CARLISLE COMPANIES INC
Form 10-Q
July 23, 2013
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013

OR

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	**31-1168055**
(State or other jurisdiction of	(I.R.S. Employer Identification No.)

incorporation or organization)

11605 North Community House Road, Suite 600, Charlotte, North Carolina 28277	**(704) 501-1100**
(Address of principal executive office, including zip code)	(Telephone Number)

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

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 x	Accelerated filer o
Non-accelerated filer o	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 x

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

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Item 1. Financial Statements

Carlisle Companies Incorporated

Unaudited Condensed Consolidated Statements of Comprehensive Income

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

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

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

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Carlisle Companies Incorporated

Condensed Consolidated Balance Sheets

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

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

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Carlisle Companies Incorporated

Unaudited Condensed Consolidated Statements of Cash Flows

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

See accompanying notes to Unaudited Condensed Consolidated Financial Statements

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Notes to the Unaudited Condensed Consolidated Financial Statements

Note 1 Basis of Presentation

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

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

Note 2 New Accounting Pronouncements

Newly Adopted Accounting Standards

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

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

New Accounting Standards Issued but not yet adopted

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

Note 3 Segment Information

The Company s operations are reported in the following segments:

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

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

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

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

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

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

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

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

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

Six Months Ended June 30,		**2013**			**2012**	
(in millions)	**Sales(1)**	**EBIT**	**Assets(2)**	**Sales(1)**	**EBIT**	**Assets(2)**
Carlisle Construction Materials	**$ 830.1**	**$ 114.0**	**$ 979.1**	$ 823.9	$ 127.5	$ 944.7
Carlisle Transportation Products	**430.9**	**(72.3)**	**440.5**	451.3	40.2	560.8
Carlisle Brake & Friction	**184.4**	**23.4**	**605.3**	250.7	47.9	700.4

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

(1) Excludes intersegment sales

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

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Note 4 Acquisitions

2012 Acquisitions

Thermax and Raydex/CDT Limited

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

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

(in millions)		**Preliminary Allocation As of 12/31/2012**		**Measurement Period Adjustments Six Months Ended 6/30/2013**		**Revised Preliminary Allocation As of 6/30/2013**
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)
Deferred tax liabilities		(2.8)				(2.8)
Total identifiable net assets		164.7				164.7

Goodwill	$	100.9	$		$	100.9

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

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

Hertalan Holding B.V.

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

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

(in millions)	**Preliminary Allocation As of 3/31/2012**	**Measurement Period Adjustments Twelve Months Ended 3/9/2013**	**Final Allocation As of 3/9/2013**
Total cash consideration transferred	$ 49.3	$ (0.3)	$ 49.0
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

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

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

2011 Acquisitions

Tri-Star Electronics International, Inc.

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

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

(in millions)	**Preliminary Allocation As of 12/31/2011**	**Measurement Period Adjustments Twelve Months Ended 12/2/2012**	**Final Allocation As of 12/2/2012**
Total cash consideration transferred	$ 288.9	$ 0.4	$ 289.3
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

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

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

PDT Phoenix GmbH

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

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

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

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

(in millions)	Preliminary Allocation 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 cash 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)
Deferred tax liabilities	(21.5)		(21.5)
Other long-term liabilities	(3.3)		(3.3)
Total identifiable net assets	88.8	(0.6)	88.2
Goodwill	$ 29.8	$ 0.6	$ 30.4

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

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

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Note 5 Discontinued Operations and Assets Held for Sale

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

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

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

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

Note 6 Exit and Disposal Activities

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

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

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

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

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

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

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

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Exit and disposal activities by segment were as follows:

(in millions)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Total by segment				
Carlisle Construction Materials	**$**	$ 0.3	**$**	$ 0.3
Carlisle Transportation Products		1.5	**0.3**	1.6
Carlisle Brake & Friction		(0.2)		0.1
Carlisle FoodService Products			**0.4**	
Total exit and disposal costs	**$**	$ 1.6	**$ 0.7**	$ 2.0

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

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

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

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

Note 7 Stock-Based Compensation

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

2008 Executive Incentive Program

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

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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 June 30, 2013, 267,745 shares were available for grant under this plan, of which 37,745 shares were available for the issuance of stock awards. Members of the Board of Directors that receive stock-based compensation are treated as employees for accounting purposes.

Grants

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

Stock Option Awards

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

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

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

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

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

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

Restricted Stock Awards

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

Performance Share Awards

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

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

Restricted Stock Units

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

Deferred Compensation

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

Note 8 Income Taxes

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

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

Note 9 Earnings Per Share

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

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

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

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

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

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

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

Antidilutive stock options excluded from EPS calculation(2)		

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

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Note 10 Fair Value Measurements

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

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

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

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

Recurring Measurements

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

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

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

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

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

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

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

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

Non-Recurring Measurements

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

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

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Note 11 Inventories

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

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

Note 12 Property, Plant and Equipment

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

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

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

Note 13 Goodwill and Other Intangible Assets

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

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

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Goodwill Impairment

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

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

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

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

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

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

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

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

Note 14 Commitments and Contingencies

Leases

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

Purchase Obligations

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

Workers Compensation, General Liability, and Property Claims

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

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

Litigation

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

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

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

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

Environmental Matters

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

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

Note 15 Borrowings

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

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

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

Revolving Credit Facilities

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

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Uncommitted Line of Credit

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

Covenants and Limitations

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

Other Matters

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

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

Note 16 Retirement Plans

Defined Benefit Plans

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

Post-retirement Welfare Plans

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

Components of net periodic benefit cost were as follows:

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

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

Defined Contribution Plans

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

ESOP Plan

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

Note 17 Product Warranties

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

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

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

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

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

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

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

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Note 18 Other Long-Term Liabilities

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

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

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

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Note 19 Accumulated Other Comprehensive Income (Loss)

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

were as follows:

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

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

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

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

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

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

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

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

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

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

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

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

Executive Overview

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

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

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

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

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

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

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

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

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

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

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

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

Net Sales

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

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

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

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

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

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Gross Margin