & Administrative | **$ 353.7** | $ 356.6 | -0.8% |
| As a percentage of net sales | **12.0%** | 12.5% | |

The reduction in selling and administrative expenses in 2013 versus the prior year primarily reflected the non-recurrence of costs in 2012 totaling $4.5 million for acquisitions and business development activity and $5.6 million of non-cash expense related to the settlement of pension liabilities. In addition, Foodservice Products and Brake & Friction reduced their selling and administrative expenses by $5.5 million and $3.0 million, respectively. These decreases were partially offset by $15.0 million in higher selling and administrative expenses in 2013 from the acquisitions in the Construction Materials and Interconnect Technologies segments and higher selling commission costs at Construction Materials.

**Research and Development Expenses**

| (in millions) | 2013 | 2012 | Change |
|---|---|---|---|
| Research and Development | **$ 29.3** | $ 26.1 | 12.2% |
| As a percentage of net sales | **1.0%** | 0.9% | |

Increased research and development expenses during 2013 versus the prior year included expenses of $1.1 million related to acquisitions in the Construction Materials and Interconnect Technologies segments and investment in new product development at Interconnect Technologies.

**Other Expense (Income), Net**

| (in millions) | 2013 | 2012 |
|---|---|---|
| Other expense (income), net | **$ (4.2)** | $ 12.4 |
| | **$ (4.2)** | $ 12.4 |

Other income, net in 2013 of $4.2 million primarily reflects pre-tax gains related to changes in fair value of contingent consideration for the PDT acquisition in the Construction Materials segment as well as a net gain on the sale of fixed assets. During the third quarter of 2013, the Construction Materials recorded a $1.3 million gain related to the settlement of contingent consideration related to its 2011 acquisition of PDT based upon an earn-out settlement agreement with the former owners, which was paid in the fourth quarter of 2013. In addition, during the third quarter of 2013, Foodservices Products sold its distribution facility in Reno, NV and recognized a pre-tax gain of

$1.0 million on the sale. During the third and fourth quarter of 2013, Construction Materials sold property and fixed assets in Kingston, NY and Kent, WA and recognized a net pre-tax gain of $1.0 million on the sale.

Other expense, net in 2012 of $12.4 million includes $6.0 million in fixed asset impairment charges incurred by the FoodService Products segment related to restructuring activity and its decision to exit the flameless chafer product line. In addition, the Construction Materials segment recorded $5.0 million in Other expense during 2012 for the fair value adjustment to contingent consideration primarily reflecting higher expected earnings of the PDT acquired operations, as part of the PDT purchase agreement.

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

| (in millions) | 2013 | 2012 | Change |
|---|---|---|---|
| EBIT | **$ 366.8** | $ 371.9 | -1.4% |
| EBIT Margin | **12.5%** | 13.0% | |

In 2013, our EBIT declined 1.4% primarily due to the sales downturn at Brake & Friction as well as the impact of lower selling price and higher raw material cost at Construction Materials. Offsetting these negative impacts were higher earnings from organic sales growth at Interconnect Technologies and significant profit improvement at Foodservice Products from previous consolidation efforts and performance improvement initiatives. Included in EBIT in 2013 were exit and disposal costs of $1.3 million and plant start-up costs at Construction Materials of $7.3 million. By comparison, included in EBIT in 2012 were total exit and disposal costs and impairment charges of $6.2 million, which primarily reflected the aforementioned consolidation activities within FoodService Products.

Costs incurred related to the acquisition of Thermax/Raydex totaled $1.1 million in 2013. By comparison, costs incurred related to the acquisitions of Thermax/Raydex, Hertalan, and Tri-Star, and other acquisition and business development efforts during 2012 were $8.1 million. In addition, during 2012 we incurred $5.6 million of expense related to the settlement of pension liabilities under a lump sum offer elected by certain former employees under our core pension plan and recorded $5.0 million in Other expense to adjust contingent consideration for the PDT acquisition to fair value.

**Interest Expense**

| (in millions) | 2013 | 2012 | Change |
|---|---|---|---|
| Gross interest expense | **$ 34.3** | $ 26.0 | |
| Interest Income | **(0.5)** | (0.5) | |
| Interest Expense, net | **$ 33.8** | $ 25.5 | 32.5% |

Interest expense, net for the year ended December 31, 2013 increased 32.5% versus 2012 due to higher average long term borrowings in 2013 versus 2012. In November 2012, we issued $350 million in 3.75% senior unsecured notes due 2022 to pay down outstanding borrowings under our revolving credit facility and fund the Thermax/Raydex acquisition as well as to support our long term growth objectives. We expect interest expense to be approximately $34 million in 2014.

**Income Taxes**

| (in millions) | 2013 | 2012 | Change |
|---|---|---|---|
| Income tax expense | **$ 97.8** | $ 117.7 | -16.9% |
| Effective tax rate | **29.4%** | 34.0% | |

Our 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. The effective income tax rate on continuing operations in 2013 of 29.4% differs from the statutory rate primarily due to a tax election made in a foreign jurisdiction that resulted in an increase in the tax basis of certain assets with a corresponding elimination of a deferred tax liability. The net tax impact of the election resulted in an $11.8 million one-time benefit in the first six months of the year. This election decreased our effective tax rate by 350 basis points in 2013. The effective tax rate was also decreased because of U.S. Federal tax legislation enacted in January 2013 related to taxation of foreign earned income and research and development expenditures. We estimate our effective tax rate for 2014 will be approximately 34%.

We participated in the U.S. Internal Revenue Service's ("IRS") real time audit program, Compliance Assurance Process ("CAP"), during 2013 and 2012. Under the CAP program, material federal income tax matters were disclosed to the IRS throughout the year with the objective of reaching agreement as to the proper reporting treatment in advance of filing our U.S. Federal tax return. The examinations of the 2011 and 2012 returns have been completed. We believe that this program reduces tax-related uncertainties, enhances transparency, and reduces administrative costs. We expect to continue to participate in the CAP program in 2014.

**Income from Continuing Operations**

| (in millions) | 2013 | 2012 | Change |
|---|---|---|---|
| Income from continuing operations, net of tax | **$ 235.2** | $ 228.7 | 2.8% |
| EPS | | | |
| Basic | **$ 3.69** | $ 3.64 | |
| Diluted | **3.61** | 3.57 | |

The increase in income from continuing operations, net of tax, in 2013 was attributable to the aforementioned $11.8 million tax benefit resulting from an election in a foreign jurisdiction. This benefit was partially offset by slightly lower EBIT in 2013 versus 2012 and higher interest expense from increased long term borrowing levels.

**Income (Loss) from Discontinued Operations**

| (in millions) | 2013 | 2012 |
|---|---|---|
| Income (loss) from discontinued operations | **$ (60.5)** | $ 55.2 |
| Tax expense (benefit) | **(35.0)** | 13.7 |
| | **$ (25.5)** | $ 41.5 |
| EPS | | |
| Basic | **$ (0.40)** | $ 0.66 |
| Diluted | **(0.39)** | 0.65 |

Loss from Discontinued Operations for the year ended December 31, 2013 primarily reflects the results of the Transportation Products business, which was sold on December 31, 2013 to American Industrial Partners ("AIP"). During 2013, the Transportation Products business had sales of $767.9 million. Included in loss from discontinued operations during 2013 was a pre-tax goodwill impairment charge of $100.0 million due to a decline in the reporting unit's estimated fair value relative to its carrying value. In addition, the Company recorded a pre-tax loss of $12.3 million on the sale of the Transportation Products business, which included charges of $8.4 million for curtailment and

settlement charges related to the transfer of all former Transportation Products business employees and certain of the pension and other post employment obligations to AIP as part of the sale.

Under the terms of the sale agreement, the Company settled $18.6 million in pension liabilities and $1.2 million of other post employee benefit obligations related to certain unionized employees of the Transportation Products business, via the transfer of those liabilities to AIP. An estimated $19.8 million in pension assets are to be transferred from plan assets to AIP in 2014 under the terms of the sale agreement. A finalized asset transfer to the buyer will be performed during 2014 under the terms of the sale agreement. Assets to be transferred to the buyer will be adjusted, as determined by the Company's actuary, to take into account the actual investment return on such assets and benefit payments to plan participants from the closing date to the date of transfer. In regards to this settlement, the Company recorded $7.3 million in settlement costs, including recognition of $6.1 million of previously unrecognized actuarial losses, in discontinued operations.

Pension obligations associated with non-unionized current and former employees of the Transportation Products business were not settled in connection with the sale. Employees transferred with the sale, including certain unionized employees, are no longer active participants in the plan and therefore the expected years of future service of participants has been curtailed and as required under ASC 715, *Compensation Retirement Benefits*, the Company has recognized a curtailment charge, inclusive of prior service cost, of $0.8 million in discontinued operations.

The after-tax loss from discontinued operations for the full year 2013 reflects the aforementioned losses from operations due to the goodwill impairment charge, offset by operating earnings of the Transportation Products business and a net after-tax gain on the sale of the Transportation Products business of $6.2 million.

Income from Discontinued Operations for the year ended December 31, 2012 primarily reflects the results of the Transportation Products business as well as a $3.75 million gain recognized in April 2012 upon final settlement of contingent consideration from the 2010 sale of our specialty trailer business. During 2012, the Transportation Products business had sales of $778.2 million and pre-tax income from discontinued operations of $52.4 million.

**Net Income**

| (in millions) | 2013 | 2012 | Change |
|---|---|---|---|
| Net Income | **$ 209.7** | $ 270.2 | -22.3% |
| | | | |
| EPS | | | |
| Basic | **$ 3.29** | $ 4.30 | |
| Diluted | **3.22** | 4.22 | |

The decline in net income from 2012 to 2013 was primarily due to losses incurred in discontinued operations at the Transportation Products business related to goodwill impairment partially offset by the after-tax gain recognized on the sale of the Transportation Products business to AIP in December 2013.

*2012 Compared to 2011*

**Net Sales**

| (in millions) | 2012 | 2011 | Change | Acquisition Effect | Volume Effect | Price Effect | Product Mix Effect | Exchange Rate Effect |
|---|---|---|---|---|---|---|---|---|
| Net Sales | **$ 2,851.2** | $ 2,492.4 | 14.4% | 6.4% | 4.6% | 3.6% | 0.3% | -0.5% |

In 2012, we achieved net sales of $2.85 billion and an overall increase in sales over 2011 of 14.4%. Acquisitions in the Construction Materials and Interconnect Technologies segments contributed a total of $158.9 million to net sales in 2012. Refer to the discussion below on "Acquisitions".

We achieved organic sales growth of 8.5% during 2012 primarily driven by sales volume growth in the Construction Materials and Interconnect Technologies segments and higher selling price in the Construction Materials and Foodservice Products segments. Sales in the Interconnect Technologies segment grew organically by 23%, reflecting robust demand in the commercial aerospace market. The Construction Materials segment achieved organic growth of 10% in 2012, reflecting higher demand for re-roofing products and increased selling prices from pricing actions that started during 2011 and continued in 2012. During the second half of 2012, our organic growth was negatively impacted by reduced sales in the Brake & Friction segment from lower original equipment manufacturers ("OEM") demand in the global construction, mining, and agriculture markets.

*Sales by Geographic Area*

| Country | | 2012 | | | 2011 | |
|---|---|---|---|---|---|---|
| United States | $ | **2,206.0** | **77%** | $ | 1,997.6 | 80% |
| International: | | | | | | |
| Europe | | **315.9** | | | 233.5 | |
| Asia | | **117.3** | | | 104.4 | |
| Canada | | **82.6** | | | 76.6 | |
| Mexico and Latin America | | **65.8** | | | 26.5 | |
| Middle East and Africa | | **46.6** | | | 43.4 | |
| Other | | **17.0** | | | 10.4 | |
| Total International | | **645.2** | **23%** | | 494.8 | 20% |
| Net sales | $ | **2,851.2** | | $ | 2,492.4 | |

Total sales to customers located outside the United States increased by 30% from $494.8 million in 2011 to $645.2 million in 2012. Of the growth in 2012, $158.9 million in sales came from the acquisitions of PDT, Hertalan, Tri-Star, and Thermax/Raydex. Sales from outside the United States as a percentage of total net sales grew from 19.9% in 2011 to 22.6% in 2012. The increase in sales to customers located outside the United States was primarily attributable to sales growth in Europe as well as Mexico and Latin America. The growth in Europe was primarily attributable to sales and manufacturing presence in Germany and the Netherlands added as part of the PDT and Hertalan acquisitions in the Construction Materials segment as well as contributions from the Tri-Star and Thermax/Raydex acquisitions in the Interconnect Technologies segment.

**Gross Margin**

| (in millions) | | 2012 | | 2011 | Change |
|---|---|---|---|---|---|
| Gross profit | $ | **767.0** | $ | 584.1 | 31.3% |
| Gross margin | | **26.9%** | | 23.4% | |

We increased our gross margin (net sales less cost of goods sold, expressed as a percent of net sales) by 350 basis points in 2012 versus 2011. The increase in gross margin reflected selling price realization primarily in the Construction Materials segment, strong sales volume growth in the Interconnect Technologies segment, and efficiency gains from the Carlisle Operating System. These positive impacts were partially offset by higher raw material costs in the Construction Materials segment and decline in sales volume in the Brake & Friction segment.

**Selling and Administrative Expenses**

| (in millions) | 2012 | 2011 | Change |
|---|---|---|---|
| Selling & Administrative | **$ 356.6** | $ 298.8 | 19.3% |
| As a percentage of net sales | **12.5%** | 12.0% | |

The increase in our selling and administrative expenses in 2012 versus the prior year included $26.1 million of expenses from operations acquired in the Construction Materials and Interconnect Technologies segments. In addition, we incurred increased selling expense from organic growth and higher expense for incentive based compensation. Selling and administrative expenses during 2012 include costs totaling $4.5 million for acquisitions and business development activity and $5.6 million of non-cash expense related to the settlement of pension liabilities.

During the fourth quarter 2012, we offered certain former employees who participate in the Company's core pension plan the option to receive a one-time lump sum payment equal to the present value of the participant's pension benefit. A total of $15 million in lump sum distributions were paid under this offer, which ended during the fourth quarter of 2012. Under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 715, *Compensation Retirement Benefits*, a portion of the unrecognized actuarial loss in Accumulated Other Comprehensive Income was recognized into earnings as the amount of total lump sum payments from the Company's core pension plan during 2012 exceeded the plan's service and interest cost during the year.

Selling and administrative expenses in 2011 included costs of $3.3 million for the acquisitions of PDT and Tri-Star and acquisition opportunities that were not realized, and $1.6 million in severance and management change costs in the FoodService Products segment.

**Research and Development Expenses**

| (in millions) | 2012 | 2011 | Change |
|---|---|---|---|
| Research and Development | **$ 26.1** | $ 21.7 | 20.2% |
| As a percentage of net sales | **0.9%** | 0.9% | |

The increase in our research and development expenses during 2012 versus the prior year included expenses of $1.8 million related to acquisitions in the Construction Materials and Interconnect Technologies segments and increased investment in new product development.

**Other Expense (Income), Net**

| (in millions) | 2012 | 2011 |
|---|---|---|
| Other (income) expense, net | **12.4** | (2.4) |
| | **$ 12.4** | $ (2.4) |

Other expense, net in 2012 of $12.4 million includes $6.0 million in fixed asset impairment charges incurred by the FoodService Products segment related to restructuring activity and its decision to exit the flameless chafer product line. In addition, the Construction Materials segment recorded $5.0 million in Other expense during 2012 for fair value adjustment to contingent consideration primarily reflecting higher expected earnings of the PDT acquired operations in 2014, as part of the PDT purchase agreement.

Other income, net in 2011 of $2.4 million includes a $1.7 million gain on the settlement of a legal matter within the Construction Materials segment.

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

| (in millions) | 2012 | 2011 | Change |
|---|---|---|---|
| EBIT | **$ 371.9** | $ 266.0 | 39.9% |
| EBIT Margin | **13.0%** | 10.7% | |

In 2012, we achieved record EBIT of $371.9 million. EBIT in 2012 grew 40% versus the prior year due to contributions from acquisitions, strong selling price realization, higher organic sales volume, and reduction in operating costs attributable to efficiencies gained through the Carlisle Operating System. We incurred total restructuring charges during 2012 of $6.2 million, which primarily reflected consolidation activities within the FoodService Products segment as part of its strategic improvement plan. By comparison, in 2011 we incurred restructuring costs of $1.5 million.

Costs incurred related to the acquisitions of Thermax/Raydex, Hertalan, and Tri-Star, and other acquisition and business development efforts during 2012 were $8.1 million, compared to charges of $6.4 million in 2011 for acquisitions. In addition, during 2012 we incurred $5.6 million of expense related to the settlement of pension liabilities under a lump sum offer elected by certain former employees under our core pension plan and recorded $5.0 million in Other expense to adjust contingent consideration for the PDT acquisition to fair value.

**Interest Expense**

| (in millions) | 2012 | 2011 |
|---|---|---|
| Gross interest expense | **$ 26.0** | $ 21.6 |
| Interest Income | **(0.5)** | (0.6) |
| Interest Expense, net | **$ 25.5** | $ 21.0 |

Interest expense, net for the year ended December 31, 2012 increased versus 2011 due to higher average borrowings in 2012 versus 2011. In December 2011, we borrowed $290 million to fund the acquisition of Tri-Star, which was subsequently repaid during 2012. In November 2012, we issued $350 million in 3.75% senior unsecured notes due 2022 to pay down outstanding borrowings under our revolving credit facility and fund the Thermax/Raydex acquisition.

**Income Taxes**

| (in millions) | 2012 | 2011 | Change |
|---|---|---|---|
| Income tax expense | **$ 117.7** | $ 73.0 | 61.2% |
| Effective tax rate | **34.0%** | 29.8% | |

The effective income tax rate of 29.8% for 2011 was lower than the statutory rate due to excess tax credits generated as part of a repatriation of foreign earnings which occurred during 2011. During 2011, we repatriated substantially all of the unremitted earnings of our Italian subsidiary. At that time we provided for the associated tax expense and related tax benefits from foreign tax credits. The total dividend remitted was $79.3 million, and the net tax effect of the repatriation was a tax benefit of $4.2 million. During 2012, we repatriated $4.0 million of our Italian subsidiary's earnings and reflected the associated tax effects in our 2012 provision.

**Income from Continuing Operations**

| (in millions) | 2012 | 2011 | Change |
|---|---|---|---|
| Income from continuing operations, net of tax | **$ 228.7** | $ 172.0 | 33.0% |
| | | | |
| EPS | | | |
| Basic | **$ 3.64** | $ 2.77 | |
| Diluted | **3.57** | 2.73 | |

The increase in income from continuing operations, net of tax, in 2012 was attributable to the EBIT increase of 40%. Partially offsetting the positive impact of higher EBIT was higher interest expense due to increased borrowings levels to support acquisitions and a higher effective tax rate.

**Income (Loss) from Discontinued Operations**

| (in millions) | 2012 | 2011 |
|---|---|---|
| Income (loss) from discontinued operations | **$ 55.2** | $ 6.5 |
| Tax expense (benefit) | **13.7** | (1.8) |
| | **$ 41.5** | $ 8.3 |
| | | |
| EPS | | |
| Basic | **$ 0.66** | $ 0.14 |
| Diluted | **0.65** | 0.13 |

Income from Discontinued Operations for the year ended December 31, 2012 primarily reflected the performance of the Transportation Products business and a $3.75 million gain recognized in April 2012 upon final settlement of contingent consideration from the 2010 sale of our specialty trailer business. During 2012, the Transportation Products business had sales of $778.2 million and pre-tax income from discontinued operations of $52.4 million.

Results from discontinued operations for the year ended December 31, 2011 primarily reflected operating earnings of the Transportation Products business partially offset by operating losses of the PDT Profiles business. During 2011, the Transportation Products business had sales of $732.1 million and EBIT of $9.1 million. The PDT Profiles business was classified as held for sale at the date of acquisition of PDT. We completed the sale of the PDT Profiles business on January 2, 2012 for $22.1 million with no pre-tax gain or loss recognized upon the sale.

**Net Income**

| (in millions) | 2012 | 2011 | Change |
|---|---|---|---|
| Net Income | **$ 270.2** | $ 180.3 | 49.9% |
| | | | |
| EPS | | | |
| Basic | **$ 4.30** | $ 2.91 | |
| Diluted | **4.22** | 2.86 | |

The improvement in net income from 2011 to 2012 was due to increased net earnings from our continuing operations from improved sales and earnings performance, as well as earnings improvement from discontinued operations in 2012 versus the prior year period.

***Acquisitions and Disposals***

As previously stated, we have a long standing acquisition strategy that has traditionally focused on bolt-on acquisitions. Factors we consider in making an acquisition include consolidation opportunities,

technology, customer dispersion, operating capabilities, and growth potential. We have also pursued sale of operating divisions when it is determined they no longer fit within the Company's long term goals or strategy.

On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is expected to be finalized in the first quarter of 2014. The Company recognized a $6.2 million after-tax gain on the sale in Income (loss) from discontinued operations.

On December 17, 2012, we acquired certain assets and assumed certain liabilities of Thermax ("Thermax"), an unincorporated North American division of Belden Inc., and acquired all of the outstanding shares of Raydex/CDT Limited ("Raydex" and together with Thermax, "Thermax/Raydex"), a company incorporated in England and Wales, for total cash consideration of approximately $265.5 million, net of $0.1 million cash acquired. We funded the acquisition with cash on hand, much of which was received from the proceeds of our November 20, 2012 $350 million senior notes offering. Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex adds capabilities and technology to strengthen our interconnect products business by expanding its product and service range to its customers. Thermax/Raydex operates within the Interconnect Technologies segment. The final amount of goodwill recorded related to the acquisition of Thermax/Raydex was approximately $99.1 million.

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

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

On August 1, 2011, we acquired 100% of the equity of PDT for approximately €77.0 million, or $111.0 million, net of €5.3 million, or $7.6 million, cash acquired. Of the €82.3 million, or $118.6 million gross purchase price, €78.7 million, or $113.4 million, was paid in cash initially funded with borrowings under our previous revolving credit facility as well as cash on hand. The purchase price included contingent consideration based on future earnings. During the third quarter of 2013 we reached an agreement with the former owners on early settlement terms for the contingent consideration. As a result of this agreement, a favorable adjustment to the fair value of contingent consideration was recorded during the third quarter of 2013 of $1.3 million. In December 2013, the contingent consideration of $9.5 million was paid to the former owners reflecting the terms of the settlement agreement.

PDT operates within the Construction Materials segment. PDT is a leading manufacturer of EPDM-based (rubber) roofing membranes and industrial components serving European markets. The acquisition of PDT provides a platform to serve the European market for single-ply roofing systems,

and expands our growth internationally. The final amount of goodwill recorded related to the acquisition of PDT was $30.4 million. Included with the acquisition were $24.6 million in assets related to the PDT Profiles business, which we classified as held for sale at the date of acquisition. We sold the PDT Profiles business on January 2, 2012 for $22.1 million with no pre-tax gain or loss recognized upon the sale.

**Financial Reporting Segments**

**Carlisle Construction Materials ("CCM" or the "Construction Materials segment")**

| (in millions) | 2013 | 2012 | Change $ | Change % | 2012 | 2011 | Change $ | Change % |
|---|---|---|---|---|---|---|---|---|
| Net Sales | **$ 1,776.5** | $ 1,695.8 | $ 80.7 | 4.8% | **$ 1,695.8** | $ 1,484.0 | $ 211.8 | 14.3% |
| EBIT | **$ 264.0** | $ 273.4 | $ (9.4) | -3.4% | **$ 273.4** | $ 177.9 | $ 95.5 | 53.7% |
| EBIT Margin | **14.9%** | 16.1% | | | **16.1%** | 12.0% | | |

*2013 Compared to 2012*

CCM's sales grew 4.8% in 2013 versus the prior year reflecting growing demand throughout the year from increased non-residential construction and reroofing activity, partially offset by the negative impact of harsher than normal weather conditions earlier in 2013. CCM's sales of its waterproofing/coatings and Insulfoam products each grew by 13%. The commercial roofing market became slightly more price competitive during the third and fourth quarters of 2013. Sales from CCM's European operations, excluding the impact of foreign exchange fluctuations, were relatively level to the prior year. Contribution in 2013 from the acquisition of Hertalan in March 2012 was $3.7 million in net sales.

For the year ended December 31, 2013, the decrease in CCM's EBIT margin of 120 basis points versus the prior year period primarily reflected lower selling price and higher raw material costs partially offset by higher sales volume. CCM also incurred start up expenses of $7.3 million for its two new polyiso facilities in Puyallup, WA and Montgomery, NY and construction of its PVC manufacturing line in Greenville, IL during 2013. Partially offsetting this was a $1.3 million positive adjustment to the fair value of contingent consideration related to CCM's 2011 acquisition of PDT and $1.0 million in net gain on the sale of fixed assets.

CCM's total capital expenditures in 2013 were $64.5 million. In 2013, CCM completed construction on a 407,000 sq. ft. polyiso plant in Puyallup, WA to service demand in the Pacific-Northwest region and this plant is fully operational. During 2013, CCM completed construction on a 300,000 square foot facility in Montgomery, NY to relocate polyiso operations from its previous 168,000 square foot facility in Kingston, NY. Production at the new Montgomery plant commenced during the third quarter. In addition, CCM completed construction of a new PVC (polyvinyl chloride) roofing membrane manufacturing line at its Greenville, Illinois location. The new PVC manufacturing line is expected to be in production during the first quarter of 2014. With the completion of the PVC line, CCM will be the only supplier of EPDM, TPO and PVC among our competitors.

Beginning in the third quarter 2013, CCM commenced a project to add TPO (thermoplastic polyolefin) manufacturing capacity to its Carlisle, PA location to better service growing demand for TPO roofing applications in the Northeast. This project is expected to be completed in the latter part of 2014. Total capital expenditures for CCM in 2014 are estimated to be $35 million.

CCM's net sales and EBIT are generally higher in the second and third quarters of the year due to increased construction activity during these periods. Over the last several years, CCM's commercial roofing business has shifted significantly towards reroofing, which currently constitutes approximately 75% of its commercial activity. Reroofing activity may lessen in upcoming years as growth rates for non-residential construction are anticipated to be higher than reroofing during this period. However,

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

With the acquisitions of PDT in 2011 and Hertalan in 2012, and their resulting integration, CCM has positioned itself to be the market leader in the European EPDM market. CCM completed the integration of the PDT and Hertalan sales force under one company to further optimize sales capabilities in the growing single ply roofing market in Europe.

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

*2012 Compared to 2011*

CCM's total sales growth of 14% in 2012 versus the prior year reflected organic sales growth of 10.2% and contribution from acquisitions of 4.3%. The acquisitions of PDT in August 2011 and Hertalan in March 2012 contributed $64.1 million to sales during 2012. CCM began 2012 with a high rate of organic sales growth in the first quarter of 2012 of 34% on higher re-roofing demand that was partially attributable to drier than usual weather in the first quarter of 2012. The rate of organic sales growth for the remainder of 2012 was more moderate, reflecting uncertainty about the U.S. economic environment as well as prolonged drought-like conditions in many U.S. regions that lowered demand for re-roofing particularly during the third quarter. Demand in the fourth quarter of 2012 increased moderately versus sales volume in the prior year quarter. CCM's overall organic growth for 2012 reflected higher demand for CCM's re-roofing and polyiso applications and strong selling price realization from pricing actions that began in 2011 and continued during 2012.

CCM's EBIT margin in 2012 rose by 410 basis points over 2011, reflecting selling price realization, higher sales volume, savings from the Carlisle Operating System, and other manufacturing efficiencies. Included in EBIT for the year ended December 31, 2012 were favorable adjustments to deferred warranty and product liability reserves totaling $9.2 million. Partially offsetting this were the unfavorable impact of $5.0 million in Other expense related to fair value adjustment of contingent consideration based upon upwardly revised earnings estimates for the PDT acquisition, $1.3 million in additional cost of goods sold related to recording the acquired Hertalan inventory at estimated fair value, $1.0 million in other transaction expenses and purchase accounting adjustments for the acquisitions of PDT and Hertalan, $0.8 million for write-down of solar inventory, and $0.8 million of exit and disposal costs related to plant consolidations.

During 2012, CCM announced the consolidation of manufacturing operations from our facility in Elberton, GA into our locations in Terrell, TX and Carlisle, PA for which $0.8 million of expense was incurred in 2012. The project was completed in 2012.

**Carlisle Interconnect Technologies ("CIT" or the "Interconnect Technologies segment")**

| (in millions) | 2013 | 2012 | Change $ | Change % | 2012 | 2011 | Change $ | Change % |
|---|---|---|---|---|---|---|---|---|
| Sales | **$ 577.7** | $ 463.1 | $ 114.6 | 24.7% | **$ 463.1** | $ 299.6 | $ 163.5 | 54.6% |
| EBIT | **$ 89.4** | $ 69.1 | $ 20.3 | 29.4% | **$ 69.1** | $ 41.9 | $ 27.2 | 64.9% |
| EBIT Margin | **15.5%** | 14.9% | | | **14.9%** | 14.0% | | |

*2013 Compared to 2012*

CIT's sales growth during 2013 of 25% reflected organic growth of 4.1% and sales from the Thermax/Raydex acquisition of $95.2 million, or 20.6%. Sales in CIT's aerospace market were up 8.3%, driven by strong demand for in-flight entertainment ("IFE") applications and increased orders related to the ramp up of the Boeing 787 program and other Boeing and Airbus aircraft programs. CIT's sales to the test and measurement market grew by 30% related to new business development efforts. Growth in the aerospace and test and measurement product lines were partially offset by 14.3% lower sales to the military and defense market due to government budget and sequestration constraints. CIT's sales to the industrial market, which currently comprises 3% of CIT's base sales, declined by 18% reflecting weakness in the heavy equipment market.

CIT's EBIT margin increased by 60 basis points in 2013 primarily on higher sales volume and savings from the Carlisle Operating System. EBIT contribution from the Thermax/Raydex acquisition was $14.4 million, including $1.1 million in acquisition related costs mostly due to additional cost of goods sold resulting from the fair valuation of acquired inventory. By comparison, included in EBIT from acquisitions during 2012 was $1.3 million in cost of goods sold related to recording the acquired Tri-Star inventory at estimated fair value as of the acquisition date, $1.0 million in cost of goods sold related to recording the acquired Thermax/Raydex inventory at estimated fair value as of the acquisition date, and $0.6 million in professional fees and other transaction expenses related to acquisitions.

CIT's capital expenditures in 2014 are expected to be $45 million, up significantly from capital expenditures of $12.2 million in 2013. Included in CIT's expenditure plans is the construction of a new 190,000 square foot manufacturing facility in Nogales, Mexico and installation of new equipment at a total cost of $28 million, to meet growing demand for its aerospace applications based upon new contract awards. Completion of the new facility is expected in the second half of 2014.

The outlook for CIT in the commercial aerospace market remains favorable with a strong delivery cycle for new wide body aircraft expected over the next few years. Both Airbus and Boeing forecast growing demand for aircraft delivery over the next several years. During 2013, CIT was awarded significant multi-year contracts with a major aerospace manufacturer for its wire and cabling products. Production of the Boeing 787 steadily increased in 2013 and Boeing is anticipated to be at a full production rate in 2014. CIT has been undergoing negotiations with Boeing under this customer's Accelerated Opportunity Capture ("AOC") program related to pricing and securing of long-term contracts. The potential outcome related to these negotiations may negatively impact revenue and EBIT for CIT in future periods.

The market for IFE applications has been a growth area for CIT in 2013 and the outlook remains positive. One of CIT's key IFE customers comprises approximately 18% of CIT's overall sales. Much of CIT's current sales for IFE applications pertain to interconnect products installed in aircraft seating. The use of wireless connectivity to personal devices ("BYOD") for in-flight entertainment is increasing versus traditional seat installed IFE. Significant product development is occurring to develop applications for on board connectivity. Currently, installation of satellite antenna necessary for onboard connectivity has been delayed due to FAA requirements. However, over the longer term, the outlook for connectivity applications is expected to be strong but may result in lower or more moderate

demand for seat installed IFE applications. CIT manufactures and markets separate applications for both the on board connectivity and seat installed IFE space. Future demand could also be impacted by customer in-sourcing of products currently supplied by CIT.

The outlook for military applications is expected to remain uncertain for the near term due to ongoing government budget constraints. The outlook for our industrial applications to heavy equipment manufacturers is also expected to remain around current levels, although CIT also supplies interconnect products to industrial customers in the energy exploration market, providing further product and end market diversification. CIT made investments in 2013 to expand into the medical cabling industry and expects to generate additional sales in this area in 2014.

*2012 Compared to 2011*

CIT's 55% net sales increase in 2012 reflected organic sales growth of 23% and contribution from acquisitions of 32%. The acquisitions of Tri-Star on December 1, 2011 and Thermax/Raydex on December 17, 2012 contributed $94.8 million to sales in 2012. CIT's strong organic sales growth was primarily attributable to robust demand in the aerospace market, which was up by 30% on increased orders related to Boeing and Airbus programs and significantly increased demand for IFE applications. Sales in military applications decreased 8% from the prior year and faced uncertainty and delays regarding government military programs.

On December 17, 2012, we acquired Thermax/Raydex for total cash consideration of approximately $265.5 million, net of $0.1 million cash acquired. Thermax/Raydex designs, manufactures, and sells wire and cable products for the commercial and military aerospace markets and certain industrial markets. The acquisition of Thermax/Raydex added capabilities and technology to strengthen CIT's interconnect products business by expanding its product and service range to its customers.

CIT's EBIT margin increased 90 basis points to 14.9% in 2012 compared to 14.0% in 2011, reflecting higher sales volume and efficiency savings from the Carlisle Operating System, partially offset by higher raw material costs and increased expense for sourcing and sales resources directed towards product growth opportunities. The acquisitions of Tri-Star and Thermax/Raydex contributed $13.7 million in EBIT during 2012. Included in EBIT from acquisitions is $1.3 million in cost of goods sold related to recording the acquired Tri-Star inventory at estimated fair value as of the acquisition date, $1.0 million in cost of goods sold related to recording the acquired Thermax/Raydex inventory at estimated fair value as of the acquisition date, and $0.6 million in professional fees and other transaction expenses related to acquisitions.

**Carlisle Brake & Friction ("CBF" or the "Brake & Friction segment")**

| (in millions) | 2013 | 2012 | Change $ | Change % | 2012 | 2011 | Change $ | Change % |
|---|---|---|---|---|---|---|---|---|
| Sales | **$ 350.0** | $ 449.0 | $ (99.0) | -22.0% | **$ 449.0** | $ 473.0 | $ (24.0) | -5.1% |
| EBIT | **$ 33.5** | $ 75.6 | $ (42.1) | -55.7% | **$ 75.6** | $ 77.2 | $ (1.6) | -2.1% |
| EBIT Margin | **9.6%** | 16.8% | | | **16.8%** | 16.3% | | |

*2013 Compared to 2012*

Demand in CBF's primary markets for off-highway braking products declined significantly in 2013 reflecting the falloff in global demand for heavy equipment impacting the mining industry, slowdown in construction in emerging markets and inventory destocking by large OEM's. Demand for CBF's braking and friction applications to the construction and mining markets declined by 23% and 41%, respectively, versus the prior year. Partially offsetting these declines was an increase in CBF's sales into the agriculture market of 8%. To a lesser extent, CBF selling price declined during the fourth quarter of 2013 as a result of pricing renegotiations.

The decline in CBF's markets began in the second half of 2012 and remained depressed throughout 2013. During the last four months of 2013, our bookings for upcoming periods increased versus the prior year period. The negative impact of inventory destocking on bookings appeared to diminish towards the end of 2013.

EBIT declined significantly during 2013 due to lower sales volume which resulted in lower production and higher per-unit production costs. CBF took numerous steps in 2013 to reduce operating costs in light of current market conditions, including reduction in administrative costs and personnel and targeted salary reductions, preserving an EBIT margin of 9.6% for the year. CBF has reduced headcount by approximately 20% since the beginning of 2012 in connection with lower sales. Total spending in selling, general and administrative expense fell by $3.0 million versus the prior year. Included in CBF's EBIT for 2013 was $0.9 million in restructuring charges in connection with its plan to close its manufacturing facility in Akron, OH.

On October 11, 2013, to further streamline operations and reduce manufacturing costs, CBF announced plans to close its manufacturing facility in Akron, OH, relocate manufacturing previously conducted at this facility to other CBF facilities, and sell the facility's remaining assets. The project is expected to be completed in the second half of 2014 with total expected costs of $2.9 million, including employee termination, accelerated depreciation, impairment of long-lived assets and equipment relocation costs. The Company incurred $0.9 million of exit and disposal costs in 2013. Annualized savings from this project are estimated to be $0.6 million to be realized beginning in the latter part of 2014.

Recovery in CBF's markets during 2014 is expected to be mild with the outlook for construction expected to improve modestly. The outlook for mining and agriculture is expected to remain relatively flat to slightly negative. In addition, select pricing dynamics in the current demand environment may place pressure on sales and EBIT in future periods. One of CBF's customers represents approximately 18% of CBF's total sales. Decline in orders from this global OEM customer had a significant impact on CBF's overall sales decline during 2013. CBF has several new product initiatives underway, including investment in carbon-carbon technology, to drive additional revenue and future growth opportunities.

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

*2012 Compared to 2011*

CBF's sales in 2012 decreased by 5% versus 2011. The decrease in net sales at CBF reflected an organic sales decline of 3.6% and the negative impact of foreign currency fluctuations of 1.5%. For the first half of 2012, CBF's sales increased by 9% on growth in its primary markets of construction, mining, and agriculture. However, these markets softened starting in the third quarter and then declined more significantly over the remainder of 2012 with an overall 18% decline in sales for the second half of 2012. Demand declined in the second half of 2012 due to efforts by global OEM customers to adjust growing inventory levels, concern over slower growth conditions in China, and the recession in Europe. For the full year 2012, sales in the construction market were lower by 8.3%. Partially offsetting this was higher demand in the agriculture market of 6%. Demand for products in mining applications was relatively level during 2012, but declined during the second half of the year. During 2012, CBF also exited certain unprofitable product lines, resulting in a $9.5 million decrease in sales in 2012 for these products versus 2011.

EBIT decline of 2.1% at CBF in 2012 primarily reflected the impact of lower sales volume, partially offset by higher selling price and savings from the Carlisle Operating System. In response to

slowing demand conditions, CBF underwent proactive cost control measures and streamlined operations so that EBIT margin for CBF improved 50 basis points to 16.8% in 2012 versus margin of 16.3% in 2011.

**Carlisle FoodService Products ("CFSP" or the "FoodService Products segment")**

| (in millions) | 2013 | 2012 | Change $ | Change % | 2012 | 2011 | Change $ | Change % |
|---|---|---|---|---|---|---|---|---|
| Sales | **$ 238.8** | $ 243.3 | $ (4.5) | -1.8% | **$ 243.3** | $ 235.8 | $ 7.5 | 3.2% |
| EBIT | **$ 27.0** | $ 12.3 | $ 14.7 | 119.5% | **$ 12.3** | $ 13.2 | $ (0.9) | -6.8% |
| EBIT Margin | **11.3%** | 5.1% | | | **5.1%** | 5.6% | | |

*2013 Compared to 2012*

CFSP's 1.8% sales decrease in 2013 primarily reflected lower sales volume partially offset by selling price increases. Sales in 2013 to the foodservice market were lower by 4.8% and sales to the healthcare industry were relatively level to the prior year. Sales to the foodservice market earlier in the year were negatively impacted by lower inventory stocking levels which were resolved during the fourth quarter of 2013. These reductions were offset by 8.4% higher sales to the janitorial/sanitation market, which currently comprises approximately 13% of CFSP's total sales, reflecting new account conversions.

CFSP has been focused on numerous performance improvement initiatives over the past couple of years. In 2013, CFSP's EBIT of $27.0 million was an earnings record for this segment. CFSP's EBIT in 2013 grew 120% over the prior year and EBIT margin increased 620 basis points to 11.3% as a result of higher selling price, savings from plant consolidations, administrative cost savings and the non-recurrence of $5.3 million in restructuring costs and $4.8 million of asset disposal and inventory write downs related to exit of unprofitable product lines incurred during 2012. Included in CFSP's EBIT for the third quarter of 2013 was a gain of $1.0 million on the sale of its distribution facility in Reno, NV, which was closed last year as part of our restructuring and consolidation efforts.

In the third quarter of 2012, the Company announced plans to close its China manufacturing facility and its Zevenaar, Netherlands and Reno, NV distribution facilities. Manufacturing operations were moved from China to Carlisle's existing Oklahoma City, OK and Chihuahua, Mexico manufacturing facilities. The distribution activities previously conducted at the Zevenaar, Netherlands and Reno, NV facilities were relocated to the Oklahoma City, OK distribution center or to third party distributors throughout Europe. The total costs of the project were $5.7 million, including costs for impairment of long-lived assets, employee termination, contract termination, legal and consulting services, and relocation and retrofitting of plant assets of which $5.3 million was incurred in 2012 and $0.4 million in 2013. As a result of these consolidation activities, CFSP realized reduced operating costs and efficiencies of $5.3 million in 2013, which contributed significantly to its year over year performance improvement.

The outlook for the foodservice, healthcare and janitorial/sanitation market in 2014 is positive within a low single digit percentage range. The healthcare market has been challenging in 2013 due to cost pressures within this market; however pent-up demand for replacement equipment may provide modest growth in 2014. CFSP has made significant operating and performance improvements throughout the course of 2013. Continued margin increases are expected in upcoming periods based upon ongoing profit improvement initiatives addressing both operations and sales.

*2012 Compared to 2011*

Increased sales at CFSP during 2012 reflected 5% higher selling price from pricing actions taken at the beginning of 2012, partially offset by lower sales volume of 2%. Demand in the foodservice market in 2012 was generally level with 2011, reflecting lack of significant improvement in the foodservice

industry and continued uncertainty by restaurant operators about market conditions. CFSP also experienced moderately lower demand for its products in the healthcare market during 2012.

CFSP incurred costs of $5.3 million in 2012 for the aforementioned plant consolidation and restructuring activities, reflecting $3.7 million for impairment, accelerated depreciation of long-lived assets, employee termination costs of $1.4 million, and other associated costs of $0.2 million. In addition to the above-noted exit and disposal costs, during the third quarter of 2012, CFSP decided to abandon its flameless chafer product line. The abandonment of the product line resulted in a non-cash charge of $2.5 million in 2012 related to the impairment of prepaid royalties related to the product line. Also in 2012, CFSP incurred charges of $2.3 million to write down inventory to its market value.

CFSP's 7% reduction in EBIT from 2011 to 2012 reflects the aforementioned charges for restructuring costs and asset impairment for the exit of the flameless chafer product line, partially offset by the positive impact of selling price realization and reductions in staffing expense and operating costs.

**Corporate**

| (in millions) | 2013 | 2012 | Change | 2012 | 2011 | Change |
|---|---|---|---|---|---|---|
| Corporate expenses | **$ (47.1)** | $ (58.5) | 19.5% | **$ (58.5)** | $ (44.2) | -32.4% |
| As a percentage of net sales | **-1.6%** | -2.1% | | **-2.1%** | -1.8% | |

Corporate expenses are largely comprised of compensation, benefits, and travel expense for the corporate office staff, business development costs, certain external audit fees and internal audit expenses not allocated to the segments. Corporate expense also includes certain gains and losses related to employee benefit obligations of continuing operations that are not allocated to the segments such as pension and post-employment benefit obligation settlement and curtailment charges as well as gains and losses associated with workers' compensation obligations related to changes in discount rates.

For the year ended December 31, 2013, Corporate expenses decreased 20% from the prior year period due to lower incentive compensation expense, the non-recurrence of costs in 2012 of $5.6 million in pension settlement charges and $3.3 million in business development costs.

For the year ended December 31, 2012, the 32% increase in Corporate expenses versus 2011 reflected $5.6 million of expense related to settlement of pension liabilities, increased costs related to acquisition pursuits and business development activities, higher expense for incentive compensation based upon the Company meeting certain performance targets, and other increased expense related to corporate-led company-wide initiatives related to the Carlisle Operating System, procurement and management development.

During the fourth quarter of 2012, the Company offered certain former employees who participate in the Company's core pension plan the option to receive a one-time lump sum payment equal to the present value of the participant's pension benefit. A total of $15 million in lump sum distributions were paid out under this offer, which ended during the fourth quarter of 2012. Under ASC 715, a portion of the unrecognized actuarial loss in Accumulated Other Comprehensive Income was recognized into earnings as the amount of total lump sum payments from the Company's core pension plan during 2012 exceeded the plan's service and interest cost during the year.

Included in Corporate expense for the year ended December 31, 2012 was $3.3 million for the cost of acquisition pursuits and business development activity, as compared to costs of $1.3 million in 2011 for related activity.

***Liquidity and Capital Resources***

We maintain liquidity sources primarily consisting of cash and cash equivalents and our committed unused credit facility. As of December 31, 2013, we had $755 million of cash on hand, of which

$250 million was located in wholly owned subsidiaries of the Company outside the United States. Our cash balance increased significantly from the prior year primarily due to $369.0 million in proceeds, net of cash on hand at the time of sale, received from the sale of the Transportation Products business, of which $142 million was received by our foreign subsidiaries. Cash held by subsidiaries outside the United States is held in U.S. dollars or in the currency of the country in which it is located. It is our intention to use cash held outside the United States to fund the operating activities of our foreign subsidiaries, to make further investments in our foreign operations and to invest in additional growth opportunities for the Company through acquisitions. Cash outside the United States is generally held in deposit accounts with banking institutions that are parties to our credit facility. The majority of these accounts are at bank subsidiaries that are owned by U.S. corporate banks. Repatriation of cash held by foreign subsidiaries may require the accrual and payment of taxes in the United States, however, we consider such cash to be permanently reinvested in our foreign operations and our current plans do not demonstrate a need, nor do we plan, to repatriate such cash to fund U.S. operations and corporate activities. We plan to continue to invest in our international business and potential acquisitions to achieve our stated goal of 30% of sales outside of the United States.

In addition, cash held by subsidiaries in China is subject to local laws and regulations that require government approval for conversion of such cash to and from U.S. dollars as well as for transfer of such cash to entities that are outside of China. As of December 31, 2013, we had cash and cash equivalents of $19.9 million located in wholly owned subsidiaries of the Company within China.

**Sources and Uses of Cash**

| **In millions** | **2013** | **2012** | **2011** |
|---|---|---|---|
| Net cash provided by operating activities | **$ 414.7** | $ 485.9 | $ 191.2 |
| Net cash provided by (used in) investing activities | **270.1** | (428.5) | (463.5) |
| Net cash provided by (used in) financing activities | **(41.5)** | (20.6) | 256.4 |
| Effect of exchange rate changes on cash | **(1.3)** | 1.0 | 1.2 |
| Change in cash and cash equivalents | **$ 642.0** | $ 37.8 | $ (14.7) |

*2013 Compared to 2012*

Net cash provided by operating activities, which includes continuing and discontinued operations, was $414.7 million in the year ended December 31, 2013, compared to $485.9 million in 2012. The decrease was primarily due to lower funds provided by working capital in 2013 versus 2012.

Cash provided by working capital and other assets and liabilities of $48.0 million in 2013 was $57.4 million lower than $105.4 million in 2012. Cash provided by working capital in 2013 primarily consisted of a $35.6 million reduction in inventories and an $8.4 million decrease in accounts receivable, partially offset by a $8.0 million decrease in payables and accrued expenses. Cash provided by working capital in 2012 primarily consisted of a $26.5 million reduction in inventories and a $48.8 million reduction in prepaid expenses and other assets.

Reducing our working capital as a percentage of sales is a key focus area for management. We view the ratio of our average working capital balances (defined as the average of the quarter end balances from continuing operations, excluding current year acquisitions, of trade receivables plus net inventory, less trade payables) as a percentage of annualized sales (defined as year-to-date net sales from continuing operations, excluding current year acquisitions, calculated on an annualized basis) as an important measure of our ability to effectively manage our cash requirements in relation to changes in sales activity. For the full year 2013, average working capital as a percentage of annualized sales for our continuing operations was 18.7%, as compared to a percentage of 20.2% for 2012.

A significant factor behind the improvement in our working capital percentage for Continuing operations was the use of the Carlisle Operating System to focus on inventory optimization strategies. Our inventory turns, which is a measure of how many times inventory is sold and replaced in an annualized period (calculated as total Cost of goods sold divided by average Inventories from December of the prior year to the current year period), increased from 6.3 turns in 2012 to 6.9 turns in 2013. We also made improvement in our accounts receivable collection cycle. As a result, our Days Sales Outstanding, or "DSO", which is a measure of the average number of days to collect payment on our receivables (calculated as average Receivables from December of the prior year to the current period divided by the daily average of annual Net sales) declined from 58.1 days in 2012 to 53.7 days in 2013.

Cash provided by investing activities was $270.1 million in 2013 compared to $428.5 million used in investing activities in 2012. In 2013, cash provided by investing activities related to $369.0 million in proceeds on the sale of the Transportation Products business, net of cash on hand at the time of sale, and $11.9 million in proceeds on the sale of equipment, partially offset by $110.8 million in capital expenditures. In 2012, cash used in investing activities primarily consisted of cash used to purchase Hertalan of $48.9 million, net of cash acquired, and cash used to purchase Thermax/Raydex of $265.5 million, net of cash acquired.

Capital expenditures of $110.8 million in 2013 from continuing and discontinued operations compared to $140.4 million in 2012. The Construction Materials segment represented 58% of total capital expenditures in 2013 as a result of projects to construct a new polyiso plant in Puyallup, WA and a new facility in Montgomery, NY to replace our current polyiso plant in Kingston, NY. In 2013, CCM also substantially completed a project to establish a new PVC (polyvinyl chloride) roofing membrane manufacturing line at our Greenville, Illinois location that will be operational starting in the first quarter of 2014. CCM's total capital expenditures were $64.5 million in 2013.

Cash used in financing activities was $41.5 million in 2013 compared to $20.6 million in 2012. During 2013, cash used in financing activities related to $53.7 million in dividends paid and $1.5 million in repayments on industrial and revenue bonds, partially offset by net cash inflows related to the exercise of employee stock options. During 2012, we repaid $357 million in short term borrowings using cash provided by operations and proceeds from our senior notes offering. On November 17, 2012, we issued $350 million in 3.75% senior notes due 2022 (the "senior notes"). Proceeds from this offering were used to repay remaining borrowings under our revolving credit facility and fund the acquisition of Thermax/Raydex on December 17, 2012. During 2013, we increased our dividends to shareholders by 10%, representing the 37th consecutive year of dividend increases.

*2012 Compared to 2011*

Net cash provided by operating activities was $485.9 million in the year ended December 31, 2012, compared to $191.2 million in 2011. The increase was primarily due to higher net income in 2012 versus 2011 and lower usage of cash to fund working capital in 2012.

Cash provided by working capital and other assets and liabilities of $105.4 million in 2012 was a $196.5 million improvement versus cash used of $91.1 million in 2011. Cash provided by working capital in 2012 primarily consisted of a $26.5 million reduction in inventories and a $48.8 million reduction in prepaid expenses and other assets. Cash used for working capital in 2011 primarily consisted of a $71.4 million increase in receivables, a $75.8 million increase in inventories, offset by the positive impact of a $50.9 million increase in accounts payable. For the full year 2012, average working capital as a percentage of annualized sales was 20.2%, as compared to a percentage of 19.6% for 2011.

Cash used in investing activities was $428.5 million in 2012 compared to $463.5 million in 2011. In 2012, cash used in investing activities primarily consisted of cash used to purchase Hertalan of $48.9 million, net of cash acquired, and cash used to purchase Thermax/Raydex of $265.5 million, net

of cash acquired. In 2011, cash used in investing activities included cash used to purchase Tri-Star of $284.4 million, net of cash acquired, and cash used to purchase PDT of $105.8 million, net of cash acquired. We also acquired certain assets of Cragar Industries, Inc. for $2.7 million.

Capital expenditures of $140.4 million in 2012 compared to $79.6 million in 2011. The Construction Materials segment represented approximately 58% of total capital expenditures in 2012, versus 27% of total capital expenditures in 2011, as a result of projects to construct a new polyiso plant in Puyallup, WA and a new facility in Montgomery, NY to replace our current polyiso plant in Kingston, NY. In May 2012, CCM commenced a project to establish a new PVC (polyvinyl chloride) roofing membrane manufacturing line in Greenville, Illinois. CCM's total capital expenditures were $81.5 million in 2012. In addition to the projects at CCM, CIT and CBF also completed projects in 2012 to expand manufacturing facilities.

Cash used in financing activities was $20.6 million in 2012 compared to cash provided by financing activities of $256.4 million in 2011. During 2012, we paid down $357 million in short term borrowings using cash provided by operations and proceeds from our senior notes offering. On November 17, 2012, we issued $350 million in 3.75% senior notes due 2022 (the "senior notes"). Proceeds from this offering were used to pay down remaining borrowings under our revolving credit facility and fund the acquisition of Thermax/Raydex on December 17, 2012.

**Debt Instruments, Guarantees and Covenants**

The following table quantifies certain contractual cash obligations and commercial commitments at December 31, 2013:

| In millions | Total | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter |
|---|---|---|---|---|---|---|---|
| Short-term credit lines and long-term debt | $ 752.0 | $ | $ | $ 150.0 | $ | $ 3.0 | $ 599.0 |
| Interest on long-term debt(1) | 231.3 | 35.1 | 35.1 | 31.7 | 25.9 | 25.9 | 77.6 |
| Noncancelable operating leases | 60.4 | 15.5 | 11.9 | 9.6 | 7.9 | 7.0 | 8.5 |
| Estimated workers' compensation claims | 27.0 | 7.2 | 5.2 | 3.5 | 2.5 | 1.9 | 6.7 |
| Estimated post-retirement benefit payments | 299.1 | 17.3 | 15.9 | 14.8 | 14.5 | 14.1 | 222.5 |
| Total commitments | $ 1,369.8 | $ 75.1 | $ 68.1 | $ 209.6 | $ 50.8 | $ 51.9 | $ 914.3 |

(1) Future expected interest payments are calculated based on the stated rate for fixed rate debt and the effective interest rate at December 31, 2013 for variable rate debt.

The above table does not include $143.6 million of long-term deferred revenue and $199.2 million of other long-term liabilities. Excluded Other long-term liabilities consist primarily of deferred income tax liabilities and other tax liabilities, and deferred compensation. Due to factors such as the timing of book-tax difference reversals and retirement of employees, it is not reasonably possible to estimate when these will become due.

The amount of $27.0 million in obligations for workers compensation claims reflects an estimate for undiscounted claims reported to the company and incurred but not yet reported. The Company's estimate is based upon actuarial assumptions and loss development factors and the Company's historical loss experience. See Note 13 in the Notes to Consolidated Financial Statements.

The amount of $299.1 million in post-retirement benefit payments primarily reflects undiscounted estimated employee obligations under the Company's qualified defined benefit pension plans, as well as obligations for the Company's non-qualified executive supplemental and director plans and other post-retirement welfare plans. The amount of estimated obligations is based upon plan provisions, increases to compensation levels, actuarial assumptions and health care cost trends. Of the $299.1 million in estimated obligations, approximately $266.0 million in projected benefit obligations

reflect obligations under the Company's qualified defined benefit plans that were measured at $162.1 million as of December 31, 2013 on a discounted basis. As of December 31, 2013, the fair value of plan assets held by the Company in a trust to support these obligations was $173.5 million. The Company maintains a liability driven investment approach whereby plan assets are invested primarily in fixed income investments to match changes in the projected benefit obligation of funded plans that occur as a result of changes in the discount rate. The difference of $11.4 million between the Company's fair value of plan assets versus its discounted benefit obligations for its qualified pension plans is reflected in Other long-term assets on the Company's Consolidated Balance Sheet. Reported in Other long-term liabilities on the Company's Consolidated Balance Sheet is $18.9 million in discounted projected employee obligations for the Company's non-qualified supplemental and director plans and other post-retirement welfare plans. See Note 1, Note 15 and Note 18 in the Notes to Consolidated Financial Statements.

Although we have entered into purchase agreements for certain key raw materials, there were no such contracts with a term exceeding one year in place at December 31, 2013.

On October 20, 2011 we entered into a $600 million senior unsecured revolving credit facility (the "Facility") to replace our former credit facility. The renewed facility had an expiration date of October 20, 2016. On December 12, 2013, we executed an amendment to the facility (the "Amendment") to amend certain terms and extend the term of the facility to December 12, 2018. The amended credit facility allows for borrowings of between one month and six month maturity at an interest rate spread of 1.125 percentage points over Libor, based upon our current investment grade credit rating. Under the terms of the amendment, the annual facility fee was reduced from 0.20 percentage points of the overall facility to 0.125 percentage points. As a result, our annual facility fee was reduced from $1.2 million to $750,000. The amendment also modified our leverage ratio covenant to permit a temporary increase in the ratio in the event of a material acquisition. We use the facility for general working capital purposes and to provide additional liquidity to pursue growth opportunities including acquisitions.

On November 20, 2012, we completed a public offering of $350.0 million of notes with a stated interest rate of 3.75% due November 15, 2022 (the "2022 Notes"). The 2022 Notes were issued at a discount of approximately $1.1 million, resulting in proceeds of approximately $348.9 million. Interest on the 2022 Notes is paid each May 15 and November 15, which commenced on May 15, 2013. The proceeds were utilized to re-pay borrowings under our $600 million revolving credit facility and fund the acquisition of Thermax/Raydex on December 17, 2012.

On December 9, 2010, we 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 of approximately $248.9 million. Interest on the 2020 Notes is paid each June 15 and December 15, which commenced on June 15, 2011. The proceeds were utilized to re-pay borrowings under our revolving credit facility that were used to partially finance the acquisition of Hawk.

In connection with the acquisition of Hawk on December 1, 2010, we assumed Hawk's 8.75% senior notes 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. See Note 3 in Item 8 for further information regarding the Hawk acquisition. On December 10, 2010, we notified the holders of the Hawk senior notes of our intent to redeem such notes under the terms of the related indenture. On January 10, 2011, we 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 related to accrued and unpaid interest. We redeemed the Hawk senior notes using borrowings under our revolving credit facility.

At December 31, 2013, we had $600 million available under our $600 million revolving credit facility. The revolving credit facility provides for grid-based interest pricing based on the credit rating of our senior unsecured bank debt or other unsecured senior debt and our utilization of the facility. Our senior unsecured debt is rated BBB by Standard & Poor's and Baa2 by Moody's. The facility requires us to meet various restrictive covenants and limitations including certain leverage ratios, interest coverage ratios, and limits on outstanding debt balances held by certain subsidiaries. We had no borrowings on our facility during the year ended December 31, 2013.

We also maintain a $45.0 million uncommitted line of credit, of which $45.0 million was available for borrowing as of December 31, 2013. We had no borrowings under the uncommitted line of credit during 2013.

As of December 31, 2013, we had outstanding letters of credit amounting to $29.7 million. Letters of credit are issued primarily to provide security under insurance arrangements and certain borrowings. Letters of credit were previously issued under our revolving credit facility and reduced the amount available for borrowings under the facility. Currently, our letters of credit are issued separately from our revolving credit facility and do not affect borrowing availability under the facility.

At December 31, 2013, the fair value of our $350 million 3.75% notes due 2022, $250 million 5.125% notes due 2020 and $150 million 6.125% notes due 2016, using Level 2 inputs, is approximately $326.3 million, $259.8 million and $163.8 million, respectively. Fair value is estimated based on current yield rates plus our estimated credit spread available for financings with similar terms and maturities.

Under our various debt and credit facilities, we are required to meet various restrictive covenants and limitations, including certain leverage ratios, interest coverage ratios, and limits on outstanding debt balances held by certain subsidiaries. We were in compliance with all covenants and limitations in 2013 and 2012.

We view our debt to capital ratio (defined as short-term debt plus long-term debt divided by the sum of total Shareholders' equity, long-term debt and short-term debt) as an important indicator of our ability to utilize debt in financing acquisitions and capital investments. As of December 31, 2013, our debt to capital ratio was 27%.

***Cash Management***

As stated above, reducing the level of working capital as a percentage of net sales is a key management focus. Our priorities for the use of cash are to invest in growth and performance improvement opportunities for our existing businesses and maintain assets through capital expenditures, pursue strategic acquisitions that meet shareholder return criteria, pay dividends to shareholders, and return value to shareholders through share repurchases.

Capital expenditures in 2014 are expected to be $118 million, including business sustaining projects, cost reduction efforts, and new product expansion. Capital expenditures expected in 2014 include the completion of a PVC manufacturing plant and additional TPO manufacturing line for CCM and construction of a new plant in Nogales, Mexico for CIT.

No minimum contributions to our pension plans are required in 2014. However, during 2014 we expect to pay approximately $1.0 million in participant benefits under the executive supplemental and director plans. In light of our plans' funded status, we expect to make discretionary contributions between $0 and $4 million to our other pension plans in 2014. We did not make any contributions to the pension plans during 2013.

We intend to pay dividends to our shareholders and have increased our dividend rate annually for the past 37 years.

We announced the reactivation of our share repurchase program in August 2004. In August 2007, the Board of Directors authorized the repurchase of 2,500,000 shares of our common stock. In February 2008, the Board of Directors authorized the repurchase of an additional 1,400,000 shares of our common stock. At this time we have authority to repurchase 3,024,499 shares. Shares may be repurchased at management's direction. The decision to repurchase shares will depend on price, availability, and other corporate developments. Purchases may occur from time-to-time in the open market and no maximum purchase price has been set.

We believe that our operating cash flows, credit facilities, lines of credit, and leasing programs provide adequate liquidity and capital resources to fund ongoing operations, expand existing lines of business, and make strategic acquisitions. In addition, we believe that our liquidity and capital resources from U.S. operations are adequate to fund our U.S. operations and corporate activities without a need to repatriate funds held by subsidiaries outside the United States. However, the ability to maintain existing credit facilities and access the capital markets can be impacted by economic conditions outside our control, specifically credit market tightness or sustained market downturns. Our cost to borrow and capital market access can be impacted by debt ratings assigned by independent rating agencies, based on certain credit measures such as interest coverage, funds from operations and various leverage ratios.

***Environmental***

We are 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 and we do not currently have any significant accruals related to potential future costs of environmental remediation at December 31, 2013 and 2012, nor do we have any asset retirement obligations recorded at those dates. However, the nature of our operations and our long history of industrial activities at certain of our current or former facilities, as well as those acquired, could potentially result in material environmental liabilities or asset retirement obligations.

While we 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 our business, capital expenditures, or financial position. Future events, including those relating to climate change or greenhouse gas regulation, could require us to incur expenses related to the modification or curtailment of operations, installation of pollution control equipment, or investigation and cleanup of contaminated sites.

***Legal Proceedings***

Over the years, we have 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 we 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.

We typically obtain dismissals or settlements of our asbestos-related lawsuits with no material effect on our financial condition, results of operations, or cash flows. We maintain insurance coverage that applies to a portion of certain of our defense costs and payments of settlements or judgments in connection with asbestos-related lawsuits.

Based on an ongoing evaluation, we believe that the resolution of our pending asbestos claims will not have a material impact on our financial condition, results of operations, or cash flows, although

these matters could result in us being subject to monetary damages, costs or expenses, and charges against earnings in particular periods.

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

***Critical Accounting Policies***

Our significant accounting policies are more fully described in the Note 1 in Item 8. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observation of trends in the industry, information provided by our customers, and information available from other outside sources, as appropriate. We consider certain accounting policies related to revenue recognition, inventory cost and valuation, deferred revenue and extended product warranty, valuation of goodwill and indefinite-lived intangible assets, valuation of long-lived assets and pensions and other post-retirement plans to be critical policies due to the estimation processes involved.

**Revenue Recognition.** Revenues are recognized when pervasive evidence of an arrangement exists, goods have been shipped (or services have been rendered), the customer takes ownership and assumes risk of loss, collection is probable, and the sales price is fixed or determinable. Provisions for discounts and rebates to customers and other adjustments are provided for at the time of sale as a deduction to revenue.

**Inventories.** Inventories are valued at the lower of cost or market with cost determined primarily on an average cost basis. Cost of inventories includes direct as well as certain indirect costs associated with the acquisition and production process. These costs include raw materials, direct and indirect labor, and manufacturing overhead. Manufacturing overhead includes materials, depreciation and amortization related to property, plant and equipment and other intangible assets used directly and indirectly in the acquisition and production of inventory, and costs related to our distribution network such as inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, and other such costs associated with preparing our products for sale.

We regularly review inventory quantities on hand for excess and obsolete inventory based on estimated forecasts of product demand and production requirements for the next twelve months and issues related to specific inventory items.

**Deferred Revenue and Extended Product Warranty.** We offer extended warranty contracts on sales of certain products; the most significant being those offered on our installed roofing systems within the Construction Materials segment. The lives of these warranties range from five to thirty years. All revenue from the sale of these contracts is deferred and amortized on a straight-line basis over the life of the contracts. Current costs of services performed under these contracts are expensed as incurred. We also record an additional loss and a corresponding reserve if the total expected costs of providing services under the contract exceed unearned revenues equal to such excess. We estimate total expected warranty costs using quantitative measures based on historical claims experience and management judgment.

**Goodwill and Indefinite-Lived Intangible Assets.** Indefinite-lived intangible assets are recognized and recorded at their acquisition-date fair values. Intangible assets with indefinite useful lives are not amortized but are tested annually, or more often if impairment indicators are present, for impairment

via a one-step process by comparing the fair value of the intangible asset with its carrying value. If the intangible asset's carrying value exceeds its fair value, an impairment charge is recorded in current earnings for the difference. We estimate the fair value of our indefinite-lived intangible assets based on the income approach utilizing the discounted cash flow method. We periodically re-assess indefinite-lived intangible assets as to whether their useful lives can be determined and if so, we begin amortizing any applicable intangible asset.

Goodwill is not amortized but is tested annually, or more often if impairment indicators are present, for impairment at a reporting unit level. We have determined that our operating segments are our reporting units. We have allocated goodwill to our reporting units as follows:

| In millions | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Carlisle Construction Materials | **$ 129.1** | $ 127.2 |
| Carlisle Interconnect Technologies | **442.6** | 444.6 |
| Carlisle Brake & Friction | **226.7** | 226.7 |
| Carlisle FoodService Products | **60.3** | 60.3 |
| **Total** | **$ 858.7** | $ 858.8 |

First, goodwill is tested for impairment by comparing the fair value of the reporting unit with the reporting unit's carrying amount to identify any potential impairment. If fair value is determined to be less than carrying value, a second step is used whereby the implied fair value of the reporting unit's goodwill, determined through a hypothetical purchase price allocation, is compared with the carrying amount of the reporting units' goodwill. If the implied fair value of the reporting units' goodwill is less than its carrying amount, an impairment charge is recorded in current earnings for the difference. We also assess the recoverability of goodwill if facts and circumstances indicate goodwill may be impaired. In our most recent test, we estimated the fair value of our reporting units primarily based on the income approach utilizing the discounted cash flow method. We also utilized fair value estimates derived from the market approach utilizing the public company market multiple method to validate the results of the discounted cash flow method, which required us to make assumptions about the applicability of those multiples to our reporting units. The discounted cash flow method required us to estimate future cash flows and discount those amounts to present value. The key assumptions that drove fair value included:

Industry weighted-average cost of capital ("WACC"): We utilized a WACC relative to each reporting unit's industry as the discount rate for estimated future cash flows. The WACC is intended to represent a rate of return that would be expected by a market place participant. We utilize third party valuation providers to assist management in determining the appropriate WACC by industry.

EBIT margins: We utilized historical and expected EBIT margins, which varied based on the projections of each reporting unit being evaluated.

While we believe these assumptions are appropriate, they are subject to uncertainty and by nature include judgments and estimates regarding various factors including the realization of sales price increases, fluctuation in price and availability in key raw materials, and operating efficiencies.

See Note 12 to the Consolidated Financial Statements in Item 8 for more information regarding goodwill.

**Valuation of Long-Lived Assets.** Long-lived assets or asset groups, including amortizable intangible assets, are tested for impairment whenever events or circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. For purposes of testing for impairment, we group our long-lived assets classified as held and used at the lowest level for which identifiable cash

flows are largely independent of the cash flows from other assets and liabilities. Our asset groupings vary based on the related business in which the long-lived asset is employed and the interrelationship between those long-lived assets in producing net cash flows; for example, multiple manufacturing facilities may work in concert with one another or may work on a stand-alone basis to produce net cash flows. We utilize our long-lived assets in multiple industries and economic environments and our asset grouping reflects these various factors. The following are examples of events or changes in circumstances that we consider:

- Significant decrease in the market price of a long-lived asset (asset group)
- Significant change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
- Significant adverse change in the legal factors or business climate that could affect the value of a long-lived asset (asset group), including an adverse assessment by a regulator
- Accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)
- Current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
- Current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life

We monitor the operating and cash flow results of our long-lived assets or asset groups classified as held and used to identify whether events and circumstances indicate the remaining useful lives of those assets should be adjusted, or if the carrying value of those assets or asset groups may not be recoverable. In the event indicators of impairment are identified, undiscounted estimated future cash flows are compared to the carrying value of the long-lived asset or asset group. If the undiscounted estimated future cash flows are less than the carrying amount, we determine the fair value of the asset or asset group and record an impairment charge in current earnings to the extent carrying value exceeds fair value. Fair values may be determined based on estimated discounted cash flows, by prices for like or similar assets in similar markets, or a combination of both. There are currently no long-lived assets or asset groups classified as held and used for which the related undiscounted cash flows do not substantially exceed their carrying amounts.

Long-lived assets or asset groups that are part of a disposal group that meets the criteria to be classified as held for sale are not assessed for impairment but rather if fair value, less cost to sell, of the disposal group is less than its carrying value a loss on sale is recorded against the disposal group.

**Pensions and Other Post-Retirement Plans.** We maintain defined benefit retirement plans for certain employees. The annual net periodic expense and benefit obligations related to these plans are determined on an actuarial basis. This determination requires assumptions to be made concerning general economic conditions (particularly interest rates), expected return on plan assets, increases to compensation levels, and health care cost trends. These assumptions are reviewed periodically by management in consultation with our independent actuary and investment manager. Changes in the assumptions to reflect actual experience can result in a change in the net periodic expense and accrued benefit obligations. The defined benefit pension plans' assets consist primarily of fixed-income and equity mutual funds, which are considered Level 1 assets under the fair value hierarchy as their fair value is derived from market-observable data. We use the market related valuation method to determine the value of plan assets, which recognizes the change of the fair value of the plan assets over five years. If actual experience differs from these long-term assumptions, the difference is recorded as an unrecognized actuarial gain (loss) and then amortized into earnings over a period of time based on

the average future service period, which may cause the expense related to providing these benefits to increase or decrease. The weighted-average expected rate of return on plan assets was 6.45% for the 2013 valuation. While we believe 6.45% is a reasonable expectation based on the plan assets' mix of fixed income and equity investments, significant differences in actual experience or significant changes in the assumptions used may materially affect the pension obligations and future expense. The effects of a 0.25% increase or decrease in the expected rate of return would cause our estimated 2013 pension expense to be approximately $0.3 million lower or $0.3 million higher, respectively. The assumed weighted-average discount rate was 4.43% for the 2013 valuation. The effects of a 0.25% increase or decrease in the assumed discount rate would cause our projected benefit obligation at December 31, 2013 to be approximately $2.9 million lower or $3.0 million higher, respectively. We used a weighted-average assumed rate of compensation increase of 3.46% for the 2013 valuation. This rate is not expected to change in the foreseeable future and is based on our actual rate of compensation increase over the past several years, adjusted to reflect management's expectations regarding future labor costs.

We also have a limited number of unfunded post-retirement benefit programs that provide certain retirees with medical and prescription drug coverage. The annual net periodic expense and benefit obligations of these programs are also determined on an actuarial basis and are subject to assumptions on the discount rate and increases in compensation levels. The discount rate used for the 2013 valuation was 3.77%. The effects of a 1% increase or decrease in either the discount rate or the assumed health care cost trend rates would not be material. Similar to the defined benefit retirement plans, these plans' assumptions are reviewed periodically by management in consultation with our independent actuary. Changes in the assumptions can result in a change in the net periodic expense and accrued benefit obligations.

**Income Taxes.** We record income taxes in accordance with ASC 740, *Income Taxes*, which includes an estimate of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns.

Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We periodically assess the realizability of deferred tax assets and the adequacy of deferred tax liabilities.

Realization of deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. We believe that it is more likely than not that we may not realize the benefit of certain deferred tax assets and, accordingly, have established a valuation allowance against them. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of and potential changes to ongoing tax planning strategies. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that the remaining deferred tax assets will be realized. However, deferred tax assets could be reduced in the near term if our estimates of taxable income during the carryforward period are significantly reduced or tax planning strategies are no longer viable.

The amount of income tax that we pay annually is dependent on various factors, including the timing of certain deductions and ongoing audits by federal, state and foreign tax authorities, which may result in proposed adjustments. We perform reviews of our income tax positions on a quarterly basis and accrue for potential uncertain tax positions. We believe we have adequately provided for any reasonably foreseeable outcome related to these matters.

We participate in the U.S. Internal Revenue Service's ("IRS") real time audit program, Compliance Assurance Process ("CAP"), during 2013, 2012 and 2011. Under the CAP program,

material federal income tax matters were disclosed to the IRS throughout the year with the objective of reaching agreement as to the proper reporting treatment in advance of filing our U.S. federal tax return. The examinations of the 2011 and 2012 returns have been completed. We believe that this program reduces tax-related uncertainties, enhances transparency, and reduces administrative costs. We will continue to participate in the CAP program in 2014.

***New Accounting Standards Not Yet Effective***

Accounting standards issued but not effective until after December 31, 2013, are not expected to have a significant effect on our consolidated financial statements.

***Forward-Looking Statements***

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally use words such as "expect," "foresee," "anticipate," "believe," "project," "should," "estimate," "will," "plans", "forecast" and similar expressions, and reflect our expectations concerning the future. 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 our 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; our 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 integration and identification of our strategic acquisitions; the cyclical nature of our 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, the condition of the financial and credit markets, 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 general market conditions and our future performance. We undertake no duty to update forward-looking statements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk in the form of changes in commodity prices for raw materials, foreign currency exchange rates, and interest rates. We may from time to time enter into financial instruments or commodity futures contracts to manage these risks; however, we do not utilize such instruments or contracts for speculative or trading purposes. In the event that we enter into a hedge contract, it is possible that such future dated contracts could no longer serve as a hedge if the projected cash flow does not occur as anticipated at the time of contract initiation. We generally do not hedge the risk from translation of sales and activities into U.S. dollars for financial reporting.

To manage commodity pricing risk, we may from time to time enter into financial instrument contracts, longer dated purchase contracts, or commodity indexed sales contracts. We continually address the impact of commodity price increases on our sales, operating margins, and cash flow. To mitigate our exposure to fluctuations in the prices of silver and copper, which are key raw materials within the Interconnect Technologies segment, we had commodity swap agreements with an aggregate notional amount of $2.3 million outstanding as of December 31, 2012, all of which matured during 2013. We had no commodity swap agreements in place as of December 31, 2013. The fair value of open contracts as of December 31, 2012 was $0.1 million.

We are primarily exposed to the exchange rates of currencies including the Chinese Renminbi, Euro, Canadian Dollar, British Pound, Swiss Franc, Indian Rupee, Hong Kong Dollar, and Mexican Peso. A portion of our revenues, comprising less than 10% of total revenues, are for sales of products manufactured in China for the North American market. These sales are generated predominately in U.S. Dollars. Many of the obligations incurred by these operations are settled in Chinese Renminbi or Hong Kong Dollars. Should the U.S. Dollar weaken significantly against the Renminbi or Hong Kong Dollar, our results of operations could be adversely affected. We continue to monitor developments in China that may affect our strategy and will hedge our currency risk exposure or shift production to the U.S. when deemed effective and prudent.

Approximately 23% of our revenues from continuing operations for the year ended December 31, 2013 are from countries other than the U.S.

We had foreign exchange forward contracts with an aggregate notional amount of $2.1 million outstanding as of December 31, 2013, with scheduled maturities of $2.1 million during 2014. The fair value of open contracts as of December 31, 2013 reflected net assets of $0.2 million.

From time to time we may manage our interest rate exposure through the use of treasury locks, interest rate swaps and cross-currency swaps to reduce volatility of cash flows, impact on earnings, and to lower our cost of capital. Our exposure to interest rates on our outstanding debt is described in "Item 7.Management's Discussion and Analysis of Financial Condition and Results of Operations Debt Instruments, Guarantees and Covenants." We are exposed to variable rate interest risk in the form of outstanding borrowings on our $600 million revolving credit facility. We are not currently exposed to currency risk on borrowings denominated in non-USD; however, from time-to-time, we may borrow in non-USD denominations. There were no treasury locks, interest rate swaps or cross-currency swaps in place as of December 31, 2013.

**Item 8. Financial Statements and Supplementary Data.**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Carlisle Companies Incorporated

We have audited the accompanying consolidated balance sheets of Carlisle Companies Incorporated as of December 31, 2013 and 2012, and the related consolidated statements of earnings and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Carlisle Companies Incorporated at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Carlisle Companies Incorporated's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 19, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Charlotte, North Carolina
February 19, 2014

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Carlisle Companies Incorporated

We have audited Carlisle Companies Incorporated's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework)(the COSO criteria). Carlisle Companies Incorporated's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Carlisle Companies Incorporated maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Carlisle Companies Incorporated as of December 31, 2013 and 2012 and the related consolidated statements of earnings and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 of Carlisle Companies Incorporated and our report dated February 19, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Charlotte, North Carolina
February 19, 2014

**Carlisle Companies Incorporated**

**Consolidated Statements of Earnings and Comprehensive Income**

| (Dollars in millions, except per share amounts) | For the Years ended December 31, 2013 | 2012 | 2011 |
|---|---|---|---|
| Net sales | **$ 2,943.0** | $ 2,851.2 | $ 2,492.4 |
| Cost and expenses: | | | |
| Cost of goods sold | **2,197.4** | 2,084.2 | 1,908.3 |
| Selling and administrative expenses | **353.7** | 356.6 | 298.8 |
| Research and development expenses | **29.3** | 26.1 | 21.7 |
| Other (income) expense, net | **(4.2)** | 12.4 | (2.4) |
| Earnings before interest and income taxes | **366.8** | 371.9 | 266.0 |
| Interest expense, net | **33.8** | 25.5 | 21.0 |
| Earnings before income taxes from continuing operations | **333.0** | 346.4 | 245.0 |
| Income tax expense (Note 7) | **97.8** | 117.7 | 73.0 |
| Income from continuing operations | **235.2** | 228.7 | 172.0 |
| Discontinued operations (Note 4) | | | |
| Income (loss) from discontinued operations | **(60.5)** | 55.2 | 6.5 |
| Income tax (benefit) expense | **(35.0)** | 13.7 | (1.8) |
| Income (loss) from discontinued operations | **(25.5)** | 41.5 | 8.3 |
| Net income | **$ 209.7** | $ 270.2 | $ 180.3 |
| Basic earnings (loss) per share attributable to common shares(1) | | | |
| Income from continuing operations | **$ 3.69** | $ 3.64 | $ 2.77 |
| Income (loss) from discontinued operations | **(0.40)** | 0.66 | 0.14 |
| Basic Earnings per share | **$ 3.29** | $ 4.30 | $ 2.91 |
| Diluted earnings (loss) per share attributable to common shares(1) | | | |
| Income from continuing operations | **$ 3.61** | $ 3.57 | $ 2.73 |
| Income (loss) from discontinued operations | **(0.39)** | 0.65 | 0.13 |

| | | | |
|---|---|---|---|
| Diluted earnings per share | **$ 3.22** | $ 4.22 | $ 2.86 |

| | | | |
|---|---|---|---|
| **Comprehensive Income** | | | |
| Net income | **$ 209.7** | $ 270.2 | $ 180.3 |
| Other comprehensive income (loss) | | | |
| Change in foreign currency translation, net of tax | **(1.6)** | 3.2 | (12.2) |
| Change in accrued post-retirement benefit liability, net of tax | **5.9** | 6.6 | 5.7 |
| Loss on hedging activities, net of tax | **(0.3)** | (0.3) | (0.4) |
| Other comprehensive income (loss) | **4.0** | 9.5 | (6.9) |
| Comprehensive income | **$ 213.7** | $ 279.7 | $ 173.4 |

(1) Earning per share calculated based on the two-class method. See Note 8 for detailed calculations.

See accompanying notes to these Consolidated Financial Statements

**Carlisle Companies Incorporated**

**Consolidated Balance Sheets**

| (Dollars in millions except share amounts) | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ **754.5** | $ 112.5 |
| Receivables, less allowance of $3.3 in 2013 and $5.2 in 2012 | **399.6** | 408.4 |
| Inventories (Note 10) | **298.8** | 325.0 |
| Deferred income taxes (Note 7) | **35.7** | 37.3 |
| Prepaid expenses and other current assets | **46.4** | 26.5 |
| Current assets held for sale (Note 4) | | 295.6 |
| **Total current assets** | **1,535.0** | 1,205.3 |
| **Property, plant and equipment, net of accumulated depreciation of $468.0 in 2013 and $416.8 in 2012 (Note 11)** | **497.2** | 465.2 |
| **Other assets:** | | |
| Goodwill, net (Note 12) | **858.7** | 858.8 |
| Customer relationship and other intangible assets, net (Note 12) | **579.8** | 614.8 |
| Other long-term assets | **22.0** | 35.7 |
| Non-current assets held for sale (Note 4) | **0.3** | 277.5 |
| **Total other assets** | **1,460.8** | 1,786.8 |
| **TOTAL ASSETS** | $ **3,493.0** | $ 3,457.3 |
| **Liabilities and Shareholders' Equity** | | |
| **Current liabilities:** | | |
| Short-term debt, including current maturities (Note 14) | $ | $ |
| Accounts payable | **187.0** | 205.9 |
| Accrued expenses | **172.0** | 172.6 |
| Deferred revenue (Note 16) | **17.4** | 17.6 |
| Current liabilities associated with assets held for sale (Note 4) | | 74.5 |
| **Total current liabilities** | **376.4** | 470.6 |
| **Long-term liabilities:** | | |
| Long-term debt (Note 14) | **751.0** | 752.3 |
| Deferred revenue (Note 16) | **143.6** | 135.4 |
| Other long-term liabilities (Note 18) | **235.9** | 263.3 |
| Non-current liabilities associated with assets held for sale | | 47.6 |

| | | |
|---|---|---|
| **Total long-term liabilities** | **1,130.5** | 1,198.6 |
| | | |
| **Shareholders' equity (Note 19):** | | |
| Preferred stock, $1 par value per share. Authorized and unissued 5,000,000 shares | | |
| Common stock, $1 par value per share. Authorized 100,000,000 shares; 78,661,248 shares issued; 63,658,777 outstanding in 2013 and 63,127,299 outstanding in 2012 | **78.7** | 78.7 |
| Additional paid-in capital | **201.1** | 171.4 |
| Deferred compensation equity (Note 6) | **3.0** | 0.6 |
| Cost of shares of treasury 14,761,481 shares in 2013 and 15,249,714 shares in 2012 | **(209.5)** | (215.4) |
| Accumulated other comprehensive loss (Note 20) | **(31.5)** | (35.5) |
| Retained earnings | **1,944.3** | 1,788.3 |
| | | |
| **Total shareholders' equity** | **1,986.1** | 1,788.1 |
| | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **$ 3,493.0** | $ 3,457.3 |

See accompanying notes to these Consolidated Financial Statements

**Carlisle Companies Incorporated**

**Consolidated Statements of Cash Flows**

| | For the Years ended December 31, | | |
|---|---|---|---|
| **(Dollars in millions)** | **2013** | **2012** | **2011** |
| **Operating activities** | | | |
| Net income | **$ 209.7** | $ 270.2 | $ 180.3 |
| Reconciliation of net income to cash flows from operating activities: | | | |
| Depreciation | **75.4** | 74.6 | 68.1 |
| Amortization | **38.5** | 30.3 | 19.9 |
| Non-cash compensation, net of tax benefit | **11.9** | 8.5 | 12.5 |
| Non-cash pension settlement | | 5.6 | |
| Gain on sale of businesses | **(6.2)** | (3.7) | |
| (Gain) loss on sale of property and equipment, net | **(1.3)** | 2.1 | 1.8 |
| Impairment of assets | **100.3** | 6.4 | |
| Deferred taxes | **(61.7)** | (13.8) | 1.8 |
| Foreign exchange (gain) loss | **0.1** | 0.1 | (2.1) |
| Changes in assets and liabilities, excluding effects of acquisitions and divestitures: | | | |
| Receivables | **8.4** | 21.0 | (71.4) |
| Inventories | **35.6** | 26.5 | (75.8) |
| Prepaid expenses and other assets | **11.1** | 48.8 | 7.3 |
| Accounts payable | **(20.6)** | (15.7) | 50.9 |
| Accrued expenses and deferred revenues | **12.6** | 14.9 | (11.0) |
| Long-term liabilities | **0.9** | 9.9 | 8.9 |
| Other operating activities | | 0.2 | |
| **Net cash provided by operating activities** | **414.7** | 485.9 | 191.2 |
| **Investing activities** | | | |
| Capital expenditures | **(110.8)** | (140.4) | (79.6) |
| Acquisitions, net of cash | | (314.3) | (392.9) |
| Proceeds from sale of property and equipment | **11.9** | | 3.5 |
| Proceeds from sale of businesses, net of cash | **369.0** | 25.8 | 5.3 |
| Proceeds from hedging activities | | 0.4 | |
| Other investing activities | | | 0.2 |
| **Net cash provided by (used in) investing activities** | **270.1** | (428.5) | (463.5) |
| **Financing activities** | | | |
| Net change in short-term borrowings and revolving credit lines | | (357.4) | 346.9 |
| Proceeds from long-term debt | | 348.9 | |
| Reductions of long-term debt | **(1.5)** | | |
| Debt issuance costs | **(0.6)** | (2.9) | (1.8) |
| Redemption of Hawk bonds | | | (59.0) |
| Acquisition date value of contingent consideration settled | **(5.2)** | | |
| Dividends | **(53.7)** | (48.0) | (43.5) |
| Stock options and treasury shares, net | **19.5** | 38.8 | 13.8 |
| **Net cash provided by (used in) financing activities** | **(41.5)** | (20.6) | 256.4 |

| | | | |
|---|---|---|---|
| **Effect of exchange rate changes on cash** | **(1.3)** | 1.0 | 1.2 |
| **Change in cash and cash equivalents** | **642.0** | 37.8 | (14.7) |
| **Cash and cash equivalents** | | | |
| Beginning of period | **112.5** | 74.7 | 89.4 |
| End of period | **$ 754.5** | $ 112.5 | $ 74.7 |

See accompanying notes to these Consolidated Financial Statements

**Carlisle Companies Incorporated**

**Consolidated Statement of Shareholders' Equity**

**(In millions, except share amounts)**

| | Common Stock | | Additional Paid-In Capital | Deferred Compensation Equity | Accumulated Other Comprehensive Income | Retained Earnings | Shares in Treasury | | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | Shares | Cost | |
| Balance at December 31, 2010 | 61,024,932 | $ 78.7 | $ 92.4 | $ | $ (38.1) | $ 1,429.3 | 17,011,676 | $ (221.6) | $ 1,340.7 |
| Net income | | | | | | 180.3 | | | 180.3 |
| Other comprehensive income, net of tax | | | | | (6.9) | | | | (6.9) |
| Cash dividends $0.70 per share | | | | | | (43.5) | | | (43.5) |
| Stock based compensation other(1) | 639,881 | | 27.8 | | | | (543,916) | 1.7 | 29.5 |
| Balance at December 31, 2011 | 61,664,813 | 78.7 | 120.2 | | (45.0) | 1,566.1 | 16,467,760 | (219.9) | 1,500.1 |
| Net income | | | | | | 270.2 | | | 270.2 |
| Other comprehensive income, net of tax | | | | | 9.5 | | | | 9.5 |
| Cash dividends $0.76 per share | | | | | | (48.0) | | | (48.0) |
| Stock based compensation other(1) | 1,462,486 | | 51.2 | 0.6 | | | (1,218,046) | 4.5 | 56.3 |
| Balance at December 31, 2012 | 63,127,299 | 78.7 | 171.4 | 0.6 | (35.5) | 1,788.3 | 15,249,714 | (215.4) | 1,788.1 |
| Net income | | | | | | 209.7 | | | 209.7 |
| Other comprehensive income, net of tax | | | | | 4.0 | | | | 4.0 |
| Cash dividends $0.84 per share | | | | | | (53.7) | | | (53.7) |
| Stock based compensation other(1) | 531,478 | | 29.7 | 2.4 | | | (488,233) | 5.9 | 38.0 |
| **Balance at December 31, 2013** | **63,658,777** | **$ 78.7** | **$ 201.1** | **$ 3.0** | **$ (31.5)** | **$ 1,944.3** | **14,761,481** | **$ (209.5)** | **$ 1,986.1** |

(1) Stock based compensation includes stock option activity, net of tax, and restricted share activity

See accompanying notes to these Consolidated Financial Statements

## Notes to Consolidated Financial Statements

### Note 1 Summary of Accounting Policies

**Nature of Business**

Carlisle Companies Incorporated, its wholly owned subsidiaries and their divisions or subsidiaries, referred to herein as the "Company" or "Carlisle," is a global diversified company that designs, manufactures, and markets a wide range of products that serve a broad range of niche markets including commercial roofing, energy, agriculture, mining and construction equipment, aerospace and electronics, dining and food delivery, and healthcare. The Company markets its products as a component supplier to original equipment manufacturers, distributors, as well as directly to end-users.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and accounts have been eliminated. The Company's fiscal year-end is December 31.

The Company has reclassified certain prior period amounts in the consolidated financial statements to be consistent with current period presentation. See Note 4 regarding the divestiture of the Transportation Products business.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("United States" or "U.S.") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

Debt securities with a maturity of three months or less when acquired are considered cash equivalents.

**Revenue Recognition**

Revenues are recognized when persuasive evidence of an arrangement exists, goods have been shipped (or services have been rendered), the customer takes ownership and assumes risk of loss, collection is probable, and the sales price is fixed or determinable.

Provisions for rights of return, discounts, and rebates to customers and other adjustments are provided for at the time of sale as a deduction to revenue. Costs related to standard warranties are estimated at the time of sale and recorded as a component of Cost of goods sold.

**Shipping and Handling Costs**

Costs incurred to physically transfer product to customer locations are recorded as a component of cost of goods sold. Charges passed on to customers are recorded into revenue.

**Receivables and Allowance for Doubtful Accounts**

Receivables are stated at net realizable value. The Company performs ongoing evaluations of its customers' current creditworthiness, as determined by the review of their credit information to determine if events have occurred subsequent to the recognition of the revenue and related receivable

**Notes to Consolidated Financial Statements (Continued)**

**Note 1 Summary of Accounting Policies (Continued)**

that provides evidence that such receivable will be realized at an amount less than that recognized at the time of sale. Estimates of net realizable value are based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The allowance for doubtful accounts was $3.3 million at December 31, 2013 and $5.2 million at December 31, 2012. Changes in economic conditions in specific markets in which the Company operates could have an effect on reserve balances required and on the ability to recognize revenue until cash is collected or collectability is probable. The following is activity in the Company's allowance for doubtful accounts for the years ended December 31:

| in millions | 2013 | 2012 | 2011 |
|---|---|---|---|
| Balance at January 1 | **$ 5.2** | $ 5.2 | $ 4.6 |
| Provision charged to expense | **0.1** | 1.0 | 0.9 |
| Provision charged to other accounts | **(1.4)** | | 0.3 |
| Amounts written off, net of recoveries | **(0.6)** | (1.0) | (0.6) |
| Balance at December 31 | **$ 3.3** | $ 5.2 | $ 5.2 |

**Inventories**

Inventories are valued at the lower of cost or market with cost determined primarily on an average cost basis. Cost of inventories includes direct as well as certain indirect costs associated with the acquisition and production process. These costs include raw materials, direct and indirect labor, and manufacturing overhead. Manufacturing overhead includes materials, depreciation and amortization related to property, plant and equipment and other intangible assets used directly and indirectly in the acquisition and production of inventory, and costs related to the Company's distribution network such as inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, and other such costs associated with preparing the Company's products for sale.

**Deferred Revenue and Extended Product Warranty**

The Company offers extended warranty contracts on sales of certain products; the most significant being those offered on its installed roofing systems within the Construction Materials segment. The lives of these warranties range from five to thirty years. All revenue for the sale of these contracts is deferred and amortized on a straight-line basis over the life of the contracts. Current costs of services performed under these contracts are expensed as incurred. The Company also records reserve within Accrued expenses if the total expected costs of providing services at a product line level exceed unearned revenues. Total expected costs of providing extended product warranty services are actuarially determined using standard quantitative measures based on historical claims experience and management judgment. See Note 16.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Costs allocated to property, plant and equipment of acquired companies are based on estimated fair value at the date of acquisition. Depreciation is principally computed on the straight-line basis over the estimated useful lives of the assets. Depreciation includes the amortization of capital leases. Asset lives are 20 to 40 years for buildings, 5 to 15 years for machinery and equipment, and 3 to 10 years for leasehold improvements.

**Notes to Consolidated Financial Statements (Continued)**

**Note 1 Summary of Accounting Policies (Continued)**

**Valuation of Long-Lived Assets**

Long-lived assets or asset groups, including amortizable intangible assets, are tested for impairment whenever events or circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. For purposes of testing for impairment, the Company groups its long-lived assets classified as held and used at the lowest level for which identifiable cash flows are largely independent of the cash flows from other assets and liabilities. The Company's asset groupings vary based on the related business in which the long-lived asset is employed and the interrelationship between those long-lived assets in producing net cash flows; for example, multiple manufacturing facilities may work in concert with one another or may work on a stand-alone basis to produce net cash flows. The Company utilizes its long-lived assets in multiple industries and economic environments and its asset groupings reflect these various factors. The following are examples of events or changes in circumstances that the Company considers:

- Significant decrease in the market price of a long-lived asset (asset group)
- Significant change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
- Significant adverse change in the legal factors or business climate that could affect the value of a long-lived asset (asset group), including an adverse assessment by a regulator
- Accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)
- Current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
- Current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life

The Company monitors the operating and cash flow results of its long-lived assets or asset groups classified as held and used to identify whether events and circumstances indicate the remaining useful lives of those assets should be adjusted, or if the carrying value of those assets or asset groups may not be recoverable. In the event indicators of impairment are identified, undiscounted estimated future cash flows are compared to the carrying value of the long-lived asset or asset group. If the undiscounted estimated future cash flows are less than the carrying amount, the Company determines the fair value of the asset or asset group and records an impairment charge in current earnings to the extent carrying value exceeds fair value. Fair values may be determined based on estimated discounted cash flows, by prices for like or similar assets in similar markets, or a combination of both. There are currently no long-lived assets or asset groups classified as held and used for which the related undiscounted cash flows do not substantially exceed their carrying amounts.

Long-lived assets or asset groups that are part of a disposal group that meets the criteria to be classified as held for sale are not assessed for impairment but rather if fair value, less cost to sell, of the disposal group is less than its carrying value a loss is recorded against the disposal group.

**Lease Arrangements**

The Company is a party to various lease arrangements that include scheduled rent increases, rent holidays, or may provide for contingent rentals or incentive payments to be made to the Company as part of the terms of the lease. Scheduled rent increases and rent holidays are included in the

**Notes to Consolidated Financial Statements (Continued)**

**Note 1 Summary of Accounting Policies (Continued)**

determination of minimum lease payments when assessing lease classification and, along with any lease incentives, are included in rent expense on a straight-line basis over the lease term. Scheduled rent increases that are dependent upon a change in an index or rate such as the consumer price index or prime rate are included in the determination of rental expense at the time the rate or index changes. Contingent rentals are excluded from the determination of minimum lease payments when assessing lease classification and are included in the determination of rent expense when the event that will require additional rents is considered probable. See Note 13 for further information regarding rent expense.

**Contingencies and Insurance Recoveries**

The Company is exposed to losses related to various potential claims from third-parties related to its employee obligations and other matters in the normal course of business, including litigation. The Company records a liability related to such potential claims, both those reported to the Company and incurred but not yet reported, when probable and reasonably estimable and with respect to workers' compensation obligations utilizes actuarial models to estimate the ultimate total cost of such claims, primarily based on historical loss experience and expectations about future costs of providing workers compensation benefits.

As part of its risk management strategy, the Company maintains occurrence-based insurance contracts related to certain contingent losses primarily workers' compensation, medical and dental, general liability, property, and product liability claims up to applicable retention limits. The Company records a recovery under these insurance contracts when such recovery is deemed probable. See Note 13.

**Goodwill and Other Intangible Assets**

Intangible assets are recognized and recorded at their acquisition-date fair values. Intangible assets that are subject to amortization are amortized on a straight-line basis over their useful lives. Definite-lived intangible assets consist primarily of acquired customer relationships and patents, in addition to non-compete agreements and intellectual property. The Company determines the useful life of its customer relationship intangible assets based on multiple factors including the size and make-up of the acquired customer base, the expected dissipation of those customers over time, the Company's own experience in the particular industry, the impact of known trends such as technological obsolescence, product demand, or other factors, and the period over which expected cash flows are used to measure the fair value of the intangible asset at acquisition. The Company periodically re-assesses the useful lives of its customer relationship intangible assets when events or circumstances indicate that useful lives have significantly changed from the previous estimate.

Intangible assets with indefinite useful lives are not amortized but are tested annually, or more often if impairment indicators are present, for impairment via a one-step process by comparing the fair value of the intangible asset with its carrying value. If the intangible asset's carrying value exceeds its fair value, an impairment charge is recorded in current earnings for the difference. The Company estimates the fair value of its indefinite-lived intangible assets based on the income approach utilizing the discounted cash flow method. The Company's annual testing date for indefinite-lived intangible assets is October 1. The Company periodically re-assesses indefinite-lived intangible assets as to whether their useful lives can be determined and if so, begins amortizing any applicable intangible asset.

**Notes to Consolidated Financial Statements (Continued)**

**Note 1 Summary of Accounting Policies (Continued)**

Goodwill is not amortized but is tested annually, or more often if impairment indicators are present, for impairment at a reporting unit level. The Company's annual testing date for goodwill is October 1. The Company has determined that its operating segments are its reporting units.

First, goodwill is tested for impairment by comparing the fair value of the reporting unit with the reporting unit's carrying amount to identify any potential impairment. If fair value is determined to be less than carrying value, a second step is used whereby the implied fair value of the reporting unit's goodwill, determined through a hypothetical purchase price allocation, is compared with the carrying amount of the reporting units' goodwill. If the implied fair value of the reporting units' goodwill is less than its carrying amount, an impairment charge is recorded in current earnings for the difference. The Company also assesses the recoverability of goodwill if facts and circumstances indicate goodwill may be impaired.

See Note 12 for more information regarding goodwill and other intangible assets.

**Pension and Other Post Retirement Benefits**

The Company maintains defined benefit pension plans for certain employees. Additionally, the Company has a limited number of post-retirement benefit programs that provide certain retirees with medical and prescription drug coverage. The annual net periodic expense and benefit obligations related to these plans are determined on an actuarial basis annually on December 31, unless a remeasurement event occurs in an interim period. This determination requires assumptions to be made concerning general economic conditions (particularly interest rates), expected return on plan assets, increases to compensation levels, and health care cost trends. These assumptions are reviewed periodically by management in consultation with its independent actuary. Changes in the assumptions to reflect actual experience can result in a change in the net periodic expense and accrued benefit obligations. The defined benefit pension plans' assets are measured at fair value annually on December 31, unless a remeasurement event occurs in an interim period. Such assets consist primarily of equity and fixed income mutual funds that are primarily considered Level 1 assets under the fair value hierarchy, as their fair value is derived from market observable data. The Company uses the market related valuation method to determine the value of plan assets for purposes of determining the expected return on plan assets component of net periodic benefit cost. The market related valuation method recognizes the change of the fair value of the plan assets over five years. If actual experience differs from these long-term assumptions, the difference is recorded as an unrecognized actuarial gain (loss) and then amortized into earnings over a period of time based on the average future service period, which may cause the expense related to providing these benefits to increase or decrease. See Note 15 for additional information regarding these plans and the associated plan assets.

**Derivative Financial Instruments**

The Company records derivative financial instruments at fair value on the balance sheet, with changes in fair value recorded currently in earnings unless the Company elects to and qualifies to account for the derivative as either a fair value hedge or a cash flow hedge, depending upon the type of risk being hedged. If the Company elects to designate a derivative as a fair value hedge and it is highly effective, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If a fair value hedge is terminated before maturity, the adjusted carrying amount of the hedged asset or liability remains as a component of the carrying amount of that asset or liability until it is disposed. If the hedged item is an interest-bearing financial instrument, the adjusted carrying amount is amortized into earnings over the remaining life of the

**Notes to Consolidated Financial Statements (Continued)**

**Note 1  Summary of Accounting Policies (Continued)**

instrument. If the Company elects to designate the derivative as a cash flow hedge and it is highly effective, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized currently in earnings.

The Company is subject to market risk from exposures to changes in interest rates due to its financing, investing, and cash management activities. The Company uses treasury lock contracts, interest rate swap agreements, or other derivative instruments from time to time to manage the interest rate risk of its floating and fixed rate debt portfolio. The Company, on a periodic basis, assesses the initial and ongoing effectiveness of its hedging relationships. As of December 31, 2013, the Company had not entered into any derivative financial instruments to hedge interest rate risk.

Foreign exchange forward contracts at December 31, 2013 relate to contracts held for purposes of mitigating the Company's exposure to fluctuations in foreign exchange rates, resulting from assets or liabilities that are held by certain of its operating subsidiaries in currencies other than the subsidiary's functional currency. The Company had foreign exchange forward contracts with an aggregate notional amount of $2.1 million outstanding as of December 31, 2013, with scheduled maturities of $2.1 million during 2014. The fair value of open contracts was $0.2 million as of December 31, 2013. Approximately 23% of the Company's revenues from continuing operations for the year ended December 31, 2013 are from countries other than the U.S.

**Selling and Administrative Expenses**

Selling and administrative expenses includes wages and benefits related to the Company's sales force, its administrative functions such as corporate management and other indirect costs not allocated to inventories, including a portion of depreciation and amortization.

**Income Taxes**

Income taxes are recorded in accordance with ASC 740, Income Taxes, which includes an estimate of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The amount of income tax that the Company pays annually is dependent on various factors, including the timing of certain deductions and ongoing audits by federal, state and foreign tax authorities, which may result in proposed adjustments.

**Stock-Based Compensation**

The Company accounts for stock-based compensation under the fair-value method. Accordingly, equity classified stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period, which generally matches the stated vesting period of the award, but may also be shorter if the employee is retirement-eligible and under the award's terms may fully-vest upon retirement from the Company. The Company recognizes expense for awards that have graded vesting features under the graded vesting method, which considers each separately vesting tranche as though they were, in substance, multiple awards.

**Notes to Consolidated Financial Statements (Continued)**

**Note 1 Summary of Accounting Policies (Continued)**

**Foreign Currency Translation**

The functional currency of the Company's subsidiaries outside the United States is the currency of the primary economic environment in which the subsidiary operates. Assets and liabilities of these operations are translated at the exchange rate in effect at each balance sheet date. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of shareholders' equity in Accumulated other comprehensive income. Gains and losses from foreign currency transactions and from the remeasurement of monetary assets and liabilities and associated income statement activity of foreign subsidiaries where the functional currency is the U.S. Dollar and the books are maintained in the local currency are included in Other expense (income), net.

**New Accounting Standards Adopted**

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

In July 2012, FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 amends the guidance on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under the revised guidance, entities have the option of first performing a qualitative assessment to determine whether there are any events or circumstances indicating that it is more likely than not that an indefinite-lived intangible asset is impaired. ASU 2012-02 is effective for fiscal and interim impairment tests performed in fiscal years beginning after September 15, 2012. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

In September 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-08, *Guidance on Testing Goodwill for Impairment*. ASU 2011-08 gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in Step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. ASU 2011-08 is effective for fiscal and interim reporting periods within those years beginning after December 15, 2011. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

In June 2011, FASB issued 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,

**Notes to Consolidated Financial Statements (Continued)**

**Note 1 Summary of Accounting Policies (Continued)**

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. In December 2011, the FASB issued ASU 2011-12 which defers the requirement in ASU 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. ASU 2011-05 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2011, with early adoption permitted. The Company has elected to adopt ASU 2011-05, as amended by ASU 2011-12, beginning with the quarter ended December 31, 2011. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

In May 2011, FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. ASU 2011-04 provides guidance to develop a single, converged fair value framework; amend the requirements of fair value measurement; and enhance related disclosure requirements, particularly for recurring Level 3 fair value measurements. This guidance clarifies the concepts of (i) the highest and best use and valuation premise for nonfinancial assets, (ii) application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, (iii) premiums or discounts in fair value measurements, and (iv) fair value measurement of an instrument classified in a reporting entity's shareholders' equity. ASU 2011-04 is effective for fiscal and interim reporting periods beginning after December 15, 2011. The adoption of this ASU had no material effect on the Company's consolidated financial statements. On February 5, 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source (e.g., the release due to cash flow hedges from interest rate contracts) and the income statement line items affected by the reclassification (e.g., interest income or interest expense). If a component is not required to be reclassified to net income in its entirety (e.g., the net periodic pension cost), companies would instead cross reference to the related footnote for additional information (e.g., the pension footnote). ASU 2013-02 is effective for fiscal and interim reporting periods beginning after December 15, 2012. The adoption of this ASU had no material effect on the Company's consolidated results of operations, net assets, or cash flows.

**New Accounting Standards Not Yet Effective**

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

**Note 2 Segment Information**

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

**Carlisle Construction Materials ("CCM" or the "Construction Materials segment")** the principal products of this segment are rubber (EPDM), thermoplastic polyolefin (TPO), and polyvinyl chloride (PVC) roofing membranes used predominantly on non-residential low-sloped roofs, related roofing accessories, including flashings, fasteners, sealing tapes, coatings and waterproofing, and insulation

**Notes to Consolidated Financial Statements (Continued)**

**Note 2 Segment Information (Continued)**

products. The markets served include new construction, re-roofing and maintenance of low-sloped roofs, water containment, HVAC sealants, and coatings and waterproofing.

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

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

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

**Corporate** includes other unallocated costs, primarily general corporate expenses. Corporate assets consist primarily of cash and cash equivalents, facilities, deferred taxes, and other invested assets. Corporate assets also include assets of ceased operations not classified as held for sale.

On October 21, 2013, the Company entered into a definitive agreement to sell the Transportation Products business for total cash consideration of $375 million, subject to working capital and other customary adjustments. On December 31, 2013, the Company completed the divestiture of the Transportation Products business. All prior period results of operations have been retrospectively adjusted to reflect the Transportation Products business as discontinued operations. See Note 4 for further information related to the sale of the Transportation Products business.

**Geographic Area Information** sales from continuing operations are attributable to the United States and to all foreign countries based on the country to which the product was delivered. Sales by region for the years ended December 31 are as follows (in millions):

| **Country** | **2013** | **2012** | **2011** |
|---|---|---|---|
| United States | **$ 2,260.8** | $ 2,206.0 | $ 1,997.6 |
| International: | | | |
| Europe | **330.4** | 315.9 | 233.5 |
| Asia | **126.3** | 117.3 | 104.4 |
| Canada | **90.1** | 82.6 | 76.6 |
| Mexico and Latin America | **69.7** | 65.8 | 26.5 |
| Middle East and Africa | **47.4** | 46.6 | 43.4 |
| Other | **18.3** | 17.0 | 10.4 |
| Net sales | **$ 2,943.0** | $ 2,851.2 | $ 2,492.4 |

**Notes to Consolidated Financial Statements (Continued)**

**Note 2 Segment Information (Continued)**

Long-lived assets, comprised of net property, plant and equipment, goodwill and other intangible assets, investments and other long-term assets, located in the United States and foreign countries are as follows (in millions):

| Country | 2013 | 2012 | 2011 |
|---|---|---|---|
| Long-lived asset held and used: | | | |
| United States | **$ 1,479.6** | $ 1,735.1 | $ 1,428.1 |
| Europe | **343.5** | 331.6 | 334.6 |
| Asia | **77.1** | 127.4 | 130.8 |
| United Kingdom | **55.7** | 55.5 | 27.4 |
| Canada | **1.1** | 1.2 | 1.4 |
| Mexico | **1.0** | 1.2 | 1.5 |
| Total long-lived asset | **$ 1,958.0** | $ 2,252.0 | $ 1,923.8 |

Financial information for operations by reportable business segment is included in the following summary:

| In millions | Sales(1) | EBIT | Assets(2) | Depreciation and Amortization | Capital Spending |
|---|---|---|---|---|---|
| **2013** | | | | | |
| Carlisle Construction Materials | **$ 1,776.5** | **$ 264.0** | **$ 886.9** | **$ 31.0** | **$ 64.5** |
| Carlisle Interconnect Technologies | **577.7** | **89.4** | **1,017.5** | **34.4** | **12.2** |
| Carlisle Brake & Friction | **350.0** | **33.5** | **603.7** | **21.3** | **10.4** |
| Carlisle FoodService Products | **238.8** | **27.0** | **193.2** | **7.7** | **10.8** |
| Corporate | | **(47.1)** | **791.4** | **1.7** | |
| Total | **$ 2,943.0** | **$ 366.8** | **$ 3,492.7** | **$ 96.1** | **$ 97.9** |
| 2012 | | | | | |
| Carlisle Construction Materials | $ 1,695.8 | $ 273.4 | $ 860.4 | $ 27.9 | $ 81.5 |
| Carlisle Interconnect Technologies | 463.1 | 69.1 | 1,075.7 | 24.6 | 19.2 |
| Carlisle Brake & Friction | 449.0 | 75.6 | 625.7 | 20.2 | 19.8 |
| Carlisle FoodService Products | 243.3 | 12.3 | 190.1 | 9.1 | 4.9 |
| Corporate | | (58.5) | 132.3 | 1.7 | 1.6 |
| Total | $ 2,851.2 | $ 371.9 | $ 2,884.2 | $ 83.5 | $ 127.0 |
| 2011 | | | | | |
| Carlisle Construction Materials | 1,484.0 | 177.9 | 774.4 | $ 23.7 | $ 21.1 |
| Carlisle Interconnect Technologies | 299.6 | 41.9 | 782.1 | 12.9 | 14.8 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Carlisle Brake & Friction | | 473.0 | | 77.2 | | 665.8 | | 20.2 | | 16.8 |
| Carlisle FoodService Products | | 235.8 | | 13.2 | | 206.8 | | 9.2 | | 5.1 |
| Corporate | | | | (44.2) | | 116.4 | | 1.7 | | 0.2 |
| Total | $ | 2,492.4 | $ | 266.0 | $ | 2,545.5 | $ | 67.7 | $ | 58.0 |

(1) Excludes intersegment sales

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

**Notes to Consolidated Financial Statements (Continued)**

**Note 2 Segment Information (Continued)**

A reconciliation of assets, depreciation, and amortization and capital spending reported above to the amounts presented on the Consolidated Statements of Cash Flows is as follows:

| | 2013 | 2012 |
|---|---|---|
| Assets per table above | **$ 3,492.7** | $ 2,884.2 |
| Assets held for sale of discontinued operations (Note 4) | **0.3** | 573.1 |
| Total Assets per Consolidated Balance Sheets | **$ 3,493.0** | $ 3,457.3 |

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Depreciation and amortization per table above | **$ 96.1** | $ 83.5 | $ 67.7 |
| Depreciation and amortization of discontinued operations | **17.8** | 21.4 | 20.3 |
| Total depreciation and amortization | **$ 113.9** | $ 104.9 | $ 88.0 |

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Capital spending per table above | **$ 97.9** | $ 127.0 | $ 58.0 |
| Capital spending of discontinued operations | **12.9** | 13.4 | 21.6 |
| Total capital spending | **$ 110.8** | $ 140.4 | $ 79.6 |

**Note 3 Acquisitions**

*2012 Acquisitions*

Thermax and Raydex/CDT Limited

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

The following table summarizes the consideration transferred to acquire Thermax/Raydex and the allocation among the assets acquired and liabilities assumed. The acquisition has been accounted for using the acquisition method of accounting which requires that consideration be allocated to the

**Notes to Consolidated Financial Statements (Continued)**

**Note 3 Acquisitions (Continued)**

acquired assets and assumed liabilities based upon their acquisition date fair values with the remainder allocated to goodwill.

| (in millions) | Preliminary Allocation 12/31/2012 | Measurement Period Adjustments Twelve Months Ended 12/17/2013 | Final Allocation As of 12/17/2013 |
|---|---|---|---|
| Total cash consideration transferred | $ 265.6 | $ | $ 265.6 |
| **Recognized amounts of identifiable assets acquired and liabilities assumed:** | | | |
| Cash & cash equivalents | $ 0.1 | $ | $ 0.1 |
| Receivables | 14.3 | | 14.3 |
| Inventories | 15.4 | | 15.4 |
| Prepaid expenses and other current assets | 0.9 | | 0.9 |
| Property, plant and equipment | 7.2 | | 7.2 |
| Definite-lived intangible assets | 135.1 | | 135.1 |
| Indefinite-lived intangible assets | 9.1 | | 9.1 |
| Accounts payable | (12.0) | | (12.0) |
| Accrued expenses | (2.6) | | (2.6) |
| Net deferred tax liabilities | (2.8) | 1.8 | (1.0) |
| Total identifiable net assets | 164.7 | 1.8 | 166.5 |
| Goodwill | $ 100.9 | $ (1.8) | $ 99.1 |

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

The Company has also recorded deferred tax liabilities related to the property, plant and equipment and intangible assets as of the December 17, 2012 closing date.

Hertalan Holding B.V.

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

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**Notes to Consolidated Financial Statements (Continued)**

**Note 3 Acquisitions (Continued)**

manufacturing and established distribution channels. Hertalan operates within the Construction Materials segment.

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

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

The goodwill recognized in the acquisition of Hertalan is attributable to the workforce of Hertalan, the solid financial performance of this leading manufacturer of EPDM roofing and waterproofing systems and the significant strategic value of the business to Carlisle. Hertalan provides Carlisle with a solid manufacturing and knowledge base for EPDM roofing products in Europe and provides an established distribution network throughout Europe, both of which enhance Carlisle's goal of expanding its global presence. The European market shows favorable trends towards EPDM roofing applications and Carlisle can provide additional product development and other growth resources to Hertalan. Goodwill arising from the acquisition of Hertalan is not deductible for income tax purposes. All of the goodwill was assigned to the Construction Materials reporting unit. Indefinite-lived intangible assets of $8.0 million represent acquired trade names. The $14.7 million value allocated to definite-lived intangible assets represents customer relationships with useful lives of 9 years.

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

**Notes to Consolidated Financial Statements (Continued)**

**Note 3 Acquisitions (Continued)**

*2011 Acquisitions*

Tri-Star Electronics International, Inc.

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

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

| (in millions) | Preliminary Allocation As of 12/31/2011 | Measurement Period Adjustments Twelve Months Ended 12/2/2012 | Final Allocation As of 12/2/2012 |
|---|---|---|---|
| Total cash consideration transferred | $ 288.9 | $ 0.4 | $ 289.3 |
| **Recognized amounts of identifiable assets acquired and liabilities assumed:** | | | |
| Cash & cash equivalents | $ 4.5 | $ | $ 4.5 |
| Receivables | 14.0 | | 14.0 |
| Inventories | 22.8 | | 22.8 |
| Prepaid expenses and other current assets | 5.6 | | 5.6 |
| Property, plant and equipment | 15.4 | (2.1) | 13.3 |
| Definite-lived intangible assets | 112.0 | 9.5 | 121.5 |
| Indefinite-lived intangible assets | 28.0 | (8.6) | 19.4 |
| Other long-term assets | 0.1 | | 0.1 |
| Accounts payable | (6.5) | | (6.5) |
| Accrued expenses | (4.4) | | (4.4) |
| Deferred tax liabilities | (58.9) | 3.4 | (55.5) |
| Other long-term liabilities | (0.4) | | (0.4) |
| Total identifiable net assets | 132.2 | 2.2 | 134.4 |
| Goodwill | $ 156.7 | $ (1.8) | $ 154.9 |

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

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**Notes to Consolidated Financial Statements (Continued)**

**Note 3 Acquisitions (Continued)**

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

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

PDT Phoenix GmbH

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

The agreement to acquire PDT provided for contingent consideration based on future earnings. The fair value of contingent consideration recognized at the acquisition date was €3.6 million, or $5.2 million, and was estimated using a discounted cash flow model based on financial projections of the acquired company. See Note 9 for further information regarding settlement of the contingent consideration.

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

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

**Notes to Consolidated Financial Statements (Continued)**

**Note 3 Acquisitions (Continued)**

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

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

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**Notes to Consolidated Financial Statements (Continued)**

**Note 3 Acquisitions (Continued)**

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

**Note 4 Discontinued Operations and Assets Held for Sale**

The major classes of assets held for sale included in the Company's Consolidated Balance Sheets were as follows:

| In millions | December 31, 2013 | December 31, 2012 |
| --- | --- | --- |
| **Assets held for sale:** | | |
| Receivables | $ | $ 74.4 |
| Deferred income taxes | | 6.5 |
| Inventories | | 213.0 |
| Prepaid expenses and other current assets | | 1.7 |
| Total current assets held for sale | | 295.6 |
| Property, plant and equipment, net | **0.3** | 171.9 |
| Goodwill | | 100.0 |
| Other long term assets | | 5.6 |
| Total non-current assets held for sale | **0.3** | 277.5 |
| Total assets held for sale | **$ 0.3** | $ 573.1 |
| **Liabilities associated with assets held for sale:** | | |
| Accounts payable | $ | $ 53.8 |
| Accrued expenses | | 20.7 |
| Total current liabilities associated with assets held for sale | | 74.5 |
| Total non-current liabilities associated with assets held for sale | | 47.6 |
| Total liabilities associated with assets held for sale | $ | $ 122.1 |

*Sale of the Transportation Products Business*

On October 21, 2013, the Company entered into a definitive agreement to sell the Transportation Products business for total cash consideration of $375 million, subject to working capital and other customary adjustments. On December 31, 2013, the Company sold its Transportation Products business for total net proceeds of $375.6 million, including a receivable from the buyer of $6.6 million related to the additional estimated proceeds to be received upon settlement of the working capital adjustment component of the sales agreement, which is

expected to be finalized in the first quarter of 2014. The Company recognized a $6.2 million after-tax gain on the sale in Income (loss) from discontinued operations. Total assets held for sale related to the Transportation Products disposal group were $573.1 million and total liabilities associated with assets for sale were $122.1 million as of December 31, 2012.

Income (loss) from discontinued operations included Transportation Products business revenues of $767.9 million, $778.2 million, and $732.1 million, and pre-tax income (loss) from discontinued

**Notes to Consolidated Financial Statements (Continued)**

**Note 4 Discontinued Operations and Assets Held for Sale (Continued)**

operations of $(46.1) million, $52.4 million, and $9.1 million for the years ended December 31, 2013, 2012, and 2011, respectively.

*Other Divestitures of Long-lived Assets and Long-lived Assets Held for Sale*

As of November 8, 2013, the Company completed the sale of CCM's Kent, WA long-lived tangible assets for cash proceeds of $5.4 million, recognizing a pre-tax gain of $1.6 million within Other income (expense) in the Consolidated Statement of Earnings.

In the third quarter of 2012, the Company announced plans to restructure certain of CFS's manufacturing and distribution operations. As of December 31, 2013 and 2012, assets held for sale includes $0.3 million of long-lived tangible assets related to the Zevenaar, Netherlands distribution center. On September 30, 2013, the Company completed the sale of Reno, NV long-lived tangible assets for cash proceeds of $6.2 million, recognizing a pre-tax gain of $1.0 million within Other income (expense) in the Consolidated Statement of Earnings.

On January 2, 2012, the Company completed the sale of the PDT Profiles business for cash consideration of €17.1 million, or $22.1 million. The Company had acquired all of the equity of PDT on August 1, 2011 (see Note 3). Included with the acquisition were certain assets associated with the PDT Profiles business, which the Company classified as held for sale at the date of acquisition. No gain or loss was recognized upon the sale of the PDT Profiles business.

*Income (Loss) from Discontinued Operations*

Discontinued operations for the years ended 2013, 2012 and 2011 include the results of the Transportation products business and 2012 includes the PDT Profiles business and a settlement gain related to contingent consideration from the 2010 sale of the Specialty Trailer business, each of which was a component of the Company and was classified as discontinued in the Consolidated Statement of Earnings for all periods presented.

Income (loss) from discontinued operations for the year ended December 31, 2013 includes a $30.4 million net loss from operations of the Transportation Products business, inclusive of a pre-tax goodwill impairment charge of $100.0 million.

Income (loss) from discontinued operations for the year ended December 31, 2012 included $37.6 million of net income from operations of the Transportation Products business and a $3.8 million gain on the settlement of the contingent consideration relating to the October 2010 sale of the Company's specialty trailer business.

Income (loss) from discontinued operations for the year ended December 31, 2011 included $15.2 million of net income from operations of the Transportation Products business, operating results of the PDT Profiles business, a $0.6 million write-down of the land and building of the thermoset molding operation upon sale of these assets, and a $0.9 million gain on the settlement of environmental liabilities related to the refrigerated truck bodies business within discontinued operations.

**Notes to Consolidated Financial Statements (Continued)**

**Note 5 Exit and Disposal Activities**

The following table represents the costs associated with certain exit and disposal activities related to continuing operations on the Company's Consolidated Statements of Earnings for the years ended December 31:

| In millions | 2013 | 2012 | 2011 |
|---|---|---|---|
| Cost of goods sold | **$ 1.0** | $ 2.2 | $ 0.6 |
| Selling and administrative expenses | | 0.2 | 0.9 |
| Other (income) expense, net | **0.3** | 3.8 | |
| Total exit and disposal costs | **$ 1.3** | $ 6.2 | $ 1.5 |

Exit and disposal activities by type of cost for the years ended December 31 were as follows:

| In millions | 2013 | 2012 | 2011 |
|---|---|---|---|
| Termination benefits | **$ 0.5** | $ 1.7 | $ 0.5 |
| Impairments | **0.3** | 4.0 | |
| Other associated costs | **0.5** | 0.5 | 1.0 |
| Total exit and disposal costs | **$ 1.3** | $ 6.2 | $ 1.5 |

Other associated costs are primarily related to asset relocation costs and accelerated depreciation.

Unpaid and accrued exit and disposal costs and related activity for the years ended December 31, 2013 and 2012 were as follows:

| In millions | Termination Benefits | Impairments | Other associated costs | Total |
|---|---|---|---|---|
| Balance at December 31, 2011 | $ 0.5 | $ | $ 0.4 | $ 0.9 |
| 2012 charges | 1.7 | 4.0 | 0.5 | 6.2 |
| 2012 usage | (0.8) | (4.0) | (0.3) | (5.1) |
| Balance at December 31, 2012 | 1.4 | | 0.6 | 2.0 |
| 2013 charges | 0.5 | 0.2 | 0.6 | 1.3 |
| 2013 usage | (1.5) | (0.2) | (1.1) | (2.8) |
| **Balance at December 31, 2013** | **$ 0.4** | **$** | **$ 0.1** | **$ 0.5** |

Costs associated with exit and disposal activities by segment were as follows:

| In millions | 2013 | 2012 | 2011 |
|---|---|---|---|
| Total by segment | | | |
| Carlisle Construction Materials | **$** | $ 0.8 | $ |

| | | | |
|---|---|---|---|
| Carlisle Brake & Friction | **0.9** | 0.1 | 1.5 |
| Carlisle FoodService Products | **0.4** | 5.3 | |
| Total exit and disposal costs | **$ 1.3** | $ 6.2 | $ 2.6 |

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

**Notes to Consolidated Financial Statements (Continued)**

**Note 5 Exit and Disposal Activities (Continued)**

**Carlisle Brake & Friction** During the fourth quarter of 2013, the Company announced plans to close its Akron, OH stamping plant. Manufacturing operations are being relocated to the Catoosa, OK facility. The project is expected to be completed in 2014 with total expected costs of $2.9 million, including employee termination, accelerated depreciation, impairment of long-lived assets and equipment relocation costs. The Company incurred $0.9 million of exit and disposal costs in 2013 for employee termination costs, accelerated depreciation, asset impairment and equipment relocation costs. Included in Accrued Expenses at December 31, 2013 was a $0.4 million liability related to unpaid employee termination costs associated with this project.

In the third quarter of 2011, the Company decided to close its braking plant in Canada. The total cost of the project was $1.0 million, including $0.9 million of expense recognized in 2011 for employee termination costs and other associated costs. Expenses of $0.1 million were recognized in 2012 reflecting $0.3 million of losses on the sale of certain assets in connection with the plant closure, net of $0.2 million income to reverse an accrual for pension costs which will not be paid. As of December 31, 2013, a $0.1 million liability, reported in Accrued Expenses, exists for unpaid lease termination costs. The Company expects no additional costs to be incurred related to this project.

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

**Note 6 Stock-Based Compensation**

Stock-based compensation cost is recognized over the requisite service period, which generally equals the stated vesting period, unless the stated vesting period exceeds the date upon which an employee reaches retirement eligibility. Pre-tax stock-based compensation expense of $17.0 million, $18.5 million and $15.7 million was recognized for the years ended December 31, 2013, 2012 and 2011, respectively. Pre-tax stock-based compensation expense included $0.9 million, $1.6 million and $3.4 million related to discontinued operations for the years ended December 31, 2013, 2012, and 2011, respectively.

2008 Executive Incentive Program

The Company maintains an Executive Incentive Program (the "Program") for executives and certain other employees of the Company and its operating divisions and subsidiaries. The Program was approved by shareholders on April 20, 2004. The Program allows for awards to eligible employees of stock options, restricted stock, stock appreciation rights, performance shares and units or other awards based on Company common stock. At December 31, 2013, 3,094,447 shares were available for grant under this plan, of which 693,705 were available for the issuance of restricted and performance share awards.

**Notes to Consolidated Financial Statements (Continued)**

**Note 6  Stock-Based Compensation (Continued)**

2005 Nonemployee Director Equity Plan

The Company also maintains the Nonemployee Director Equity Plan (the "Plan") for members of its Board of Directors, with the same terms and conditions as the Program. At December 31, 2013, 267,210 stock options and 37,210 restricted shares were available for grant under this plan. Members of the Board of Directors that receive stock-based compensation are treated as employees for accounting purposes.

*Stock Option Awards*

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

For 2013, 2012, and 2011, share-based compensation expense related to stock options was as follows:

| | Years Ended December 31 | | |
|---|---|---|---|
| **(in millions, except per share amounts)** | **2013** | **2012** | **2011** |
| Pre-tax compensation expense | $ 4.9 | $ 7.5 | $ 6.6 |
| After-tax compensation expense | $ 3.0 | $ 4.7 | $ 4.1 |
| Impact on diluted EPS | $ 0.05 | $ 0.07 | $ 0.07 |

Unrecognized compensation cost related to stock options of $3.2 million at December 31, 2013 is to be recognized over a weighted average period of 1.75 years.

Excess income tax benefits related to share-based compensation expense that must be recognized directly in equity are considered financing cash flows. The amount of financing cash flows for these benefits was $5.3 million, $11.7 million and $3.2 million for the years ended December 31, 2013, 2010 and 2011, respectively.

The Company utilizes the Black-Scholes_Merton ("BSM") option pricing model to determine the fair value of its stock option awards. The BSM relies on certain assumptions to estimate an option's fair value. The weighted average assumptions used in the determination of fair value for stock option awards in 2013, 2012, and 2011 were as follows:

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2013** | **2012** | **2011** |
| Expected dividend yield | **1.2%** | 1.5% | 1.7% |
| Expected life in years | **5.71** | 5.78 | 5.76 |
| Expected volatility | **32.2%** | 36.0% | 32.0% |
| Risk-free interest rate | **1.0%** | 0.9% | 2.2% |
| Weighted average fair value | **$ 17.58** | $ 14.57 | $ 10.61 |

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

**Notes to Consolidated Financial Statements (Continued)**

**Note 6 Stock-Based Compensation (Continued)**

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

Stock option activity under the Company's stock option awards for 2013, 2012 and 2011 was as follows:

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at December 31, 2010 | 4,235,303 | $ 30.38 |
| Options granted | 637,255 | 38.23 |
| Options exercised | (552,639) | 27.61 |
| Options forfeited | (227,404) | 29.13 |
| Outstanding at December 31, 2011 | 4,092,515 | $ 32.05 |
| Options granted | 488,805 | 49.58 |
| Options exercised | (1,265,768) | 28.45 |
| Options forfeited | (90,421) | 39.67 |
| Outstanding at December 31, 2012 | 3,225,131 | $ 35.88 |
| Options granted | 283,975 | 64.80 |
| Options exercised | (472,040) | 33.81 |
| Options forfeited | (44,059) | 48.47 |
| **Outstanding at December 31, 2013** | **2,993,007** | **$ 38.76** |

The weighted-average grant-date fair value of options granted during the years ended December 31, 2013, 2012 and 2011 was $5.0 million, $7.1 million and $6.7 million, respectively.

The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was approximately $15.5 million, $31.1 million and $11.0 million, respectively. The weighted average contractual term of options outstanding at December 31, 2013, 2012 and 2011 was 5.72, 6.21 and 6.56 years, respectively.

At December 31, 2013, 2012 and 2011, 2,378,543, 2,203,107 and 2,642,842 options were exercisable, with a weighted average exercise price of $34.87, $32.47 and $32.95, respectively. The weighted average contractual term of options exercisable at December 31, 2013 and 2012 was 4.98 and 5.05 years, respectively.

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2013 and 2012 was $75.8 million and $37.8 million, respectively. The total grant date fair value of options vested during the year ended December 31, 2013, 2012 and 2011 was $8.0 million, $6.0 million and $6.0 million, respectively.

*Restricted Stock Awards*

Restricted stock awarded under the Program is generally released to the recipient after a period of three years; however, 56,700 shares awarded to executive management in February 2008 vested ratably over five years. The number and weighted average grant-date fair value of restricted shares issued in each of the last three years was as follows: in 2013 71,255 awards were granted at a weighted average fair value of $64.80; in 2012, 85,990 awards were granted at a weighted average fair value of $49.60; and in 2011, 111,685 awards were granted at a

weighted average fair value of $38.31. Compensation

**Notes to Consolidated Financial Statements (Continued)**

**Note 6  Stock-Based Compensation (Continued)**

expense related to restricted stock awards of $4.6 million, $5.0 million and $5.2 million were recognized for the years ended December 31, 2013, 2012 and 2011, respectively. Unrecognized compensation cost related to restricted stock awards of $2.9 million at December 31, 2013 is to be recognized over a weighted average period of 1.68 years.

The following represents activity related to restricted stock for the years ended December 31, 2013, 2012 and 2011.

| | Number of Shares | | Weighted Average Grant Date Fair Value |
|---|---|---|---|
| **Outstanding at December 31, 2010** | **624,640** | **$** | **28.10** |
| Shares granted | 111,685 | | 38.31 |
| Shares vested | (188,195) | | 34.80 |
| Shares forfeited | (19,555) | | 20.33 |
| **Outstanding at December 31, 2011** | **528,575** | **$** | **27.83** |
| Shares granted | 85,990 | | 49.60 |
| Shares vested | (305,850) | | 21.82 |
| Shares forfeited | (24,480) | | 12.18 |
| **Outstanding at December 31, 2012** | **284,235** | **$** | **25.99** |
| Shares granted | 71,255 | | 64.80 |
| Shares vested | (109,445) | | 34.08 |
| Shares forfeited | (5,055) | | 47.85 |
| **Outstanding at December 31, 2013** | **240,990** | **$** | **49.66** |

*Performance Share Awards*

The Company granted 71,255, 85,990 and 109,075 performance share awards in the years ended December 31, 2013, 2012 and 2011, respectively. The performance shares vest based on the employee rendering three years of service to the Company, and the attainment of a market condition over the performance period, which is based on the Company's relative total shareholder return versus the S&P Midcap 400 Index® over a pre-determined time period as determined by the Compensation Committee of the Board of Directors. The grant date fair value of the 2013, 2012 and 2011 performance shares of $91.33, $69.76 and $53.95, respectively, was estimated using a Monte-Carlo simulation approach based on a three year measurement period. Such approach entails the use of assumptions regarding the future performance of the Company's stock and those of the 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.

The Company expenses the compensation cost associated with the performance awards on a straight-line basis over the vesting period of three years. In the years ended December 31, 2013, 2012 and 2011, the Company recognized approximately $6.5 million, $6.2 million and $3.8 million, respectively, of compensation cost related to the performance share awards. Unrecognized compensation cost related to the performance share awards was approximately $4.1 million, $5.0 million and $5.6 million at December 31, 2013, 2012 and 2011 and will be recognized in current income in

**Notes to Consolidated Financial Statements (Continued)**

**Note 6 Stock-Based Compensation (Continued)**

equal installments over the remaining years. For purposes of determining diluted earnings per share, the performance share awards are considered contingently issuable shares and are included in diluted earnings per share based upon the number of shares that would have been awarded had the conditions at the end of the reporting period continued until the end of the performance period. See Note 8 for further information regarding earnings per share computations.

The following represents activity related to performance shares for the years ended December 31, 2013, 2012 and 2011:

| | Number of Performance Units | 2013 Awards | 2012 Awards | 2011 Awards | 2010 Awards |
|---|---|---|---|---|---|
| Outstanding at December 31, 2010 | 98,835 | | | | 98,835 |
| Units granted | 109,075 | | | 109,075 | |
| Units forfeited | (10,255) | | | (6,135) | (4,120) |
| **Outstanding at December 31, 2011** | **197,655** | | | **102,940** | **94,715** |
| Units granted | 85,990 | | 85,990 | | |
| Units converted to shares | 86,385 | | | | 86,385 |
| Units vested and issued | (90,832) | | | | (90,832) |
| Units vested and deferred | (24,388) | | | | (24,388) |
| Units forfeited | (24,080) | | (6,650) | (9,100) | (8,330) |
| **Outstanding at December 31, 2012** | **230,730** | | **79,340** | **93,840** | **57,550** |
| Units granted | 71,255 | 71,255 | | | |
| Units converted to shares | 89,610 | | | 89,610 | |
| Units vested and issued | (45,544) | | | | (45,544) |
| Units vested and deferred | (12,006) | | | | (12,006) |
| Units forfeited | (5,055) | (1,080) | (1,745) | (2,230) | |
| **Outstanding at December 31, 2013** | **328,990** | **70,175** | **77,595** | **181,220** | |

The Company's relative total shareholder return versus companies in the S&P Midcap 400 Index® over the period covered by the 2011 awards and 2010 awards resulted in participants being awarded an additional 89,610 shares and 86,385 shares, respectively, under the plan. The awarding of these additional shares had no impact on stock-based compensation expense as the likelihood of their issuance was included in the determination of grant date fair value using a Monte Carlo simulation approach.

*Restricted Stock Units*

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

*Deferred Compensation*

Certain employees are eligible to participate in the Company's Non-qualified Deferred Compensation Plan (the "Deferred Compensation Plan"). In addition to the ability to defer a portion of their cash compensation, participants may elect to defer all or part of their stock-based compensation. The cost of shares to be issued upon vesting is measured at grant date fair value and is classified as Deferred compensation equity in the consolidated balance sheets.

**Notes to Consolidated Financial Statements (Continued)**

**Note 7 Income Taxes**

A summary of pre-tax income from U.S. and non U.S. operations is as follows:

| In millions | 2013 | 2012 | 2011 |
|---|---|---|---|
| Continuing operations | | | |
| U.S. domestic | **$ 291.9** | $ 311.8 | $ 220.0 |
| Foreign | **41.1** | 34.6 | 25.0 |
| Total pre-tax income from continuing operations | **333.0** | 346.4 | 245.0 |
| Discontinued operations | | | |
| U.S. domestic | **(132.4)** | 40.6 | (4.6) |
| Foreign | **71.9** | 14.6 | 11.1 |
| Total pre-tax income (loss) from discontinued operations | **(60.5)** | 55.2 | 6.5 |
| Total pre-tax income | **$ 272.5** | $ 401.6 | $ 251.5 |

The provision for income taxes from continuing operations is as follows:

| In millions | 2013 | 2012 | 2011 |
|---|---|---|---|
| Current expense | | | |
| Federal and State | **$ 97.2** | $ 114.1 | $ 65.3 |
| Foreign | **21.9** | 14.2 | 11.0 |
| Total current expense | **119.1** | 128.3 | 76.3 |
| Deferred expense (benefit) | | | |
| Federal and State | **(8.2)** | (6.3) | 5.0 |
| Foreign | **(13.1)** | (4.3) | (8.3) |
| Total deferred expense (benefit) | **(21.3)** | (10.6) | (3.3) |
| Total tax expense | **$ 97.8** | $ 117.7 | $ 73.0 |

A reconciliation of the tax provision for continuing operations computed at the U.S. federal statutory rate to the actual tax provision is as follows:

| In millions | 2013 | 2012 | 2011 |
|---|---|---|---|
| Taxes at the 35% U.S. statutory rate | **$ 116.6** | $ 121.2 | $ 85.8 |

| | | | |
|---|---|---|---|
| State and local taxes, net of federal income tax benefit | **6.2** | 6.4 | 4.5 |
| Benefit of foreign earnings taxed at lower rates | **(3.0)** | (2.2) | (0.1) |
| Benefit for domestic manufacturing deduction | **(9.7)** | (10.5) | (6.9) |
| Benefits from state tax incentives | **(1.3)** | | |
| Benefit associated with foreign reorganization | **(11.8)** | 1.0 | (5.0) |
| Change in valuation allowances | **0.8** | (2.2) | |
| Other, net | | 4.0 | (5.3) |

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