# 1999 ANNUAL REPORT



**CSL** 

Our operating principles encompass targeted leadership, strategic acquisitions and growth from within, which provide a unifying mechanism through which we strive to add value for our shareowners.

Our target is to grow earnings and sales at 15% per year over the long term.

We are a manufacturing company that, through technical and customer service leadership, enjoys excellent shares of the markets in which we participate.

We focus on niche segments of broader markets.

We strive to be the low cost producer with best value.

We believe in a lean, fast-acting management style with low overhead and minimal layers.

Our targeted return on equity is 20% and we've exceeded the target regularly.

We believe in and practice stringent business standards.

We believe in and practice a high correlation between responsibility and authority, which facilitates a successful decentralized management style.

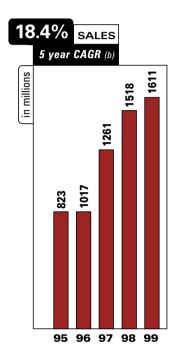
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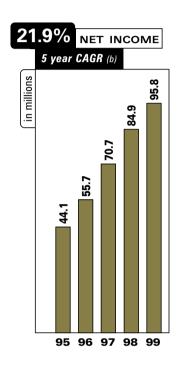
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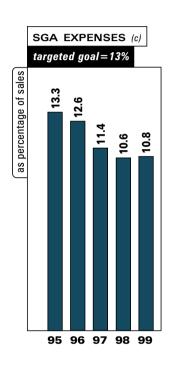
# financialsummary

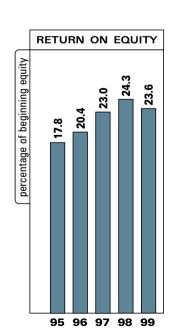
SUMMARY OF OPERATIONS	1999	1998	Change
Sales (millions)	\$1,611	\$1,518	6.2%
Net Income (millions)	\$95.8	\$84.9	12.8%
Earnings Per Share (a)	\$3.13	\$2.77	13.0%
Dividends Per Share	\$.68	\$.60	13.3%

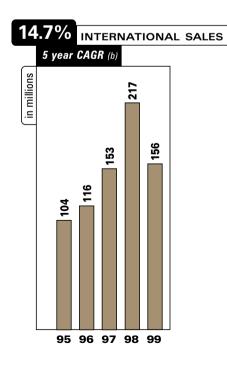
(a) fully diluted

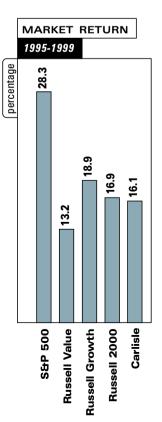












<sup>(</sup>b) CAGR is compounded annual growth rate (c) SGA is selling, general and administrative costs

### the **SUM** of our parts

#### CONSTRUCTION MATERIALS

#### Products

#### Markets



**CARLISLE SYNTEC** 

Rubber (EPDM), FleeceBACK, and TPO roofing systems for non-residential low slope roofs

Non-residential new construction, re-roofing and roof maintenance, general construction, industrial and maintenance markets

CARLISLE COATINGS & WATERPROOFING

Coatings and waterproofings for various applications

Roofing, general construction, industrial, and maintenance markets

#### **INDUSTRIAL COMPONENTS**



CARLISLE
TIRE & WHEEL

Small to medium pneumatic bias-ply tires and steel wheels

Lawn and garden tractors, ATVs, trailers, and golf car manufacturers; related aftermarket parts distributors

**TENSOLITE** 

Aerospace and high performance wire/cable, high performance cable assemblies and microminiature interconnection systems Large commercial aircraft, regional and business jets, automated test equipment, telecommunications and data processing manufacturers



CARLISLE MOTION CONTROL

Heavy duty friction, braking system parts, brake linings, brake shoe remanufacturing, and relining for on-highway Class 6, 7 and 8 trucks Axle and brake manufacturers, aftermarket distributors of truck and trailer parts, and Class 6, 7 and 8 truck manufacturers



CARLISLE
INDUSTRIAL BRAKE
& FRICTION

Heavy duty off-highway dry brakes and friction; specialty friction

Heavy duty off-highway equipment manufacturers in both North America and Europe; aftermarket distribution

#### **AUTOMOTIVE COMPONENTS**

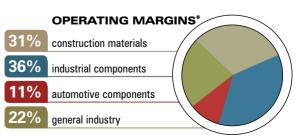


CARLISLE ENGINEERED PRODUCTS

Rubber and plastic auto parts

Automotive and light truck manufacturers, tier 1 component suppliers

# SALES 25% construction materials 33% industrial components 19% automotive components 23% general industry



<sup>\*</sup>Segment earnings before interest and taxes

### GENERAL INDUSTRY

SENERAL INDUSTRY			
CARLISLE FOODS	ERVICE	Products	Markets
	CARLISLE FOODSERVICE PRODUCTS	Commercial and institutional plastic foodservice permanentware, fiber glass trays and table coverings	Foodservice distributors and dealers
		_	
	CARLISLE HOME PRODUCTS	Limited edition hand painted ceramic dinnerware, specialty ceramic tableware and super-clear acrylic items resembling cut glass	High end department stores and specialty gift retailers
	CARLISLE SANITARY MAINTENANCE PRODUCTS	Industrial brushes, brooms and cleaning discs	Industrial wholesalers and retailers of janitorial supplies
CARLISLE TRANSF	PORTATION PRODU	ICTS	
	TRAIL KING INDUSTRIES	Standard and custom-built lowbed trailers, heavy duty truck and trailer dump bodies, and other specialty trailers	Heavy equipment dealers, commercial haulers
	WALKER TRANSPORTATION	Transportation trailers/equipment for food and dairy applications	Commercial haulers, dairies and fleet operators
CARLISLE SYSTEM	ns & EQUIPMENT	1	
	SCHERPING SYSTEMS INTERNATIONAL	Cheese manufacturing equipment and installation services	Dairy and food processors
	WALKER EQUIPMENT	Holding, storage and processing equipment	Dairy, food processing and industrial markets
	CARLISLE PHARMACEUTICAL SYSTEMS	Isolation and other containment systems	Pharmaceutical, biotechnical, medical and semiconductor systems
Constitution of the second	JOHNSON TRUCK BODIES	Refrigerated truck bodies	Home food e-delivery and warehouse-to-retail store delivery

### to our shareowners

#### Dear Shareowner:

Our company performed well in 1999, achieving another record year with sales growth of 6% to \$1.6 billion, and earnings increase of 13% to \$96 million, or \$3.13 per share. We are confident that strategic initiatives undertaken and operating improvements achieved during 1999 will add significant value in the years to come.

We are disappointed that our 1999 operating success is not, as we write, reflected in our stock price. Because of the market's current fascination with "high tech" and "large cap" stocks, share prices of companies like Carlisle have languished. We believe this disconnect is temporary. Investors will focus on economic fundamentals and when that occurs, Carlisle shareowners will benefit. Meanwhile, we will build Carlisle by remaining true to our basic operating principles and strategic direction, focusing on creating long-term value for our shareowners.

Our accomplishments in 1999 were substantial, and will further enhance our performance in 2000 and beyond.

Achieved record sales and earnings. We must not lose sight of this basic, but necessary, achievement, which facilitates and underwrites our growth, flexibility and financial strength. This is our eighth year in a row of record sales and earnings.

Carlisle SynTec successfully brought online a new thermoplastic polyolefin roofing membrane plant catapulting us into a leadership position in this exciting roofing system technology.

Carlisle Engineered Products set sales and earnings records, led by a strong position in the booming demand for light trucks.

Carlisle Systems & Equipment made great strides in fulfilling our expectations by combining a number of recent acquisitions into a platform for serving niche markets in food, dairy, beverage and pharmaceutical processing systems.

Carlisle Tire & Wheel acquired Global Manufacturing Inc., strengthening our presence in the industrial and "mag" wheel markets. As the year ended, the CRAGAR steel wheel product line was acquired, further enhancing participation in this attractive niche market.

The acquisition of Johnson Truck Bodies will allow us to participate as a leading supplier to the fast growing home delivery market.

Carlisle's Scherping Systems International acquired Innovative Engineering Limited, adding technology and improving our product offering to worldwide markets for cheese manufacturing systems.

Carlisle FoodService acquired Marko International, Inc. The addition of this market leader in vinyl and linen tablecloths, napkins and other tabletop coverings, provides another one-stop shopping opportunity for Carlisle's strong foodservice customer base.

Carlisle brought online three new manufacturing facilities in Mexico to serve automotive, foodservice, and wire and cable markets.

Information systems throughout the Company were upgraded.

We invested more in employee training and process improvement than ever before.

Following extensive preparation, we have begun to bring our tax rate down and expect to see continuing improvement.

After spending just shy of \$100 million in capital for product capacity and technology in 1998, we brought our capital spending into line at just under \$50 million in 1999. We have put in place the foundation for excellent growth.

As part of our external development, we evaluate numerous acquisition candidates. Our disciplined investment style, in this period of very high asking price valuations by sellers, resulted in less than half of our 1999 growth being generated by the incremental contributions from acquisitions. We view this as a matter of timing only and fully expect that over the medium term this situation will even out and continue to define our focus and style.

In May, Magalen O. Bryant retired from Carlisle's Board of Directors after 21 years of constructive, loyal service. Maggie's quiet, intuitive, questioning style played a key role in both management's motivation and the Company's strategic direction. She added wisdom as well as strength during tough management changes and a divestiture program that underpinned the Company's growing success. Most importantly, Maggie was always there when needed with support. She will be missed. We wish her the very best and thank her for many, many contributions at Carlisle.

We also wish to congratulate Wayne Kinsey and thank him as he moves to retirement. Wayne, as President of Carlisle's Motion Control Industries, led the decision to eliminate asbestos from heavy duty brake linings, provided leadership in the relationships with both the wholesale distributors and original equipment customers, and continually responded to Carlisle's needs in any way possible. He built Carlisle's heavy duty and industrial friction businesses into industry leaders. Wayne was an absolute pleasure to work with. We wish him the very best and thank him for leaving his organization in such a strong competitive position.

We thank all of Carlisle's employees for their solid efforts and positive contributions in 1999. Our employees, in large numbers, are also shareowners, and this year resulted in a clear discrepancy between their hard work and their financial net worth as supported by Carlisle's share price. We are committed to making this relationship much more positive.

We enter 2000 optimistic that we will meet our financial targets, produce another year of predictable record performance, and that the market will reward Carlisle's stock price accordingly.

For the Board of Directors

Stephen P. Munn Chairman and Chief Executive Officer **Dennis J. Hall**Vice Chairman and Chief Operating Officer

## focused leadership

Carlisle management focuses on leadership — leadership in the niche markets where we compete, leadership in technology we apply, and leadership in operational excellence we employ. Leadership's distinctive character is a long-term, disciplined business outlook that yields continuing business success.

The fundamental measure of continuing business success is generating investment returns greater than the investment costs over a sustained period of time. Carlisle is motivated by success, a success measured in economic returns bred from the intelligence, skill and experience of Carlisle people serving their customer best, meeting challenges, exploiting opportunities, being part of a stimulating team environment and growing.

Our business model is uncomplicated in design but requires highly capable execution. We focus our intellect, skill and experience across diversified markets where we can achieve a leadership position, thereby creating value — for shareowners, customers and ourselves. We place expectations upon ourselves that exceed the trends in our markets. This creates a gap between market momentum and our need to perform at the levels we demand. Filling this gap between average performance and exceptional performance is what creates value.

Over the past several years, our expectation has been to grow 15% per year, substantially greater than most of our markets. We have, on average, exceeded this expectation by filling the gap with strong organic growth from market expansion, market development and product development. A judicious and disciplined acquisition program has complemented this organic growth.

#### CARLISLE MARKETING MODEL

		product				
		EXISTING	NEW			
market	EXISTING	Market Expansion	Product Development			
mai	NEW	Market Development	Diversification			

We focus on market growth when applying our business model. In this approach, we gain market share by expanding either products or markets, increasing our market share and obtaining sales growth.

Acquisitions and organic growth are both "tools" employed in growing all four sections, or methods, of the Carlisle marketing model above, with some methods typically using more of one "tool" than the other.

#### **CARLISLE MARKET LEADERS**

#### CONSTRUCTION MATERIALS

CARLISLE SYNTEC #2 in industrial rubber roofing

#### INDUSTRIAL COMPONENTS

CARLISLE TIRE & WHEEL	#1	in small and medium off-highway tires and wheels
TENSOLITE	#2	in aircraft wire
CARLISLE MOTION CONTROL	#2	in heavy duty truck brake linings
CARLISLE INDUSTRIAL BRAKE & FRICTION	#1	in dry friction brakes for off-highway large equipment

#### **AUTOMOTIVE COMPONENTS**

CARLISLE ENGINEERED PRODUCTS #1 in molded bumper beams and radiator end tanks

#### GENERAL INDUSTRY

CARLISLE FOODSERVICE PRODUCTS	#2	in reusable plastic commercial tableware
CARLISLE SANITARY MAINTENANCE PRODUCTS	#2	in janitorial and sanitation brush/broom market
TRAIL KING INDUSTRIES	#1	in large custom construction/industrial equipment trailers
WALKER TRANSPORTATION	#1	in sanitary product delivery trucks/trailers
SCHERPING SYSTEMS INTERNATIONAL	#1	in cheese manufacturing equipment & systems
WALKER EQUIPMENT	#1	in large dairy silo equipment
CARLISLE PHARMACEUTICAL SYSTEMS	#2	in isolation technology
JOHNSON TRUCK BODIES	#1	in home grocery delivery trucks

Introduces a new cohesive friction product that extends the life of truck brakes.

Introduces 10 foot thermoplastic polyolefin (TPO) white roofing sheeting product.

#### CARLISLE MOTION CONTROL

#### CARLISLE SYNTEC



#### CARLISLE TIRE & WHEEL

Industrial Tire Products was acquired in October 1998 to increase Carlisle
Tire & Wheel's presence in the lucrative ATV tire and wheel market.

#### CARLISLE PHARMACEUTICAL SYSTEMS

Introduces new products for the pharmaceutical markets using isolation technology.

# growth

Carlisle grows by applying our business and marketing model throughout our operating units. Our successes include Carlisle Tire & Wheel's (CTW) market expansion of combining key distribution locations with existing products. CTW's market extension and product development efforts include the acquisition of Industrial Tire Products.

Product development is a fundamental growth strategy. Carlisle Motion Control's cohesive friction product, and Carlisle SynTec's new TPO roofing systems are typical of the many Carlisle innovations used to penetrate and grow markets. Carlisle Pharmaceutical Systems continues to grow at double digit rates with their new barrier systems technology.

The largest contributor to near term growth is market expansion, using existing products to further penetrate existing markets. We compete directly with existing competitors and gain share through disciplined cost and value improvement skills. All Carlisle companies strive to be the low cost producer with quality that customers demand in the markets they serve. To maintain our commitment of manufacturing excellence, we have institutionalized our best management methods into the Carlisle Delivery Systems, or CDS.

The CDS approach to customer satisfaction combines team building in the company with customers and suppliers. It involves every aspect of business, from on-line ordering directly by customers to product manufacturing. The goal is speed to market, which results in higher customer satisfaction, higher market share and improved operating results.

With CDS, and the Carlisle focus on cost reduction, operating margins were 10.8% in 1999, an improvement over 1998 and 1997, which were 10.5% and 9.3% respectively.

#### CRAGAR STEEL WHEELS

Carlisle has gained inroads to the automotive segment by obtaining CRAGAR, one of the most recognized and trusted names in the custom steel wheel market.



# growth

Each Carlisle operating unit analyzes their markets relative to their marketing strategy, determining when an acquisition might be used to gain market share. Much of the analysis and due diligence activity is conducted by the operating unit, assuring that those most familiar with the day-to-day activities of the marketplace and those who will manage the acquisitions in the future are involved in the process.

In evaluating potential acquisitions, we look for well-managed, profitable companies in industries with which we are familiar. We seek companies with strong positions in their market or unexploited potential to be a leader. Our goal is to integrate an acquisition with our existing businesses to provide an environment conducive to high growth.

As we move into 2000, our acquisition candidate prospect list will result in some attractive opportunities. Carlisle FoodService Products, Carlisle Pharmaceutical Systems, Walker Equipment, and Carlisle Transportation Products are planning to grow aggressively in both new products and new areas around the world.

Acquisitions completed in 1999 include:

**Global Manufacturers**, a market expansion/development acquisition that lowered Carlisle Tire & Wheel's costs in the industrial wheel markets.

**Johnson Truck Bodies**, a diversification acquisition by Carlisle's Walker Equipment Group into the explosive e-grocery delivery market.

**Innovative Engineering Limited**, a product development acquisition by Carlisle's Scherping Systems International that expands its technology in the cheese manufacturing equipment markets in North America, New Zealand and Australia.

Marko International, Inc., a product development acquisition by Carlisle FoodService Products to broaden its product line and become a one-stop shop for customers. Marko produces vinyl and linen tablecloths, napkins, and other institutional tabletop coverings.

**CRAGAR**, a product development acquisition by Carlisle Tire & Wheel to help expand its presence in the specialty steel-based wheel market.

Newly acquired Johnson Truck Bodies has enabled Carlisle to enter the explosive e-grocery delivery market with a refrigerated truck body that leads the industry.

#### JOHNSON TRUCK BODIES



#### **ACQUISITIONS**

#### **CONSTRUCTION MATERIALS**

HARDCAST EUROPE INSUL-FOAM

January 98 February 96

#### **INDUSTRIAL COMPONENTS**

INTERO & UNIQUE WHEEL
OVERLAND BRAKES
NEILSON WHEEL
THE CITY MACHINE & WHEEL COMPANY
CONESTOGA TIRE & RIM
WHEELTECH
TILDEN CORPORATION
ZIMMERMAN BRUSH COMPANY
VERMONT ELECTROMAGNETICS
QUALITY MICROWAVE

INDUSTRIAL TIRE PRODUCTS GLOBAL MANUFACTURING CRAGAR STEEL WHEELS March 96
April 97
June 97
July 97
September 97
September 97
October 97
December 97
March 98

September 98

October 98

January 99

December 99

#### **AUTOMOTIVE COMPONENTS**

ENGINEERED PLASTIC DIVISION OF JOHNSON CONTROLS Octo

October 96

August 96

October 96

#### **GENERAL INDUSTRY**

SCHERPING
HARTSTONE
DIVISION OF PLASTICS MANUFACTURING CORP.
JOHNSON TRUCK BODIES
INNOVATIVE ENGINEERING LIMITED
MARKO INTERNATIONAL

February 97 May 99 November 99

December 99

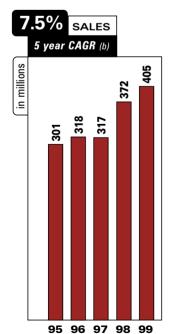


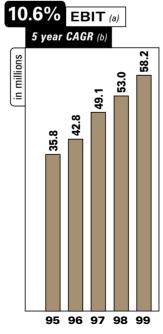
# construction materials

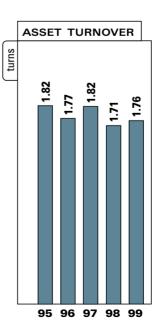
Companies in the Construction Materials segment turned in a solid performance in 1999, with sales and earnings up 9% and 10%, respectively, over 1998. With return on assets at 25%, this is one of Carlisle's most profitable businesses. This segment specializes in commercial roofing systems for new and re-roofing requirements, coatings and water-proofing products for commercial construction, and adhesives and tapes for HVAC applications. The operating units in this segment, Carlisle SynTec and Carlisle Coatings & Waterproofing, are market leaders in their industries.

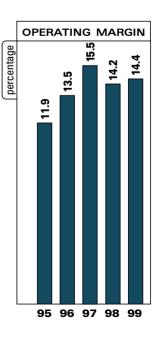
Leveraging its market leading position in rubber roofing, Carlisle SynTec's new thermoplastic polyolefin (TPO) product line grew rapidly as its manufacturing facility came on-line with a wider, industry-leading product offering. The TPO technology supplements Carlisle SynTec's existing rubber roofing systems by providing more opportunities to serve customers in warmer and sunnier climates where a white membrane is preferred. The company is aggressively pursuing international opportunities for its rubber and plastic product line. Included in this effort is the opening of a domestic presence in the Chinese market in 2000.

Carlisle Coatings & Waterproofing (CCW) continues to grow in the waterproofing market. The Hardcast tape and sealant operation had an excellent year in sales and earnings. In 2000, CCW is expected to broaden its line with new products through internal development and acquisitions.









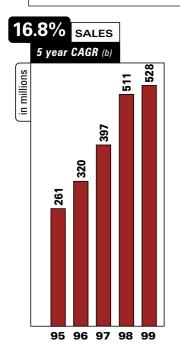
### industrial components

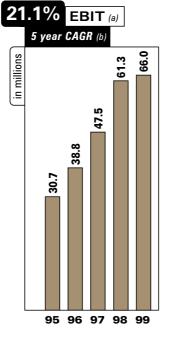
Sales in the Industrial Components segment grew by 3%, while earnings grew by 8% in 1999. The strong performance of Carlisle Tire & Wheel offset the weaker performances of Tensolite, Motion Control and Carlisle Industrial Brake & Friction. Tensolite was impacted by reduced purchases from major aerospace customers, while Motion Control sales were flat due to lower aftermarket friction sales in the first half of the year as the industry consolidated. Carlisle Industrial Brake & Friction's agricultural and mining market segments slowed considerably due to overall worldwide declines in 1999. 2000 is promising to be stronger for all units in this segment. Tensolite's aerospace orders have increased as a major aerospace customer is starting 2000 with a strengthening market.

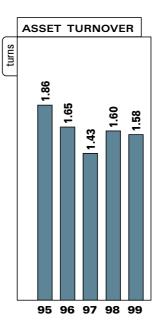
The Carlisle Tire & Wheel unit offers the broadest and most innovative line of commercial, recreational, and utility specialty tires and wheels in North America. It holds a leading market share in the outdoor equipment industry, enhanced by the acquisition of the CRAGAR 'mag' steel wheel product line.

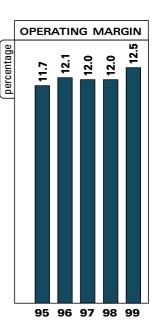
This segment's Motion Control unit now holds the #2 market position in friction products for Class 8 truck brakes. Carlisle Industrial Brake & Friction is #1 in dry friction braking for large, off-highway equipment. Both units strengthened their R&D efforts, with Motion Control relocating dynamometers and R&D development to larger facilities in Charlottesville, Virginia. This relocation yielded the revolutionary cohesive friction, a product that utilizes an adhesive brake friction technology, supplemented by the traditional abrasive friction product lines.

One of the more important 1999 developments was Tensolite emerging as a manufacturer of high-performance cable assemblies for the telecommunications, wireless, and automated test and measurement equipment industries. Tensolite's cable assembly capability is a direct result of acquisitions made in 1998 that vertically integrated Tensolite and opened up significant high-growth markets for its products.

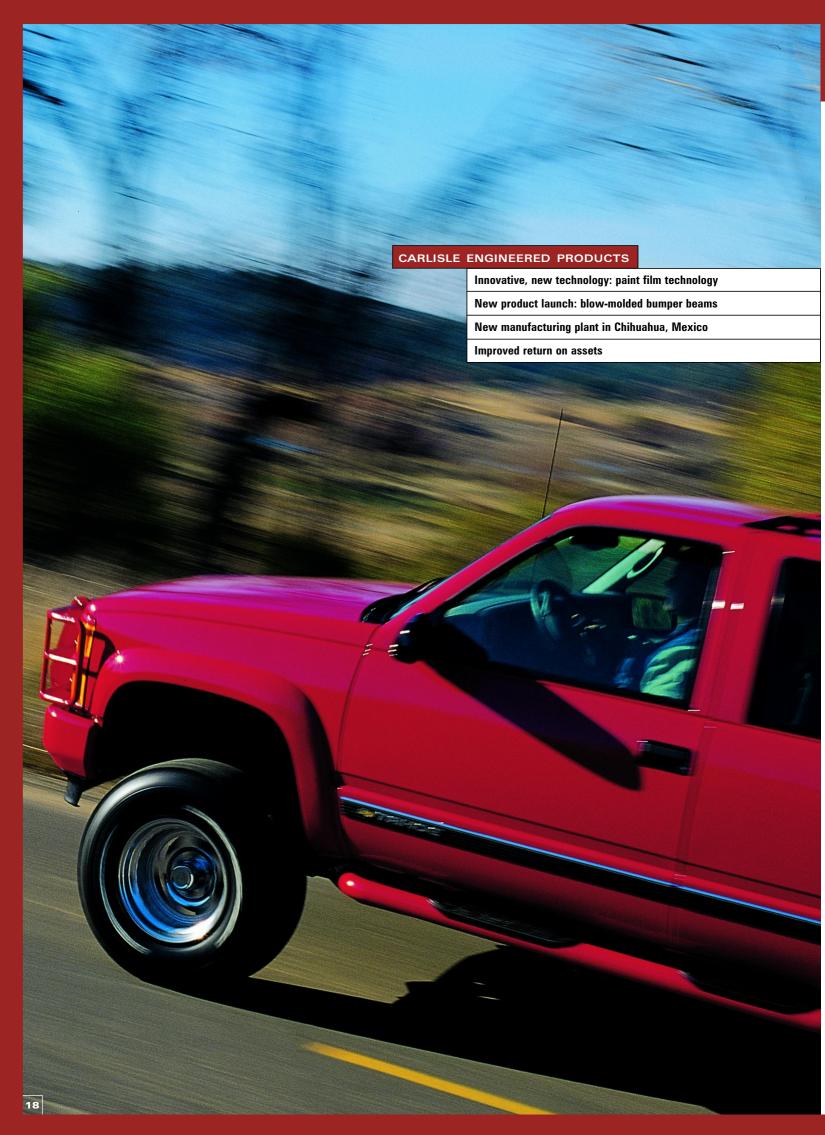












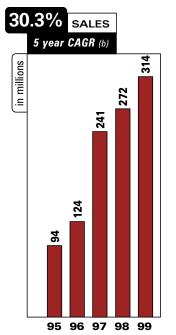
## automotivecomponents

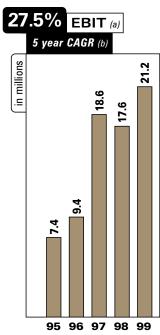
1999 was a record-setting year for Carlisle's Automotive Components group. Segment sales grew 16% over 1998, with a 20% increase in earnings. Return on assets improved from 8% in 1998 to 10% in 1999, with a goal of reaching 11-12% in 2000.

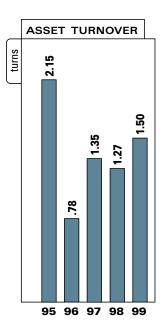
Strong demand at OEM assembly plants, following the 1998 General Motors strike, and OE's new model introductions drove the sales and earnings increase. During 1999, General Motors reached full production at three assembly plants on their new full-size pickup truck. These vehicles feature up to 18 parts manufactured by Carlisle Engineered Products, including front bumper top caps, air dams, cowl screens, wire managers, motor brush holders, sill plates, and sun roof drain hoses. This new product launch and increased overall volume created operational difficulties that were not completely solved until the fourth quarter.

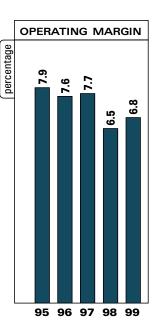
To improve Carlisle Engineering Products' effectiveness and increase its operating margins, the unit restructured in the fourth quarter, refocusing the segment into one business unit, and eliminating a non-core business. The restructuring involved centralizing sales, estimating, and program management, as well as increased emphasis on cost savings, lean manufacturing, and information reporting.

A new manufacturing facility was established in Mexico to support our North American customers. This facility achieved its ISO/QS certification in less than one year's time, a record for Carlisle Engineered Products. We also successfully launched a minority joint venture company in Pennsylvania. This site will support five Carlisle Engineered Products plants with finishing operations to relieve some of the local hiring issues that persisted throughout 1999. We believe this value-added operation will be a valuable asset to our OE and Tier 1 customers. New product launches, including new blow-molded bumper beams, and breakthrough innovations such as the new paint film technology, will help Carlisle Engineered Products increase sales and improve operating performance.









### generalindustry

The sales in this segment grew 20% over 1998 with earnings increasing 26% (excluding the Perishable Cargo business, which was divested in January, 1999). All of the General Industry's operations had record sales and earnings in 1999 and are poised to continue this success into 2000.

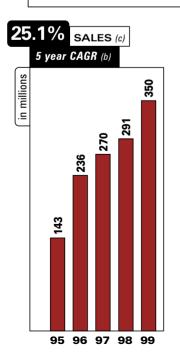
Carlisle Systems & Equipment led the segment in growth. The acquisition of Johnson Truck Bodies (JTB) expanded our product offerings for our food processing customers. JTB is expected to continue to grow in the food delivery market and in particular the on-line ordering of food for home delivery.

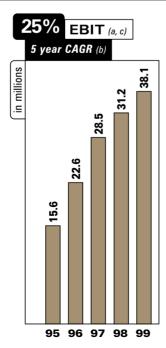
Scherping Systems International had an outstanding year as the dairy industry rebounded from the 1998 consolidation. Carlisle Pharmaceutical Systems and Walker Equipment both had an excellent year as sales grew and operating margins improved, mainly through the implementation of Carlisle Delivery Systems (CDS).

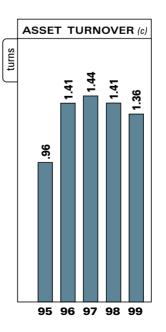
Carlisle Transportation Products had a record year in both sales and earnings. Trail King introduced a new side dump product to broaden its product line, and closed a plant as efficiency improved at its other locations through the implementation of CDS. Operating margins improved at both Trail King and Walker Transportation. Walker Transportation is introducing a new line of dry bulk trailers to broaden its customer base.

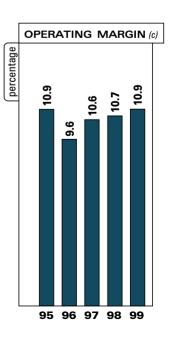
Carlisle FoodService also had a record year in sales and earnings. Strong performance in foodservice markets with both strong international and domestic sales. Carlisle FoodService expanded its product line through the acquisition of Marko International, a supplier of tabletop coverings.

As these businesses move into 2000, they are well positioned to grow with a strong backlog and acquisitions that will expand product lines and geographic presence.





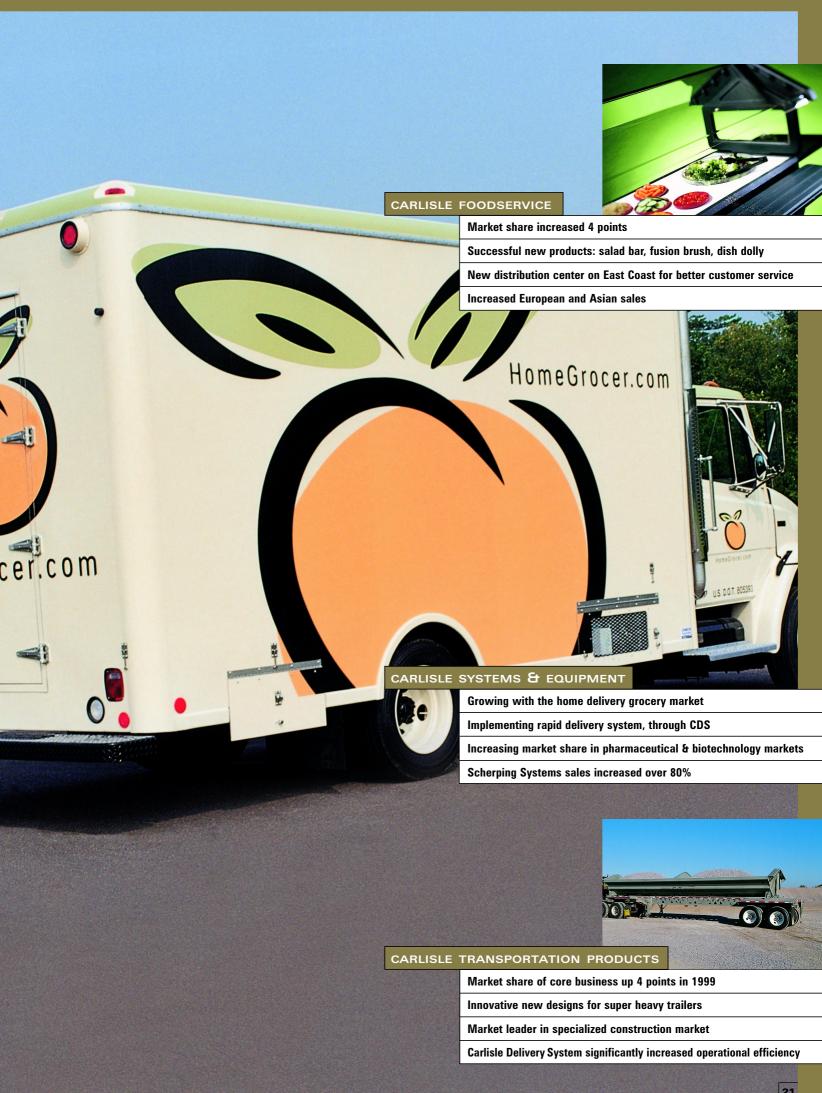




(a) EBIT is earnings before interest and taxes

<sup>(</sup>b) CAGR is compounded annual growth rate

<sup>(</sup>c) Excludes results of the perishable cargo business



Carlisle Companies Incorporated reported sales of \$1.611 billion in 1999, up 6%, or \$94 million, from 1998 sales of \$1.518 billion. The primary contributing factor to this increase was generated through product line expansion and market share gains. In addition, we completed several complementary acquisitions in 1998 and 1999. In 1998, sales increased 20% or \$257 million, as a result of internal growth as well as acquisitions made in 1998 and the full year impact of those acquisitions completed in 1997.

Net earnings in 1999 were \$95.8 million, or \$3.13 per share, a 13% increase over 1998 net earnings of \$84.9 million, or \$2.77 per share. Net earnings, in 1998, increased 20%, reflecting not only the increased sales levels, but also cost reductions.

In January 1999, Carlisle exited its Perishable Cargo business, which impacts the year-to-year comparisons of operating results. After adjusting for the effect of this divestiture, pro-forma sales and net earnings increased 10% and 17%, respectively. The quarterly pro-forma results are shown in Table 1 below.

Sales and net earnings in 1999 mark the eighth consecutive year of year-to-year improvements. Approximately 70% of this year's growth came from the combination of market growth, product line extensions, market share gains and cost reductions. The strong rebound in the automotive market, the expansion of sales of insulation and thermoplastic polyolefin (TPO) roofing membrane, as well as strong growth in our specialty tire and wheel, systems and equipment, and foodservices businesses are the primary contributors to our 1999 sales

increase. Improved operational efficiencies at several operations, along with sales increases, account for the increased earnings from internal operations. Continuing progress was made on the program to improve the profitability of assets employed in the business.

The effective tax rate was reduced from 39.5% to 38.4%. This reduction was the result of the implementation of various state tax strategies initiated over the last two years.

During 1999, we completed five complementary acquisitions. We purchased: (1) Global Manufacturing, a manufacturer of stamped steel wheels for industrial and recreational applications and styled steel wheels for the automotive aftermarket, (2) Johnson Truck Bodies, a manufacturer of fiberglass custom truck bodies for the delivery of food products to stores and homes, (3) Innovative Engineering Limited, an engineering and equipment supplier of cheese making systems, (4) Marko International, Inc., a supplier of table coverings, table skirtings and other accessories for the foodservice market, and (5) the custom steel wheel business of Cragar Industries, Inc., which produces and markets CRAGAR brand custom steel wheels to the automotive aftermarket.

Four acquisitions were completed in 1998: (1) Vermont Electromagnetics and (2) Quality Microwave Interconnects, Inc., both manufacturers of specialty cable assemblies and connectors, (3) Industrial Tire Products, Inc., a distributor of industrial and recreational tire and wheel assemblies, and (4) Hardcast Europe BV, a Dutch manufacturer of adhesive and sealant products for the construction market.

Table 1

Sales (\$ millions)							Pro	-Forma	Without	
		As Reported				Perishable Cargo Operation			n	
		1999		1998	% change		1999		1998	% change
First Quarter	\$	390.0	\$	363.1	7%	\$	375.8	\$	347.0	8%
Second Quarter	\$	425.8	\$	395.6	8%	\$	425.8	\$	380.1	12%
Third Quarter	\$	400.9	\$	378.0	6%	\$	400.9	\$	357.3	12%
Fourth Quarter	\$	394.6	\$	380.8	4%	\$	394.6	\$	361.8	9%
Total	\$1	,611.3	\$1	,517.5	6%	\$1	,597.1	\$1	,446.2	10%
Net Earnings (\$ millions)							Pro	-Forma	Without	
				As Reported	d		Perishai	ble Car	go Operatio	n
		1999		1998	% change		1999		1998	% change
First Quarter		\$21.8		\$19.0	15%		\$21.0		\$18.2	15%
Second Quarter		\$28.0		\$24.6	14%		\$27.8		\$23.5	18%
Third Quarter		\$24.7		\$22.3	11%		\$24.5		\$21.2	16%
Fourth Quarter		\$21.3		\$19.0	12%		\$21.1		\$17.9	18%
Total		\$95.8		\$84.9	13%		\$94.4		\$80.8	17%

#### **Operating Segments**

#### **Construction Materials**

Segment sales grew 9% in 1999 to \$405 million, an increase of \$33 million over 1998 sales of \$372 million. This sales growth resulted from the expansion of insulation and thermoplastic polyolefin (TPO) shipments to the roofing systems market by Carlisle SynTec. Carlisle Coatings & Waterproofing experienced higher sales driven by its tape and sealant products. In 1998, segment sales increased 17% from 1997 sales of \$317 million as a result of increased market share and new products.

Segment earnings were up 10% in 1999 to \$58 million, reflecting increased sales levels, improved operational performance and favorable warranty experience, partially offset by the absorption of increased raw material costs and changes in product mix. Also, during 1999, Carlisle SynTec successfully implemented an integrated company-wide information system, which will further improve the efficiencies of this segment. The 1998 segment earnings of \$53 million were up 8% over 1997 segment earnings of \$49 million, primarily due to increased sales.

Return on assets improved from 24% to 25% as a result of both increased asset efficiency and profit margins.

#### **Industrial Components**

Segment sales were \$528 million in 1999, a 3% increase over 1998 sales of \$511 million. The primary cause of the increase was the growth of new customers and new products in the specialty tire and wheel business of Carlisle Tire & Wheel, as well as acquisitions that were completed in 1999 and 1998. Decreased customer requirements for aerospace bulk cable negatively impacted Tensolite's sales. Sales at Motion Control Industries and Carlisle Industrial Brake & Friction were down in 1999, due to lower demand in the heavy duty friction aftermarket and off-highway industrial brakes for mining and agricultural applications. In 1998, segment sales increased 29% over 1997 sales of \$397 million. The primary cause of this increase was the growth of tire and wheel assemblies, especially to the aftermarket, increased shipment of high performance wire to aircraft manufacturers, and the acquisition of two high speed data cable assembly companies.

Segment earnings increased 8% to \$66 million in 1999. The main factors in the increase were product line extension and operational improvements at our specialty tire and wheel

businesses. Offsetting these improvements were lower earnings at our specialty wire and cable business and Carlisle Industrial Brake & Friction due to less robust markets. In 1998, segment earnings of \$61 million increased 29% over 1997 segment earnings of \$47 million. This earnings growth was consistent with the increase in sales. Return on assets in 1999 increased to 20% from 19% in 1998.

#### **Automotive Components**

In 1999, segment sales increased 16% to \$314 million over 1998 sales of \$272 million. This growth was the result of a very strong automotive and light truck market coupled with new product introductions. Segment sales were up 13% in 1998, over 1997 sales of \$241 million. This increase was due to product line extensions, which were offset by the effects of the General Motors (GM) strike.

Segment earnings of \$21 million represent an increase of 20% over 1998 segment earnings of \$18 million. Earnings in 1999 increased due to the impact of the GM strike in 1998 as well as improved product mix. In the fourth quarter, this business was streamlined and an unprofitable operation eliminated. Earnings in 1998 decreased 5% from the 1997 level of \$19 million due primarily to the inefficiencies generated by the rapid ramp-up of production for new programs interrupted by the GM strike in 1998. Return on assets improved from 8% in 1998 to 10% in 1999 as asset efficiency increased and profit margins improved.

#### **General Industry (All Other)**

The General Industry (All Other) segment sales of \$364 million were flat with 1998 sales of \$363 million. On a pro-forma basis, excluding the effect of the perishable cargo divestiture in January 1999, sales increased 20% over 1998. Sales and earnings at Carlisle Systems & Equipment account for much of this pro-forma increase, due to the acquisition of Johnson Truck Bodies as well as internal growth. Carlisle Transportation Products' sales were up over 1998 primarily due to a strong highway construction market. Higher sales were recorded in our foodservice business due to product line expansions in both international and domestic markets. Carlisle FoodService Products completed the significant upgrade of a new customer service system, as well as opening two new distribution facilities. Segment sales in 1998 were up 19% over 1997 sales of \$306 million. This increase was related to higher sales of specialty trailers to construction markets, plastic permanentware to the foodservice industry and refrigerated containers to the shipping industry.

Segment earnings of \$40 million increased 6% over 1998 segment earnings of \$38 million. Pro-forma earnings grew 26%, after excluding the perishable cargo business, reflecting primarily the increase in sales in this segment. Earnings in 1998 were up 27% over 1997 earnings of \$30 million. This growth was due to the general increase in sales, improved manufacturing efficiencies and increased share of the leasing market in our perishable cargo business. Return on assets increased to 15.4% in 1999, from 14.5% in 1998, as a result of improved profit margins.

#### Financial Results

Gross margin, expressed as a percent of sales, represents the difference between net sales and cost of goods sold. These margins declined from 22.7% of sales in 1997 to 21.6% in 1998, and increased to 22.2% in 1999. The decline from 1997 to 1998 largely reflects the competitive marketplace and changing mix in Carlisle's total sales. In 1999, improved operational efficiency, as well as improved product mix, accounted for the higher margin rate.

Selling and administrative costs, expressed as a percent of sales, declined from 11.4% in 1997 to 10.6% in 1998, but increased to 10.8% in 1999, reflecting the continued emphasis on cost control throughout all operations and lower cost structures in Carlisle's overall businesses.

Total costs, which include raw material, manufacturing, selling, general and administrative costs, expressed as a percentage of total sales, have remained fairly consistent, decreasing slightly in 1999 to 89.6% of sales from 90.0% of sales in 1998 and 89.9% of sales in 1997. The improvement in this total cost relationship in 1999 was due to improved operating efficiencies. The 1998 decline from 1997's level of 89.9% percent of sales was due to operational improvements offset by the GM strike and the change in product mix in the construction materials operations.

Interest expense, net decreased to \$19.2 million in 1999 from \$19.7 million in 1998, due to the lower debt levels maintained throughout the year. Planned capital expenditures and acquisitions were financed through internally generated cash flows.

Other, net decreased to \$6.1 million in 1999 due to the reduction of the Company's ownership in its leasing joint venture.

**Income taxes**, for financial reporting purposes, decreased in 1999 to an effective tax rate of 38.4%, compared to 39.5% in 1998 and 1997.

This reduction was the outcome of the implementation of various state tax strategies developed in previous years.

Receivables, of \$245 million, reflect an increase of 9% over the 1998 level of \$225 million. This increase was in line with the sales growth. The 1998 level of receivables represented a 22% increase over 1997 levels and was primarily the result of higher December sales.

Inventories, valued primarily by the last-in, first-out (LIFO) method, were \$219 million at year-end 1999, a 13% increase over the 1998 year-end level of \$194 million. The increase in inventory at year-end was primarily due to higher inventory at specialty tire and wheel and roofing operations in preparation for the spring selling season, as well as from acquisitions made during the current year. The 1998 inventory level increased 7% over 1997, due primarily to acquisitions made during the year.

Capital expenditures totaled \$48 million in 1999, a significant reduction from the \$96 million incurred in 1998. The 1999 level was more consistent with previous levels, which reflects a normalized level of capital spending. The 1998 increase was primarily attributable to investments in production capacity in Mexico, expanded warehousing and distribution facilities for our foodservice operation, increased production capacity for tire and wheel assemblies, specialty trailer products, high speed data wire and cable assemblies, and plant and equipment to manufacture insulation and TPO roofing membranes.

### Liquidity, Capital Resources and Environmental

Cash flows provided by operating activities increased \$39 million to \$136 million in 1999 from \$97 million in 1998. Cash used in investing activities was \$86 million versus \$133 million in 1998, a decrease of \$47 million. This decrease was attributable to cash received from the divestiture of the perishable cargo business, net of a \$39 million tax payment, as well as a reduction in the level of capital expenditures. The net cash used in financing activities in 1999 was \$44 million versus cash provided of \$38 million in 1998. The 1999 amount reflects the repayment of short-term borrowings, outstanding at the end of 1998, and dividend payments. The net cash provided by financing activities in 1998, of \$38 million, reflects the net increase in debt after the early payment of higher cost debt and stock repurchases.

Carlisle has a \$125 million revolving credit facility available for acquisitions and general corporate purposes. In May 1998, Carlisle issued to the public \$100 million of ten-year bonds at a rate of 6.70%. The net proceeds from these bonds were used to repay amounts outstanding under the revolving credit facility and to fund other needs throughout 1998. The Company's primary sources of liquidity and capital are cash flows from operations and borrowing capacity. Carlisle continues to maintain substantial flexibility to meet anticipated needs for liquidity and investment opportunities.

Carlisle management recognizes the importance of the Company's responsibilities toward matters of environmental concern. Programs are in place to monitor and test facilities and surrounding environments and, where practical, to recycle materials. Carlisle has not incurred material charges relating to environmental matters in 1999 or in prior years, and none are currently anticipated.

#### **Year 2000**

During the last several years, and in the normal course of business, Carlisle has replaced a substantial portion of its older computer software and systems with new systems that are Year 2000 compliant. These investments are expected to assist Carlisle in improving its operational ratios. With respect to the remaining information systems, as well as the Company's embedded technology, the Company adopted a program (involving both internal personnel and third-party consultants) of (1) assessment, (2) remediation, and (3) authentication. The Company has completed the assessment phase, the remediation phase, and the authentication phase, which included simulated testing in a Year 2000 environment. The Company will continue testing its systems throughout the first quarter of 2000. The cost to the Company of completing these efforts did not exceed \$750,000.

Carlisle has maintained a formal communication program with its significant suppliers and large customers, which it will conclude in the first quarter of 2000. As part of this program, Carlisle has and will continue to (1) evaluate the supplier's Year 2000 compliance plans and state of readiness and (2) determine whether

a Year 2000-related event will impede the ability of a particular supplier to continue to provide goods and services. Contingency plans were adopted for any significant supplier that did not provide an appropriate and timely response to Carlisle or if the results of a risk assessment identified a business process at risk of a Year 2000 failure.

There were no disruptions to Carlisle businesses as a result of the changeover to the Year 2000. However, there can be no guarantee that Year 2000 failures experienced by third parties during the first quarter of 2000 would not have a material adverse effect on the Company's financial condition or operations.

#### **Backlog and Future Outlook**

Backlog was \$228 million at December 31, 1999 compared to \$247 million (excluding Carlisle perishable cargo backlog of \$15 million) in 1998. Higher backlog at Carlisle Systems & Equipment and Carlisle FoodService reflects the strong market penetration achieved by these businesses. Automotive Components backlog was down from December 1998 due to the high demand in the fourth quarter 1998, created by the GM strike. Also, Construction Materials backlog was down due to reporting enhancements made in conjunction with the implementation of new business software.

The elimination of capacity limitations, through significant capital expenditures in 1998 and the continued implementation of lean manufacturing systems, allowed more rapid response to customer needs and contributed to backlog reductions in several businesses. Reduced aerospace wire demand is reflected in the lower backlog.

We continue to concentrate on our long-standing operating principles of: targeted market leadership; growth from within; lean organizational structure; low cost, decentralized operations; and strategic acquisitions to achieve our sales and earnings growth objectives. As we move ahead, we are confident that adherence to these principles will bring continued operating success. With a growing market and a commitment to constant increased operating efficiency, 2000 should prove to be another strong year for Carlisle.

#### CONSOLIDATED STATEMENTS OF EARNINGS AND SHAREHOLDERS' EQUITY For the years ended December 31. In thousands except per share data. 1999 1998 1997 Net Sales \$1,611,256 \$1,517,494 \$1,260,550 Cost and expenses Cost of goods sold 1,254,267 1,189,379 974,089 Selling and administrative expenses 173,375 160,366 143,246 Research and development expenses 15,761 16,178 15,824 Gain on divestiture of business (\$16.6m), net of other charges (\$15.9m) 685 6,099 8,414 4,723 Other income & expense 132,114 Earnings before interest & income taxes 174,637 159,985 19,716 15,330 Interest expense, net 19,154 155,483 140,269 116,784 Earnings before income taxes Income taxes 59,689 55,403 46,118 95,794 84,866 70,666 Net earnings 30,166 30,179 30,235 Average shares outstanding—basic \$ 2.81 2.34 Basic earnings per share 3.18 Average shares outstanding-diluted 30,635 30,674 31,025 2.77 2.28 Diluted earnings per share \$ 3.13 Cumulative Common Additional Retained Translation Cost of Shares Paid-In Capital Adjustment Stock **Earnings** in Treasury Balance at December 31, 1996 \$39,331 \$ 480 \$348,558 105 \$ (80,866) Net earnings 70,666 Cash dividends—\$0.525 per share (15,868)Exercise of stock options & other 1.350 3,295 Purchase of 550,980 treasury shares (18,110)Translation adjustment (1,688)Balance at December 31, 1997 39,331 1,830 403,356 (1,583)(95,681)Net earnings 84,866 Cash dividends—\$0.60 per share (18, 105)2,371 3,309 Exercise of stock options & other (14,372)Purchase of 283,598 treasury shares Translation adjustment 113 Balance at December 31, 1998 39,331 4,201 470,117 (1,470)(106,744)Net earnings 95,794 Cash dividends—\$0.68 per share (20,511)4 Exercise of stock options & other 1,370 616 Purchase of 103,208 treasury shares (4,387)Translation adjustment (188)\$39,331 \$545,404 \$(110,515) Balance at December 31, 1999 \$5,571 \$(1,658) See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED BALANCE SHEET As of December 31. In thousands except share data. 1999 1998

	1999	1998
Assets		
Current assets		
Cash and cash equivalents	\$ 10,417	\$ 3,883
Receivables, less allowances of \$4,963 in 1999 and \$4,864 in 1998	245,120	225,348
Inventories	219,270	193,650
Deferred income taxes	32,108	26,040
Prepaid expenses and other	34,123	29,604
Total current assets	541,038	478,525
Property, plant and equipment, net	349,451	354,769
Other assets	0-10,-101	331,733
Patents, goodwill and other intangibles	157,967	139,744
Investments and advances to affiliates	14,321	34.892
Receivables and other assets	17,885	14,922
Total other assets	190,173	189,558
Total other assets	\$1,080,662	
Liabilities and Sharahaldara' Equity	\$1,000,002	\$1,022,852
Liabilities and Shareholders' Equity		
Current liabilities	ф 1.000	Φ 24.044
Short-term debt, including current maturities	\$ 1,989	\$ 31,241
Accounts payable	106,283	101,859
Accrued expenses	132,106	122,237
Total current liabilities	240,378	255,337
Long-term liabilities		
Long-term debt	281,744	273,521
Product warranties	79,858	75,084
Other liabilities	549	13,475
Total long-term liabilities	362,151	362,080
Shareholders' equity		
Preferred stock, \$1 par value. Authorized and unissued 5,000,000 shares		
Common stock, \$1 par value. Authorized 100,000,000 shares; issued 39,330,624 shares	39,331	39,331
Additional paid-in capital	5,571	4,201
Cumulative translation adjustments	(1,658)	(1,470)
Retained earnings	545,404	470,117
Cost of shares in treasury—9,203,095 shares in 1999 and 9,152,167 shares in 1998	(110,515)	(106,744)
Total shareholders' equity	478,133	405,435
	\$1,080,662	\$1,022,852
See accompanying Notes to Consolidated Financial Statements.		

See accompanying Notes to Consolidated Financial Statements.

#### CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31. In thousands.

For the years ended December 31. In thousands.		ı	
	1999	1998	1997
Operating activities			
Net earnings	\$95,794	\$84,866	\$70,666
Reconciliation of net earnings to cash flows:			
Depreciation	39,832	37,617	32,477
Amortization	7,582	7,604	6,278
(Gain)/Loss on sales of property, equipment and business	(1,777)	(3,156)	(993)
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:			
Current and long-term receivables	(18,622)	(43,786)	(19,659)
Inventories	(13,471)	(10,526)	(31,118)
Accounts payable and accrued expenses	4,440	25,450	9,245
Prepaid, deferred and current income taxes	15,761	(7,568)	10,887
Long-term liabilities	4,585	5,217	3,279
Other	1,969	1,086	1,924
Net cash provided by operating activities	136,093	96,804	82,986
Investing activities			
Capital expenditures	(47,839)	(95,970)	(59,531)
Acquisitions, net of cash	(42,393)	(31,577)	(45,380)
Proceeds from sale of property, equipment and business	17,157	11,344	15,815
Other	(12,544)	(16,761)	(4,090)
Net cash used in investing activities	(85,619)	(132,964)	(93,186)
Financing activities			
Net proceeds from short-term debt	(29,285)	15,827	13,458
Proceeds from long-term debt	10,000	104,235	150,000
Reductions of long-term debt	(1,744)	(49,274)	(125,860)
Dividends	(20,511)	(18,105)	(15,868)
Purchases of treasury shares	(2,400)	(14,372)	(18,110)
Net cash (used in) provided by financing activities	(43,940)	38,311	3,620
Change in cash and cash equivalents	6,534	2,151	(6,580)
Cash and cash equivalents			
Beginning of year	3,883	1,732	8,312
End of year	\$10,417	\$ 3,883	\$ 1,732

See accompanying Notes to Consolidated Financial Statements.

#### **Summary of Accounting Policies**

#### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in affiliates where the Company does not have majority control, none of which are significant, are accounted for under the equity method. Equity income related to such investments is recorded in Other, net. All material intercompany transactions and accounts have been eliminated.

#### **Revenue Recognition**

The Company recognizes revenues from product sales upon shipment to the customer. The substantial majority of the Company's product sales are to customers in the United States.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 and Cash Equivalents**

Debt securities with a remaining maturity of three months or less when acquired are cash equivalents. Cash and cash equivalents are stated at cost, which approximates market value.

#### Inventories

Inventories are valued at lower of cost or market. Cost for inventories is determined for a majority of the Company's inventories by the last-in, first-out (LIFO) method with the remainder determined by the first-in, first-out (FIFO) method.

#### **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. 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.

### Patents, Goodwill and Other Intangibles

Patents and other intangibles, recorded at cost, amounted to \$6.6 million and \$4.3 million at December 31, 1999 and 1998, respectively (net of accumulated amortization of \$16.5 million and \$16.3 million, respectively), and are amortized over their remaining lives, which average five years. Goodwill, representing the excess of acquisition cost over the fair value of specifically identifiable assets acquired, was \$151.3 million and \$135.4 million at December 31, 1999 and 1998, respectively (net of accumulated amortization of \$19.8 million and \$13.6 million, respectively), and is amortized on a straight line basis over various periods not exceeding 30 years. The Company evaluates the carrying value of goodwill and other intangible assets if facts and circumstances suggest that they may be impaired. Impairments would be recognized when the expected future operating cash flows derived from such intangible assets is less than their carrying value.

#### **Product Warranties**

The Company offers warranties on the sales of certain of its products and records an accrual for estimated future claims. Such accruals are based upon historical experience and management's estimate of the level of future claims.

#### Leases

The Company is obligated under various noncancelable operating leases for certain facilities and equipment. Rent expense was \$8.4 million, \$6.6 million and \$5.4 million, in 1999, 1998 and 1997, respectively. Future minimum payments under various noncancelable operating leases in each of the next five years are approximately \$7.6 million in 2000, \$6.8 million in 2001, \$6.0 million in 2002, \$5.2 million in 2003 and \$4.5 million in 2004.

#### **Income Taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences of the differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. These balances are measured using enacted tax rates expected to apply to taxable income in the years in which such temporary differences are expected to be recovered or settled. If a portion or all of a deferred tax asset is not expected to be realized, a valuation allowance is recognized.

#### **Earnings Per Share**

Earnings per share is determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." Basic earnings per share excludes the dilutive effects of options, warrants, and convertible securities. Diluted earnings per share gives effect to all dilutive securities that were outstanding during the period. The only difference between basic and diluted earnings per share of the Company is the effect of dilutive stock options.

#### **Fair Value of Financial Instruments**

The estimated fair market values of the Company's financial instruments approximate their recorded values.

#### Other Comprehensive Income

The Company has determined the components of other comprehensive income, such as cumulative translation adjustments and minimum pension liability, are not significant.

#### Reclassifications

Certain reclassifications have been made to prior years' information to conform to 1999 presentation.

### Operational Restructuring and Impairment of Assets

In January 1999, the Company announced the reduction of its interest in its perishable cargo business, consisting of its container leasing joint venture and container manufacturing operations. On January 28, 1999 the Company sold 85% of its interest in its leasing joint venture. In connection with the reduction in the Company's interest in the leasing joint venture, the Company suspended operations at its container manufacturing facility. As a result, the Company recognized a pre-tax gain of \$16.6 million in the first quarter of 1999. These operations are associated with the Company's General Industry (All Other) segment.

In conjunction with the implementation of the 1999 business plan, the Company completed certain product line realignments, manufacturing improvements and facility relocations and upgrades at its operating businesses resulting in certain assets that are no longer required or will be reallocated. In the first quarter of 1999, the Company recognized a \$15.9 million pre-tax charge related to these assets. Approximately 75% of this charge related to machinery and equipment primarily associated with the foodservice, roofing, tire and wheel and

automotive components manufacturing operations, with the remainder related to goodwill and other intangible assets associated with acquisitions made in prior years. The amount of the charge of machinery and equipment was determined to be the excess of the recorded values over the estimated fair values. The fair values were determined using estimated market values or projected future discounted cash flows, whichever was deemed appropriate. The charge related to the intangible assets was determined as the excess of the recorded value over the projected future undiscounted cash flows.

The net effect of the above items is reflected under the caption "gain on divestiture of business, net of other charges" on the face of the Company's Consolidated Statement of Earnings.

#### **Inventories**

The components of inventories are:

In Thousands	1999	1998
FIFO cost (approximates current costs		
Finished goods	\$132,719	\$113,852
Work in process	27,052	24,665
Raw materials	70,735	68,979
	\$230,506	\$207,496
Excess of FIFO cost over LIFO value	(11,236)	(13,846)
	\$219,270	\$193,650

#### Property, Plant & Equipment

The components of property, plant and equipment are:

In Thousands	1999	1998
Land	\$ 5,640	\$ 6,936
Buildings & leasehold improvements	149,924	142,525
Machinery & equipment	473,662	436,222
Projects in progress	28,859	44,890
	\$658,085	\$630,573
Accumulated depreciation	(308,634)	(275,804)
	\$349,451	\$354,769

#### **Borrowings**

Long-term debt includes:

In Thousands	1999	1998
6.70% senior notes due 2008	\$100,000	\$100,000
7.25% senior notes due 2007	150,000	150,000
Industrial Development and Revenue Bonds due through 2018	26,595	16,645
Other, including capital lease		
obligations	7,138	8,832
	\$283,733	\$275,477
Less current maturities	(1,989)	(1,956)
	\$281,744	\$273,521

On May 15, 1998, the Company issued \$100 million in notes due in 2008 at an interest rate of 6.70%. The net proceeds were used to repay all amounts outstanding under the Company's revolving credit facility, to repay other short-term indebtedness and for general corporate purposes.

On December 29, 1998, the Company retired the 8.09% senior notes due 1998–2002 with cash generated from operations and short-term borrowings. Included in Other, net is a \$1.8 million charge related to this prepayment.

The Company has a \$125 million revolving credit facility with various banks. As of December 31, 1999, \$125 million was available under this facility. The Company has available unsecured lines of credit from banks of \$40 million, of which \$40 million was available as of December 31, 1999.

At December 31, 1999, letters of credit amounting to \$22.1 million were outstanding, primarily to provide security under insurance arrangements and certain borrowings.

The weighted average interest rates on the revenue bonds for 1999 and 1998 were 4.6% and 4.3%, respectively.

The debt facilities contain various restrictive covenants and limitations, all of which were complied with in 1999 and 1998. The industrial development and revenue bonds are collateralized by the facilities and equipment acquired through the proceeds of the related bond issuances. On January 1, 1999, the Company secured a \$10 million Industrial Development Revenue Bond due December 31, 2018 at LIBOR +.4%.

Cash payments for interest were \$19.1 million in 1999, \$21.3 million in 1998, and \$12.3 million in 1997.

Interest expense, net is shown net of interest income of \$2.6 million in 1999, \$3.0 million in 1998, and \$1.2 million in 1997.

The aggregate amount of long-term debt maturing in each of the next five years is approximately \$2.0 million in 2000, \$2.2 million in 2001, \$1.2 million in 2002, \$3.8 million in 2003, \$1.3 million in 2004 and \$273.2 million thereafter.

#### **Acquisitions**

In each of the last three years, the Company has completed various acquisitions, all of which have been accounted for as purchases. Results of operations for these acquisitions, which have been included in the consolidated financial statements since their respective acquisition dates, did not have a material

effect on consolidated operating results of the Company in the years of the acquisition.

#### Shareholders' Equity

The Company has a Shareholders' Rights Agreement that is designed to protect shareholder investment values. A dividend distribution of one Preferred Stock Purchase Right for each outstanding share of the Company's common stock was declared, payable to shareholders of record on March 3, 1989. The Rights will become exercisable under certain circumstances, including the acquisition of 25% of the Company's common stock, or 40% of the voting power, in which case all rights holders except the acquiror may purchase the Company's common stock at a 50% discount. If the Company is acquired in a merger or other business combination, and the Rights have not been redeemed, rights holders may purchase the acquiror's shares at a 50% discount. On August 7, 1996, the Company amended the Shareholders' Rights Agreement to, among other things, extend the term of the Rights until August 6, 2006.

Common shareholders of record on May 30, 1986 are entitled to five votes per share. Common stock acquired subsequent to that date entitles the holder to one vote per share until held four years, after which time the holder is entitled to five votes.

In April 1999, the shareholders approved an increase in the number of authorized common shares of the Company from 50 million shares to 100 million shares.

### Employee Stock Options & Incentive Plan

The Company maintains an Executive Incentive Program for executives and certain other employees of the Company and its operating divisions and subsidiaries. The Program contains a plan, for those who are eligible, to receive cash bonuses and/or shares of restricted stock. The Program also has a stock option plan available to certain employees who are not eligible to receive restricted stock awards.

At December 31, 1999, 15,699 nonvested shares were outstanding and 2,158,798 shares were available for issuance under the Company's restricted stock plan.

The activity under the stock option plan is as follows:

		Weighted Average
	Number of Shares	Exercise Price
Outstanding at December 31, 1996	1,696,830	\$15.77
Options granted	214,000	29.50
Options exercised	(340,584)	11.71
Outstanding at December 31, 1997	1,570,246	\$18.52
Options granted	239,000	46.56
Options exercised	(282,413)	16.32
Outstanding at December 31, 1998	1,526,833	\$23.32
Options granted	430,500	38.35
Options exercised	(40,316)	16.69
Outstanding at December 31, 1999	1,917,017	\$26.84
Available for grant at December 31, 1999	9 4,682	

The following tables summarize information about stock options outstanding as of December 31, 1999:

Options Outstanding:

Range of Exercise Prices	Number Outstanding at 12/31/99	Weighted Average Remaining Years	Weighted Average Exercise Price
\$ 8.10–9.78	150,657	1.7	\$ 9.11
\$12.32–17.25	239,528	3.5	\$14.41
\$17.32-19.63	222,000	5.1	\$17.71
\$19.88–29.50	634,332	6.5	\$23.68
\$32.75–48.38	670,500	9.1	\$41.27
	1,917,017		

Range of Exercise Prices	Number Exercisable at 12/31/99	Weighted Average Exercise Price
\$ 8.10–9.78	150,657	\$ 9.11
\$12.32–17.25	239,528	\$14.41
\$17.32–19.63	222,000	\$17.71
\$19.88–29.50	634,332	\$23.68
\$32.75–48.38	303,833	\$42.64
	1,550,350	

At December 31, 1998, 1,296,166 options were exercisable at a weighted average price of \$20.12.

In accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company applies APB Opinion 25 and related interpretations in accounting for its stock compensation plans and, accordingly, does not recognize compensation cost for its stock option plan. If the Company had elected to recognize compensation cost based on the fair value of the options granted at grant date as prescribed

by SFAS No. 123, the pro-forma effect on net earnings and earnings per share, in 1999, 1998 and 1997, would have been approximately \$2.5 million or \$.08 per share, \$1.7 million or \$.06 per share and \$1.5 million or \$.05 per share, respectively. Pursuant to the transition provisions of SFAS No. 123, the pro-forma effect includes only the vested portion of options granted in and after 1995. Options vest over a three year period. Compensation cost was estimated using the Black-Scholes model with the following assumptions: expected dividend yield of 1.70 percent in 1999, 1.20 percent in 1998 and 1.75 percent in 1997; an expected life of 7 years; expected volatility of 33.2 percent in 1999, 25.6 percent in 1998 and 24.0 percent in 1997; and risk-free interest rate of 5.5 percent in 1999, 5.5 percent in 1998 and 6.0 percent in 1997. The weighted-average fair value of those stock options granted in 1999, 1998 and 1997 was \$14.66, \$16.35, and \$9.61, respectively.

#### **Retirement Plans**

The Company maintains defined benefit retirement plans for the majority of its employees. Benefits are based primarily on years of service and earnings of the employee. Plan assets consist primarily of publicly listed common stocks and corporate bonds.

The Company adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." The Company has restated prior year defined benefit retirement plan disclosures to conform to the requirements of SFAS No.132.

The change in projected benefit obligation:

In Thousands	1999	1998
Benefit obligation at beginning		
of year	\$107,879	\$ 99,551
Service cost	5,848	5,258
Interest cost	7,633	7,113
Amendments	532	702
Actuarial (gain) loss	(6,748)	2,972
Benefits paid	(7,019)	(7,717)
Benefit obligation at end		
of year	\$108,125	\$107,879

#### The change in plan assets:

In Thousands	1999	1998	
Fair value of plan assets at			
beginning of year	\$114,465	\$104,015	
Actual return on plan assets	1,114	17,098	
Company contribution	1,499	1,069	
Benefits paid	(7,019)	(7,717)	
Fair value of plan assets at			
end of year	\$110,059	\$114,465	

Reconciliation of the accrued benefit cost recognized in the financial statements:

In Thousands	1999	1998
Funded status	\$ 2,250	\$ 6,586
Unrecognized net actuarial loss	(14,640)	(15,321)
Unrecognized prior service cost	(2,979)	(3,363)
Unrecognized transition asset	(2,213)	(2,901)
Accrued benefit cost	\$(17,582)	\$(14,999)

Components of net periodic benefit cost at December 31:

In Thousands	1999	1998	1997
Service cost	\$5,848	\$5,258	\$4,366
Interest cost	7,633	7,113	6,734
Expected return on			
plan assets	(8,689)	(8,014)	(6,968)
Net amortization and			
deferral	(393)	(381)	(512)
Net periodic benefit cost	\$4,399	\$3,976	\$3,620

The projected benefit obligation was determined using an assumed discount rate of 7.75% in 1999, 7.00% in 1998, and 7.25% in 1997. The assumed rate of compensation increase was 4.5% in 1999, 4% in 1998 and 1997; and the expected rate of return on plan assets was 9.25% in 1999 and 1998, and 8.75% in 1997. The 1999 pension plan disclosures were determined using a September 30 measurement date.

Additionally, the Company maintains a retirement savings plan covering substantially all employees other than those employees under collective bargaining agreements. Plan expense was \$4.9 million, \$4.9 million and \$4.7 million, in 1999, 1998 and 1997, respectively.

The Company also has a limited number of unfunded post-retirement benefit programs for which the expense, inclusive of the components of service costs, interest costs and the amortization of the unrecognized transition obligation, was approximately \$0.4 million in 1999, 1998 and 1997. The present value of the Company's obligation under these plans is not significant.

#### **Income Taxes**

The provision for income taxes was as follows:

In Thousands	1999	1998	1997
Currently payable			
Federal	\$ 77,425	\$38,496	\$39,262
State, local and other	7,472	8,340	8,242
	\$ 84,897	\$46,836	\$47,504
Deferred liability (benefit)			
Federal	\$(23,166)	\$ 5,572	\$ (1,363)
State, local and other	(2,042)	2,995	(23)
	\$(25,208)	\$ 8,567	\$ (1,386)
Total provision	\$ 59,689	\$55,403	\$46,118

Deferred tax assets (liabilities) are comprised of the following at December 31:

In Thousands	1999	1998
Product warranty	\$ 42,007	\$ 46,047
Inventory reserves	4,099	3,495
Doubtful receivables	1,608	3,742
Employee benefits	12,024	11,799
Other, net	9,256	11,879
Deferred assets	\$ 68,994	\$ 76,962
Depreciation	(24,659)	(55,473)
Other, net	(2,229)	(4,591)
Deferred liabilities	\$(26,888)	\$(60,064)
Net deferred tax assets	\$ 42,106	\$ 16,898

No valuation allowance is required for the deferred tax assets based on the Company's past tax payments and estimated future taxable income.

A reconciliation of taxes computed at the statutory rate with the tax provision is as follows:

In Thousands	1999	1998	1997
Federal income taxes at statutory rate	\$54,419	\$49,095	\$40,875
State income taxes, net of federal income tax benefit	4,043	5,798	3,842
Other, net	1,227	510	1,401
	\$59,689	\$55,403	\$46,118
Effective income tax rate	38.4%	39.5%	39.5%

Cash payments for income taxes were \$84.9 million, \$58.7 million and \$30.7 million in 1999, 1998 and 1997, respectively.

#### **Segment Information**

Effective December 31, 1998, the Company adopted the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company has restated its prior year segment disclosures to conform to the requirements of SFAS No. 131. The Company's reportable segments have been organized around differences in products and services, and operating segments have been aggregated. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The chief operating decision maker evaluates segment performance by earnings before interest and income taxes. The Company's operations are classified into the following segments:

Construction Materials—the principal products of this segment are rubber, plastic and fleece back sheeting used predominantly on non-residential flat roofs and related roofing accessories, including flashings, fasteners, sealing tapes, coatings and waterproofings. The markets served include new construction,

re-roofing and maintenance of low slope roofs, water containment, HVAC sealants, and coatings and waterproofings.

Industrial Components—the principal products of this segment are small bias-ply rubber tires, stamped and roll-formed wheels, heavy duty friction and braking systems for truck and off-highway equipment, high grade aerospace wire and specialty electronic cable. Customers include golf car manufacturers, power equipment manufacturers, boat and utility trailer manufacturers, truck OEMs, heavy equipment and truck dealers and aftermarket distributors, aerospace OEMs, and electronic equipment manufacturers.

Automotive Components—the principal products of this segment are highly engineered rubber and plastic components for Tier I suppliers and other manufacturers in the automotive market.

**General Industry (All Other)**—the principal products of this segment include commercial

and institutional plastic foodservice permanentware and catering equipment, fiberglass and composite material trays and dishes, ceramic tableware, specialty rubber and plastic cleaning brushes, stainless steel processing equipment and their related process control systems, specialty trailers and standard and custom-built high pay-load trailers and dump bodies, refrigerated fiberglass truck bodies and perishable cargo container leasing. Customers include foodservice distributors, restaurants, dairy product processors and distributors, heavy equipment and truck dealers, home delivery distributors, shipping lines and commercial haulers.

**Corporate**—includes general corporate and idle property expenses. Corporate assets consist primarily of cash and cash equivalents, facilities, and other invested assets.

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

#### SEGMENT FINANCIAL DATA

In Thousands		Sales	Earnings Before Interest & Income Taxes		Assets	Depreciation And Amortization	Capital Spending
1999							
Construction Materials	\$	405,387	\$ 58,195	\$	229,905	\$ 7,149	\$ 9,045
Industrial Components		527,902	66,001		333,401	16,942	17,000
Automotive Components		314,246	21,212		209,653	10,873	10,526
General Industry (All Other	-)	363,721	40,429		262,435	11,646	10,880
Corporate		_	(11,200)		45,268	804	388
	\$1	,611,256	\$174,637	\$1	,080,662	\$47,414	\$47,839
1998							
Construction Materials	\$	371,547	\$ 53,030	\$	218,045	\$ 7,439	\$12,849
Industrial Components		510,780	61,261		319,519	15,270	33,540
Automotive Components		271,955	17,638		213,900	10,005	27,442
General Industry (All Other	-)	363,212	38,166		262,393	11,590	21,749
Corporate		_	(10,110)		8,995	917	390
	\$1	,517,494	\$159,985	\$1	,022,852	\$45,221	\$95,970
1997							
Construction Materials	\$	316,597	\$ 49,120	\$	174,157	\$ 6,179	\$ 8,109
Industrial Components		396,941	47,509		278,458	12,398	19,743
Automotive Components		241,283	18,633		178,206	8,571	14,454
General Industry (All Other	•)	305,729	30,142		215,777	10,714	17,016
Corporate		_	(13,290)		14,618	893	209
	\$1	,260,550	\$132,114	\$	861,216	\$38,755	\$59,531

					In tho	usand	Unaudite s except per shar
		First	Second	Third	Fourth		Yea
999							
Net sales	\$3	390,024	425,813	400,855	394,564	\$1	,611,25
Gross margin	\$	84,623	98,101	89,927	84,338	\$	356,98
Operating expenses	\$	46,870	48,300	46,425	47,541	\$	189,13
Net earnings	\$	21,808	27,998	24,676	21,312	\$	95,79
Basic earnings per share	\$	0.72	0.93	0.82	0.71	\$	3.1
Diluted earnings per share	\$	0.71	0.91	0.81	0.70	\$	3.1
Dividends per share Stock price:	\$	0.16	0.16	0.18	0.18	\$	0.6
High	\$	<b>52</b> <sup>15</sup> / <sub>16</sub>	49%	51%	43%		
Low	\$	41	421/4	37%6	30%		
998							
Net sales	\$3	363,090	395,580	377,985	380,839	\$1	,517,49
Gross margin	\$	78,555	88,363	81,948	79,249	\$	328,11
Operating expenses	\$	43,993	44,644	43,437	44,470	\$	176,54
Net earnings	\$	18,979	24,551	22,320	19,016	\$	84,86
Basic earnings per share	\$	0.63	0.81	0.74	0.63	\$	2.8
Diluted earnings per share	\$	0.62	0.80	0.73	0.62	\$	2.7
Dividends per share	\$	0.14	0.14	0.16	0.16	\$	0.6
Stock price:							
High	\$	511/4	531/16	<b>47</b> <sup>15</sup> /16	51%		
Low	\$	401/16	39%	35½	3211/16		

#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited the accompanying consolidated balance sheets of Carlisle Companies Incorporated (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. 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 generally accepted auditing standards. 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 financial position of Carlisle Companies Incorporated as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

New York, New York January 25, 2000

ather andersen LLP

In thousands except per share data

			-				
		1999	1998	1997	1996	1995	1994
Summary of Operations							
Net sales	\$1	,611,256	1,517,494	1,260,550	1,017,495	822,534	692,650
Gross margin	\$	356,989	328,115	286,461	237,698	197,674	176,36
Selling & administrative							
expenses	\$	173,375	160,366	143,246	128,676	109,236	102,992
Research & development	\$	15,762	16,178	15,824	11,900	12,339	11,933
Interest and other expenses,							
net	\$	12,369	11,302	10,607	5,082	3,241	2,652
Net earnings	\$	95,794	84,866	70,666	55,680	44,081	35,568
Basic earnings per share	\$	3.18	2.81	2.34	1.84	1.43	1.17
Diluted earnings per share	\$	3.13	2.77	2.28	1.80	1.41	1.15
Financial Position							
Net working capital	\$	300,660	223,188	191,450	175,285	153,709	164,669
Property, plant and							
equipment, net	\$	349,451	354,769	294,165	264,238	193,134	158,238
Total assets	\$1	,080,662	1,022,852	861,216	742,463	542,423	485,283
Long-term debt	\$	281,744	273,521	209,642	191,167	72,725	69,148
% of total capitalization		37.1	40.2	37.5	38.3	21.0	21.8
Shareholders' equity	\$	478,132	405,435	347,253	307,608	273,257	247,850
Other Data							
Average shares outstanding—							
basic		30,166	30,179	30,235	30,281	30,759	30,519
Average shares outstanding—							
diluted		30,635	30,674	31,025	30,953	31,266	30,960
Dividends paid	\$	20,511	18,105	15,868	14,129	12,928	11,605
Per share	\$	0.680	0.600	0.525	0.465	0.420	0.380
Capital expenditures	\$	47,839	95,970	59,531	34,990	37,467	31,082
Depreciation & amortization	\$	47,414	45,221	38,755	29,758	23,230	21,940
Shareholders of record		2,546	2,443	2,068	2,145	2,054	2,350

All share and per share amounts have been restated to reflect the two-for-one stock split on January 15, 1997.

Earnings per share amounts prior to 1997 have been restated to comply with Statement of Financial Accounting Standards No. 128, "Earnings Per Share." See the Notes to Consolidated Financial Statements.

### investor information

Annual Meeting 12:00 noon, April 20, 2000, at corporate headquarters.

10-K Reports are available on-line from the SEC or by written request to the Secretary.

Change of Address, Dividend Checks, Lost Certificates and Ownership Transfers contact the Registrar, Transfer and Dividend Disbursing Agent for the Company: Harris Trust and Savings Bank, P.O. Box A-3504, Chicago, Illinois 60690, 1-800-897-9071.

Dividend Reinvestment Plan Shareowner may elect to have regular cash dividends automatically reinvested in the Company's common stock and, periodically, additional shares may be purchased for cash. Brokerage commissions and all other service charges are paid for by the Company. For detailed information, contact: Harris Trust and Savings Bank 1-800-897-9071.

Exchange Listing The Company's ticker symbol on the New York Stock Exchange is CSL.

Shareholder Services 1-800-897-9071

Web Site www.carlisle.com

#### **BOARD OF DIRECTORS**

Donald G. Calder (a) (b)	President, G.L. Ohrstrom & Co., Inc., a private investment firm
Paul J. Choquette, Jr. (a) (d)	President, Chief Executive Officer, Gilbane Building Company
Henry J. Forrest (b) (c)	Past President and Chief Operating Officer, Inner-City Products Corporation
Dennis J. Hall	Vice Chairman and Chief Operating Officer of the Company
Peter L. A. Jamieson (b) (d)	Past Director, Robert Fleming Holdings, Ltd.
Peter F. Krogh (c) (d)	Dean Emeritus & Distinguished Professor of International Affairs, Georgetown University School of Foreign Service
Stephen P. Munn (a)	Chairman and Chief Executive Officer of the Company
G. FitzGerald Ohrstrom (b) (d)	Vice Chairman, G.L. Ohrstrom & Co. Inc.
Eriberto R. Scocimara (a) (c)	President, Hungarian-American Enterprise Fund
Robin W. Sternbergh (b) (d)	Past General Manager, Distribution, IBM
Magalen C. Webert (b)	Investor in various corporations

#### **OFFICERS**

Stephen P. Munn	Chairman and Chief Executive Officer	
Dennis J. Hall	Vice Chairman and Chief Operating Officer	
Richmond D. McKinnish	Executive Vice President	
John S. Barsanti	Vice President, Chief Financial Officer	
Steven J. Ford	Vice President, Secretary and General Counsel	
Kevin G. Forster	President, Asia Pacific	
Scott C. Selbach	Vice President, Corporate Development	

(a) Member of Executive Committee (c) Member of Compensation Committee

(b) Member of Audit Committee

(d) Member of Pension and Benefits Committee



#### CARLISLE COMPANIES INCORPORATED

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NYSE Symbol: CSL