CARLISLE COMPANIES INC
Form 10-K
February 27, 2009

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

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 (State or other jurisdiction of incorporation or organization)	**31-1168055** (I.R.S. Employer Identification No.)
13925 Ballantyne Corporate Place, Suite 400, Charlotte, North Carolina 28277 (Address of principal executive office, including zip code)	**(704) 501-1100** (Telephone Number)

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

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

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

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

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

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

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

As of February 25, 2009, 60,990,654 shares of common stock of the registrant were outstanding; the aggregate market value of the shares of common stock of the registrant held by non-affiliates was approximately $1,738,769,327 based upon the closing price of the common stock on the New York Stock Exchange on June 30, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on April 20, 2009 are incorporated by reference in Part III.

Part I

Item 1. Business

Overview

Carlisle Companies Incorporated ("Carlisle" or the "Company") was incorporated in 1986 in Delaware as a holding company for Carlisle Corporation, whose operations began in 1917, and its wholly-owned subsidiaries. Carlisle is a diversified manufacturing company consisting of nine operating companies which manufacture and distribute a broad range of products. Seven of these companies are included in continuing operations, and two of these companies are included in discontinued operations. Additional information is contained in Items 7 and 8.

The Company's executive offices are located at 13925 Ballantyne Corporate Place, Suite 400, Charlotte, North Carolina. The Company's main telephone number is (704) 501-1100. The Company's Internet website address is *www.carlisle.com*. Through this Internet website (found in the "Investor Relations" link), the Company makes available free of charge its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and all amendments to those reports, as soon as reasonably practicable after these reports are electronically filed with or furnished to the Securities and Exchange Commission.

Management Philosophy/Business Strategy

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

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

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

Acquisitions and Divestitures

The Company has a long-standing acquisition strategy. Traditionally, the Company has focused on acquiring new businesses that can be added to existing operations ("bolt-ons"). In addition, the Company considers acquiring new businesses which can operate independently from other Carlisle companies. Factors considered by the Company in making an acquisition include consolidation opportunities, technology, customer dispersion, operating capabilities and growth potential. For more details regarding acquisitions completed over the past three years, see Note 9 to the Consolidated Financial Statements in Item 8.

For more details regarding the consolidation and divestiture of the Company's businesses during the past three years, see Note 17 to the Consolidated Financial Statements in Item 8 and "Discontinued Operations", also in Item 1 below.

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

Financial Information About Industry Segments

	2008	2007(4)	2006(4)
Sales to Unaffiliated Customers(1)			
Construction Materials	**$ 1,472.3**	$ 1,365.4	$ 1,111.2
Transportation Products	**861.0**	853.8	807.9
Applied Technologies	**464.1**	300.2	269.7
Specialty Products	**174.0**	156.8	164.7
Total	**$ 2,971.4**	$ 2,676.2	$ 2,353.5
Operating Income(4)			
Construction Materials	**$ 151.1**	$ 181.6	$ 166.1
Transportation Products	**50.6**	79.5	80.0
Applied Technologies	**46.7**	37.8	25.7
Specialty Products	**29.0**	18.0	24.5
Corporate(2)	**(32.5)**	(35.6)	(26.0)
Total	**$ 244.9**	$ 281.3	$ 270.3
Identifiable Assets			
Construction Materials	**$ 667.8**	$ 693.4	$ 596.0
Transportation Products	**509.8**	531.4	483.2
Applied Technologies	**564.6**	242.8	229.3
Specialty Products	**114.1**	199.1	199.4
Corporate(3)	**81.6**	128.1	195.9
Total	**$ 1,937.9**	$ 1,794.8	$ 1,703.8

(1) Intersegment sales or transfers are not material

(2) Includes general corporate expenses

(3) Consists primarily of cash and cash equivalents, facilities, and other invested assets

(4) 2007 and 2006 figures have been revised to reflect the change from reporting earnings before interest and income taxes to reporting operating income, the change in segments and to exclude discontinued operations

A reconciliation of assets reported above to total assets as presented on the Company's Consolidated Balance Sheets in Item 8 is as follows:

	2008	2007
Total Identifiable Assets by segment per table above	**$ 1,937.9**	$ 1,794.8
Assets held for sale of discontinued operations*	**138.0**	194.0
Total assets per Consolidated Balance Sheets in Item 8	**$ 2,075.9**	$ 1,988.8

*

See Note 17 to the Consolidated Financial Statements in Item 8.

Description of Businesses by Reportable Segment

Construction Materials

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

The construction materials business operates manufacturing facilities located throughout the United States, its primary market. Insulation facilities are located in Kingston, NY, Franklin Park, IL, Lake City, FL, Terrell, TX, Tooele, UT and Smithfield, PA. EPDM manufacturing operations are located in Carlisle, PA and Greenville, IL. TPO facilities are located in Senatobia, MS and Tooele, UT. Block molded expanded polystyrene ("EPS") operations included thirteen production and fabrication facilities across the U.S., but ceased manufacturing operations at the plants located in Anderson, SC and Marlin, TX. Both plants manufactured residential products for the construction industry.

Raw materials include EPDM polymer, TPO polymer, carbon black, processing oils, solvents, asphalt, methylene diphenyl diisocyanate (MDI), Polyol, polyester fabric, black facer paper, oriented strand board (OSB), clay and various packaging materials. Critical raw materials generally have at least two vendor sources to better assure adequate supply. For raw materials that are single sourced, the vendor typically has multiple processing facilities. In general, this business believes that sufficient quantities of raw materials can be obtained through normal sources to avoid interruption of production in 2009.

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

The construction materials business' working capital practices include the following:

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

(ii) Standard accounts payable payment terms of 30 days to 45 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand. Due to the seasonal demand of the construction market, inventories tend to be higher in the first quarter.

The construction materials business serves a large and diverse customer base; however, in 2008 one customer represented 18% of this segment's revenues, but did not represent 10% of consolidated revenues. The loss of this customer could have a material adverse effect on segment revenues.

This business competes in the construction materials market, a market with numerous competitors that produce roofing, insulation and waterproofing products for commercial and residential applications. The level of competition within the market varies by product line. As one of two leading manufacturers in the niche single-ply industry, the construction materials business competes through pricing, innovative products, long-term warranties and customer service. This business offers extended warranty programs on its installed roofing systems, ranging from five (5) years to thirty (30) years and, subject to certain exclusions, covering leaks in the roofing system attributable to a problem with the particular product or the installation of the product. In order to qualify for the warranty, the building owner must have the roofing system installed by an authorized roofing applicator an independent roofing contractor trained by the Company to install its roofing systems.

Transportation Products

The Transportation Products segment is comprised of the tire and wheel business and the specialty trailer business. The tire and wheel business is a manufacturer and distributor with facilities positioned in many locations throughout North America and China. The principal products manufactured are bias-ply, steel-belted radial trailer tires, non-automotive rubber tires, and stamped or roll-formed steel wheels. These products are sold by direct sales personnel to original equipment manufacturers ("OEMs"), mass merchandisers and various tire and wheel distributors located primarily in the U.S. and Canada. Primary markets served by the tire and wheel business include lawn and garden outdoor power equipment mass merchant, lawn and garden outdoor power equipment dealer, trailer, all-terrain vehicle, golf car, agriculture, construction and related aftermarkets. The tire and wheel business also manufactures and sells styled wheels to the automotive aftermarket. Individual product managers are assigned to each of these various markets and are responsible for strategy development, product concept and development as well as product life cycle management.

The specialty trailer business manufactures and sells trailers to a variety of markets. Sales are categorized as follows: (i) construction includes open-deck trailers used by contractors for hauling equipment to and from sites or by rental companies for equipment delivery, (ii) material hauling includes various dump trailer lines, such as steel bottom-dumps, side-dumps, end-dumps and live-bottoms as well as aluminum end dump and pneumatic bulk tank trailers, (iii) specialized includes large-capacity multi-unit trailers and specially designed trailers for specific hauling purposes, and (iv) commercial includes trailers sold for over-the-road hauling and general freight. Sales are made primarily in the United States, with less than 10% of sales to Canada and Mexico. The majority of sales in this business are to dealers with the balance sold directly to end-users such as rental companies, national accounts, heavy-haulers, waste haulers and OEM manufacturers. The specialty trailer business operates manufacturing facilities in the U.S., which is its primary market.

The tire and wheel business' primary raw materials include steel used to manufacture wheels, as well as rubber and other oil-based commodities required for tire production. Raw material prices hit unprecedented highs during 2008, with some relief being seen late in the fourth quarter. Raw materials are sourced worldwide to better assure adequate supply. The specialty trailer business' raw materials include high-tensile steel, aluminum, lumber, tires, axles, suspensions and hydraulic and electrical components. Critical raw materials generally have at least two vendor sources to better assure adequate supply. Both businesses believe that despite pricing issues, sufficient quantities of their respective raw materials can be obtained through normal sources to avoid interruption of production in 2009.

Sales and earnings for the tire and wheel business tend to be somewhat higher in the first six (6) months of the year due to peak sales in the lawn and garden, original equipment, agriculture and replacement markets. The operations of the specialty trailer business are generally not seasonal in nature.

The working capital practices of both businesses include:

(i) Standard accounts receivable payment terms of 10 days to 90 days.

(ii) Standard accounts payable payment terms of 10 days to 60 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand. For the tire and wheel business, inventories are generally higher in the fourth and first quarters to meet seasonal demand. Inventories tend to build late in the year in advance of the busy season and then steadily fall throughout the first half of the subsequent year.

Both the tire and wheel and specialty trailer business have several significant customers, however, no individual customer accounted for more than 10% of segment sales in 2008.

The tire and wheel business competes globally against regional and international manufacturers. The business participates in a variety of market segments including lawn and garden, agriculture, construction, high-speed trailers, all-terrain vehicles and aftermarket styled wheels. Few competitors participate in all served markets. A majority participate in only a few of the business' served markets on a regional or global basis. Markets served are competitive and the major competitive factors include product performance, quality, product availability and price. The relative importance of these competitive factors varies by market segment and channel.

The specialty trailer business' products compete primarily based on quality and options as well as price. The commercial and material hauling products compete primarily on price. Conversely, the large-capacity multi-unit trailers manufactured for specialized purposes tend to compete primarily on quality and options.

Applied Technologies

The Applied Technologies segment includes the Company's foodservice business and the interconnect technologies business.

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

On January 25, 2008, the Company acquired 100% of the equity of Dinex International, Inc. ("Dinex"), a leading supplier of foodservice products to the healthcare and other institutional industries, for approximately $96 million. Refer to Note 9 in the Notes to the Consolidated Financial Statements in Item 8. This acquisition complements the Company's core foodservice product categories and supports its growth initiatives in the healthcare and other institutional foodservice markets. The purchase of Dinex is expected to allow the foodservice business to leverage its product and manufacturing capabilities into Dinex's established sectors.

The interconnect technologies business designs and manufactures high-performance wire, cable, connectors and cable assemblies, including RF/microwave connectors and cable assemblies, primarily for the aerospace, defense electronics and test and measurement industries. This business operates manufacturing facilities in the United States and China with the United States being the primary target market for sales. Sales are made by direct sales personnel.

On April 28, 2008, the Company acquired 100% of the equity of Carlyle Incorporated ("Carlyle"), a leading provider of high-specification aerospace and network interconnection solutions, for a purchase price of approximately $194 million. Refer to Note 9 in the Notes to the Consolidated Financial Statements in Item 8. The acquisition is expected to strengthen the interconnect technologies business' core presence in specialty wire and cable and interconnect solutions for the aerospace industry. The purchase is expected to also expand the business' global reach and add to its capabilities in other specialty interconnect segments.

Raw materials used by the foodservice products business include polymer resins, stainless steel and aluminum. Key raw materials are sourced nationally from recognized suppliers of these materials. The Company believes that sufficient quantities of raw material can be obtained for this business through existing sources to avoid interruption of production in 2009.

The interconnect technologies business' raw materials include copper conductors that are plated with tin, nickel or silver, polyimide tapes, PTFE tapes, PTFE fine powder resin, thermoplastic resins, stainless steel, beryllium copper rod, machined metals and plastic parts and various marking and identification materials. Key raw materials are typically sourced worldwide and have at least two vendor sources to better assure adequate supply. The Company believes that sufficient quantities of raw material can be obtained for this business through normal sources to avoid interruption of production in 2009.

The operations of the interconnect technologies business are generally not seasonal in nature. Sales in the foodservice business are marginally stronger in the months of March through October.

The working capital practices of both businesses within the Applied Technologies segment include:

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

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

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

Both businesses within this segment had significant customers in 2008, however, no individual customer accounted for more than 10% of segment sales in 2008.

The foodservice business is engaged in markets that are generally highly competitive, and competes equally on price, service and product performance. The interconnect technologies business is known for its engineering and product quality. Product performance, either mechanical or electrical in nature, is the number one competitive criterion, with pricing, delivery and service being secondary if the product does not perform to the technical specification as provided by the customer. In most product lines in the interconnect technologies business, there are only one or two companies capable of producing a competing product.

Specialty Products

The Specialty Products segment includes the off-highway brake business and the refrigerated truck bodies business. The off-highway brake business includes braking systems and specialty friction products for mining, construction, agricultural, industrial, wind energy and other off-highway equipment, as well as brake actuation systems for on-highway towed vehicles. These products are sold to heavy-duty equipment OEMs, clutch and brake OEMs, wind energy companies, replacement part distributors and trailer distributors by direct sales personnel.

The off-highway brake business operates manufacturing facilities in the United States and the United Kingdom (Pontypool, Wales), as well as a light assembly warehouse operation in Zevenaar, The Netherlands. Products are sold or distributed into many geographic markets, including Europe, Africa, South America, Asia, and North America.

The refrigerated truck bodies business manufactures and sells insulated refrigerated truck bodies to a variety of markets including food, dairy, beverage and home delivery. This business' main distribution channels are through a factory direct sales staff. The refrigerated truck bodies business operates a single manufacturing facility in Rice Lake, WI and sells primarily into the U.S. market.

The raw materials used for the off-highway brake business are diverse. These brake manufacturing operations require the use of various metal products such as castings, pistons, springs and bearings. With respect to its friction products, the raw materials used are fiberglass, phenolic resin, metallic chips and various other organic materials. This business believes that adequate quantities of all of its raw materials can be obtained in 2009.

The raw materials and components used by the refrigerated truck bodies business include refrigeration compressors, eutectic holdover plates, mechanical blower refrigeration systems, electric/hydraulic liftgates, fiberglass, polyester resins, polyurethane foam resins, steel, aluminum, plywood, and cast and stainless steel hardware. The availability of steel and petroleum-based materials could impact raw material costs. Overseas opportunities continue to be examined for cost savings. The Company believes that sufficient quantities of raw material can be obtained for this business through normal sources to avoid interruption of production in 2009; however, any change in lead time for delivery of customer-owned chassis could delay production.

The sales and operating income of the off-highway brake business are not seasonal in nature. The refrigerated truck bodies business is moderately seasonal in nature, with the second and third quarters of the year being strongest in sales.

With respect to working capital, practices include the following:

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

(ii) Standard accounts payable payment terms of 30 days to 45 days.

(iii) Inventories are maintained in sufficient quantities to meet forecasted demand. Higher value, customer-specific components for the refrigerated truck bodies business are ordered at the time required.

No customer accounted for more than 10% of segment sales in 2008, with the off-highway customer base being somewhat more diverse. The Company's relationships with its largest OEM customers impact aftermarket participation in that acceptance of product by these OEMs facilitates aftermarket sales.

For the off-highway braking business, differentiation between competitors is based primarily on price, although much of the Pontypool-based product is patented and cannot be sold by competitors. Once selected by an OEM, off-highway products carry a switching cost to the manufacturer, should they select a competitive product. This business faces competition from both domestic and international sources, as well as from the OEM customer base, which can decide to manufacture their own braking systems. The refrigerated truck bodies business competes primarily on quality and performance with an emphasis on thermal efficiency.

Discontinued Operations

In the second quarter of 2008, in keeping with the Company's plan to simplify its business and focus attention on its remaining businesses and operating segments, the Company announced its decision to pursue disposition of both its power transmission belt ("power transmission belt business") and on-highway brake ("on-highway brake business") businesses. The Company intends to complete the sales of these businesses in 2009. In the second quarter of 2007, as part of its commitment to concentrate on its core businesses, the Company announced plans to exit the custom thermoset products molding operation ("thermoset molding operation"). In September 2006, the Company announced plans to exit the giftware business of the foodservice products business. The disposition of the thermoset molding operation was completed in 2008, and the disposition of the giftware business was completed in 2007. The assets of these operations have met the criteria for, and have been classified as "held for sale" in accordance with SFAS 144, Accounting for the Impairment and Disposal of Long-Lived Assets ("SFAS 144"). In addition, results of operations for these businesses, and any gains or losses recognized from their sale, are reported as "discontinued operations" in accordance with SFAS 144.

Principal Products

The Company's products are discussed above and in additional detail in Note 20 to the Consolidated Financial Statements in Item 8.

Intellectual Property

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

Backlog

Backlog of orders from continuing operations generally is not a significant factor in most of the Company's businesses, as most of the Company's products have relatively short order-to-delivery periods. Backlog of orders from continuing operations was $280.3 million at December 31, 2008 and $266.4 million at December 31, 2007; however, the majority of these orders are not firm in nature.

Government Contracts

At December 31, 2008, the Company had no material contracts that were subject to renegotiation of profits or termination at the election of the U.S. government.

Research and Development

Research and development activities include the development of new product lines, the modification of existing product lines to comply with regulatory changes, and the research of cost efficiencies through raw material substitution and process improvements. The Company's research and development expenses from continuing operations were $12.8 million in 2008 compared to $12.1 million in 2007 and $10.1 million in 2006.

Environmental Matters

Carlisle believes its operations generally are in substantial compliance with applicable regulations. In a few instances, particular plants and businesses have been the subject of administrative and legal proceedings with governmental agencies or private parties relating to the discharge or potential discharge of regulated substances. Where necessary, these matters have been addressed with specific consent orders to achieve compliance. Carlisle believes that continued compliance will not have any material impact on the Company's financial position and will not require significant capital expenditures.

Employees

The Company had approximately 11,000 employees in its continuing operations at December 31, 2008.

International

For foreign sales, export sales and an allocation of the assets of the Company's continuing operations, see Note 20 to the Consolidated Financial Statements in Item 8.

NYSE Affirmation

On May 9, 2008, David A. Roberts, the Company's Chief Executive Officer, submitted to the New York Stock Exchange (the "NYSE") the Annual CEO Certification and certified therein that he was not aware of any violation by the Company of the NYSE's Corporate Governance listing standards.

Item 1A. Risk Factors

The Company's business, financial condition, results of operations and cash flows can be affected by a number of factors including but not limited to those set forth below, those set forth in our "Forward Looking Statements" disclosure in Item 7 and those set forth elsewhere in this Annual Report on Form 10-K, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

The demand for the Company's products may be adversely affected by deteriorating macroeconomic and business conditions. The recession in the United States and in key foreign markets could substantially affect the Company's sales, profitability and financial condition. The sharp downturn has reduced economic activity in many of the product markets in which we operate. Many of these markets are cyclical and have experienced downturns. It cannot be predicted when, or to what extent, there might be a recovery.

Actions taken by major governments throughout the world to restore liquidity and increase credit availability may not be fully effective in addressing the economic problems that are causing the recession and the increased concern over the general soundness of the U.S. and foreign economies.

The reduced demand for the Company's products from prolonged economic decline would likely result in lower revenues, excess production capacity, higher cost, and margin compression on some products.

Access to cost-effective sources of capital may be affected by current global financial system problems. The ability of the Company, its customers and suppliers to obtain capital with reasonable terms to support business activities including developing lines of credit, refinancing existing debt, funding capital projects, and financing acquisitions is likely to be negatively affected by the global financial crisis.

A downgrade in the Company's debt ratings could restrict the ability to access the debt capital markets and could increase interest expense on existing financing agreements. The inability to maintain or to expand credit facilities on similar terms may have a material adverse affect on the Company's financial position, results of operations and free cash flow. The Company's reliance on customers and vendors to meet their obligations could be reduced because of their potential difficulty in accessing outside financing.

Extended difficulties by owners and developers to secure financing for new residential and commercial construction projects will likely reduce the demand for roofing products from the Company's construction materials operations. A slowdown resulting from restricted credit availability in the commercial construction industry would likely reduce the demand for both new roofing products and reroofing products.

The Company's objective is to achieve organic sales growth greater than the percentage growth of U.S. national gross domestic product. As the Company continues to grow organically through the construction of new plants and distribution centers, it must balance the benefits against the risks of expanding its business to a level that cannot be supported through its existing customer base or entry into new markets.

The Company's growth is partially dependent on the acquisition of other businesses. The Company has a long standing acquisition program and expects to continue acquiring businesses. Typically, the Company considers acquiring bolt-ons. Acquisitions of this type involve numerous risks, which may include potential difficulties in integrating the business into existing operations, increasing dependency on the markets served by certain businesses, and increased debt to finance the acquisitions. The Company also considers the acquisition of businesses which can operate independently of existing operations, which has an increased possibility of diverting management's attention from its core operations.

Material costs are a significant component of the Company's cost structure. The Company utilizes petroleum based products, steel and other commodities in its manufacturing processes. Raw materials, including inbound freight, account for approximately 63% of the Company's cost of goods sold. Significant increases in the price of these materials may not be recovered through sale price and could adversely affect operating results. The Company also relies on global sources of raw materials, which could be adversely impacted by slow or unfavorable shipping or trade arrangements, and global economic conditions.

The Company must balance the inventory it carries with market demand. A significant increase in demand for its products could result in additional inventory demand which could cause a short-term increase in the cost of inventory purchases. A significant decrease in demand could result in an increase of inventory on hand and as well as increased costs due to production cutbacks and inefficiencies.

Benefits from the present restructuring activities are expected to include an improvement in customer service, cost reductions, higher productivity and lower working capital. The steps being taken to consolidate manufacturing and distribution centers could cause disruptions to customers and the potential loss of a portion of their business. Major projects are underway or planned in the tire and wheel business, the construction materials business and the foodservice business. In addition, the Company is evaluating its plant reconstruction options related to the fire at the tire and wheel plant in Bowdon, GA. See Note 2 in the Notes to the Consolidated Financial Statements in Item 8 for further information.

If the realignment and resizing does not meet the projected operational and market requirements, the objectives of the restructuring will not be achieved, resulting in potential further restructuring actions and employee dissatisfaction.

The products manufactured may become obsolete due to design or technology changes. The Company's future operating success may depend upon its ability to redesign or find new applications for its current products or develop new products.

The Company faces increased international competition. The tire and wheel business competes against companies that leverage low cost manufacturing through facilities located outside the United States. While the Company has been price competitive, it may need to adjust its operating strategies to remain competitive against the off-shore competition.

The Company is expanding its operations into China. To compete globally against low-cost manufacturers with operations located outside the United States, the Company has expanded many of its operations into China. Conducting operations within China may cause the Company to be impacted by the political environment within China and trade relations between the United States and Chinese governments. Many of the products manufactured in China are sold in the North American market. Therefore the Company may be impacted by the cost and availability of shipping channels and amount of time required to ship the goods to the intended market. Revenues for sales of products manufactured in China for the North American market are generated predominately in U.S. Dollars. Many of the obligations incurred by these operations are settled in Chinese Renminbi or Hong Kong Dollars. Should the U.S. Dollar weaken significantly against the Renminbi or Hong Kong Dollar, the Company's results of operations could be adversely affected. The Company continues to monitor developments in China that may affect its strategy and will hedge its currency risk exposure when deemed effective and prudent. Recent tax law changes in China to reduce value added tax refunds on exported products and to conform income tax laws for both domestic and foreign owned companies may increase tax burdens for Carlisle's in-country operations.

The Company plans to grow through expansion of international sales. As the Company strives to reach this strategic goal, the Company may be impacted by the political environment in various countries and government trade relations with the U.S., as well as local country market factors. International sales expansion may also require an additional commitment to the Company's level of working capital.

The Company and the markets it serves can be negatively impacted by significant changes in interest rates. The Company may utilize interest rate swaps or other derivative instruments to mitigate its interest rate, currency and investment risk. Many of the markets served by Carlisle are impacted by interest rates. A significant rise in interest rates may curtail construction activities and other capital spending, as well as consumer spending, all of which could have an adverse impact on operating results.

The Company has significant concentrations in the general construction and lawn and garden markets. For the year ended December 31, 2008, approximately 50% of the Company's revenues, and 54% of its operating income (excluding Corporate expenses) were generated by the Construction Materials segment. Construction spending is affected by economic conditions, changes in interest rates, demographic and population shifts, and changes in construction spending by federal, state, and local governments. A decline in the commercial construction market, as well as certain other operations of the Company, could adversely affect the Company's performance.

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

Approximately 29% of revenues for the year ended December 31, 2008, and 18% of its operating income (excluding Corporate expenses) were generated by the Company's Transportation Products segment. The businesses in this segment rely heavily on the condition of the lawn and garden and construction equipment markets. Softening in this market could place negative pressure on the Company's results of operations.

The commercial construction market and lawn and garden market can be affected by weather. Adverse weather conditions, such as heavy or sustained rainfall, cold weather and snow can limit construction activity and reduce demand for roofing materials. Weather conditions can also be a positive factor, as demand for roofing materials may rise after harsh weather conditions due to the need for replacement materials. The lawn and garden market is also affected by extreme weather conditions, which could impact demand for outdoor power equipment.

The Company also serves many specialty niche markets and as such, may be negatively impacted by softening in those markets. In addition to having concentrations in the construction materials and lawn and garden markets, many of the markets served by Carlisle, including the specialty trailer, refrigerated truck bodies, and foodservice products markets, are smaller, niche markets that may experience cyclicality. These market cycles can span a number of years, and while the Company benefits from the upside of these cycles, downturns can negatively affect performance.

Changes in business conditions could cause goodwill to become impaired. The Company has a long-standing strategy to acquire interests in other businesses. These investments are made after careful analysis and the completion of due diligence procedures. The analysis and procedures often include assumptions and judgments in the determination of the acquisition price. After acquisition, unforeseen issues could arise that adversely affect the expected returns and the unfavorable financial impact may not be recoverable through an adjustment to the acquisition price. In addition, unexpected difficulties encountered during integration could cause actual operating results to vary from initial estimates.

The amount of goodwill is a significant portion of the Company's total assets. An evaluation of impairment of goodwill is made annually or when evidence of a potential impairment exists, in accordance with SFAS No. 142, Goodwill and Other Intangibles Assets ("SFAS 142"). The impairment evaluation is based on several factors involving assumptions and judgment regarding expected cash flows. If the assumptions and judgment indicate that goodwill impairment exists for an operating unit, the result could be a substantial asset charge that reduces the Company's operating income and could cause a default in the covenants covered by the Company's debt and credit facility agreements.

The Company is impacted by the cost of providing pension benefits. Pension expense associated with the Company's retirement benefit plans may fluctuate significantly depending on changes in actuarial assumptions and the future market performance of plan assets.

The Company continues to be negatively impacted by the rising cost of providing pension and other post-retirement benefits. The underfunded status of the defined benefit pension plans will require cash payments. Additionally, if pension plan assets do not perform to the Company's expectations, or if other actuarial assumptions are modified, the required contributions may be higher than anticipated.

Significant changes in retirement plan discount rates and in the actual investment return on pension assets could affect the Company's net income, pension benefit obligation, shareholders' equity and retirement plan contributions in future periods.

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

Item 1B Unresolved Staff Comments

None.

Item 2. Properties

The number, type, location and size of the Company's properties as of December 31, 2008 are shown on the following charts, by segment.

	Number and Nature of Facilities			Square Footage (000's)	
Segment	Manufacturing(1)	Warehouse(2)	Office	Owned	Leased
Construction Materials	31	6	17	3,465	1,331
Transportation Products	17	29	6	3,384	2,481
Applied Technologies	14	9	5	720	1,356
Specialty Products	5	2	2	563	24
Discontinued Operations	8	3	1	1,574	365
Corporate	0	0	5	0	26

	Locations		
Segment	North America	Europe	China
Construction Materials	53	1	0
Transportation Products	47	0	5
Applied Technologies	26	0	2
Specialty Products	7	2	0
Discontinued Operations	11	0	1
Corporate	2	1	2

(1) Also includes facilities which are combined manufacturing, warehouse and office space.

(2) Also includes facilities which are combined warehouse and office space.

Item 3. Legal Proceedings

The Company may be involved in various legal actions from time to time arising in the normal course of business. In the opinion of management, the ultimate outcome of such actions will not have a material adverse effect on the consolidated financial position of the Company, but may have a material impact on the Company's results of operations for a particular period.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Part II

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

The Company's common stock is traded on the New York Stock Exchange. At December 31, 2008, there were 1,515 shareholders of record.

Quarterly cash dividends paid and the high and low prices of the Company's stock on the New York Stock Exchange in 2008 and 2007 were as follows:

2008	**First**	**Second**	**Third**	**Fourth**
Dividends per share	**$ 0.145**	**$0.145**	**$0.155**	**$0.155**
Stock Price				
High	**$ 40.47**	**$35.75**	**$37.19**	**$30.40**
Low	**$ 29.01**	**$28.66**	**$24.81**	**$16.60**

2007	**First**	**Second**	**Third**	**Fourth**
Dividends per share	$0.135	$0.135	$0.145	$0.145
Stock Price				
High	$47.21	$47.83	$51.54	$49.23
Low	$38.90	$40.88	$44.61	$36.42

There were no repurchases of the Company's equity securities for the period from October 1, 2008 through December 31, 2008.

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs**
October 1 - 31, 2008		$		3,024,499
November 1 - 30, 2008				3,024,499
December 1 - 31, 2008				3,024,499
Total		$		3,024,499

The stock repurchase program was originally approved on November 3, 1999, and was reactivated on August 17, 2004. At the time of the authorization, the Company had the authority to purchase 741,890 split-adjusted shares of common stock. The Board of Directors authorized the repurchase of an additional 2,500,000 shares of the Company's common stock on August 1, 2007, and the repurchase of an additional 1,400,000 shares of the Company's common stock on February 12, 2008. At this time, the Company has authority to repurchase 3,024,499 shares of its common stock.

Item 6. Selected Financial Data.

Five-Year Summary

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

	2008	2007*	2006*	2005*	2004*
Summary of Operations					
Net sales	**$ 2,971.4**	$ 2,676.2	$ 2,353.5	$ 1,986.6	$ 1,765.7
Gross margin	**$ 570.0**	$ 564.4	$ 505.5	$ 425.8	$ 366.1
Selling & administrative expenses	**$ 306.5**	$ 264.3	$ 222.6	$ 196.6	$ 183.3
Research & development	**$ 12.8**	$ 12.1	$ 10.1	$ 10.4	$ 9.6
Other operating expense, net(1)	**$ 5.8**	$ 6.7	$ 2.5	$	$
Operating income	**$ 244.9**	$ 281.3	$ 270.3	$ 218.8	$ 173.2
Other non-operating (income) expense, net	**$ (0.5)**	$ (54.4)	$ (8.3)	$ 2.9	$ (3.5)
Interest expense, net	**$ 27.6**	$ 9.2	$ 20.0	$ 16.1	$ 14.5
Income from continuing operations, net of tax	**$ 149.5**	$ 214.4	$ 176.2	$ 135.8	$ 111.7
Basic earnings per share	**$ 2.47**	$ 3.47	$ 2.88	$ 2.21	$ 1.80
Diluted earnings per share	**$ 2.44**	$ 3.42	$ 2.83	$ 2.18	$ 1.78
(Loss) income from discontinued operations, net of tax	**$ (93.7)**	$ 1.2	$ 40.9	$ (20.6)	$ (25.1)
Basic (loss) earnings per share	**$ (1.55)**	$ 0.03	$ 0.67	$ (0.34)	$ (0.40)
Diluted (loss) earnings per share	**$ (1.53)**	$ 0.02	$ 0.66	$ (0.33)	$ (0.40)
Net income	**$ 55.8**	$ 215.6	$ 217.1	$ 115.2	$ 86.6
Basic earnings per share	**$ 0.92**	$ 3.50	$ 3.55	$ 1.87	$ 1.39
Diluted earnings per share	**$ 0.91**	$ 3.44	$ 3.49	$ 1.85	$ 1.38
Financial Position					
Net working capital(2)	**$ 525.6**	$ 634.9	$ 536.7	$ 312.2	$ 283.2
Property, plant and equipment, net (continuing operations)	**$ 470.7**	$ 463.9	$ 380.6	$ 346.9	$ 304.2
Total assets	**$ 2,075.9**	$ 1,988.8	$ 1,907.1	$ 1,590.1	$ 1,516.2
Long-term debt(3)	**$ 273.3**	$ 262.8	$ 274.7	$ 283.3	$ 259.6
% of total capitalization(4)	**20.0**	19.0	22.1	27.3	26.7
Shareholders' equity	**$ 1,094.1**	$ 1,118.9	$ 967.3	$ 754.0	$ 713.4
Other Data					
Average shares outstanding basic *(in thousands)*	**60,541**	61,692	61,240	61,472	62,064
Average shares outstanding diluted *(in thousands)*	**61,332**	62,630	62,236	62,156	62,818
Dividends paid	**$ 36.6**	$ 34.7	$ 32.0	$ 29.6	$ 28.0
Per share	**$ 0.60**	$ 0.56	$ 0.52	$ 0.48	$ 0.45
Capital expenditures	**$ 68.0**	$ 82.5	$ 95.5	$ 108.2	$ 77.6
Depreciation & amortization	**$ 69.0**	$ 65.9	$ 59.8	$ 56.3	$ 61.1
Shareholders of record	**1,515**	1,933	1,725	1,991	1,934

*
2007 and prior figures have been reclassified to reflect discontinued operations and to conform to 2008 presentation. See notes 1 and 17 to the Consolidated Financial Statements in Item 8. Prior year presentations included Earnings before interest and income taxes ("EBIT"). Operating income data presented is consistent with the 2008 presentation. Results may differ from prior presentations due to rounding.

(1)
For the years ended December 31, 2007 and 2006, charges of $6.7 million and $2.5 million, respectively, have been reclassified from other non-operating income, net to other operating expense, net.

(2)
Net working capital defined as total current assets less total current liabilities.

(3)

Long-term debt includes discontinued operations of $4.9 million at December 31, 2005 and $5.2 million at December 31, 2004.

(4)
% of total capitalization defined as long-term debt divided by long-term debt plus shareholders' equity.

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

Executive Overview

Carlisle Companies Incorporated ("Carlisle", the "Company", "we" or "our") is a diversified manufacturing company focused on achieving profitable growth internally through new product development and product line extensions, and externally through acquisitions that complement our existing technologies, products and market channels. The Company has approximately 11,000 employees in their continuing operations. Carlisle manages its businesses under the following four operating groups and reporting segments:

Construction Materials: the "construction materials" business;

Transportation Products: the "tire and wheel" business and the "specialty trailer" business;

Applied Technologies: the "interconnect technologies" business and the "foodservice products" business; and

Specialty Products: the "off-highway braking" business and the "refrigerated truck bodies" business.

While Carlisle has offshore manufacturing operations, the markets served by the Company are primarily in North America. Management focuses on maintaining a strong and flexible balance sheet, continued year-over-year improvement in sales, operating margins and earnings, globalization, and improving free cash flow from operations. 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.

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 for the year ended December 31, 2008 were 11% higher than for the year ended December 31, 2007. Organic growth (defined as the increase in net sales excluding the impact of acquisitions and divestitures within the last twelve months, as well as the impact of changes in foreign exchange rates), across all segments accounted for 3% of the improvement. Acquisitions in the Applied Technologies and Construction Materials segments contributed $213.4 million, or approximately 8% of the year-over-year increase. The impact of foreign exchange rates was less than 1% of the sales growth. Income from continuing operations declined 30% in the current year as compared to 2007. Income from continuing operations for 2008 included $5.8 million of after-tax restructuring charges, or $0.09 per diluted share, for facilities consolidations and closures in the Construction Materials, Transportation Products and Applied Technologies segments. Also included in 2008 was a $4.8 million after-tax charge, or $0.08 per diluted share, for the termination of a treasury lock that was entered into in 2006 in anticipation of a 2008 bond offering. Income from continuing operations for 2007 included an after-tax gain of $29.9 million, or $0.48 per diluted share, on the sale of the Company's interest in the European roofing company ("Icopal"), on July 31, 2007. Partially offsetting this gain were net after-tax charges of $4.7 million, or $0.08 per diluted share, taken in the Specialty Products segment. For more detail on these charges, refer to the discussion on "Financial Reporting Segments." For more information regarding the change in income from continuing operations from 2007 to 2008, refer to the discussion on "Income from continuing operations".

In 2008, the Company closed its insulation facilities in Anderson, SC and Marlin, TX in its Construction Materials segment and incurred pre-tax charges of $5.9 million in 2008 for termination benefits paid to employees and asset write-downs. In the Transportation Products segment, three distribution centers located in the Southeast U.S. were consolidated into the McDonough, GA facility, two facilities in Texas were consolidated into one facility, and two facilities in Spokane, WA were consolidated into Ontario, CA. Pre-tax lease termination costs of $0.7 million and employee termination costs of $0.1 million were incurred in the Transportation Products segment in 2008. In addition, the Applied

Technologies segment's janitorial/sanitation manufacturing facility in Georgia was closed and its operations moved primarily into an existing facility in Sparta, WI. The total pre-tax charge of $2.2 million in the Applied Technologies segment in 2008 included the write-down of assets and employee termination costs.

On November 16, 2008, a fire occurred at the tire and wheel plant in Bowdon, GA, included in the Transportation Products segment, where the building and the majority of the machinery, equipment, records and other assets were destroyed. The Company had property insurance coverage on the plant. Discussions are underway with the insurance carrier regarding the Company's claims on the loss of the building, the loss of business personal property, and the loss related to the business interruption. In order to service customers, partial operations were initiated at a leased facility in Heflin, AL, and some production was transferred to other tire and wheel plants. Other non-operating expense, net related to the fire was $0.1 million. This included asset write-downs of $14.6 million and $2.4 million of miscellaneous fire-related expenses incurred, offset by $16.9 million of insurance receivable. See Note 2 in the Notes to the Consolidated Financial Statements in Item 8 for further information.

Net sales for the year ended December 31, 2007 were 14% higher than for the year ended December 31, 2006. Organic growth accounted for 8% of the improvement. Acquisitions in the Construction Materials segment contributed $125.4 million, or 5% of the increase. The impact of foreign exchange rates accounted for less than 1% of the sales growth. Income from continuing operations improved 22% for the year ended December 31, 2007 as compared to 2006. Income from continuing operations for 2007 included an after-tax gain of $29.9 million, or $0.48 per diluted share, on the sale of Icopal.

2008 Compared to 2007

Net sales of $2.97 billion for the year ended December 31, 2008 were $295.2 million, or 11%, above 2007 net sales of $2.68 billion. Organic growth of 3% was driven by price increases across all segments. The acquisition of Dinex and Carlyle in the Applied Technologies segment in 2008 and Insulfoam in the Construction Materials segment in 2007, contributed $213.4 million, or approximately 8% of the year-over-year growth. Refer to the discussion below on "Acquisitions".

Cost of goods sold of $2.40 billion for the twelve months ended December 31, 2008 were $289.6 million, or 14%, higher than in 2007. Of the increase, 56% related to acquisitions, with the remainder of the increase being attributable to increased raw material, freight and overhead costs.

Gross margin (net sales less cost of goods sold expressed as a percent of net sales) of 19.2% recognized in 2008 declined as compared to gross margin of 21.1% recognized in 2007. The primary reasons for the change were margin erosion in the Construction Materials segment reflecting an increase in raw material costs, and unabsorbed overhead costs attributable to lower unit sales volumes in the Transportation Products segment.

Selling and administrative expenses of $306.5 million for the year ended December 31, 2008 were approximately 16% above 2007 expenses of $264.3 million. The acquisitions of Carlyle and Dinex accounted for $26.2 million of the increase. The increase was also due to the write-off of an uncollectible note receivable from a customer of $4.9 million, and costs associated with other new facilities. Included in 2007 selling and administrative expenses were $6.6 million of expenses related to the change in executive management. On June 12, 2007, the Company announced the resignation of Richmond D. McKinnish as President and Chief Executive Officer and the appointment of David A. Roberts as Chairman, President and Chief Executive Officer. As a percent of net sales, selling and administrative expenses were approximately 10.3% and 9.9% for the years ended December 31, 2008 and 2007, respectively.

Research and development expenses of $12.8 million for the twelve months ended December 31, 2008 increased 6% from $12.1 million in 2007. As a percent of net sales, research and development expenses were 0.4% and 0.5% of sales in 2008 and 2007, respectively.

Other operating expense, net of $5.8 million for the twelve months ended December 31, 2008 compared to $6.7 million in 2007. The 2008 expense included $4.3 million of asset write-downs in the Construction Materials segment on the closure of the insulation facilities in Anderson, SC and Marlin, TX, as well as $1.5 million in asset charges for the Applied Technologies segment on the restructuring of the janitorial/sanitation facilities in Georgia and Wisconsin. The 2007 expense included a $4.7 million management transition charge related to the U.K. braking business in the Specialty Products segment and asset charges of $2.0 million related to the closure of a tire and wheel facility in the Transportation Products segment.

Operating income for the year ended December 31, 2008 was $244.9 million, a 13% decrease compared to $281.3 million recognized in 2007. The decrease is primarily due to the previously discussed margin declines. As a percent of sales, operating income was 8.2% in 2008, down from 10.5% in 2007.

Other non-operating income, net of $0.5 million for the twelve months ended December 31, 2008 compared to $54.4 million for the same period in 2007. Results for the 2007 period included: a gain of $47.0 million related to the sale of Icopal; $8.2 million of proceeds received from certain legal actions initiated by the Company and insurance proceeds; and equity income from Icopal of $2.0 million. Partially offsetting these gains and equity income was $3.5 million of expenses associated with the Company's trade accounts receivable securitization program.

Interest expense, net of $27.6 million for the twelve months ended December 31, 2008 was $18.4 million higher than interest expense, net of $9.2 million in 2007. Interest expense for the 2008 period included a $7.7 million charge for the termination of a treasury lock that was entered into in 2006 in anticipation of a 2008 bond offering. The Company elected not to issue bonds in 2008 and, as a result, incurred the expenses related to the treasury lock. See Note 8 in the Notes to the Consolidated Financial Statements in Item 8 for further information. Interest expense in 2007 was reduced by interest income of $6.6 million recovered from Icopal, and $2.1 million on the investment of the proceeds received from the Icopal sale.

Income tax expense from continuing operations was $68.3 million for the year ended December 31, 2008, which represented an effective tax rate of 31.4%, compared to income tax expense of $112.1 million in 2007, which represented an effective tax rate of 34.3%. The decreased tax rate resulted largely from lower tax rates in foreign jurisdictions.

The Company participated in the U.S. Internal Revenue Service's real time audit program, Compliance Assurance Process ("CAP"), during 2008 and 2007. Under the CAP program, material tax issues and initiatives were disclosed to the IRS throughout the year with the objective of reaching agreement as to the proper reporting treatment. The examination of the 2007 return has been completed. The Company believes that this approach reduces tax-related uncertainties, enhanced transparency and reduced administrative costs. The Company expects to continue participating in the CAP program in 2009.

Income from continuing operations was $149.5 million, or $2.44 per diluted share, for the year ended December 31, 2008, a 30% decline compared to $214.4 million, or $3.42 per diluted share, for the year ended December 31, 2007. Results for the year ended December 31, 2008 included restructuring charges on facilities closures and consolidations in the Construction Materials, Transportation Products and Applied Technologies segments of $5.8 million after-tax, or $0.09 per diluted share, and the after-tax charge on the treasury lock termination of $4.8 million, or $0.08 per diluted share. Results for the year 2007 period included an after-tax gain of $29.9 million, or $0.48 per diluted share, on the sale of Icopal, the recovery of previously reserved interest of $4.4 million after-tax, or $0.07 per diluted share, owed from Icopal, and after-tax gains of $5.6 million, or $0.09 per diluted share, on proceeds received from certain legal proceedings initiated by the Company. Partially offsetting these gains were after-tax charges of $4.7 million, or $0.08 per diluted share, related to the facility and management transition of an acquired U.K. off-highway braking business, expenses of $4.4 million after-tax, or $0.07 per diluted share related to changes in executive management, and asset charges of $1.3 million after-tax, or $0.02 per diluted share, related to the closure of an operation within the Transportation Products segment.

Loss from discontinued operations for the year ended December 31, 2008 was $128.6 million as compared to $3.7 million in 2007. 2008 results reflect $124.2 million of pre-tax impairment charges related to the planned divestiture of the power transmission belt business and the on-highway brake business and the expense reserve covering certain workers' compensation claims that remain Carlisle's liability following the sale of several businesses over the past few years. Results for the 2007 period include additional proceeds related to purchase price adjustments from the sales of the systems and equipment businesses that occurred in the fourth quarter of 2006.

Loss from discontinued operations, net of tax for the year ended December 31, 2008 was $93.7 million or $1.53 loss per diluted share, as compared to income from discontinued operations, net of tax of $1.2 million, or $0.02 per diluted share, in 2007. 2008 results reflect $89.5 million of after-tax impairment charges related to the planned divestiture of the power transmission belt business and the on-highway brake business. The results in 2007 reflect tax benefits from the pre-tax loss incurred in discontinued operations, including corporate interest expense.

Net income of $55.8 million, or $0.91 per diluted share, for the year ended December 31, 2008 compared to net income of $215.6 million, or $3.44 per diluted share, for the year ended December 31, 2007.

2007 Compared to 2006

Net sales of $2.68 billion for the year ended December 31, 2007 were $322.7 million, or 14%, above 2006 net sales of $2.35 billion. Organic growth of 8% was driven by increased sales volumes across all reporting segments with the exception of the Specialty Products segment. The acquisition of Insulfoam in the Construction Materials segment contributed $125.4 million, or approximately 5% of the growth.

Cost of goods sold of $2.11 billion for the twelve months ended December 31, 2007 were $263.8 million, or 14% higher than in 2006. Over 45% of the increase was related to higher raw material costs driven by higher sales volumes, while acquisitions contributed 42% of the increase. Increased labor and overhead expenses, including those related to plant start-up activities, accounted for approximately 12% of the year-over-year change.

Gross margin (net sales less cost of goods sold expressed as a percent of net sales) of 21.1% recognized in 2007 declined slightly as compared to gross margin of 21.5% recognized in 2006. Margin erosion in the Construction Materials segment reflecting a decrease in selling prices and in the Transportation Products segment reflecting increased labor and overhead associated with plant start-up activities, were the primary reasons for the change.

Selling and administrative expenses of $264.3 million for the year ended December 31, 2007 were approximately 19% above $222.6 million in 2006. The increase was due primarily to an increase in variable selling expenses, the most significant being sales commissions. Such expenses typically increase or decrease with the level of sales. Also impacting 2007 were expenses of $6.6 million related to a change in executive management, higher selling and administrative expenses at Insulfoam and increased allowances for doubtful accounts. As a percent of net sales, selling and administrative expenses were approximately 9.9% and 9.5% for the years ended December 31, 2007 and 2006, respectively.

Research and development expenses of $12.1 million for the twelve months ended December 31, 2007 increased 20% from $10.1 million in 2006. As a percent of net sales, research and development expenses were 0.5% of sales in 2007 and 0.4% of sales in 2006.

Other operating expense, net of $6.7 million for the twelve months ended December 31, 2007 included a $4.7 million charge related to the U.K. braking business in the Specialty Products segment and asset charges of $2.0 million related to a closed tire and wheel facility in the Transportation Products segment. Other operating expense, net of $2.5 million for the twelve months ended December 31, 2006 related to losses from an arbitration proceeding concerning the termination of a supply arrangement.

Operating income for the year ended December 31, 2007 was $281.3 million, a 4% improvement over $270.3 million recognized in 2006. As a percent of sales, operating income declined to 10.5% in 2007 from 11.5% in 2006.

Other non-operating income, net of $54.4 million for the twelve months ended December 31, 2007 compared to $8.3 million for the same period in 2006. Results for the 2007 period included a gain of $47.0 million related to the sale of Icopal, $8.2 million of proceeds received from certain legal actions initiated by the Company and insurance proceeds, and equity income from Icopal of $2.0 million. Partially offsetting these gains and equity income were expenses of $3.5 million associated with the Company's trade accounts receivable securitization program. Results for the 2006 period included $6.7 million of proceeds received from certain legal actions initiated by the Company and insurance proceeds, and equity earnings from Icopal of $6.0 million. Partially offsetting these gains were expenses of $4.3 million associated with the securitization program.

Interest expense, net of $9.2 million for the twelve months ended December 31, 2007 was $10.8 million less than interest expense, net of $20.0 million in 2006. Interest expense in 2007 was reduced by interest income of $6.6 million recovered from Icopal, and $2.1 million on the investment of the proceeds received from the Icopal sale. Also contributing to the favorable comparison was higher interest expense in 2006 related to the issuance of 6.125% $150 million ten-year notes issued in August 2006 in anticipation of the redemption of the Company's 7.25% $150 million notes which matured and were redeemed in January 2007. The net proceeds of the August 2006 notes were used in the interim period to repay all amounts outstanding under the Company's uncommitted line of credit, to reduce the trade accounts receivable sold under the Company's receivables securitization facility and for general corporate purposes.

Income tax expense was $112.1 million for the year ended December 31, 2007, which represented an effective tax rate of 34.3%, compared to income tax expense of $82.4 million in 2006, which represented an effective tax rate of 31.9%. Income tax expense in 2006 included benefits related to tax law changes and the favorable settlement of certain tax liabilities of $4.3 million and $1.1 million, respectively.

Income from continuing operations was $214.4 million, or $3.42 per diluted share, for the year ended December 31, 2007, a 22% improvement over $176.2 million, or $2.83 per diluted share, for the year ended December 31, 2006. Results for the year ended December 31, 2007 included an after-tax gain of $29.9 million, or $0.48 per diluted share on the sale of Icopal, the recovery of previously reserved interest of $4.4 million after-tax, or $0.07 per diluted share owed from Icopal, and after-tax gains of $5.6 million, or $0.09 per diluted share on proceeds received from certain legal proceedings initiated by the Company. Partially offsetting these gains were after-tax charges of $4.7 million, or $0.08 per diluted share related to the facility and management transition of an acquired U.K. off-highway braking business, expenses of $4.4 million after-tax, or $0.07 per diluted share related to changes in executive management and asset charges of $1.3 million after-tax, or $0.02 per diluted share related to the closure of an operation within the Transportation Products segment. Results for the year ended December 31, 2006 included a reduction in income tax expense of $5.5 million, or $0.09 per diluted share related to tax law changes and the favorable settlement of certain tax liabilities, and after-tax gains of $4.6 million, or $0.07 per diluted share on proceeds received from certain legal proceedings. Partially offsetting these gains was an after-tax loss of $1.7 million, or $0.03 per diluted share related to an arbitration proceeding concerning the termination of a supply arrangement.

Loss from discontinued operations for the year ended December 31, 2007 was $3.7 million as compared to income from discontinued operations of $39.8 million in 2006. 2006 results included the gain on the sale of the systems and equipment businesses of $41.3 million.

Income from discontinued operations, net of tax, for the year ended December 31, 2007 was $1.2 million, or $0.02 per diluted share, as compared to $40.9 million, or $0.66 per diluted share in 2006. The results in 2007 reflect tax benefits from the pre-tax loss incurred in discontinued operations, including corporate interest expense. 2006 results included the gain on the sale of the systems and equipment businesses of $34.5 million.

Net income of $215.6 million, or $3.44 per diluted share, for the year ended December 31, 2007 compared to net income of $217.1 million, or $3.49 per diluted share, for the year ended December 31, 2006.

Acquisitions

On April 28, 2008, the Company acquired 100% of the equity of Carlyle Incorporated ("Carlyle"), a leading provider of sophisticated aerospace and network interconnection solutions, for a purchase price of approximately $194 million. Carlyle is located in Tukwila, WA and is under the management direction of the interconnect technologies business, and operating results since the acquisition date have been included in the Applied Technologies segment. Although the Company is continuing to evaluate the purchase price allocation, the initial purchase price allocation resulted in goodwill of approximately $123.2 million and identified intangible assets of $75.0 million. Of the $75.0 million of identified intangible assets, $74.0 million was assigned to customer relationships with a useful life of 20 years and $1.0 million was assigned to covenants not-to-compete with a determinable useful life of 5 years. The goodwill from this acquisition is not deductible for tax purposes.

On January 25, 2008, the Company acquired 100% of the equity of both Dinex International, Inc. and Proex, Inc. (collectively "Dinex"), leading suppliers of foodservice products to the healthcare and other institutional industries, for approximately $96 million. Dinex has facilities in Glastonbury, CT and Batavia, IL, and is under the management direction of the foodservice business. Operating results since the acquisition date have been included in the Applied Technologies segment. The purchase price allocation resulted in goodwill of approximately $28.5 million and identified intangible assets of $49.8 million. Of the $49.8 million of identified intangible assets, $8.0 million was assigned to trade names that are not subject to amortization, $37.0 million was assigned to customer relationships with a weighted average useful life of 15.9 years, $1.0 million was assigned to patents with a determinable useful life of 6 years, and the remaining $3.8 million was assigned to other intangible assets with a weighted average useful life of 6.5 years. The goodwill from this acquisition is deductible for tax purposes.

On May 1, 2007, the Company acquired 100% of the equity of Insulfoam LLC ("Insulfoam") from Premier Industries, Inc., a leading manufacturer of block molded expanded polystyrene products used primarily as insulation in building and other construction applications, headquartered in Tacoma, WA, for approximately $168 million. Insulfoam is under the management direction of the construction materials business, and operating results since the acquisition date have been included in the Construction Materials segment. The purchase price allocation resulted in goodwill of approximately $55.2 million and identified intangible assets of $20.6 million. Of the $20.6 million of identified intangible assets, $10.3 million was assigned to the trade name that is not subject to amortization, while the remaining acquired intangibles of $10.3 million were allocated primarily to customer related intangibles, which are being amortized over the assets' determinable useful life of 9 years. The goodwill from this acquisition is deductible for tax purposes.

On February 2, 2007, the Company acquired 100% of the equity of Meixian Tengfei Tyre Co., Ltd., a tire manufacturer, located in Guandong, China, for consideration of approximately $20 million. Operating results for this operation since the acquisition date are included in the Transportation Products segment. The purchase price was allocated to Property, plant and equipment, net, as it approximated the fair value of the assets purchased.

On January 29, 2007, the Company purchased the assets of Dongguan Qiaotou Yichang Wire and Cable Assembly Factory, located in Guangdong, China, specializing in complex cable assemblies and wire harnesses for medical and industrial applications, for consideration of approximately $3 million and contingent additional payments of up to $4 million based on the acquired company's future earnings. Operating results for this operation since the acquisition date are included in the Applied Technologies segment. The purchase price allocation resulted in goodwill of approximately $1.5 million and identified intangible assets of $1.0 million with a weighted-average life of 5.7 years. Identified intangible assets consist primarily of customer relationships valued at $0.7 million, with a weighted-average life of 4 years, and other agreements valued at $0.3 million with a weighted-average life of 9 years. The goodwill from this acquisition is not deductible for tax purposes.

Financial Reporting Segments

The following table summarizes segment net sales and operating income. The amounts for each segment should be referred to in conjunction with the applicable discussion below.

In millions, except percentage	2008	2007*	Increase (Decrease) Amount	Increase (Decrease) Percent	2007*	2006*	Increase (Decrease) Amount	Increase (Decrease) Percent
Net Sales								
Construction Materials	**$ 1,472.3**	$ 1,365.4	$ 106.9	8%	$ 1,365.4	$ 1,111.2	$ 254.2	23%
Transportation Products	**861.0**	853.8	7.2	1%	853.8	807.9	45.9	6%
Applied Technologies	**464.1**	300.2	163.9	55%	300.2	269.7	30.5	11%
Specialty Products	**174.0**	156.8	17.2	11%	156.8	164.7	(7.9)	-5%
	$ 2,971.4	$ 2,676.2	$ 295.2	11%	$ 2,676.2	$ 2,353.5	$ 322.7	14%
Operating Income								
Construction Materials	**$ 151.1**	$ 181.6	$ (30.5)	-17%	$ 181.6	$ 166.1	$ 15.5	9%
Transportation Products	**50.6**	79.5	(28.9)	-36%	79.5			