



Carlisle Companies Incorporated
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Syracuse, New York 13202-1258
315.474.2500
www.carlisle.com
NYSE Symbol: CSL

create



Value

CARLISLE:
A WORK
IN PROGRESS

*Carlisle Companies 1998
Annual Report*

Shareholders' Letter

Creating value. That is our business at Carlisle. Value for our customers and our shareholders. Value that sets us apart from other companies. In 1998, we made record-breaking progress:

- Sales rose by 20.4 percent to \$1.5 billion.
- Net earnings grew by 20.1 percent to \$84.9 million, or \$2.77 per share.
- Return on equity reached a record 24.3 percent, up a full percentage point over 1997.
- Selling, general, and administrative expenses fell to an impressive 10.6 percent of sales.

This performance translated into attractive rewards for our shareholders. Quarterly dividends increased 14.3 percent to \$.16 per share, and shareholders earned a total return of 22.2 percent.

Ours is a straightforward business model. Over the past 10 years, Carlisle's strategy has been focused, diversified growth. Diversified in that we participate in a variety of markets, focused in that we participate only in those markets where we can play a significant role—markets where we can deliver more value to our customers more often than competitors can. As a result, we have captured dominant market share in most of our businesses. Our diversification strategy often minimizes the unfavorable consequences that unexpected events can have on any individual Carlisle business.

Complementing our internal growth is an active acquisition program. Our acquisitions expand existing market share and allow Carlisle to enter new markets in which we can become an important player. We invest in successful companies that have strong entrepreneurial cultures, and then we expand their capabilities by giving their managers the tools and support to become even more successful.

We believe that a key measure of that success is the ability to generate cash. Cash flow, both internally and externally generated, allows us to underwrite

innovations that maintain our product leadership and fund the acquisitions that deepen and broaden our base. Strong cash flow is the key to sustained growth. In 1998, it allowed us to invest a record \$96 million in capital improvements, thereby expanding our facilities and adding technology to capture a number of important new market opportunities.

A successful strategy depends upon effective implementation, a goal Carlisle people strive for in all that we do. We bring shared values and uncommon discipline to the manufacture and sale of products as diverse as specialty trailers, synthetic roofing materials, specialty wire, heavy duty truck friction, injection molded auto parts, tires and wheels, and plastic foodservice permanentware.



DENNIS J. HALL (LEFT) AND STEPHEN P. MUNN

We achieve leadership in our markets through a relentless focus on the needs and desires of our customers and a constant stream of product innovations. For example, last March Trail King introduced four dump trailer designs that set new industry standards for performance in weight reduction, versatility, and ease of operation. In the roofing industry, SynTec launched Thermoplastic Polyolefin (TPO) sheeting as an adjunct to our successful EPDM product line. TPO has won rapid acceptance, and a new dedicated production facility in Mississippi is evidence of our commitment to its growth. Meanwhile, Tensolite has unveiled a zero arc wire for aerospace applications, and our heavy duty truck friction operations developed a breakthrough product that doubles the life of a brake lining.

Acquisitions are an indispensable component of Carlisle's growth. They bring new technologies and market opportunities, and Carlisle adds capital and management expertise to develop these businesses still further. The resulting revenue growth is a key part of our overall growth equation: growth of ongoing businesses plus new acquisitions plus expansion of recently acquired businesses.

Two acquisitions completed in 1998 illustrate this equation: Quality Microwave Interconnects and Vermont Electromagnetics. Both of these companies hold a strong position in the high-growth microwave coaxial cable connectors and assemblies market. Together, they will enable Tensolite to leverage its considerable wiring and cable manufacturing experience to offer telecommunications and other high-tech companies a comprehensive array of specialized wire and cable assemblies. Already, both companies are contributing to our bottom line.

1998 was another solid year of exceptional performance—a year of which both employees and shareholders can be proud. For 1999 and beyond, Carlisle will continue to execute our successful business model and extend it to the international arena. The recent acquisition of Hardcast Europe and the joint venture

with Lander Plastics in the United Kingdom will help lay the foundation for our expansion in a unifying Europe. Despite the present disarray in Asia, we view the Pacific Rim long term as an important growth market and a continued source of high-quality manufactured products for our businesses. Latin America, with our new 170,000-square foot manufacturing campus in Mexico, serves as a low cost manufacturing base as well as a market growth opportunity.

As we have in North America, we will participate only in those international markets where we can achieve a successful position. We will not abandon our strategies or operating principles that have yielded high returns just for the sake of "globalization."

We approach the closing year of the century confident in the abilities of Carlisle people and energized by the opportunities our markets have to offer. Our challenge is to seize these opportunities, to reasonably profit from them, and to provide our shareholders excellent returns on both their investment and confidence in Carlisle.

For the Board of Directors

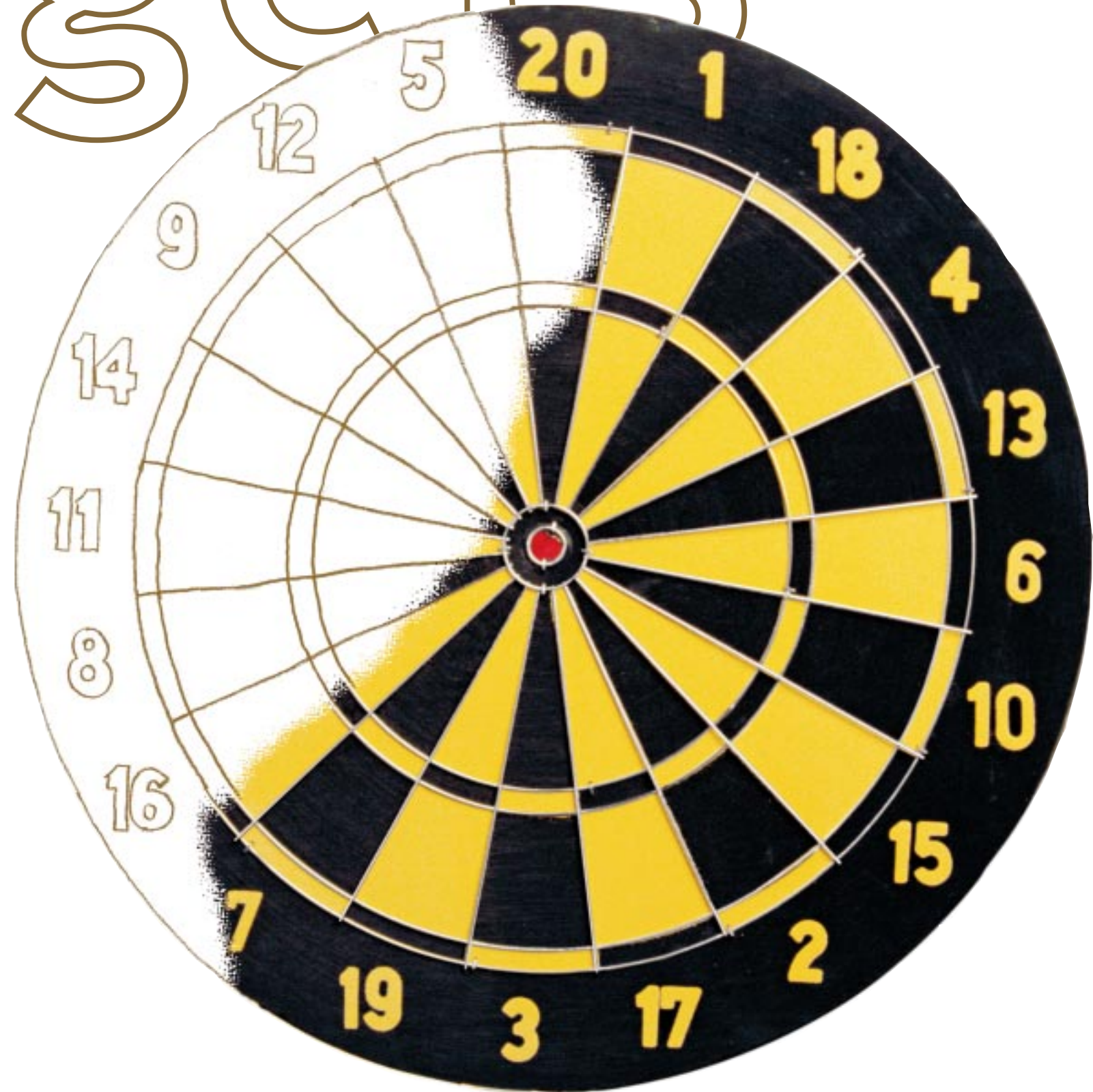
Stephen P. Munn
Chairman and Chief Executive Officer

Dennis J. Hall
President

“Earnings increased by 20.1 percent, our sixth consecutive 15 percent-plus year.”

At Carlisle, we believe in setting aggressive targets and working hard to meet them. In 1998, we again exceeded our 15 percent target for growth in both earnings and sales. Earnings increased by 20.1 percent, our sixth consecutive 15 percent-plus year, while sales, at 20.4 percent, exceeded the mark for the fifth year in a row. At 10.6 percent of sales, selling, general, and administrative expenses bettered its 13 percent target for the third straight year. Return on equity reached 24.3 percent, surpassing 20 percent for the third straight year. The United States currently accounts for 90 percent of sales, but we remain committed to expanding our international presence as well. While Carlisle’s modest 2 percent exposure in a volatile Asia and Latin America benefited us over the past two years, growth potential in these markets represents significant opportunities for future expansion. International sales have climbed steadily since 1993 to reach nearly \$217 million in 1998. We have set an international sales target of \$300 million by 2001.

targets



growth



All of Carlisle's business segments enjoyed double-digit growth in 1998. Construction materials sales increased 17.4 percent, industrial components grew by 28.7 percent, and automotive components gained 12.7 percent. Revenue for our other companies increased 18.8 percent. We supported that growth by investing \$96 million in manufacturing and distribution facilities and other capital improvements. A steady stream of new products in every Carlisle segment will continue to fuel robust growth well into the future. In 1998 alone, SynTec introduced an enhanced FleeceBACK™ and Thermoplastic Polyolefin roofing (TPO); Trail King unveiled new trailer designs; and Carlisle Tire & Wheel expanded its product offerings with ATV and trailer

"A steady stream of new products in every Carlisle segment will continue to fuel robust growth."

tires. Acquisitions also play a key role in our growth strategy. We have completed more than 25 of them over the past nine years and four in 1998 alone. With significant free cash flow anticipated in 1999, we will be well positioned to fund additional acquisitions that we choose through our disciplined approach of selection, analysis, and negotiation.

“Carlisle people work hard for shareholders because they are shareholders.”

Strategy

Carlisle’s strategy is based on marketing to profitable niches; key strategic acquisitions to add

opportunities; relentless cost controls and a lean entrepreneurial culture to grow earnings. All divisions focus on controlling costs, an example being our foodservice division revamping its manufacturing to significantly reduce production costs of melamine dinnerware and fiberglass trays. A key measure of cost control—selling, general, and administrative expense as a percentage of sales—dropped to less than 11 percent in 1998. Our entrepreneurial culture can be seen in the way we reward key management. All senior Carlisle managers are compensated based on the success of their individual operating company. Since a significant portion of their pay consists of either restricted shares or stock options, our managers have a vital stake in improving our market value. In short, Carlisle people work hard for shareholders because they are shareholders.



markets

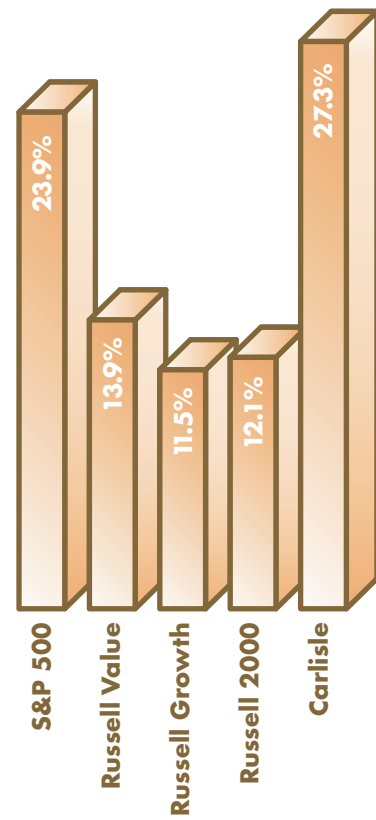
“Global markets will play an increasing role in future sales efforts.”

Carlisle participates in industrial markets as diverse as roofing, foodservice, in-plant processing equipment, and specialty trailers, occupying a profitable niche in each industry with dominant market share. Our ability to command niche markets is a key aspect of our business strategy and drives new product introductions and acquisitions. Forty percent of Carlisle’s revenue is from aftermarket sales, which we continue to expand. Our aftermarket business offers attractive margins and gives us a good balance in periods of slower economic activity. Geographically, the United States accounts for 90 percent of revenue, with 8 percent coming from Europe and 2 percent from Asia and Latin America. Global markets will play an increasing role in future sales efforts. For example, our acquisition of Hardcast Europe and the Lander-Carlisle Ltd. U.K. joint venture will contribute to growth in Europe.

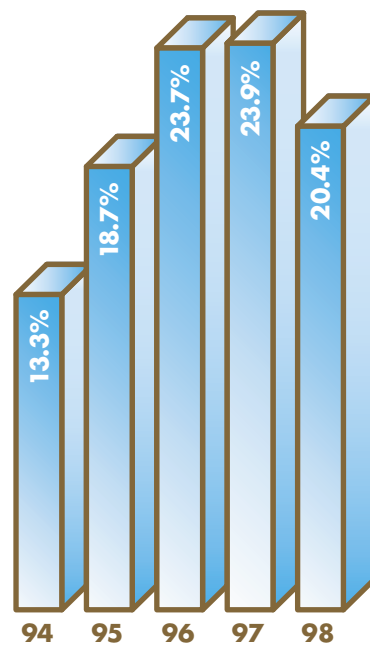


SUCCESS

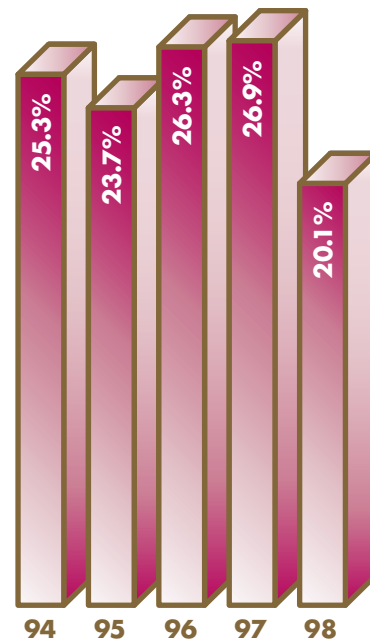
1994-1998 COMPOUND ANNUAL SHAREHOLDER RATE OF RETURN



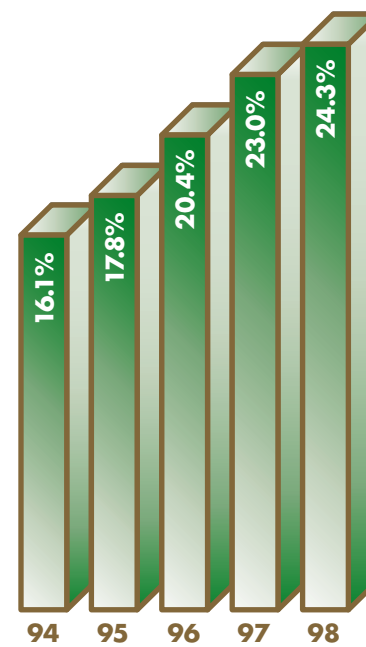
ANNUAL GROWTH RATE OF SALES



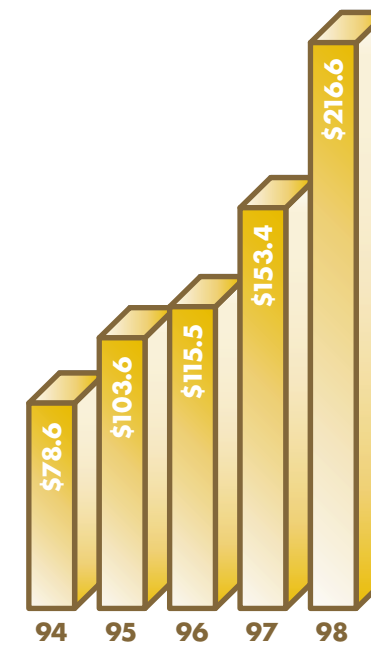
ANNUAL GROWTH RATE OF EARNINGS



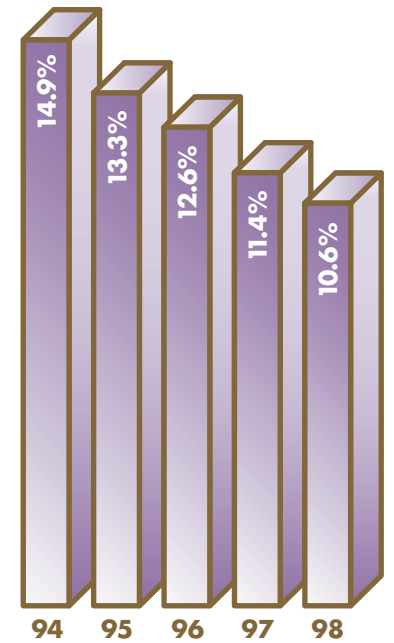
RETURN ON BEGINNING EQUITY



DOLLAR VALUE OF INTERNATIONAL SALES (In Millions)



SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AS A PERCENT OF REVENUE



Carlisle Segments At A Glance

CONSTRUCTION MATERIALS

Carlisle SynTec Incorporated
John W. Altmeyer, *President*

1285 Ritner Highway,
P.O. Box 7000
Carlisle, Pennsylvania 17013
(717) 245-7000

Primary Products:

Rubber (EPDM), FleeceBACK™ rubber and plastic (TPO) based membranes used predominantly on non-residential flat roofs. Related roofing accessories, including flashings, fasteners, sealing tapes, coatings and waterproofings. Sealants and coatings for various applications.

Markets:

Sheeting for non-residential new construction, re-roofing and roof maintenance markets. Sealants and coatings for roofing, general construction, industrial and maintenance markets.

INDUSTRIAL COMPONENTS

Carlisle Tire & Wheel
Richmond D. McKinnish, *President*

23 Windham Boulevard
Aiken, South Carolina 29805
(803) 643-2900

Primary Products:

Smaller pneumatic bias-ply tires (generally under 20" in diameter) and wheels.

Markets:

Manufacturers of outdoor power equipment, trailers and golf cars; related aftermarket parts distributors.

Motion Control Industries
Wayne R. Kinsey, *President*

1031 E. Hillside Drive
Bloomington, Indiana 47401
(812) 336-3811

Primary Products:

Heavy duty friction, braking systems, parts, brake linings, brake shoe remanufacturing and relining for trucks and off-highway equipment.

Markets:

Brake manufacturers, aftermarket distributors of truck and trailer parts and construction equipment manufacturers.

Tensolite
John E. Berlin, *President*

100 Tensolite Drive
St. Augustine, Florida 32092
(904) 829-5600

Primary Products:

Aerospace and high performance wire/cable and cable assemblies.

Markets:

Aerospace, data processing and communication equipment manufacturers.

AUTOMOTIVE COMPONENTS

Carlisle Engineered Products
Allen J. Hofmann, *President*

100 Seventh Avenue, Suite 100
Chardon, Ohio 44024
(440) 286-7111

Primary Products:

Rubber and plastic auto parts.

Markets:

Automotive and light truck manufacturers, tier I component suppliers.

ALL OTHER (GENERAL INDUSTRY)

Carlisle FoodService Products
David M. Shannon, *President*

12 N.E. 36th Street
P.O. Box 53006
Oklahoma City, Oklahoma 73152
(405) 528-3011

Primary Products:

Commercial and institutional plastic foodservice permanentware, including dishes, cups, tumblers, trays, serving bowls, catering equipment, dishwashing racks, salad bar equipment and related accessories. Fiberglass reinforced and composite materials trays. Super-clear acrylic items resembling cut glass. Specialty ceramic tableware. Cleaning brushes.

Markets:

Foodservice distributors and dealers, janitorial and sanitation operations, gift and department stores.

Trail King Industries
Jerry N. Thomsen, *President*

300 East Norway, P.O. Box 1064
Mitchell, South Dakota 57301
(605) 995-3600

Primary Products:

Standard and custom built lowbed trailers. Heavy duty truck and trailer dump bodies. Other specialty trailers.

Markets:

Heavy equipment dealers, commercial haulers and industrial operations.

Walker Stainless Equipment
John S. Barsanti, *President*

625 State Street
New Lisbon, Wisconsin 53950
(608) 562-3151

Primary Products:

Transportation, storage and processing equipment for sanitary applications.

Markets:

Food, dairy and pharmaceutical processors.

Carlisle Perishable Cargo
Richard S. Husted, *President*
Carlisle Perishable Cargo
Michael J. Kays, *President*
Carlisle Container Manufacturing
Hugh A. Fehrenbach, *President*
Carlisle Leasing International

250 South Clinton St.
Syracuse, NY 13202
(315) 474-2500

Primary Products:

Self-contained 40' high cube intermodal refrigerated shipping containers and related lease financing.

Market:

Shipping lines.

Management's Discussion and Analysis of Operations

OVERVIEW

Carlisle Companies Incorporated sales grew to \$1.52 billion in 1998, up 20%, or \$256.9 million, from 1997 sales of \$1.26 billion. This increase is primarily due to the expansion of product lines and market shares of Carlisle's core businesses, as well as the integration of several small, complementary acquisitions made in 1997 and 1998.

In 1998, net earnings kept pace with these increased sales, reaching \$84.9 million, or \$2.77 per share of common stock, a 20% increase over 1997 net earnings of \$70.7 million, or \$2.28 per share.

In 1997, sales increased 24%, or \$243.1 million, due to continued growth in core businesses, as well as acquisitions made in 1997 and the full-year effect of acquisitions made in 1996. Net earnings increased 27%, or \$15.0 million, in 1997 reflecting both the increased sales levels and cost reductions.

During 1998, we acquired the following companies that fit well with our existing businesses: Vermont Electromagnetics Corporation and Quality Microwave Interconnects, Inc., both of which are manufacturers of specialty cable assemblies and connectors that will open new opportunities for the growth of our wire and cable business, and Industrial Tire Products, Inc., a distributor of industrial and recreational tire and wheel assemblies, which will help to extend our tire and wheel products to the replacement market. Additionally, in January 1998, we completed a joint venture in the U.K. with Lander Plastics, a British manufacturer of plastic automotive components, and the acquisition of Hardcast Europe, a Dutch manufacturer of adhesive and sealant products for the construction market.

In 1997, we completed a record number of acquisitions.

These acquisitions include several bias-ply tire and wheel manufacturing and distributing companies, Overland Brakes Incorporated, a spring-brake manufacturing company, complementing our heavy duty friction products and Zimmerman Brush Co., a privately owned manufacturer of brushes for the janitorial and sanitation market.

OPERATING SEGMENTS

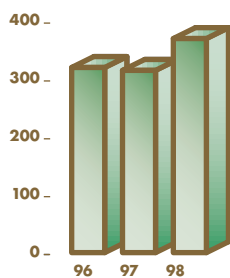
In accordance with the requirements of the recently issued Statement of Financial Accounting Standards No. 131, we have recast our businesses into three identifiable segments and a fourth classification of All Other. The *Construction Materials* segment consists of the manufacturing of membranes and accessories necessary for rubber (EPDM) and plastic (TPO) roofing systems for non-residential flat roofs. Also included in this segment is the manufacture and distribution of coatings and waterproofing products for construction markets. The *Industrial Components* segment includes businesses that manufacture and distribute tire and wheel assemblies, heavy duty friction and braking products and high-performance wire/cable and cable assemblies. The *Automotive Components* segment is engaged in manufacturing highly engineered plastic and rubber components for Tier I suppliers and other manufacturers in the automotive industry. Several businesses, which altogether have not met the guide-

lines to be identified as a separate segment, have been aggregated under an *All Other (General Industry)* category. Activities in this category include the manufacturing and distributing of specialty trailers and dump bodies, stainless steel in-plant processing equipment, institutional plastic foodservice permanentware, and the manufacturing and leasing of intermodal perishable cargo shipping containers. Earnings before interest and income taxes (EBIT) herein referred to as "earnings," is used to measure the profitability of the business segments. Following is a general discussion and analysis of the 1998 and 1997 sales and profitability of these business segments.

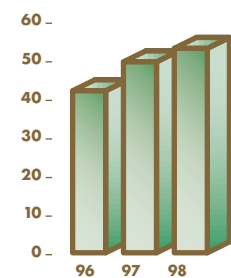
CONSTRUCTION MATERIALS

Segment sales grew by 17% in 1998 to \$371.5 million, an increase of \$54.9 million over 1997 sales of \$316.6 million. This growth is due to increasing market share, as well as increased sales of insulation products. In 1997, segment sales declined 0.4% from 1996 sales of \$318.0 million due to the effect of divesting our metal roofing business offsetting slightly increased sales in the ongoing business.

SALES
millions



EARNINGS BEFORE INTEREST AND TAXES
millions

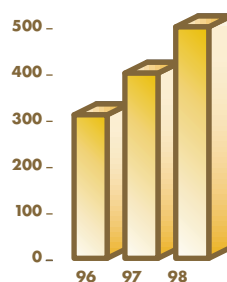


Earnings were up 8% in 1998 to \$53.0 million, reflecting the increased sales levels, partially offset by increased raw material costs, competitive pricing and a change in product mix, which included a higher level of lower margin insulation sales. The 1997 earnings of \$49.1 million in this segment were up 15% over 1996 earnings of \$42.8 million, reflecting improving margins, improved warranty results and the elimination of losses due to the divestiture of the metal roofing company.

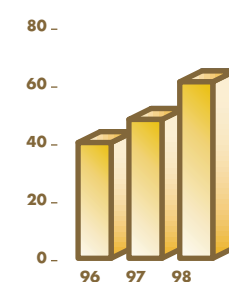
INDUSTRIAL COMPONENTS

Segment sales reached \$510.8 million in 1998, a 29%, or \$113.8 million, increase over 1997 sales of \$396.9 million. This increase is primarily due to the internal growth of tire and wheel assemblies, especially to the aftermarket; the continued integration of tire and wheel distribution companies acquired in 1997; increased shipments of high-quality wire to aircraft manufacturers; and the acquisition of two high-speed data cable and connector companies. Sales of heavy duty friction and braking products increased just 3% in 1998 after robust gains in 1997. In 1997, sales in this segment climbed 24%, or \$76.2 million, over the 1996 sales of \$320.7 million, reflecting increased shipments of aircraft wire, increased market penetration of our tire and wheel products, as well as sales gains of heavy duty friction materials to the aftermarket.

SALES
millions



EARNINGS BEFORE INTEREST AND TAXES
millions



Earnings increased 29%, or \$13.8 million, to \$61.3 million in 1998. This increase generally follows the increased level of segment sales. In 1997, this segment earned \$47.5 million, growing 22%, or \$8.7 million, from the 1996 level of \$38.8 million. This earnings growth is consistent with the increase in sales, offset by costs associated with integrating tire and wheel manufacturers and distributors acquired in 1996 and 1995.

AUTOMOTIVE COMPONENTS

In 1998, segment sales jumped 13% to \$272.0 million, a \$30.7 million increase over 1997 sales of \$241.3 million. This increase is due to internal growth, which was dampened by the General Motors strike in the summer months. The dramatic increase in 1997 sales of 94%, from \$124.1 million, reflects the full-year consolidation of The Engineered Plastics Division of Johnson Controls, acquired in October 1996, to form Carlisle Engineered Products.



Earnings of \$17.6 million in this segment did not keep pace with sales, falling 5% from the 1997 level of \$18.6 million. This decline is due primarily to inefficiencies generated by the rapid ramp-up of production for new programs interrupted by the General Motors strike. Earnings grew 98% in 1997 following the increased sales level in that year.

ALL OTHER (GENERAL INDUSTRY) CATEGORY

Aggregate sales of companies included in this category grew 19%, or \$57.5 million, to \$363.2 million in 1998. This increase is primarily due to growth in the specialty trailers business and the manufacturing of refrigerated containers for the perishable cargo business. Plastic permanentware, which is manufactured and distributed to the foodservice industry, contributed to this growth, growing its sales by 7% in 1998. In 1997, total sales in this category increased 20% to \$305.7 million, related to increased sales of specialty trailers to construction markets, the full-year effect of acquisitions in the in-plant processing and ceramic tableware manufacturing businesses made in 1996 and increased direct sales of manufactured refrigerated containers.



Aggregate earnings of the businesses in this category grew 27% to \$38.2 million in 1998. This growth is due to general increased sales levels, improved manufacturing efficiencies and increased share of the leasing market in our perishable cargo business. In 1997, the earnings of these businesses grew 48% to \$30.1 million. This increase is due to the increased level of sales and increased margins due to improved manufacturing processes in the specialty trailer business and especially in the refrigerated container business. In January 1999, we announced the suspension of container manufacturing operations in Green Cove Springs, Florida and the sale, to our partner, of the major portion of our interest in Carlisle Leasing International Company, significantly reducing our activity in the refrigerated container business.

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 23.4% of sales in 1996 to 22.7% in 1997 and 21.6% in 1998. This decline largely reflects the competitive marketplace and changing mix in Carlisle's total sales. In 1998, operations with lower gross margins, but also with lower corresponding selling, general and administrative costs, represent greater proportions of total Carlisle sales.

Selling and administrative costs, expressed as a percent of sales, declined from 12.6% in 1996 to 11.4% in 1997 and 10.6% in 1998, reflecting both disciplined cost control throughout all operations and the increasing proportion of activities with lower cost structures in Carlisle's overall business.

Total costs, which include raw material, manufacturing, selling, general and administrative costs, expressed as a percentage of total sales, remain fairly consistent with 1997 levels, increasing slightly in 1998 to 90.0% of sales, up from 89.9% of sales in 1997. Improvements in total costs, evident throughout Carlisle, were offset by the impact of the GM strike and the change in product mix in the construction materials operations. The 1997 decline from 1996's level of 90.5% of sales was due to improved purchasing, manufacturing and distribution of products throughout all Carlisle operations.

Interest expense increased to \$22.7 million in 1998 from \$16.5 million in 1997 and \$9.1 million in 1996, due to the increasing level of debt used to finance planned capital expenditures and acquisitions, amid slightly lower overall interest rates.

Other, net increased to \$8.4 million in 1998 due to one-time gains recognized on the sales of various assets, as well as overall improvements in earnings of equity investments.

Income taxes, for financial reporting purposes, have remained constant at an effective rate of 39.5% of earnings before tax in 1998, 1997 and 1996, generally reflecting stable federal and state tax rates. Taxes are discussed more completely in the Notes to Consolidated Financial Statements.

Receivables, less allowances, were \$225.3 million, an increase of 21.9% over the 1997 level of \$184.8 million. The high level of December 1998 sales throughout most of Carlisle's businesses drives this increase. The 1997 level of receivables represents a 16.6% increase over 1996 and is primarily attributable to a higher level of sales, partially offset by an increasing portion of sales from businesses that require a lower investment in receivables, and an ongoing effort to manage receivables at all operations.

Inventories, valued primarily by the last-in, first-out (LIFO) method, were \$193.6 million at year-end 1998, a 7.4% increase over the 1997 year-end level of \$180.3 million. This modest increase is the result of increased capacity at most operations, partially offset by a renewed Company-wide focus on inventory management. The year-end 1997 inventory level increased \$43.2 million over 1996 levels, or 31.5%, due primarily to acquisitions made during the year, normal seasonal buildup, strong demand and backlogs at most operations.

Capital expenditures totaled \$96.0 million in 1998, a significant increase over the 1997 level of \$59.5 million. This increase is primarily attributable to investments in injection-molding and blow-molding equipment to meet growth opportunities in Carlisle's automotive components operation. Additionally, other significant projects in 1998 include expanded warehousing and distribution facilities for foodservice products, finished specialty tire and wheel assemblies and EPDM roofing products, increased production capacity of specialty tire and wheel assemblies, specialty trailer products, Tufflite™ wire and high-speed data wire and cable assemblies, and plant and equipment to manufacture TPO roofing membranes. In 1997, the major projects included injection-molding and blow-molding equipment, plant and equipment to produce TPO roofing membrane, warehousing for specialty tire and wheel assemblies and EPDM roofing membranes, increased capacity to produce Tufflite™ wire and in-plant processing equipment for the food and pharmaceutical industries.

LIQUIDITY, CAPITAL RESOURCES AND ENVIRONMENTAL

Cash flows provided by operating activities rose to \$96.8 million in 1998, from \$83.0 million in 1997. This increase is primarily due to increases in net earnings before depreciation and amortization charges, slightly offset by higher working capital levels. Cash flows from operating activities were \$86.0 million in 1996. Cash used in investing activities was \$133.0 million, an increase from the 1997 level of \$93.2 million, resulting from the increased level of capital expenditures and equity investments, slightly offset by lower acquisition spending. In 1996, the cash used in investing activities was \$165.4 million, which includes \$133.7 million of acquisition expenditures. The net cash provided by financing activities in 1998 was \$38.3 million, which reflects the net increase in debt, after the early payment of higher cost debt, dividend payments and stock repurchases. The net cash provided by financing activities in 1997 was essentially due to increases in debt offset by dividend payments and stock repurchases.

Carlisle has a \$125.0 million revolving credit facility available for acquisitions and general corporate purposes. In May 1998, Carlisle issued to the public \$100.0 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 capital 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 any material charges relating to environmental matters in 1998 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. With respect to the remaining information systems, as well as the Company's embedded technology, the Company has adopted a program (involving both internal personnel and third-party consultants) of (i) assessment, (ii) remediation, and (iii) authentication. At this time, the Company has substantially completed the assessment phase and is pursuing appropriate remedial action for the systems determined to be noncompliant. The authentication phase includes simulated testing in a Year 2000 environment. The estimated cost of the Company's completed and remaining efforts is not expected to exceed \$500,000.

Carlisle also has a formal communication program with its significant suppliers and large customers and once the assessment phase is completed, the Company will determine what remedial action should be taken (including contingency plans).

Carlisle has completed the remediation phase of its program throughout most of its operations, with the remaining operations expected to be completed by mid-1999, and the authentication phase continuing throughout 1999. The Company believes that upon completion of the program, the Year 2000 issue will not pose a significant operational problem for its computer systems. However, there can be no guarantee that the failure of third parties to become Year 2000-ready would not have a material adverse effect on the Company's financial condition or operations.

BACKLOG AND FUTURE OUTLOOK

Backlog was \$262.1 million at December 31, 1998 compared to \$281.6 million in 1997. Notwithstanding stronger positions at all major operations within the Company, and especially in the automotive components operation, our backlog decreased 7% due to an unusually high backlog, associated with a large one-time contract, at the container manufacturing operation, at December 31, 1997. Excluding the container contract, backlog in the Company is up a healthy 14%.

Our companies continue to implement consistent strategies to grow their businesses both internally and through acquisition. In 1998, Carlisle increased market shares, improved manufacturing processes and targeted new markets with expanded products to complement the Company's strengths. As 1998 closes, we are optimistic about the opportunities waiting for us in 1999. With a strong backlog position, growing markets and a committed organization, we look forward to continued success in 1999.

Consolidated Statements of Earnings and Shareholders' Equity

For years ended December 31. In thousands except per share data.

	1998	1997	1996
Net sales	\$1,517,494	\$1,260,550	\$1,017,495
Cost and expenses:			
Cost of goods sold	1,189,379	974,089	779,797
Selling and administrative expenses	160,366	143,246	128,676
Research and development expenses	16,178	15,824	11,900
	1,365,923	1,133,159	920,373
Other income (deductions):			
Investment income	2,999	1,172	666
Interest expense	(22,715)	(16,502)	(9,062)
Other, net	8,414	4,723	3,314
	(11,302)	(10,607)	(5,082)
Earnings before income taxes	140,269	116,784	92,040
Income taxes	55,403	46,118	36,360
Net earnings	\$ 84,866	\$ 70,666	\$ 55,680
Average shares outstanding (000's) – basic	30,179	30,235	30,281
Basic earnings per share	\$ 2.81	\$ 2.34	\$ 1.84
Average shares outstanding (000's) – diluted	30,674	31,025	30,953
Diluted earnings per share	\$ 2.77	\$ 2.28	\$ 1.80

	Common Stock	Additional Paid-In Capital	Retained Earnings	Cost of Shares In Treasury
Balance at December 31, 1995	\$19,665	\$ 9,316	\$314,072	\$ (69,796)
Net earnings	–	–	55,680	–
Cash dividends – \$0.465 per share	–	–	(14,129)	–
Exercise of stock options & other	–	3,765	–	3,098
Purchase of 649,966 treasury shares	–	–	–	(14,168)
	19,665	13,081	355,623	(80,866)
Two-for-one stock split	19,666	(12,601)	(7,065)	–
Balance at December 31, 1996	39,331	480	348,558	(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)
Balance at December 31, 1997	39,331	1,830	403,356	(95,681)
Net earnings	–	–	84,866	–
Cash dividends – \$0.60 per share	–	–	(18,105)	–
Exercise of stock options & other	–	2,371	–	3,309
Purchase of 283,598 treasury shares	–	–	–	(14,372)
Balance at December 31, 1998	\$39,331	\$ 4,201	\$470,117	\$(106,744)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

As of December 31. In thousands except share data.

	1998	1997
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,883	\$ 1,732
Receivables, less allowances of \$4,864 in 1998 and \$5,180 in 1997	225,348	184,796
Inventories	193,650	180,331
Deferred income taxes	26,040	28,462
Prepaid expenses and other	29,604	22,212
Total current assets	478,525	417,533
Property, plant and equipment, net	354,769	294,165
Other assets		
Patents, goodwill and other intangibles	139,744	121,772
Investments and advances to affiliates	34,892	16,467
Receivables and other assets	14,922	11,279
Total other assets	189,558	149,518
	\$1,022,852	\$861,216
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt, including current maturities	\$ 31,241	\$ 24,332
Accounts payable	101,859	75,936
Accrued expenses	122,237	125,815
Total current liabilities	255,337	226,083
Long-term liabilities		
Long-term debt	273,521	209,642
Product warranties	75,084	73,715
Other liabilities	12,005	2,940
Total long-term liabilities	360,610	286,297
Shareholders' equity		
Preferred stock, \$1 par value. Authorized and unissued 5,000,000 shares		
Common stock, \$1 par value. Authorized 50,000,000 shares; issued 39,330,624 shares	39,331	39,331
Additional paid-in capital	4,201	1,830
Retained earnings	470,117	403,356
Cost of shares in treasury – 9,152,167 shares in 1998 and 9,171,915 shares in 1997	(106,744)	(95,681)
Total shareholders' equity	406,905	348,836
	\$1,022,852	\$861,216

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For years ended December 31. In thousands.

	1998	1997	1996
OPERATING ACTIVITIES			
Net earnings	\$ 84,866	\$ 70,666	\$ 55,680
Reconciliation of net earnings to cash flows:			
Depreciation	37,617	32,477	25,320
Amortization	7,604	6,278	4,438
(Gain)/Loss on sales of property, equipment and business	(3,156)	(993)	216
Changes in assets and liabilities, excluding effects of acquisitions and divestitures:			
Current and long-term receivables	(43,786)	(19,659)	(13,237)
Inventories	(10,526)	(31,118)	(5,837)
Accounts payable and accrued expenses	25,450	9,245	16,667
Prepaid, deferred and current income taxes	(7,568)	10,887	(4,260)
Long-term liabilities	5,217	3,279	4,939
Other	1,086	1,924	2,106
Net cash provided by operating activities	96,804	82,986	86,032
INVESTING ACTIVITIES			
Capital expenditures	(95,970)	(59,531)	(34,990)
Acquisitions, net of cash	(31,577)	(45,380)	(133,719)
Sales of property, equipment and business	11,344	15,815	3,489
Other	(16,761)	(4,090)	(155)
Net cash used in investing activities	(132,964)	(93,186)	(165,375)
FINANCING ACTIVITIES			
Net proceeds from short-term debt	15,827	13,458	–
Proceeds from long-term debt	104,235	150,000	124,358
Reductions of long-term debt	(49,274)	(125,860)	(11,604)
Dividends	(18,105)	(15,868)	(14,129)
Purchases of treasury shares	(14,372)	(18,110)	(14,168)
Net cash provided by financing activities	38,311	3,620	84,457
Change in cash and cash equivalents	2,151	(6,580)	5,114
Cash and cash equivalents			
Beginning of year	1,732	8,312	3,198
End of year	\$ 3,883	\$ 1,732	\$ 8,312

See accompanying Notes to Consolidated Financial Statements.

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 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 \$4.3 million and \$5.3 million at December 31, 1998 and 1997, respectively (net of accumulated amortization of \$16.3 million and \$14.6 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 \$135.4 million and \$116.5 million at December 31, 1998 and 1997, respectively (net of accumulated amortization of \$13.6 million and \$7.8 million, respectively), and is amortized on a straight line basis over various periods not exceeding 30 years.

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 non-cancelable operating leases for certain facilities and equipment. Rent expense was \$6.6 million, \$5.4 million and \$2.6 million, in 1998, 1997 and 1996, respectively.

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 1998 presentation.

INVENTORIES

The components of inventories are:

<i>In Thousands</i>	1998	1997
FIFO cost (approximates current costs):		
Finished goods	\$113,852	\$111,403
Work in process	24,665	23,250
Raw materials	68,979	60,375
	\$207,496	\$195,028
Excess of FIFO cost over LIFO value	(13,846)	(14,697)
	\$193,650	\$180,331

PROPERTY, PLANT & EQUIPMENT

The components of property, plant and equipment are:

<i>In Thousands</i>	1998	1997
Land	\$ 6,936	\$ 6,804
Buildings & leasehold improvements	142,525	123,432
Machinery & equipment	436,222	383,560
Projects in progress	44,890	25,686
	\$ 630,573	\$ 539,482
Accumulated depreciation	(275,804)	(245,317)
	\$ 354,769	\$ 294,165

BORROWINGS

Long-term debt includes:

<i>In Thousands</i>	1998	1997
6.70% senior notes due 2008	\$100,000	\$ -
7.25% senior notes due 2007	150,000	150,000
8.09% senior notes due 1998-2002	-	48,000
Industrial Development and Revenue Bonds due through 2014	16,645	12,460
Other, including capital lease obligations	8,832	10,056
	\$275,477	\$220,516
Less current maturities	(1,956)	(10,874)
	\$273,521	\$209,642

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, 1998, \$115 million was available under this facility. The Company has available unsecured lines of credit from banks of \$40 million, of which \$21.6 million was available as of December 31, 1998.

At December 31, 1998, letters of credit amounting to \$21.2 million were outstanding, primarily to provide security under insurance arrangements and certain borrowings.

The weighted average interest rates on the revenue bonds for 1998 and 1997 were 4.3% and 4.2%, respectively.

The debt facilities contain various restrictive covenants and limitations, all of which were complied with in 1998 and 1997. The industrial development and revenue bonds are collateralized by the facilities and equipment acquired through the proceeds of the related bond issuances.

Cash payments for interest were \$21.3 million in 1998, \$12.3 million in 1997 and \$6.9 million in 1996.

The aggregate amount of long-term debt maturing in each of the next five years is approximately \$2.0 million in 1999, \$2.2 million in 2000 and 2001, \$1.2 million in 2002, \$3.7 million in 2003 and \$264.2 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 acquisition.

SHAREHOLDERS' EQUITY

On October 4, 1996, the Company's Board of Directors authorized a two-for-one stock split which was completed on January 15, 1997 to shareholders of record on January 2, 1997. The split resulted in the issuance of 19,665,312 new shares of common stock including 4,489,650 shares issued as treasury shares. In addition, authorized shares were increased from 25,000,000 to 50,000,000. All references in the financial statements to average number of shares outstanding and related prices, per share amounts, and stock option plan data have been restated to reflect this split.

The Company has a Shareholders' Rights Agreement which 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.

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, 1998, 23,472 nonvested shares were outstanding and 2,165,365 shares were available for issuance under the Company's restricted stock plan.

The activity under the stock option plan is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 1995	1,478,998	\$13.77
Options granted	396,000	20.73
Options exercised	(175,892)	10.05
Options surrendered	(2,276)	12.32
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
Available for grant at December 31, 1998	435,182	

The following tables summarize information about stock options outstanding as of December 31, 1998:

Options Outstanding

Range of Exercise Prices	Number Outstanding at 12/31/98	Weighted Average Remaining Years	Weighted Average Exercise Price
\$ 8.10– 9.78	152,407	2.7	\$ 9.10
12.32– 17.25	248,094	4.5	14.38
17.32– 19.63	252,000	6.1	17.75
19.88– 29.50	634,332	7.5	23.68
32.75– 46.56	240,000	9.1	46.51
	1,526,833		

Options Exercisable

Range of Exercise Prices	Number Exercisable at 12/31/98	Weighted Average Exercise Price
\$ 8.10– 9.78	152,407	\$ 9.10
12.32– 17.25	248,094	14.38
17.32– 19.63	252,000	17.75
19.88– 29.50	563,332	22.94
32.75– 46.56	80,333	46.45
	1,296,166	

At December 31, 1997, 1,297,135 options were exercisable at a weighted average price of \$17.09.

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 1998, 1997 and 1996, would have been approximately \$1.7 million or \$.06 per share, \$1.5 million or \$.05 per share and \$1.1 million or \$.03 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 1.20% in 1998 and 1.75% in 1997 and 1996; an expected life of 7 years; expected volatility of 25.6% in 1998 and 24.0% in 1997 and 1996; and risk-free interest rate of 5.5% in 1998 and 6.0% in 1997 and 1996. The weighted average fair value of those stock options granted in 1998, 1997 and 1996 was \$16.35, \$9.61 and \$6.75, 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:

<i>In Thousands</i>	1998	1997
Benefit obligation at beginning of year	\$ 99,551	\$86,135
Service cost	5,258	4,366
Interest cost	7,113	6,734
Amendments	702	(5,313)
Actuarial gain	2,972	13,577
Benefits paid	(7,717)	(5,948)
Benefit obligation at end of year	\$107,879	\$99,551

The change in plan assets:

<i>In Thousands</i>	1998	1997
Fair value of plan assets at beginning of year	\$104,015	\$ 90,737
Actual return on plan assets	17,098	17,975
Company contribution	1,069	1,251
Benefits paid	(7,717)	(5,948)
Fair value of plan assets at end of year	\$114,465	\$104,015

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

<i>In Thousands</i>	1998	1997
Funded status	\$ 6,586	\$ 4,464
Unrecognized net actuarial loss	(15,321)	(9,078)
Unrecognized prior service cost	(3,363)	(3,889)
Unrecognized transition asset	(2,901)	(3,589)
Accrued benefit cost	\$(14,999)	\$(12,092)

Components of net periodic benefit cost at December 31:

<i>In Thousands</i>	1998	1997	1996
Service cost	\$ 5,258	\$ 4,366	\$ 3,374
Interest cost	7,113	6,734	6,122
Expected return on plan assets	(8,014)	(6,968)	(6,440)
Net amortization and deferral	(381)	(512)	(80)
Net periodic benefit cost	\$ 3,976	\$ 3,620	\$ 2,976

The projected benefit obligation was determined using an assumed discount rate of 7.0% in 1998, 7.25% in 1997 and 7.75% in 1996. The assumed rate of compensation increase was 4.0% in 1998 and 1997 and 4.5% in 1996; and the expected rate of return on plan assets was 9.25% in 1998 and 8.75% in 1997 and 1996.

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, \$4.7 million and \$3.2 million, in 1998, 1997 and 1996, 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 1998 and 1997 and \$0.6 million in 1996. The present value of the Company's obligation under these plans is not significant.

INCOME TAXES

The provision for income taxes was as follows:

<i>In Thousands</i>	1998	1997	1996
Currently payable			
Federal	\$38,496	\$39,262	\$27,954
State, local and other	8,340	8,242	9,788
	\$46,836	\$47,504	\$37,742
Deferred liability (benefit)			
Federal	\$ 5,572	\$ (1,363)	\$ (1,238)
State, local and other	2,995	(23)	(144)
	\$ 8,567	\$ (1,386)	\$ (1,382)
Total provision	\$55,403	\$46,118	\$36,360

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

<i>In Thousands</i>	1998	1997
Product warranty	\$ 46,047	\$ 35,346
Inventory reserves	3,495	3,197
Doubtful receivables	3,742	1,719
Employee benefits	11,799	12,114
Other, net	11,879	12,088
Deferred assets	\$ 76,962	\$ 64,464
Depreciation	(55,473)	(37,394)
Other, net	(4,591)	(1,606)
Deferred liabilities	\$(60,064)	\$(39,000)
Net deferred tax assets	\$ 16,898	\$ 25,464

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:

<i>In Thousands</i>	1998	1997	1996
Federal income taxes at statutory rate	\$49,095	\$40,875	\$32,214
State income taxes, net of federal income tax benefit	5,798	3,842	2,912
Other, net	510	1,401	1,234
	\$55,403	\$46,118	\$36,360
Effective income tax rate	39.5%	39.5%	39.5%

Cash payments for income taxes were \$58.7 million, \$30.7 million and \$40.5 million in 1998, 1997 and 1996, respectively.

SUBSEQUENT EVENT

In January 1999, the Company announced that it will reduce its interest in the perishable cargo business. On January 28, 1999, the Company sold 85% of its interest in its perishable cargo container leasing joint venture. Furthermore, in connection with the reduction of the Company's interest in the leasing joint venture, the Company announced the suspension of operations at its perishable cargo container manufacturing facility. These operations are associated with the Company's All Other business segment. The Company will

continue to participate in the perishable cargo business with its remaining interest in the leasing joint venture. The Company will recognize a net gain of approximately \$17 million resulting from the reduction of its interest in the perishable cargo business.

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 FleeceBACK™ 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 speciality 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.

<p><i>All Other (General Industry)</i> – the principal products of this segment include commercial and institutional plastic foodservice permanentware and catering equipment, fiber glass 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 payload trailers and dump bodies, self-contained ISO perishable cargo shipping containers and perishable cargo</p>	<p>container leasing. Customers include foodservice distributors, restaurants, dairy product processors and distributors, heavy equipment and truck dealers, shipping lines and commercial haulers.</p> <p><i>Corporate</i> – includes general corporate and idle property expenses. Corporate assets consist primarily of cash and cash equivalents, facilities, and other invested assets.</p>
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Financial information for operations by reportable business segment is included in the following summary:

<i>In Thousands</i>	<i>Sales</i>	<i>Earnings Before Interest And Income Taxes</i>	<i>Assets</i>	<i>Depreciation And Amortization</i>	<i>Capital Spending</i>
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
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
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
1996					
Construction Materials	\$ 318,036	\$ 42,781	\$ 180,245	\$ 5,976	\$ 6,416
Industrial Components	320,708	38,821	194,038	10,113	14,582
Automotive Components	124,148	9,428	157,776	4,016	3,198
All Other	254,603	20,307	192,250	8,953	10,704
Corporate	–	(10,901)	18,154	700	90
	\$1,017,495	\$100,436	\$ 742,463	\$29,758	\$34,990

Reconciliation of earnings before interest and income taxes to earnings before income taxes:

	1998	1997	1996
Earnings before interest and income taxes	\$159,985	\$132,114	\$100,436
Investment income	2,999	1,172	666
Interest expense	(22,715)	(16,502)	(9,062)
Earnings before income taxes	\$140,269	\$116,784	\$ 92,040

Quarterly Financial Data

Unaudited

<i>In thousands except share data.</i>	<i>First</i>	<i>Second</i>	<i>Third</i>	<i>Fourth</i>	<i>Year</i>
1998 Net sales	\$363,090	395,580	377,985	380,839	\$1,517,494
Gross margin	\$ 78,555	88,363	81,948	79,249	\$ 328,115
Operating expenses	\$ 43,993	44,644	43,437	44,470	\$ 176,544
Net earnings	\$ 18,979	24,551	22,320	19,016	\$ 84,866
Basic earnings per share	\$ 0.63	0.81	0.74	0.63	\$ 2.81
Diluted earnings per share	\$ 0.62	0.80	0.73	0.62	\$ 2.77
Dividends per share	\$ 0.1400	0.1400	0.1600	0.1600	\$ 0.6000
Stock price: High	\$ 51 ¹ / ₄	53 ¹ / ₁₆	47 ¹⁵ / ₁₆	51 ⁵ / ₈	
Low	\$ 40 ¹ / ₁₆	39 ³ / ₈	35 ¹ / ₂	32 ¹¹ / ₁₆	
1997 Net sales	\$287,819	337,372	315,707	319,652	\$1,260,550
Gross margin	\$ 63,592	76,712	75,089	71,068	\$ 286,461
Operating expenses	\$ 38,319	38,925	40,273	41,553	\$ 159,070
Net earnings	\$ 13,421	20,980	19,518	16,747	\$ 70,666
Basic earnings per share	\$ 0.44	0.69	0.65	0.56	\$ 2.34
Diluted earnings per share	\$ 0.43	0.68	0.63	0.54	\$ 2.28
Dividends per share	\$ 0.1225	0.1225	0.1400	0.1400	\$ 0.5250
Stock price: High	\$ 35 ⁵ / ₈	37	46 ⁷ / ₈	46 ³ / ₄	
Low	\$ 29 ¹ / ₄	27	34 ³ / ₄	39 ⁵ / ₈	

Report of Independent Public Accountants

To the Board of Directors of Carlisle Companies Incorporated:

We have audited the accompanying consolidated balance sheets of Carlisle Companies Incorporated (a Delaware corporation) and subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. 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 and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Arthur Anderson LLP

New York, New York
January 28, 1999

Six-Year Summary

In thousands except share data.

	1998	1997	1996	1995	1994	1993
SUMMARY OF OPERATIONS						
Net sales	\$ 1,517,494	1,260,550	1,017,495	822,534	692,650	611,270
Gross margin	\$ 328,115	286,461	237,698	197,674	176,368	158,478
Selling & administrative expenses	\$ 160,366	143,246	128,676	109,236	102,992	98,449
Research & development	\$ 16,178	15,824	11,900	12,339	11,933	11,165
Interest and other expenses, net	\$ 11,302	10,607	5,082	3,241	2,652	1,952
Net earnings	\$ 84,866	70,666	55,680	44,081	35,568	28,378
Basic earnings per share	\$ 2.81	2.34	1.84	1.43	1.17	0.93
Diluted earnings per share	\$ 2.77	2.28	1.80	1.41	1.15	0.92
FINANCIAL POSITION						
Net working capital	\$ 223,188	191,450	175,285	153,709	164,669	144,474
Property, plant and equipment, net	\$ 354,769	294,165	264,238	193,134	158,238	142,229
Total assets	\$ 1,022,852	861,216	742,463	542,423	485,283	420,363
Long-term debt	\$ 273,521	209,642	191,167	72,725	69,148	59,548
% of total capitalization	40.2	37.5	38.3	21.0	21.8	21.3
Shareholders' equity	\$ 406,905	348,836	307,503	273,257	247,850	220,523
OTHER DATA						
Average shares outstanding (000's) – basic	30,179	30,235	30,281	30,759	30,519	30,590
Average shares outstanding (000's) – diluted	30,674	31,025	30,953	31,266	30,960	30,956
Dividends paid	\$ 18,105	15,868	14,129	12,928	11,605	10,705
Per share	\$ 0.600	0.525	0.465	0.420	0.380	0.350
Capital expenditures	\$ 95,970	59,531	34,990	37,467	31,082	28,490
Depreciation & amortization	\$ 45,221	38,755	29,758	23,230	21,940	20,688
Shareholders of record	2,443	2,068	2,145	2,054	2,350	2,186

All share and per share amounts have been restated to reflect the two-for-one stock split on June 1, 1993 and 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.

Shareholder Information	Board of Directors	Officers
<p>ANNUAL MEETING 12:00 noon, April 20, 1999, at corporate headquarters.</p>	<p>MAGALEN O. BRYANT ^{(a) (c)} Investor in various corporations</p>	<p>STEPHEN P. MUNN Chairman and Chief Executive Officer</p>
<p>10-K REPORTS 10-K reports are available on-line from the SEC or by written request to the Secretary.</p>	<p>DONALD G. CALDER ^{(a) (b)} President, G.L. Ohrstrom & Co., Inc., a private investment firm</p>	<p>DENNIS J. HALL President</p>
<p>SHAREHOLDER SERVICES 1-800-897-9071</p>	<p>PAUL J. CHOQUETTE, JR. ^{(a) (d)} Chairman and Chief Executive Officer Gilbane Building Company</p>	<p>ROBERT J. RYAN, JR. Vice President, Treasurer and Chief Financial Officer</p>
<p>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.</p>	<p>HENRY J. FORREST ^{(b) (c)} Past President and Chief Operating Officer, Inter-City Products Corporation</p>	<p>SCOTT C. SELBACH Vice President, Corporate Development</p>
<p>DIVIDEND REINVESTMENT PLAN Shareholders 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 P.O. Box A-3309 Chicago, Illinois 60690. 1-800-897-9071</p>	<p>DENNIS J. HALL President of the Company</p> <p>PETER L.A. JAMIESON ^{(b) (d)} Past Director, Robert Fleming Holdings, Ltd.</p> <p>PETER F. KROGH ^{(b) (d)} Dean Emeritus and Distinguished Professor of International Affairs, Georgetown University School of Foreign Service</p>	<p>STEVEN J. FORD Vice President, Secretary and General Counsel</p> <p>KEVIN G. FORSTER President, Asia-Pacific</p>
<p>EXCHANGE LISTING The Company's ticker symbol on the NYSE is CSL.</p>	<p>STEPHEN P. MUNN ^(a) Chairman and Chief Executive Officer of the Company</p> <p>G. FITZGERALD OHRSTROM ^{(b) (d)} Vice Chairman, Vice President and Secretary, G.L. Ohrstrom & Co., Inc.</p> <p>ERIBERTO R. SCOCIMARA ^{(a) (c)} President, Hungarian-American Enterprise Fund</p> <p>ROBIN W. STERNBERGH ^{(b) (d)} Past General Manager, Distribution, IBM</p>	
	<p>^(a) Member of Executive Committee ^(b) Member of Audit Committee ^(c) Member of Compensation Committee ^(d) Member of Pension and Benefits Committee</p>	