ROGERS CORP
Form 10-Q
July 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-4347

ROGERS CORPORATION
(Exact name of Registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	06-0513860 (I. R. S. Employer Identification No.)
P.O. Box 188, One Technology Drive, Rogers, Connecticut (Address of principal executive offices)	06263-0188 (Zip Code)

Registrant's telephone number, including area code: (860) 774-9605

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark 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
The number of shares outstanding of the registrant's common stock as of July 19, 2013 was 17,341,244.

ROGERS CORPORATION
FORM 10-Q

June 30, 2013

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Exhibits:

Exhibit 23.1	Consent of National Economic Research Associates, Inc.
Exhibit 23.2	Consent of Marsh U.S.A., Inc.
Exhibit 31.1	Certification of President and CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Vice President, Finance and CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Certification of President and CEO and Vice President, Finance and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Schema Document
Exhibit 101.CAL	XBRL Calculation Linkbase Document
Exhibit 101.LAB	XBRL Labels Linkbase Document
Exhibit 101.PRE	XBRL Presentation Linkbase Document
Exhibit 101.DEF	XBRL Definition Linkbase Document

Forward Looking Statements

This Quarterly Report on Form 10-Q contains "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See "Forward Looking Statements" under Part I- Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q.

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Part I – Financial Information

Item 1. Financial Statements

ROGERS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales	$132,452	$125,295	$258,432	$245,450
Cost of sales	88,023	88,641	172,713	172,392
Gross margin	44,429	36,654	85,719	73,058
Selling and administrative expenses	25,547	22,329	50,753	46,568
Research and development expenses	6,250	4,474	11,519	9,797
Restructuring and impairment charges	4,525	834	4,525	8,183
Operating income (loss)	8,107	9,017	18,922	8,510
Equity income in unconsolidated joint ventures	762	1,305	1,291	1,962
Other income (expense), net	(177)	261	(766)	121
Realized investment gain (loss):				
Increase (decrease) in fair value of investments	—	—	—	(522)
Less: Portion reclassified to/from other comprehensive income	—	—	—	2,723
Net realized gain (loss)	—	—	—	(3,245)
Interest income (expense), net	(830)	(1,072)	(1,735)	(2,262)
Income (loss) before income tax expense (benefit)	7,862	9,511	17,712	5,086
Income tax expense (benefit)	2,279	3,094	5,152	255
Income (loss) from continuing operations	5,583	6,417	12,560	4,831
Income (loss) from discontinued operations, net of income taxes	(18)	38	102	(185)
Net income (loss)	$5,565	$6,455	$12,662	$4,646
Basic net income (loss) per share:				
Income (loss) from continuing operations	$0.33	$0.40	$0.73	$0.29
Income (loss) from discontinued operations	—	—	0.01	(0.01)
Net income (loss)	$0.33	$0.40	$0.74	$0.28
Diluted net income (loss) per share:				
Income (loss) from continuing operations	$0.32	$0.38	$0.71	$0.28
Income (loss) from discontinued operations	—	—	0.01	(0.01)
Net income (loss)	$0.32	$0.38	$0.72	$0.27

Shares used in computing:				
Basic net income per share	17,107,727	16,309,053	17,090,093	16,270,955
Diluted net income per share	17,599,481	16,864,166	17,636,440	16,842,768

The accompanying notes are an integral part of the condensed consolidated financial statements.

ROGERS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Dollars in thousands)

	June 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$137,015	$114,863
Restricted cash	—	950
Accounts receivable, less allowance for doubtful accounts of $1,661 and $1,773	88,846	78,788
Accounts receivable from joint ventures	1,778	2,142
Accounts receivable, other	1,752	2,297
Taxes receivable	2,212	5,079
Inventories	66,733	73,178
Prepaid income taxes	5,134	4,914
Deferred income taxes	7,074	7,225
Asbestos-related insurance receivables	8,195	8,195
Other current assets	7,450	8,559
Assets of discontinued operations	—	746
Total current assets	326,189	306,936
Property, plant and equipment, net of accumulated depreciation of $211,592 and $205,575	148,669	149,017
Investments in unconsolidated joint ventures	19,022	21,171
Deferred income taxes	59,150	71,439
Goodwill	103,000	105,041
Other intangible assets	49,570	53,288
Asbestos-related insurance receivables	40,067	40,067
Investments, other	5,127	5,000
Other long-term assets	7,715	8,065
Total assets	$758,509	$760,024
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$17,753	$16,730
Accrued employee benefits and compensation	23,981	23,156
Accrued income taxes payable	1,921	3,135
Current portion of lease obligation	1,004	1,423
Current portion of long term debt	23,000	20,500
Asbestos-related liabilities	8,195	8,195
Other accrued liabilities	11,454	11,363
Liabilities of discontinued operations	—	3
Total current liabilities	87,308	84,505
Long term lease obligation	6,734	6,942
Long term debt	70,000	77,500
Pension liability	34,008	65,942
Retiree health care and life insurance benefits	10,654	10,654
Asbestos-related liabilities	43,222	43,222

Non-current income tax	20,033	19,300
Deferred income taxes	15,820	17,545
Other long-term liabilities	350	262
Shareholders' Equity		
Capital Stock - $1 par value; 50,000,000 authorized shares; 17,242,257 and 16,904,441 shares outstanding	17,242	16,904
Additional paid-in capital	83,655	74,272
Retained earnings	413,446	400,784
Accumulated other comprehensive income (loss)	(43,963)	(57,808)
Total shareholders' equity	470,380	434,152
Total liabilities and shareholders' equity	$758,509	$760,024

The accompanying notes are an integral part of the condensed consolidated financial statements.

ROGERS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(Dollars in thousands)

	Capital Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2012	$16,904	$74,272	$400,784	$ (57,808)	$434,152
Net income (loss)	—	—	12,662	—	12,662
Other comprehensive income (loss)				13,845	13,845
Stock options exercised	261	7,830	—	—	8,091
Stock issued to directors	15	(15)	—	—	—
Shares issued for employees stock purchase plan	15	375	—	—	390
Shares issued for restricted stock	47	(1,052)	—	—	(1,005)
Stock-based compensation expense	—	2,245	—	—	2,245
Balance at June 30, 2013	$17,242	$83,655	$413,446	$ (43,963)	$470,380

The accompanying notes are an integral part of the condensed consolidated financial statements.
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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Income (loss) from continuing operations, net of tax	$5,583	6,417	$12,560	$4,831
Foreign currency translation adjustment	3,192	(10,857)	(6,206)	(4,886)
Net unrealized gains (losses) on securities:				
Net unrealized gain (loss) on marketable securities reclassified into earnings (1)	—	—	—	1,168
Derivative instruments designated as cash flow hedges:				
Unrealized gain (loss) on derivative instruments held at period end, net of tax (1)	82	(43)	73	212
Pension and postretirement actuarial net gain (loss) incurred in fiscal year	17,225	—	17,225	—
Pension and postretirement benefit plans reclassified into earnings, net of tax (1)				
Amortization of loss	735	1,508	1,749	2,972
Amortization of prior service cost	982	3	1,004	6
Other comprehensive income (loss)	22,216	(9,389)	13,845	(528)
Comprehensive income (loss) from continuing operations	27,799	(2,972)	26,405	4,303
Income (loss) from discontinued operations, net of income taxes	(18)	38	102	(185)
Comprehensive income (loss)	$27,781	$(2,934)	$26,507	$4,118

(1) See Note 5 - "Accumulated Other Comprehensive Income (Loss)" for tax impacts.

The accompanying notes are an integral part of the condensed consolidated financial statements.

ROGERS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Six Months Ended	
	June 30, 2013	June 30, 2012
Operating Activities:		
Net income (loss)	$12,662	$4,646
Loss (earnings) from discontinued operations	(102)	185
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	13,027	13,561
Stock-based compensation expense	2,245	2,678
Loss from long-term investments	—	3,245
Deferred income taxes	(515)	(1,050)
Equity in undistributed income of unconsolidated joint ventures	(1,291)	(1,962)
Dividends received from unconsolidated joint ventures	1,988	2,929
Pension and postretirement benefits	5,496	6,718
Gain from the sale of property, plant and equipment	(75)	(579)
Impairment of assets	—	539
Changes in operating assets and liabilities excluding effects of acquisition and disposition of businesses:		
Accounts receivable, accounts receivable other and taxes receivable	(7,697)	(3,330)
Accounts receivable, joint ventures	364	(778)
Inventories	5,941	3,027
Pension contribution	(6,500)	(16,000)
Other current assets	1,443	(3,331)
Accounts payable and other accrued expenses	1,563	(7,261)
Other, net	1,171	1,332
Net cash provided by (used in) operating activities of continuing operations	29,720	4,569
Net cash provided by (used in) operating activities of discontinued operations	848	(268)
Net cash provided by (used in) operating activities	30,568	4,301
Investing Activities:		
Capital expenditures	(10,537)	(10,767)
Proceeds from short-term investments	—	25,438
Proceeds from the sale of property, plant and equipment, net	75	1,979
Deferred purchase price for previous acquisition of business	—	(3,100)
Net cash provided by (used in) investing activities of continuing operations	(10,462)	13,550
Financing Activities:		
Repayment of debt principal and long term lease obligation	(5,530)	(2,992)
Proceeds from sale of capital stock, net	8,091	3,427
Issuance of restricted stock shares	(1,005)	(571)
Proceeds from issuance of shares to employee stock purchase plan	390	413
Net cash provided by (used in) financing activities of continuing operations	1,946	277
Effect of exchange rate fluctuations on cash	100	(2,070)
Net increase (decrease) in cash and cash equivalents	22,152	16,058

Cash and cash equivalents at beginning of year	114,863	79,728
Cash and cash equivalents at end of quarter	$137,015	$95,786

The accompanying notes are an integral part of the condensed consolidated financial statements.

ROGERS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, these statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In our opinion, the accompanying condensed consolidated statements of financial position and related interim condensed consolidated statements of income (loss), condensed consolidated statements of shareholders' equity, condensed consolidated statement of comprehensive income (loss) and condensed consolidated statements of cash flows include all normal recurring adjustments necessary for their fair presentation in accordance with U.S. generally accepted accounting principles. All significant intercompany transactions have been eliminated. For all periods and amounts presented, reclassifications have been made for discontinued operations. In the second quarter of 2012, we ceased production at our non-woven composite materials operating segment that was classified as a discontinued operation as of December 31, 2012. See Note 16 -"Discontinued Operations" for further discussion. Certain amounts in the prior-year unaudited condensed consolidated financial statements have been reclassified to conform with the current-year presentation.

Interim results are not necessarily indicative of results for a full year. For further information regarding our accounting policies, refer to the audited consolidated financial statements and footnotes thereto included in our Form 10-K for the fiscal year ended December 31, 2012.

Note 2 – Fair Value Measurements

The accounting guidance for fair value measurements establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

From time to time we enter into various instruments that require fair value measurement, including foreign currency option contracts, interest rate swaps and copper derivative contracts. Assets measured on a recurring basis, categorized by the level of inputs used in the valuation, include:

(Dollars in thousands)	Balance Sheet Location	Carrying amount as of June 30, 2013	Level 1	Level 2	Level 3
Assets					
Pension assets (1)		$156,741	$106,619	$33,530	$16,592
Foreign exchange option contracts	Other current assets	(9)	—	(9)	—
Copper derivative instruments	Other current assets	56	—	56	—
Liabilities					
Interest rate swap instrument	Other accrued liabilities	(249)	—	(249)	—

(Dollars in thousands)	Balance Sheet Location	Carrying amount as of December 31, 2012	Level 1	Level 2	Level 3
Assets					
Pension assets (1)		$143,540	$98,269	$29,869	$15,402
Foreign exchange option contracts	Other current assets	15	—	15	—
Copper derivative instruments	Other current assets	267	—	267	—
Liabilities					
Interest rate swap instrument	Other accrued liabilities	(361)	—	(361)	—

(1) Pension assets are recorded net of the projected benefit obligation as a long term pension liability.

Auction Rate Securities

During the first quarter of 2012, we liquidated our auction rate security portfolio, receiving net proceeds of $25.4 million on a stated par value of $29.5 million. As a result of this liquidation, we recognized a loss on the discount of the securities of $3.2 million (the remaining difference between the liquidation value and par value of $0.9 million had previously been recognized as an impairment loss) in our earnings. Since the markets for these securities failed in the first quarter of 2008, we had redeemed $24.9 million of these securities, mostly at par, prior to the liquidation in the first quarter of 2012.

Prior to the first quarter of 2008, our available-for-sale auction rate securities were recorded at fair value as determined in the active market at the time. However, due to events in the credit markets, the auctions failed during the first quarter of 2008 for the auction rate securities that we held at that time, and all of our auction rate securities had been in a loss position since that time until they were liquidated in the first quarter of 2012. Given the lack of unobservable inputs in the auction markets since the first quarter of 2008, such securities were considered Level 3 securities.

During 2011, we performed a fair value assessment of these securities based on a discounted cash flow model, utilizing various assumptions that included estimated interest rates, probabilities of successful auctions, the timing of cash flows, and the quality and level of collateral of the securities. These inputs were chosen based on our understanding of the expectations of the market and are consistent with the assumptions utilized during our assessment of these securities at year end 2011.

Prior to the first quarter of 2012, we had recognized an other-than-temporary impairment (OTTI) on these securities. An OTTI is recognized in earnings for a security in an unrealized loss position when an entity either (a) has the intent to sell the security or (b) more likely than not will be required to sell the security before its anticipated recovery. If neither of these circumstances (a) or (b) are present the other-than-temporary loss is separated into (i) the amount representing the credit loss and (ii) the amount related to all other factors. The credit loss is primarily based on the underlying ratings of the securities and is recognized in earnings, and the remaining amount is recorded in other comprehensive income. This is the approach we used to recognize the OTTI taken prior to liquidation in the first quarter of 2012. The amount representing the credit loss was recognized in earnings, and since circumstances (a) and (b) above were not present, the remaining amount was recorded in other comprehensive income.

Due to our belief that it would have taken more than twelve months for the auction rate securities market to recover, these securities were classified as long-term assets, except for those that were scheduled to be redeemed within a twelve month period, which were classified as short-term investments.

Since par value redemptions had recently slowed with no clear path for full redemption over the next several years and the rate of return on these securities being very low, management determined that a discounted redemption in the first quarter of 2012 was in the best interests of the Company as the related cash could be better utilized for other purposes going forward.

The reconciliation of our assets measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

(Dollars in thousands)	Auction Rate Securities

Balance at December 31, 2011	$25,960
Cash received for redemptions at par	(25,438)
Reclassified from other comprehensive income	2,723
Reported in earnings	(3,245)
Balance at June 30, 2012	$—

There were no credit losses recognized for the six months ended June 30, 2012.

Derivatives Contracts

We are exposed to certain risks related to our ongoing business operations. The primary risks being managed through the use of derivative instruments are foreign currency exchange rate risk, commodity pricing risk (primarily copper) and interest rate risk.

- Foreign Currency - The fair value of any foreign currency option derivative is based upon valuation models applied to current market information such as strike price, spot rate, maturity date and volatility, and established by an over-the-counter market or obtaining market data for similar instruments with similar characteristics. The fair value of any forward contract is based on the difference between the contract rate and the spot rate at the end of the reporting period.
- Commodity - The fair value of copper derivatives is computed using a combination of intrinsic and time value valuation models. The intrinsic valuation model reflects the difference between the strike price of the underlying copper derivative instrument and the current prevailing copper prices in an over-the-counter market at period end. The time value valuation model incorporates the constant changes in the price of the underlying copper derivative instrument, the time value of money, the underlying copper derivative instrument's strike price and the remaining time to the underlying copper derivative instrument's expiration date from the period end date. Overall, fair value is a function of five primary variables: price of the underlying instrument, time to expiration, strike price, interest rate, and volatility.
- Interest Rates - The fair value of interest rate swap instruments is derived by comparing the present value of the interest rate forward curve against the present value of the swap rate, relative to the notional amount of the swap. The net value represents the estimated amount we would receive or pay to terminate the agreements. Settlement amounts for an "in the money" swap would be adjusted down to compensate the counterparty for cost of funds, and the adjustment is directly related to the counterparties' credit ratings.

We do not use derivative financial instruments for trading or speculative purposes.

For further discussion on our derivative contracts, see Note 3 - "Hedging Transactions and Derivative Financial Instruments" below.

Pension Assets

Our pension assets are stated at fair value on an annual basis and there are categories of assets in Level 1, 2 and 3 of the fair value hierarchy. During the second quarter of 2013, we made the decision to freeze the accumulation of benefits related to our defined benefit pension plans. This event required a fair value measurement of the pension assets as of April 30, 2013 and those are the values presented here. See further discussed in Note 8 - “Pension Benefits and Other Postretirement Benefit Plans”.

Note 3 – Hedging Transactions and Derivative Financial Instruments

The guidance for the accounting and disclosure of derivatives and hedging transactions requires companies to recognize all of their derivative instruments as either assets or liabilities at fair value in the statements of financial position. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies for special hedge accounting treatment as defined under the applicable accounting guidance. For derivative instruments that are designated and qualify for hedge accounting treatment (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss). This gain or loss is reclassified into earnings in the same line item of the statements of income (loss) associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the hedged item (i.e., the ineffective portion) if any, is recognized in the statements of income (loss) during the current period. For the three and six month periods ended June 30, 2013 and 2012 there were no hedge ineffectiveness.

We currently have four outstanding contracts to hedge exposure related to the purchase of copper at our German subsidiary, Curamik, and U.S. operations in Arizona. These contracts are held with financial institutions and minimize the risk associated with a potential rise in copper prices. They cover the 2013 and 2014 monthly copper exposure and do not qualify for hedge accounting treatment; therefore, any mark-to-market adjustment on these contracts is recorded in the "Other income, net" line item in our condensed consolidated statements of income (loss).
In 2012, we entered into Euro currency forward contracts to mitigate the exposure in the U.S. for pending Euro-denominated purchases. These contracts do not qualify for hedge accounting treatment therefore, any mark-to-market adjustment on these contracts are recorded in the "Other income, net" line item in our condensed consolidated statements of income (loss).
Through the first half of 2013, we entered into Japanese Yen, Euro, U.S Dollar and Hungarian Forint currency forward contracts to mitigate certain global balance sheet exposures. These contracts do not qualify for hedge accounting treatment therefore, any

mark-to-market adjustment on these contracts are recorded in the "Other income, net" line item in our condensed consolidated statements of income (loss).

Also in 2012, we entered into an interest rate swap derivative instrument to hedge the variable LIBOR portion of the interest rate on 65% of the term loan debt then outstanding, effective July 2013. This transaction has been designated as a cash flow hedge and qualifies for hedge accounting treatment. At June 30, 2013, the term loan debt represents $85.0 million of our total outstanding debt of $93.0 million. At June 30, 2013, the rate charged on this debt is the 1 month LIBOR at 0.25% plus a spread of 2.00%.

Notional Value of Copper Derivatives			Notional Values of Foreign Currency Derivatives	
January 2013 - December 2013	55	metric tons per month	YEN/USD	¥300,000,000
July 2013 - November 2013	40	metric tons per month	USD/EUR	$900,000
December 2013 - March 2014	30	metric tons per month	HUF/EUR	290,000,000
January 2014 - April 2014	30	metric tons per month		

(Dollars in thousands)		The Effect of Current Derivative Instruments on the Financial Statements for the period ended June 30, 2013 Amount of gain (loss)	
Foreign Exchange Contracts	Location of gain (loss)	Three months ended	Six months ended
Contracts not designated as hedging instruments	Other income, net	$(14)	$(9)
Copper Derivative Instruments			
Contracts not designated as hedging instruments	Other income, net	(162)	(345)
Interest Rate Swap Instrument			
Contracts designated as hedging instruments	Other comprehensive income (loss)	121	112

(Dollars in thousands)		The Effect of Current Derivative Instruments on the Financial Statements for the period ended June 30, 2012 Amount of gain (loss)	
Foreign Exchange Contracts	Location of gain (loss)	Three months ended	Six months ended
Contracts not designated as hedging instruments	Other income, net	$—	$81
Copper Derivative Instruments			
Contracts designated as hedging instruments	Other comprehensive income (loss)	(66)	189

Concentration of Credit Risk

By using derivative instruments, we are subject to credit and market risk. If a counterparty fails to fulfill its performance obligations under a derivative contract, our credit risk will equal the fair value of the derivative instrument. Generally, when the fair value of a derivative contract is positive, the counterparty owes the Company, thus creating a receivable risk for the Company. We minimize counterparty credit (or repayment) risk by entering into

derivative transactions with major financial institutions with investment grade credit ratings.

Note 4 - Inventories
Inventories were as follows:

(Dollars in thousands)	June 30, 2013	December 31, 2012
Raw materials	$24,880	$29,064
Work-in-process	14,552	13,154
Finished goods	27,301	30,960
Total Inventory	$66,733	$73,178

Note 5 - Accumulated Other Comprehensive Income (Loss)
The changes of accumulated other comprehensive income (loss) by component at June 30, 2013 were as follows:

(Dollars in thousands)	Foreign currency translation adjustments	Funded status of pension plans and other postretirement benefits (1)	Unrealized gain (loss) on derivative instruments (2)	Total
Beginning Balance December 31, 2012	$12,585	$(70,158)	$(235)	$(57,808)
Other comprehensive income before reclassifications	(6,206)	—	73	(6,133)
Actuarial net gain (loss) incurred in the fiscal year	—	17,225	—	17,225
Amounts reclassified from accumulated other comprehensive income	—	2,753	—	2,753
Net current-period other comprehensive income	(6,206)	19,978	73	13,845
Ending Balance June 30, 2013	$6,379	$(50,180)	$(162)	$(43,963)

(1) Net of taxes of $11,613 and $22,371 for the periods ended June 30, 2013 and December 31, 2012, respectively.
(2) Net of taxes of $87 and $127 for the periods ended June 30, 2013 and December 31, 2012, respectively.
The changes of accumulated other comprehensive income (loss) by component at June 30, 2012 were as follows:

(Dollars in thousands)	Foreign currency translation adjustments	Funded status of pension plans and other postretirement benefits (3)	Unrealized gain (loss) on derivative instruments (4)	Unrealized gain (loss) on marketable securities (5)	Total
Beginning Balance December 31, 2011	$5,875	$(67,239)	$(270)	$(1,168)	$(62,802)
Other comprehensive income before reclassifications	(4,886)	—	212	—	(4,674)
Amounts reclassified from accumulated other comprehensive income	—	2,978	—	1,168	4,146
Net current-period other comprehensive income	(4,886)	2,978	212	1,168	(528)
Ending Balance June 30, 2012	$989	$(64,261)	$(58)	$—	$(63,330)

(3) Net of taxes of $20,799 and $20,799 for the periods ended June 30, 2012 and December 31, 2011, respectively.
(4) Net of taxes of $23 and $0 for the periods ended June 30, 2012 and December 31, 2011, respectively.
(5) Net of taxes of $1,555 for the period ended December 31, 2011.

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The reclassifications out of accumulated other comprehensive income (loss) for the six months ended June 30, 2013 were as follows:

	Amounts reclassified from accumulated other comprehensive income (loss) for the period ended June 30, 2013		
Details about accumulated other comprehensive income components	Three months ended	Six months ended	Affected line item in the statement where net income is presented
Amortization of defined benefit pension and other post-retirement benefit items			
Prior service costs	$1,511	$1,545	(6)
Actuarial losses	1,130	2,690	(6)
	2,641	4,235	Total before tax
	(924)	(1,482)	Tax (benefit) expense
	$1,717	$2,753	Net of tax

(6) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 8 - "Pension Benefit and Other Postretirement Benefit Plans" for additional details.

The reclassifications out of accumulated other comprehensive income (loss) for the six months ended June 30, 2012 were as follows:

	Amounts reclassified from accumulated other comprehensive income (loss) for the period ended June 30, 2012		
Details about accumulated other comprehensive income components	Three months ended	Six months ended	Affected line item in the statement where net income is presented
Unrealized gains and losses on marketable securities			
	$—	$(2,723)	Realized gain (loss)
	—	1,555	Tax benefit (expense)
	$—	$(1,168)	Net of tax
Amortization of defined benefit pension and other post-retirement benefit items			
Prior service costs	$3	$6	(6)
Actuarial losses	1,508	2,972	(6)
	1,511	2,978	Total before tax
	—	—	Tax (benefit) expense
	$1,511	$2,978	Net of tax

(6) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 8 - "Pension Benefit and Other Postretirement Benefit Plans" for additional details.

Note 6- Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share, for the periods indicated:

(In thousands, except per share amounts)	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Numerator:				
Income (loss) from continuing operations	$5,583	$6,417	$12,560	$4,831
Denominator:				
Denominator for basic earnings per share - Weighted-average shares	17,108	16,309	17,090	16,271
Effect of dilutive stock options	491	555	546	572
Denominator for diluted earnings per share - Adjusted weighted-average shares and assumed conversions	17,599	16,864	17,636	16,843
Basic income (loss) from continuing operations per share:	$0.33	$0.40	$0.73	$0.29
Diluted income (loss) from continuing operations per share:	0.32	0.38	0.71	0.28

Certain potential ordinary dilutive shares were excluded from the calculation of diluted weighted-average shares outstanding because they would have an anti-dilutive effect on net income per share (see table below).

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012
Anti-dilutive shares excluded	697,878	932,104
Dilutive shares excluded due to net loss	—	—

Note 7 – Stock-Based Compensation

Equity Compensation Awards

Stock Options

Stock options have been granted under various equity compensation plans. While we may grant options to employees that become exercisable at different times or within different periods, we have generally granted options to employees that vest and become exercisable in one-third increments on the second, third and fourth anniversaries of the grant dates. The maximum contractual term for all options is normally ten years.

We use the Black-Scholes option-pricing model to calculate the grant-date fair value of an option. We did not grant any stock options in the first two quarters of 2013, or the second quarter of 2012. The fair value of options granted during the six month period ended June 30, 2012 were calculated using the following weighted-average assumptions:

	June 30, 2012	
Options granted	46,950	
Weighted average exercise price	$41.27	
Weighted-average grant date fair value	19.08	
Assumptions:		
Expected volatility	47.70	%
Expected term (in years)	5.9	
Risk-free interest rate	1.43	%
Expected dividend yield	—	

Expected volatility – In determining expected volatility, we have considered a number of factors, including historical volatility and implied volatility.
Expected term – We use historical employee exercise data to estimate the expected term assumption for the Black-Scholes valuation.
Risk-free interest rate – We use the yield on zero-coupon U.S. Treasury securities for a period commensurate with the expected term assumption as its risk-free interest rate.
Expected dividend yield – We do not currently pay dividends on our common stock; therefore, a dividend yield of 0% was used in the Black-Scholes model.
In most cases, we recognize expense using the straight-line method for stock option grants. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term “forfeitures” is distinct from “cancellations” or “expirations” and represents only the unvested portion of the surrendered option. We currently expect, based on an analysis of our historical forfeitures, an annual forfeiture rate of approximately 3% and applied that rate to the grants issued. This assumption will be reviewed periodically and the rate will be adjusted as necessary based on these reviews. Ultimately, the actual expense recognized over the vesting period will only be for those options that vest.
During the three and six month periods ended June 30, 2013, we recognized approximately $0.2 million and $0.6 million of stock option compensation expense, respectively. During the three and six month periods ended June 30, 2012, we recognized approximately $0.6 million and $1.3 million of stock option compensation expense, respectively.
A summary of the activity under our stock option plans as of June 30, 2013 and changes during the three and six month periods then ended, is presented below:

	Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Options outstanding at March 31, 2013	1,670,647	$41.06	4.3	$15,558,730
Options granted	—	—		
Options exercised	(156,057)	29.80		
Options cancelled	(10,717)	36.17		
Options outstanding at June 30, 2013	1,503,873	42.26	3.7	12,388,067
Options exercisable at June 30, 2013	1,201,313	43.66	2.9	9,078,139
Options vested or expected to vest at June 30, 2013*	1,494,796	42.29	3.7	12,288,769

* In addition to the vested options, we expect a portion of the unvested options to vest at some point in the future. Options expected to vest are calculated by applying an estimated forfeiture rate to the unvested options.

	Options Outstanding	Weighted-Average Exercise Price Per Share
Options outstanding at December 31, 2012	1,765,947	$40.58
Options granted	—	—
Options exercised	(251,240)	30.71
Options cancelled	(10,834)	36.05
Options outstanding at June 30, 2013	1,503,873	

During the six month period ended June 30, 2013, the total intrinsic value of options exercised (i.e., the difference between the market price at time of exercise and the price paid by the individual to exercise the options) was $4.2 million, and the total amount of cash received from the exercise of these options was $8.1 million.

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Performance-Based Restricted Stock

In 2006, we began granting performance-based restricted stock awards to certain key executives. We currently have awards from 2011, 2012 and 2013 outstanding. These awards cliff vest at the end of the three year measurement period, except for the 2011 and 2012 grants to those individuals who are retirement eligible during the grant period as such awards are subject to accelerated vesting as the grant is earned over the course of the vesting period (i.e. a pro-rata payout occurs based on the retirement date). Participants are eligible to be awarded shares ranging from 0% to 200% of the original award amount, based on certain defined measurement criteria. Compensation expense is recognized using the straight-line method over the vesting period, unless the employee has an accelerated vesting schedule.

The 2011 and 2012 awards have three measurement criteria on which the final payout of the award is based - (i) the three year compounded annual growth rate (CAGR) in net sales, (ii) the three year CAGR in diluted earnings per share, and (iii) the three year average of each year's free cash flow as a percentage of net sales. In accordance with the applicable accounting literature, these measures are treated as performance conditions. The fair value of these awards is determined based on the market value of the underlying stock price at the grant date with cumulative compensation expense recognized to date being increased or decreased based on changes in the forecasted pay out percentages at the end of each reporting period.

The 2013 award has two measurement criteria on which the final payout of the award is based - (i) the three year return on invested capital (ROIC) compared to that of a specified group of peer companies and (ii) the three year total shareholder return (TSR) on the performance of our common stock as compared to that of a specified group of peer companies. In accordance with the applicable accounting literature, the ROIC portion of the award is considered a performance condition. As such, the fair value of this award is determined based on the market value of the underlying stock price at the grant date with cumulative compensation expense recognized to date being increased or decreased based on changes in the forecasted pay out percentage at the end of each reporting period. The TSR portion of the award is considered a market condition. As such, the fair value of this award was determined on the date of grant using a Monte Carlo simulation valuation model with related compensation expense fixed on the grant date and expensed on a straight-line basis over the life of the awards that ultimately vest with no changes for the final projected payout of the award.

Below are the assumptions used in the Monte Carlo calculation:

Expected volatility	37.1	%
Expected term (in years)	3.0	
Risk-free interest rate	0.40	%
Expected dividend yield	—	

Expected volatility – In determining expected volatility, we have considered a number of factors, including historical volatility.

Expected term – We use the vesting period of the award to determine the expected term assumption for the Monte Carlo simulation valuation model.

Risk-free interest rate – We use an implied "spot rate" yield on U.S. Treasury Constant Maturity rates as of the grant date for our assumption of the risk-free interest rate.

Expected dividend yield – We do not currently pay dividends on our common stock; therefore, a dividend yield of 0% was used in the Monte Carlo simulation valuation model.

Actual performance during the relevant period for the 2010 award, which vested as of December 31, 2012, met the target performance criteria and shares were paid out at 200.0% of target during the first quarter of 2013.

	Performance-Based Restricted Stock Awards
Non-vested awards outstanding at December 31, 2012	73,458
Awards granted	48,660
Stock issued	(33,538)

Awards forfeited	(11,502)
Non-vested awards outstanding at June 30, 2013	77,078

During the three and six month periods ended June 30, 2013, we recognized expense for performance-based restricted stock awards of approximately $0.2 million and $0.2 million, respectively. During the three and six month periods ended June 30, 2012, due to reductions in the estimated payout percentages of outstanding awards, we recognized income for performance-based restricted stock awards of approximately $0.5 million and $0.4 million, respectively.

Time-Based Restricted Stock

In 2011, we began granting time-based restricted stock awards to certain key executives and other key members of the Company's management team. We currently have grants from 2011, 2012 and 2013 outstanding. The 2011 and 2012 grants cliff vest at the end of the three year vesting period. The 2013 grants ratably vest on the first, second and third anniversaries of the original grant date. We recognize compensation expense on all of these awards on a straight-line basis over the vesting period. The fair value of the award is determined based on the market value of the underlying stock price at the grant date.

	Time-Based Restricted Stock Awards
Non-vested awards outstanding at December 31, 2012	115,139
Awards granted	63,200
Stock issued	(124)
Awards forfeited	(18,297)
Non-vested awards outstanding at June 30, 2013	159,918

During the three and six month periods ended June 30, 2013, we recognized compensation expense for time-based restricted stock awards of approximately $0.3 million and $0.6 million, respectively. During the three and six month periods ended June 30, 2012, we recognized compensation expense for time-based restricted stock awards of approximately $0.4 million and $0.9 million, respectively.

Deferred Stock Units

We grant deferred stock units to non-management directors. These awards are fully vested on the date of grant and the related shares are generally issued on the 13th month anniversary of the grant date unless the individual elects to defer the receipt of those shares. Each deferred stock unit results in the issuance of one share of Rogers' stock. The grant of deferred stock units is typically done annually in the second quarter of each year. The fair value of the award is determined based on the market value of the underlying stock price at the grant date.

	Deferred Stock Units
Awards outstanding at December 31, 2012	30,150
Awards granted	16,800
Stock issued	(15,400)
Awards outstanding at June 30, 2013	31,550

For each of the three and six month periods ended June 30, 2013 and 2012, we recognized compensation expense of $0.7 million related to deferred stock units. There was no expense associated with these deferred stock units in the first quarter of 2013 or 2012.

Employee Stock Purchase Plan

We have an employee stock purchase plan (ESPP) that allows eligible employees to purchase, through payroll deductions, shares of our common stock at a discount to fair market value. The ESPP has two six month offering periods each year, the first beginning in January and ending in June and the second beginning in July and ending in December. The ESPP contains a look-back feature that allows the employee to acquire stock at a 15% discount from the underlying market price at the beginning or end of the applicable period, whichever is lower. We recognize compensation expense on this plan ratably over the offering period based on the fair value of the anticipated number of shares that will be issued at the end of each offering period. Compensation expense is adjusted at the end of each offering period for the actual number of shares issued. Fair value is determined based on two factors: (i) the 15% discount amount on the underlying stock's market value on the first day of the applicable offering period and (ii) the fair value of the look-back feature determined by using the Black-Scholes model. We recognized approximately $0.1 million of compensation expense associated with the plan for each of the three month periods ended June 30, 2013

and 2012, respectively, and approximately $0.2 million of compensation expense associated with the six month periods ended June 30, 2013 and 2012, respectively.

Note 8 – Pension Benefits and Other Postretirement Benefit Plans

We have two qualified noncontributory defined benefit pension plans. One plan covers our U.S. unionized hourly employees and the other plan covers all other U.S. employees hired through December 30, 2007. We also have established a nonqualified unfunded noncontributory defined benefit pension plan to restore certain retirement benefits that might otherwise be lost due to limitations imposed by federal law on qualified pension plans, as well as to provide supplemental retirement benefits, for certain senior executives of the Company.

We are required, as an employer, to: (a) recognize in our statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and our obligations that determine our funded status as of the end of the fiscal year; and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur and report these changes in accumulated other comprehensive income. In addition, actuarial gains and losses that are not immediately recognized as net periodic pension cost are recognized as a component of accumulated other comprehensive income and amortized into net periodic pension cost in future periods.

Defined Benefit Pension Plan Amendments

In the second quarter of 2013, we made changes to our retirement plans in order to better plan and manage related expenses which have a significant and variable impact on earnings. Effective June 30, 2013 for salaried and non-union hourly employees in the U.S. and effective December 31, 2013 for union employees in the U.S., benefits under our defined benefit pension plans will no longer accrue. The freeze of the defined benefit pension plan for salaried and non-union hourly employees was approved by the Board of Directors on May 3, 2013. The freeze of the union employees' defined benefit pension plan was effective upon ratification of the labor agreement on April 14, 2013. These changes resulted in a remeasurement event requiring us to remeasure the plan asset and liabilities, as well as the expense related to the plans, as of April 30, 2013. This date was considered the accounting date, per the related accounting guidance, for purposes of this analysis as it was reasonably close to the approval dates of these changes for both the union and salaried plans.

On July 16, 2007, we announced to our employees and retirees that the defined benefit pension plan for non-union employees and the retiree medical plans would be amended effective January 1, 2008. As of January 1, 2008, newly hired and rehired employees were no longer eligible to participate in the defined benefit pension plan. However, the amendment to the defined benefit pension plan did not impact the benefits to existing plan participants as of December 30, 2007.

Obligations and Funded Status

(Dollars in thousands)	Pension Benefits
Change in benefit obligation:	June 30, 2013
Benefit obligation at beginning of year	$209,844
Service cost	2,210
Interest cost	4,015
Actuarial (gain) loss	1,658
Benefit payments	(3,642)
Curtailment charge	(22,649)
Special termination benefit	—
Benefit obligation at end of the period	$191,436

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(Dollars in thousands)	Pension Benefits
Change in plan assets:	June 30, 2013
Fair value of plan assets at the beginning of the year	$143,540
Actual return on plan assets	10,981
Employer contributions	6,500
Benefit payments	(3,642)
Settlement charge	—
Fair value of plan assets at the end of the period	157,379
Funded status	$(34,057)

Amounts recognized in the consolidated balance sheet consist of:

(Dollars in thousands)	Pension Benefits
	June 30, 2013
Noncurrent assets	$—
Current liabilities	(49)
Noncurrent liabilities	(34,008)
Net amount recognized at end of period	$(34,057)

(Dollars in thousands)	Pension Benefits
	June 30, 2013
Net actuarial loss	$58,860
Prior service cost	—
Net amount recognized at end of period	$58,860

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with an accumulated benefit obligation in excess of plan assets were $191.4 million, $191.4 million and $157.4 million, respectively, as of June 30, 2013.

Components of Net Periodic Benefit Cost

The components of net periodic benefit cost for the periods indicated are:

(Dollars in thousands)	Pension Benefits				Retirement Health and Life Insurance Benefits			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
Change in benefit obligation:	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Service cost	$956	$1,108	$2,210	$2,297	$170	$149	$341	$331
Interest cost	1,954	2,124	4,015	4,242	71	92	141	180
Expected return on plan assets	(2,731)	(2,495)	(5,447)	(4,903)	—	—	—	—
Amortization of prior service cost	31	116	124	232	(58)	(113)	(115)	(226)
Amortization of net loss	1,049	1,442	2,525	2,791	83	66	165	181
Special termination benefit	—	—	—	—	—	(707)	—	1,593
Curtailment charge	1,537	—	1,537	—	—	—	—	—
Net periodic benefit cost	$2,796	$2,295	$4,964	$4,659	$266	$(513)	$532	$2,059

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The decisions made in the second quarter of 2013 related to the defined benefit pension plans resulted in a curtailment charge of $1.5 million that was recognized in the second quarter of 2013 in "Restructuring and impairment charges" in our condensed consolidated statements of income (loss).

As a result of the early retirement program that we offered in the first quarter of 2012, we incurred a charge of $1.6 million related to a special termination benefit in the first half of 2012 associated with our retirement health and life insurance benefits program, as we extended eligibility in the benefits to certain individuals who participated in the early retirement program. Note that a charge of $2.3 million was recognized in the first quarter of 2012 related to this event that was adjusted in the second quarter of 2012, as the final calculation resulted in a total charge of $1.6 million, resulting in us recognizing income in the second quarter of 2012 of $0.7 million.

Weighted-average assumptions used to determine benefit obligations:

	Pension Benefits	
	April 30, 2013	December 31, 2012
Discount rate	4.00 %	4.00 %
Rate of compensation increase	4.00 %	4.00 %
Expected long-term rate of return on plan assets	7.50 %	7.50 %

Weighted-average assumptions used to determine net benefit cost for the period ended:

	Pension Benefits	
	April 30, 2013	December 31, 2012
Discount rate	4.00 %	4.50 %
Expected long-term rate of return on plan assets	7.50 %	7.75 %
Rate of compensation increase	4.00 %	4.00 %

Long-term rate of return on assets - To determine the expected long-term rate of return on plan assets, we review historical and projected portfolio performance, the historical long-term rate of return, and how any change in the allocation of the assets could affect the anticipated returns. Adjustments are made to the projected rate of return if it is deemed necessary based on those factors and other current market trends.
Discount rate - To determine the discount rate, we review current market indices, particularly the Citigroup bond index, to ensure that the rate used in our calculations is consistent and within an acceptable range based on these indices, which reflect current market conditions.
Our defined benefit pension assets are invested with the objective of achieving a total rate of return over the long-term that is sufficient to fund future pension obligations. In managing these assets and our investment strategy, we take into consideration future cash contributions to the plans, as well as the potential of the portfolio underperforming the market, which is partially mitigated by maintaining a diversified portfolio of assets.

In order to meet our investment objectives, we set asset allocation target ranges based on current funding status and future projections in order to mitigate the risk in the plan while maintaining its funded status. At April 30, 2013, we held approximately 57% equity securities and 43% debt securities in our portfolio, which is consistent with our allocation targets. In order to further mitigate risk, in the future we plan to migrate to a portfolio more heavily weighted toward debt securities as our plan assets approach the projected benefit obligation.

In determining our investment strategy and calculating our plan liability and related expense, we utilize an expected long-term rate of return on plan assets. This rate is developed based on several factors, including the plans' asset allocation targets, the historical and projected performance on those asset classes, and on the plans' current asset composition. To justify our assumptions, we analyze certain data points related to portfolio performance. For example, we analyze the actual historical performance of our total plan assets, which has generated a return of approximately

8.6% over the past 16 year period (earliest data available for our analysis was 1996). Also, we analyze hypothetical rates of return for plan assets based on our current asset allocation mix, which we estimate would have generated a return of approximately 10.2% over the last 30 years, 8.1% over the last 20 years, and 8.0%

over the last 10 years. Further, based on the hypothetical historic returns, we estimated the potential return associated with the plan asset portfolio over the next 10 to 15 year period based on the portfolio mix, which we determined to be approximately 7.3% to 7.8% (approximately 9.5% to 11.0% on equity securities and 3.50% to 4.50% on fixed income securities).

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the plan year. The fair value of the guaranteed deposit account is determined through discounting expected future investment cash flow from both investment income and repayment of principal for each investment purchased.

The estimated fair values of the participation units owned by the Plan in pooled separate accounts are based on quoted redemption values and adjusted for management fees and asset charges, as determined by the record keeper, on the last business day of the Plan year. Pooled separate accounts are accounts established solely for the purpose of investing the assets of one or more plans. Funds in a separate account are not commingled with other assets of the Company for investment purposes.

The following table presents the fair value of the net assets by asset category:

(Dollars in thousands)	April 30, 2013	December 31, 2012
Pooled separate accounts	$33,530	$29,869
Mutual funds	106,619	98,269
Guaranteed deposit account	16,592	15,402
Total investments at fair value	$156,741	$143,540

The following tables set forth by level, within the fair value hierarchy, the assets carried at fair value:

	Assets at Fair Value as of April 30, 2013			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Pooled separate accounts	$—	$33,530	$—	$33,530
Mutual funds	106,619	—	—	106,619
Guaranteed deposit account	—	—	16,592	16,592
Total assets at fair value	$106,619	$33,530	$16,592	$156,741

	Assets at Fair Value as of December 31, 2012			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Pooled separate accounts	$—	$29,869	$—	$29,869
Mutual funds	98,269	—	—	98,269
Guaranteed deposit account	—	—	15,402	15,402
Total assets at fair value	$98,269	$29,869	$15,402	$143,540

The table below sets forth a summary of changes in the fair value of the guaranteed deposit account's Level 3 assets for the period ended April 30,2013.

(Dollars in thousands)	Guaranteed Deposit Account
Balance at December 31, 2012	$15,402
Realized gains (losses)	—
Unrealized gains relating to instruments still held at the reporting date	1,177
Purchases, sales, issuances and settlements (net)	13
Transfers in and/or out of Level 3	—
Balance at April 30, 2013	$16,592

Employer Contributions

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In the first half of 2013 and 2012, we made voluntary contributions of $6.5 million and $16.0 million, respectively, to our qualified defined benefit pension plans. We made no payments under our non-qualified defined benefit pension plan in the first half of 2013 or 2012.

Estimated Future Payments

The following pension benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid through the utilization of plan assets for the funded plans and from operating cash flows for the unfunded plans. The benefit payments are based on the same assumptions used to measure our benefit obligation at April 30, 2013.

	Pension Benefits
2014	$ 8,441
2015	8,029
2016	8,209
2017	8,303
2018	8,595
2019-2023	48,629

Note 9 – Segment Information

Our reporting structure is comprised of the following operating segments: High Performance Foams, Printed Circuit Materials, Curamik Electronics Solutions and Power Distribution Systems and the Other reportable segment.

Segment Structure

Core Strategic

- High Performance Foams
- Printed Circuit Materials
- Power Electronics Solutions
  - Curamik Electronics Solutions
  - Power Distribution Systems

Other

The “Power Electronics Solutions” core strategic category is comprised of two operating segments – Curamik Electronics Solutions and Power Distribution Systems.

The following table sets forth the information about our reportable segments for the periods indicated:

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales				
Core Strategic				
High Performance Foams	$39,933	$43,329	$82,379	$83,763
Printed Circuit Materials	45,584	40,533	89,148	79,914
Power Electronics Solutions				
Curamik Electronics Solutions	28,508	23,908	51,814	48,200
Power Distribution Systems	12,276	11,573	23,269	22,089
Other	6,151	5,952	11,822	11,484
Net sales	$132,452	$125,295	$258,432	$245,450
Operating income (loss)				
Core Strategic				
High Performance Foams	$3,532	$5,708	$10,132	$7,153
Printed Circuit Materials	3,996	3,123	7,793	2,777
Power Electronics Solutions				
Curamik Electronics Solutions	(2,514)	(1,205)	(5,636)	(2,978)
Power Distribution Systems	1,112	135	2,649	(515)
Other	1,981	1,256	3,984	2,073
Operating income (loss)	8,107	9,017	18,922	8,510
Equity income in unconsolidated joint ventures	762	1,305	1,291	1,962
Other income (expense), net	(177)	261	(766)	121
Net realized gain (loss)	—	—	—	(3,245)
Interest income (expense), net	(830)	(1,072)	(1,735)	(2,262)
Income (loss) before income tax expense (benefit)	$7,862	$9,511	$17,712	$5,086

Inter-segment sales have been eliminated from the sales data in the preceding table.

Note 10 – Joint Ventures

As of June 30, 2013, we had two joint ventures, each 50% owned, which are accounted for under the equity method of accounting.

Joint Venture	Location	Reportable Segment	Fiscal Year-End
Rogers INOAC Corporation (RIC)	Japan	High Performance Foams	October 31
Rogers INOAC Suzhou Corporation (RIS)	China	High Performance Foams	December 31

Equity income of $0.8 million and $1.3 million for the three and six month periods ended June 30, 2013, respectively, and equity income of $1.3 million and $2.0 million for the three and six month periods ended June 30, 2012, respectively, is included in the condensed consolidated statements of income (loss) related to the joint ventures.

The summarized financial information for the joint ventures for the periods indicated is as follows:

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales	$12,623	$15,880	$23,288	$28,685
Gross profit (loss)	1,488	2,608	2,592	4,433
Net income (loss)	1,524	2,610	2,582	3,924

The effect of transactions between us and our unconsolidated joint ventures is accounted for on a consolidated basis. Receivables from and payables to joint ventures arise during the normal course of business from transactions between us and the joint ventures, typically from the joint venture purchasing raw materials from us to produce end products, which are sold to third parties, or from us purchasing finished goods from our joint ventures, which are then sold to third parties.

Note 11 - Debt

On July 13, 2011, we entered into an amended and restated $265.0 million secured five year credit agreement. This credit agreement ("Amended Credit Agreement") is with (i) JPMorgan Chase Bank, N.A., as administrative agent; (ii) HSBC Bank USA, National Association; (iii) RBS Citizens, National Association; (iv) Fifth Third Bank; and (v) Citibank, N.A. JPMorgan Securities LLC and HSBC Bank USA, National Association acted as joint bookrunners and joint lead arrangers; HSBC Bank USA, National Association and RBS Citizens, National Association acted as co-syndication agents; and Fifth Third Bank and Citibank, N.A. acted as co-documentation agents. The Amended Credit Agreement amends and restates the credit agreement signed between the Company and the same banks on November 23, 2010 and increased our borrowing capacity from $165.0 million under the original agreement to $265.0 million under the Amended Credit Agreement.

Key features of the Amended Credit Agreement, as compared to the November 23, 2010 credit agreement, include an increase in credit from $165.0 million to $265.0 million with the addition of a $100.0 million term loan; the extension of maturity from November 23, 2014 to July 13, 2016; a 25 basis point reduction in interest costs; an increase in the size of permitted acquisitions from $25.0 million to $100.0 million; and an increase in permitted additional indebtedness from $20.0 million to $120.0 million.

The Amended Credit Agreement provided for the extension of credit in the form of a $100.0 million term loan (which refinanced outstanding borrowings in the amount of $100.0 million from the existing revolving credit line), as further described below; and up to $165.0 million of revolving loans, in multiple currencies, at any time and from time to time until the maturity of the Amended Credit Agreement on July 13, 2016. We may borrow, pre-pay and re-borrow amounts under the $165.0 million revolving portion of the Amended Credit Agreement; however, with respect to the $100.0 million term loan portion, any principal amounts re-paid may not be re-borrowed. Borrowings may be used to finance working capital needs, for letters of credit and for general corporate purposes in the ordinary course of business, including the financing of permitted acquisitions (as defined in the Amended Credit Agreement).

Borrowings under the Amended Credit Agreement bear interest based on one of two options. Alternate base rate loans bear interest that includes a base reference rate plus a spread of 75 - 150 basis points, depending on our leverage

ratio. The base reference rate is the greater of the prime rate; federal funds effective rate plus 50 basis points; and adjusted London interbank offered ("LIBO") rate plus 100 basis points. Eurocurrency loans bear interest based on the adjusted LIBO rate plus a spread of 175 - 250 basis points, depending on our leverage ratio.

In addition to interest payable on the principal amount of indebtedness outstanding from time to time under the Amended Credit Agreement, the Company is required to pay a quarterly fee of 0.20% to 0.35% (based upon its leverage ratio) of the unused amount of the lenders' commitments under the Amended Credit Agreement.

In connection with the Amended Credit Agreement, we transferred borrowings in the amount of $100.0 million from the revolving credit line under the November 23, 2010 credit agreement to the term loan under the Amended Credit Agreement. The Amended Credit Agreement requires the mandatory quarterly repayment of principal of amounts borrowed under such term loan. Payments commenced on September 30, 2011, and are scheduled to be completed on June 30, 2016. The aggregate mandatory principal payments due are as follows:

2011	$2.5	million
2012	$7.5	million
2013	$12.5	million
2014	$17.5	million
2015	$35.0	million
2016	$25.0	million

The Amended Credit Agreement is secured by many of the assets of Rogers and our World Properties, Inc, subsidiary, including but not limited to, receivables, equipment, intellectual property, inventory, stock in certain subsidiaries and real property.

As part of the Amended Credit Agreement, we are restricted in our ability to perform certain actions, including, but not limited to, our ability to pay dividends, incur additional debt, sell certain assets, and make capital expenditures, with certain exceptions. Further, we are currently required to maintain certain financial covenant ratios, including (i) a leverage ratio of no more than 3.0 to 1.0 and (ii) a minimum fixed charge coverage ratio (FCCR) as defined in the following table:

Period	Ratio
March 31, 2012 to December 31, 2012	1.25 : 1.00
March 31, 2013 to December 31, 2013	1.50 : 1.00
March 31, 2014 and thereafter	1.75 : 1.00

The FCCR is the ratio between Adjusted Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) and Consolidated Fixed Charges as defined in the Amended Credit Agreement, which measures our ability to cover the fixed charge obligations. The key components of Consolidated Fixed Charges are capital expenditures, scheduled debt payments, capital lease payments, rent and interest expenses. In the first quarter of 2012, through an amendment to the Amended Credit Agreement, the FCCR was modified from 2.50 to the tiered structure outlined in the table above. Several factors contributed to the need for an amendment to this covenant. The original 2.50 ratio was based on a more robust set of financial projections and these have moderated to some extent with the recent events in the marketplace and the overall global economy, particularly in Europe and China. Additionally, there were no mandatory term loan payments when the original ratio was determined, which would further stress the ratio. Finally, we forecasted an increase in planned capital investment to support certain strategic initiatives, which added pressure to the ratio as well.

Fixed Charge metrics are detailed in the table below.

Periods	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Covenant Limit	1.25	1.25	1.25	1.50	1.50
Actual FCCR	2.09	1.93	2.18	2.27	2.06

As of June 30, 2013, we were in compliance with all of our covenants, as we achieved actual ratios of approximately 1.27 on the leverage ratio and 2.06 on the fixed charge coverage ratio.

If an event of default occurs, the lenders may, among other things, terminate their commitments and declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees.

In connection with the establishment of the initial credit agreement in 2010, we capitalized approximately $1.6 million of debt issuance costs. We capitalized an additional $0.7 million of debt issuance costs in 2011 related to the

Amended Credit Agreement, as amended. Also in connection with the Amended Credit Agreement, as amended, we capitalized an additional $0.1 million of debt issuance costs in the first quarter of 2012. These costs will be amortized over the life of the Amended Credit Agreement, as amended, which will expire in June 2016.

We incurred amortization expense of $0.1 million in each of the second quarters of 2013 and 2012, respectively, and expenses of $0.2 million in each of the first six months of 2013 and 2012, respectively. At June 30, 2013, we have approximately $1.5 million of credit facility costs remaining to be amortized.

In the first quarter of 2011, we made an initial draw on the line of credit of $145.0 million to fund the acquisition of Curamik. During the first six months of 2013, we made principal payments of $5.0 million on the debt. We made $24.5 million of principal payments in fiscal 2012. We are obligated to pay $15.0 million on this debt obligation and are scheduling $8.0 million of discretionary revolver payments within the next 12 months. As of June 30, 2013, our outstanding debt related to the Amended Credit Agreement, as amended, consists of $85.0 million of term loan debt and $8.0 million on the revolving line of credit. We have the option to pay part of or the entire amount at any time over the remaining life of the Amended Credit Agreement, as amended, with any balance due and payable at the agreement's expiration.

In addition, as of June 30, 2013 we had the following standby letters of credit (LOC) and guarantees that are backed by the Amended Credit Agreement, as amended:

- $1.4 million letter of credit to guarantee Rogers workers compensation plan;
- $0.1 million letter guarantee to guarantee a payable obligation for a Chinese subsidiary (Rogers Suzhou),
- $0.1 million letter guarantee to guarantee a payable obligation for a Chinese subsidiary (Rogers Suzhou).

No amounts were owed on the LOC or guarantees as of June 30, 2013 or December 31, 2012.

We also guarantee an interest rate swap related to the lease of the Curamik manufacturing facility in Eschenbach, Germany. The swap agreement is between the lessor and a third party bank. We guarantee any liability related to the swap agreement in case of default by the lessor through the term of the swap until expiration in July 2016, or if we exercised the option to buyout the lease at June 30, 2013 as specified within the lease agreement. We did not exercise our option to buyout the lease at June 30, 2013. The swap is in a liability position with the bank at June 30, 2013. We have concluded that the probability of default by the lessor is not probable during the term of the swap, and we chose not to exercise the option to buyout the lease during the leasing period; therefore, the guarantee has no value.

Capital Lease

During the first quarter of 2011, we recorded a capital lease obligation related to the acquisition of Curamik for its primary manufacturing facility in Eschenbach, Germany. We had an option to purchase the property in either 2013 or upon the expiration of the lease in 2021 at a price which is the greater of (i) the then-current market value or (ii) the financial residual book value of the land including the buildings and installations thereon. We chose not to exercise the option to purchase the property that was available to us on June 30, 2013. The total obligation recorded for the lease as of June 30, 2013 is $7.7 million. Depreciation expense related to the capital lease was $0.1 million in each of the three month periods ending June 30, 2013 and 2012, and $0.2 million in each of the six month periods ending June 30, 2013 and June 30, 2012. Accumulated depreciation at June 30, 2013 and December 31, 2012 was $0.9 million and $0.8 million, respectively.

Depreciation expense on the capital lease asset is recorded in Cost of Sales in our condensed consolidated statements of income (loss). Interest expense related to the debt recorded on the capital lease is included in interest expense in our condensed consolidated statements of income (loss). See “Interest” section below for further discussion.

Interest

We incurred interest expense on our outstanding debt of $0.5 million and $1.1 million in the three and six month periods ended June 30, 2013, respectively, and $0.7 million and $1.5 million in the three and six month periods ended June 30, 2012, respectively. We incurred an unused commitment fee of approximately $0.1 million and $0.3 million in the three and six month periods ended June 30, 2013, respectively, and of approximately $0.1 million and $0.2 million in the three and six month periods ended June 30, 2012, respectively. In July 2012, we entered into an interest rate swap to hedge the variable interest rate on 65% of the term loan debt, then outstanding, effective July 2013. At June 30, 2013, the term loan debt amounted to $85.0 million of our total outstanding debt of $93.0 million. At June 30, 2013, the rate charged on this debt is the 1 month LIBOR at 0.25% plus a spread of 2.00%.

We also incurred interest expense on the capital lease of $0.1 million and $0.3 million in the three and six month periods ended June 30, 2013, respectively, and of $0.4 million and $0.8 million in the three and six month periods ended June 30, 2012, respectively.

Restriction on Payment of Dividends

Pursuant to the Amended Credit Agreement, as amended, we cannot make a cash dividend payment if a default or event of default has occurred and is continuing or shall result from the cash dividend payment.

Note 12 – Goodwill and Intangible Assets

Definite Lived Intangible Assets

(Dollars in thousands)	June 30, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks and patents	$1,013	$250	$763	$1,065	$227	$838
Technology	36,020	10,450	25,570	36,479	8,394	28,085
Covenant-not-to-compete	971	456	515	1,042	358	684
Customer relationships	20,034	2,469	17,565	20,529	2,066	18,463
Total definite lived intangible assets	$58,038	$13,625	$44,413	$59,115	$11,045	$48,070

Gross carrying amounts and accumulated amortization may differ from prior periods due to foreign exchange rate fluctuations.

Amortization expense for the three and six month periods ended June 30, 2013 was approximately $1.4 million and $2.9 million, respectively. Amortization expense for the three and six month periods ended June 30, 2012 was approximately $1.0 million and $2.2 million, respectively. The estimated annual future amortization expense is $2.9 million, $5.9 million, $5.6 million, $5.2 million and $4.8 million for the remainder of 2013, 2014, 2015, 2016 and 2017, respectively. These amounts could vary based on changes in foreign currency exchange rates.

The weighted average amortization period as of June 30, 2013, by intangible asset class, is presented in the table below:

Intangible Asset Class	Weighted Average Amortization Period
Trademarks and patents	9.7
Technology	6.7
Covenant not-to-compete	4.1
Customer relationships	9.7
Total other intangible assets	7.9

Approximately $5.2 million of indefinite-lived intangible assets comprised of trademarks were acquired from the acquisition of Curamik. These assets are assessed for impairment annually or when changes in circumstances indicated that the carrying values may be recoverable. The definite-lived intangibles are amortized using a fair value methodology that is based on the projected economic use of the related underlying asset.

Goodwill

The changes in the carrying amount of goodwill for the period ending June 30, 2013, by reportable segment, are as follows:

(Dollars in thousands)	High Performance Foams	Printed Circuit Materials	Curamik Electronics Solutions	Power Distribution Systems	Other	Total
December 31, 2012	$23,973	$—	$78,844	$—	$2,224	$105,041
Foreign currency translation adjustment	(1,140)	—	(901)	—	—	(2,041)
June 30, 2013	$22,833	$—	$77,943	$—	$2,224	$103,000

Note 13 – Commitments and Contingencies

We are currently engaged in the following environmental and legal proceedings:

Superfund Sites

We are currently involved as a potentially responsible party (PRP) in one active case involving a waste disposal site.

Chatham Superfund Site - The costs incurred since inception for this claim have been immaterial and have been primarily covered by insurance policies, for both legal and remediation costs. In this matter we have been assessed a cost sharing percentage of approximately 2% in relation to the range for estimated total cleanup costs of $18.8 million to $29.6 million. This estimate was updated in the first quarter of 2013, as the previous range was $17.0 million to $24.0 million. We believe we have sufficient insurance coverage to fully cover this liability and have recorded a liability and related insurance receivable of approximately $0.4 million as of June 30, 2013, which approximates our share of the low end of the range. We believe we are a de minimis participant and, as such, have been allocated an insignificant percentage of the total PRP cost sharing responsibility. Based on facts presently known to us, we believe that the potential for the final results of this case having a material adverse effect on our results of operations, financial position or cash flows is remote. This case has been ongoing for many years and we believe that it will continue on for the indefinite future. No time frame for completion can be estimated at the present time.

PCB Contamination

We have been working with the Connecticut Department of Energy and Environmental Protection (CT DEEP) and the EPA, Region I, in connection with certain polychlorinated biphenyl (PCB) contamination at our facility in Woodstock, Connecticut. The issue was originally discovered in the soil at the facility in the late 1990s, which was remediated in 2000. Further contamination was later found in the surrounding groundwater, which was addressed in 2011 with the installation of a pump and treat system. To date, we have spent approximately $2.5 million in remediation and monitoring costs related to these issues and expect future costs related primarily to the maintenance of the pump and treat system now in place at the site to be de minimis.

During the first quarter of 2010, we discovered additional PCB contamination in the building at this facility. Remediation costs are expected to be approximately $1.0 million, which was recorded as our original liability. To date, we have incurred $0.8 million in remediation costs related to this issue and anticipate that the remaining reserve of $0.2 million will be adequate to cover the remaining remediation work. However, if additional contamination is found, the cost of the remaining remediation may increase.

We believe that these efforts will continue for several more years and no time frame for completion can be estimated at the present time.

Asbestos Litigation

A significant number of asbestos-related product liability claims have been brought against numerous United States industrial companies where the third-party plaintiffs allege personal injury from exposure to asbestos-containing products. We have been named, along with hundreds of other companies, as a defendant in some of these claims. In virtually all of these claims filed against us, the plaintiffs are seeking unspecified damages, or, if an amount is specified, such amount merely represents a jurisdictional amount. However, occasionally specific damages are alleged and in such situations, plaintiffs' lawyers often sue dozens of defendants, frequently without factual basis or support. As a result, even when a specific amount of damages is alleged, such action can be arbitrary, both as to the amount being sought and the defendant being charged with such damages.

We did not mine, mill, manufacture or market asbestos; rather we made a limited number of products which contained encapsulated asbestos. Such products were provided to industrial users. We stopped manufacturing these products in the late 1980s.

- Claims

We have been named in asbestos litigation primarily in Illinois, Pennsylvania and Mississippi. As of June 30, 2013, there were 358 pending claims compared to 319 pending claims at December 31, 2012. The number of pending claims at a particular time can fluctuate significantly from period to period depending on how successful we have been in getting these cases dismissed or settled. Some jurisdictions prohibit specifying alleged damages in personal injury tort cases such as these, other than a minimum jurisdictional amount which may be required for such reasons as allowing the case to be litigated in a jury trial (which the plaintiffs believe will be more favorable to them than if

heard only before a judge) or allowing the case to be litigated in federal court. This is in contrast to commercial litigation, in which specific alleged damage claims are often permitted. The prohibition on specifying alleged damages sometimes applies not only to the suit when filed but also during the trial – in some jurisdictions the plaintiff is not actually permitted to specify to the jury during the course of the trial the amount of alleged damages the plaintiff is claiming. Further, in those jurisdictions in which plaintiffs are permitted to claim specific alleged damages, many plaintiffs nonetheless still choose not to do so. In those cases in which plaintiffs are permitted to and choose to assert specific dollar amounts in their complaints, we believe the amounts claimed are typically not meaningful as an indicator of a company's potential liability. This is because (1) the amounts claimed may bear no relation to the level of the plaintiff's alleged injury and are often used as part

of the plaintiff's litigation strategy, (2) the complaints typically assert claims against numerous defendants, and often the alleged damages are not allocated against specific defendants, but rather the broad claim is made against all of the defendants as a group, making it impossible for a particular defendant to quantify the alleged damages that are being specifically claimed against it and therefore its potential liability, and (3) many cases are brought on behalf of plaintiffs who have not suffered any medical injury, and ultimately are resolved without any payment or payment of a small fraction of the damages initially claimed. Of the 358 claims pending as of June 30, 2013, 76 claims do not specify the amount of damages sought, 281 claims cite jurisdictional amounts, and only one (1) claim (less than 1.0% of the total pending claims) specifies the amount of damages sought not based on jurisdictional requirements. This one (1) claim, which names 21 defendants, alleges compensatory and punitive damages of $20 million each. However, for the reasons cited above, we do not believe that this data allows for an accurate assessment of the relation that the amount of alleged damages claimed might bear to the ultimate disposition of these cases.

We believe the rate at which plaintiffs filed asbestos-related suits against us increased in 2001, 2002, 2003 and 2004 because of increased activity on the part of plaintiffs to identify those companies that sold asbestos-containing products, but which did not directly mine, mill or market asbestos. A significant increase in the volume of asbestos-related bodily injury cases arose in Mississippi in 2002. This increase in the volume of claims in Mississippi was apparently due to the passage of tort reform legislation (applicable to asbestos-related injuries), which became effective on September 1, 2003 and which resulted in a higher than average number of claims being filed in Mississippi by plaintiffs seeking to ensure their claims would be governed by the law in effect prior to the passage of tort reform. The number of asbestos related suits filed against us decreased slightly in 2005 and 2006, but increased slightly in 2007, declined in 2008 and increased again in 2009 and 2010. The number of lawsuits filed against us in 2011 and 2012 was significantly higher than in 2010. No meaningful trend for 2013 is available at this time. The higher number of recent lawsuits is reflected in the National Economic Research Associates, Inc. (NERA) and Marsh USA, Inc. (Marsh) reports. (See "Impact on Financials Statements" section below.)

•Defenses

In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable loss as a result of exposure to our asbestos-containing products. We continue to believe that a majority of the claimants in pending cases will not be able to demonstrate exposure or loss. This belief is based in large part on two factors: the limited number of asbestos-related products manufactured and sold by us and the fact that the asbestos was encapsulated in such products. In addition, even at sites where the presence of an alleged injured party can be verified during the same period those products were used, our liability cannot be presumed because even if an individual contracted an asbestos-related disease, not everyone who was employed at a site was exposed to the asbestos containing products that we manufactured. Based on these and other factors, we have and will continue to vigorously defend ourselves in asbestos-related matters.

•Dismissals and Settlements

Cases involving us typically name 50-300 defendants, although some cases have had as few as one (1) and as many as 833 defendants. We have obtained dismissals of many of these claims. For the six months ended June 30, 2013, we were able to have 45 claims dismissed and settled three (3) claims. For the year ended December 31, 2012, 93 claims were dismissed and sixteen (16) were settled. The majority of costs have been paid by our insurance carriers, including the costs associated with the small number of cases that have been settled. Such settlements totaled approximately $0.9 million for the six months ended June 30, 2013, compared to $6.3 million for the year ended 2012. Although these figures provide some insight into our experience with asbestos litigation, no guarantee can be made as to the dismissal and settlement rates that we will experience in the future.

Settlements are made without any admission of liability. Settlement amounts may vary depending upon a number of factors, including the jurisdiction where the action was brought, the nature and extent of the disease alleged and the associated medical evidence, the age and occupation of the claimant, the existence or absence of other possible causes of the alleged illness of the alleged injured party and the availability of legal defenses, as well as whether the action is brought alone or as part of a group of claimants. To date, we have been successful in obtaining dismissals for many of the claims and have settled only a limited number. The majority of settled claims were settled for immaterial amounts, and the majority of such costs have been paid by our insurance carriers. In addition, to date, we have not

been required to pay any punitive damage awards.

- Potential Liability

NERA, a consulting firm with expertise in the field of evaluating mass tort litigation asbestos bodily-injury claims, has historically been engaged to assist us in projecting our future asbestos-related liabilities and defense costs with regard to pending claims and future unasserted claims. Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict, including the number of claims that might be received, the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the financial resources of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case and the impact of potential changes in legislative or judicial standards, including potential tort reform. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period

lengthens. In light of these inherent uncertainties, the variability of our claims history and consultations with NERA, we currently believe that 10 years is the most reasonable period for recognizing a reserve for future costs, and that costs that might be incurred after that period are not reasonably estimable at this time. As a result, we also believe that our ultimate asbestos-related contingent liability (i.e., our indemnity or other claim disposition costs plus related legal fees) cannot be estimated with certainty. (See "Impact on Financials Statements" section below for further discussion.)

- Insurance Coverage

Our applicable insurance policies generally provide coverage for asbestos liability costs, including coverage for both resolution and defense costs. Following the initiation of asbestos litigation, an effort was made to identify all of our primary, umbrella and excess level insurance carriers that provided applicable coverage beginning in the 1950s through the mid-1980s. Where appropriate, carriers were put on notice of the litigation. Marsh, a consulting firm with expertise in the field of evaluating insurance coverage and the likelihood of recovery for asbestos-related claims, has historically been engaged to work with us to project our insurance coverage for asbestos-related claims. Marsh's conclusions are based primarily on a review of our coverage history, application of reasonable assumptions on the allocation of coverage consistent with certain industry practices, an assessment of the creditworthiness of the insurance carriers, analysis of applicable deductibles, retentions and policy limits, the experience of NERA and a review of NERA's reports.

- Cost Sharing Agreement

To date, our insurance carriers have paid for substantially all of the settlement and defense costs associated with our asbestos-related claims. The current cost sharing agreement between us and such insurance carriers is primarily designed to facilitate the ongoing administration and payment of such claims by the carriers until the applicable insurance coverage is exhausted. This four year agreement expires on January 25, 2015 and replaced an older agreement that had expired.

During 2012 and 2013, the primary layer insurance policies providing coverage for the January 1, 1966 to June 30, 1969 period exhausted. The cost sharing agreement contemplates that any excess carrier providing insurance coverage over exhausted primary layer carriers will become a party to the cost sharing agreement, replacing the coverage provided by the exhausted primary policies if the carrier providing such excess coverage is not already a party to the cost sharing agreement. The excess umbrella carrier providing coverage for the 42-month period set forth above is not already a party to the cost sharing agreement. Such umbrella excess carrier was notified of the aforementioned exhaustion and is currently providing applicable insurance coverage, even though not yet a party to the cost sharing agreement.

- Impact on Financial Statements

The models developed for determining the potential exposure and related insurance coverage were developed by outside consultants deemed to be experts in their respective fields with the forecast for asbestos related liabilities generated by NERA and the related insurance receivable projections developed by Marsh. The models contain numerous assumptions that significantly impact the results generated by the models. We believe the assumptions made are reasonable at the present time, but are subject to uncertainty based on the actual future outcome of our asbestos litigation. Historically, due to the inherent uncertainties of the forecast process and our limited amount of settlement and claims history, we utilized a forecast period of five years, which we concluded was the most reasonable period for recognizing a reserve for projected asbestos liabilities, and that costs that might be incurred after that period were not reasonably estimable at that time. In the fourth quarter of 2012, we reviewed this assumption and determined that it was appropriate to extend the forecast period from 5 years to 10 years . We reached this conclusion due to the fact that we now have considerably more experience in addressing asbestos related lawsuits and have a longer history of activity to use as a baseline to more accurately project the liability over a longer period than previously disclosed. Further, settlement trends have become more meaningful in recent years and we believe that we now have a more meaningful history of data on which to base projections. Further, we determined that a 10 year projection period is now appropriate as, although we have a longer and more consistent history of data over the last few years, we do not believe we have sufficient data to justify a longer projection period at this time. As of December 31, 2012, the

estimated liability and estimated insurance recovery for the 10 year period through 2022 was $51.4 million and $48.3 million, resulting in an additional charge of $2.9 million recognized in the fourth quarter of 2012 ($0.2 million was previously recognized throughout 2012). There were no changes to these projections during the first half of 2013. We review our asbestos related forecasts annually in the fourth quarter of each year unless facts and circumstances materially change during the year, at which time we would analyze these forecasts.

The amounts recorded for the asbestos-related liability and the related insurance receivables described above were based on facts known at the time and a number of assumptions. However, projecting future events, such as the number of new claims to be filed each year, the average cost of disposing of such claims, the length of time it takes to dispose of such claims, coverage issues among insurers and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States could cause the actual liability and insurance recoveries for us to be higher or lower than those projected or recorded.

There can be no assurance that our accrued asbestos liabilities will approximate our actual asbestos-related settlement and defense costs, or that our accrued insurance recoveries will be realized. We believe that it is reasonably possible that we will incur additional charges for our asbestos liabilities and defense costs in the future, which could exceed existing reserves, but such excess amount cannot be reasonably estimated at this time. We will continue to vigorously defend ourselves and believe we have substantial unutilized insurance coverage to mitigate future costs related to this matter.

Other Environmental and General Litigation

- In the second quarter of 2010, the CT DEEP contacted us to discuss a disposal site in Killingly, Connecticut. We are currently in the very early stages of evaluating this matter and have initiated internal due diligence work related to the site to better understand the issue and our alleged involvement. Currently, we do not know the nature and extent of any alleged contamination at the site, how many parties could be potentially involved in any remediation, if necessary, or the extent to which we could be deemed a potentially responsible party. CT DEEP has not made any assessment of the nature of any potential remediation work that may be done, nor have they made any indication of any potential costs associated with such remediation. Therefore, based on the facts and circumstances known to us at the present time, we are not able to estimate the probability of incurring a contingent liability related to this site, nor are we able to reasonably estimate any potential range of exposure at this time. As such, no reserve has been established for this matter at this time. We continually monitor this situation and are in correspondence with the CT DEEP as appropriate. When and if facts and circumstances related to this matter change, we will review our position and our ability to estimate the probability of any potential loss contingencies, as well as the range of any such potential exposure.

- The Rogers Corporate Headquarters located in Rogers, Connecticut is part of the Connecticut Voluntary Corrective Action Program (VCAP). As part of this program, we have started conversations with the CT DEEP to begin to determine if any corrective actions need to be taken at the site related to any potential contamination issues. We are currently in the very early stages of evaluating this matter and have initiated internal due diligence work related to the site to better understand any potential issues. However, at this time, it is currently unknown what the nature and extent of any potential contamination is at the site, nor what any potential remediation or associated costs would be if any such issues were found. Therefore, based on the facts and circumstances known to us at the present time, we are unable to estimate the probability of incurring a contingent liability related to this site, nor are we able to reasonably estimate any potential range of exposure at this time. As such, no reserve has been established for this matter at this time.

In addition to the above issues, the nature and scope of our business brings us in regular contact with the general public and a variety of businesses and government agencies. Such activities inherently subject us to the possibility of litigation, including environmental and product liability matters that are defended and handled in the ordinary course of business. We have established accruals for matters for which management considers a loss to be probable and reasonably estimable. Environmental remediation costs are recorded in "Selling and administrative expenses" on our condensed consolidated statements of income (loss). It is the opinion of management that facts known at the present time do not indicate that such litigation, after taking into account insurance coverage and the aforementioned accruals, will have a material adverse impact on our results of operations, financial position, or cash flows.

Note 14 – Income Taxes

Our effective tax rate resulted in an expense of 29.0% on income in the second quarter of 2013 as compared to 32.5% in the second quarter of 2012. On a year to date basis, the effective tax rate was 29.1% for the first six months of 2013 as compared to 5.0% in the first six months of 2012. In the first six months of 2012, our tax rate was favorably impacted by certain one-time discrete items including a $1.5 million benefit related to the reversal of the valuation allowance resulting from the liquidation of the auction rate securities portfolio. In both, the first and second quarters

of 2013 and 2012, our tax rate benefited from favorable tax rates on certain foreign business activity as compared to our statutory rate of 35%.

We are subject to income taxes in the United States and in numerous foreign jurisdictions. No provision is made for U.S. income taxes on the undistributed earnings of substantially all of our wholly-owned foreign subsidiaries because such earnings are indefinitely reinvested in those companies. If circumstances change and it becomes apparent that some or all of the undistributed earnings of our wholly-owned foreign subsidiaries will not be indefinitely reinvested, a provision for the tax consequences, if any, will be recorded in the period in which the circumstances change.

Our accounting policy is to account for interest expense and penalties related to uncertain tax positions as income tax expense. As of June 30, 2013, we have approximately $2.2 million of accrued interest related to uncertain tax positions included in the $20.0 million of unrecognized tax benefits, $12.8 million of which, if recognized, would impact the effective tax rate.

We are subject to numerous tax filings including U.S. Federal, various state and certain foreign jurisdictions. Currently, the following tax years remain open to the possibility of audit, by jurisdiction - U.S. Federal: 2009 – 2012; various states: 2008 – 2012; and foreign: 2009 – 2012.

Note 15 – Restructuring and Impairment Charges

In the first half of 2012, we began several initiatives to streamline our organization and rationalize our cost structure in order to better position the Company for profitable growth in the future. The goal of these initiatives is to become a more streamlined organization both from an organizational and cost perspective, with efficient manufacturing capabilities that are focused on meeting our customers' needs.

2012

In the first quarter, we announced several initiatives as part of the streamlining plan. These initiatives were as follows:

- Implemented an early retirement program for certain eligible employees;
- Realigned our organizational structure by consolidating a number of senior executive positions, reorganizing certain business functions and redeploying resources across the Company;
- Exited the Thermal Management Solutions business (previously announced in the fourth quarter of 2011);
- Initiated a plan to shut down the Power Distribution Systems startup operation in North America, which was completed in the third quarter of 2012; and
- Liquidated our remaining auction rate securities.

In the second quarter, we announced several additional streamlining actions as follows:

- We announced the shutdown of the High Performance Foams manufacturing facility in Bremen, Germany, which was completed by the end of 2012. The manufacture of certain silicone foam materials produced in the Bremen facility was consolidated into our existing facility in Carol Stream, Illinois. The expenses and charges related to the termination of the operations at the Bremen facility were approximately $3.1 million and are comprised primarily of (i) $0.9 million for the early termination of the lease on the building; (ii) $0.8 million for severance charges for employees in Bremen; (iii) $0.4 million related to the impairment of certain assets; and (iv) $0.3 million of costs to remove and transport certain equipment to Carol Stream and prepare the building for return to the landlord. We recognized approximately $1.5 million of these charges in the second quarter of 2012, and recognized the remaining charges in the second half of 2012.

- We decided to cease production of our non-woven composite materials products in an effort to redeploy resources to focus on our Core Strategic segments. Sales of these products had been steadily declining for several years and totaled approximately $1.4 million in the second quarter of 2012 and $4.8 million in fiscal 2011. Production was shutdown by the end of 2012 and it did not have a material impact on our overall operations. No material charges were incurred from this initiative.

2013

In the second quarter of 2013, we continued our streamlining efforts as we reorganized certain business functions resulting in severance costs. We also made changes to our salaried and non-union defined benefit pension plans. Effective June 30, 2013 for salaried and non-union hourly employees in the U.S. and effective December 31, 2013 for union employees in the U.S., benefits under our defined benefit pension plans will no longer accrue. The freeze of the defined benefit pension plan for salaried and non-union hourly employees was approved by the Board of Directors on May 3, 2013. The freeze of the union employees' defined benefit pension plan was effective upon ratification of the labor agreement on April 14, 2013. Additionally, our union workforce in Connecticut ratified a current union contract, which resulted in the payout of the union ratification bonus.

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The following table summarizes the restructuring and impairment charges related to these activities recorded in our operating results in the second quarter and first six months of 2013 and 2012.

(Dollars in thousands)	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Cost of Sales				
High Performance Foams				
Accelerated depreciation expense related to Bremen shut-down	$—	$—	$585	$585
Inventory impairment related to Bremen shut-down	—	—	191	191
Union ratification bonus	181	181	—	—
Printed Circuit Materials				
Union ratification bonus	179	179	—	—
Curamik Electronics Solutions				
Union ratification bonus	5	5	—	—
Power Distribution Systems				
Accelerated depreciation expense related to U.S. shut-down	—	—	360	360
Union ratification bonus	3	3	—	—
Other				
Union ratification bonus	—	—	—	—
Total charges for Cost of Sales	$368	$368	$1,136	$1,136
Restructuring and Impairment				
High Performance Foams				
Fixed asset impairment for Bisco and Poron asset disposal	$—	$—	$—	$79
Severance and other employee related costs (1)	1,253	1,253	670	3,088
Printed Circuit Materials				
Severance and other employee related costs (1)	708	708	(276)	3,046
Curamik Electronics Solutions				
Severance and other employee related costs (1)	1,618	1,618	213	957
Power Distribution Systems				
Impairment of investment related receivable	—	—	264	264
Severance and other employee related costs (1)	845	845	(13)	477

Other				
Severance and other employee related costs (1)	101	101	(24)	272
Total charges for Restructuring and Impairment	$4,525	$4,525	$834	$8,183

(1) For the three and six month periods ended June 30, 2013, this includes a pension curtailment charge of $1.5 million. See Note 8 - "Pension Benefit and Other Post Retirement Plans" for further information.

For the three and six month periods ended June 30, 2012, this includes an estimated $2.3 million charge recorded in the first quarter of 2012, offset by a favorable adjustment of $0.7 million recorded in the second quarter of 2012. This net charge of $1.6 million, for 2012, was related to the early retirement program implemented in the first quarter of 2012.

The following table summarizes changes in the severance accrual from December 31, 2012 through June 30, 2013:

(Dollars in thousands)	Streamlining and restructuring related activities	Curamik finishing operations relocation to Hungary	Total
Balance at December 31, 2012	$1,447	$3,774	$5,221
Provisions	3,003	—	3,003
Payments	(2,357)	(2,113)	(4,470)
Balance at June 30, 2013	$2,093	$1,661	$3,754

Note 16 – Discontinued Operations

In the fourth quarter of 2011, we made the strategic decision to end the operations of our Thermal Management Solutions operating segment. We had invested in its operations for the previous few years, but had difficulty gaining traction in the market and working through issues in the manufacturing process. Therefore, we determined that we would not achieve future success in this operation and chose to shut down operations rather than invest further. There was no activity for this segment in the first half of 2013. For the six month period ended June 30, 2012, operating losses of $0.1 million, net of tax, were reflected as discontinued operations in the accompanying condensed consolidated statements of income (loss). There was no activity for this segment in the second quarter of 2012. Net sales were $0.1 million for the six month period ended June 30, 2012. There were no sales activity for the second quarter of 2012. The tax related to the discontinued operations was not material for 2012.

In the second quarter of 2012, we decided to cease production of our non-woven composite materials operating segment located in Rogers, Connecticut. Sales of non-woven products had been steadily declining for several years and totaled approximately $5.3 million for the year ended December 31, 2012. Manufacturing operations ceased by the end of 2012 and last sales out of inventory occurred in the first quarter of 2013. For the six month period ended June 30, 2013 , operating profits of $0.1 million were reflected as discontinued operations in the accompanying condensed consolidated statements of income (loss). There was minimal activity for this segment in the second quarter of 2013. For the six month period ended June 30, 2012, an operating loss of $0.1 million, net of tax, was reflected as discontinued operations in the accompanying condensed consolidated statements of income (loss). There was minimal activity for this segment in the second quarter of 2012. Net sales were $0.1 million and $0.2 million for the three and six month periods ended June 30, 2013, respectively. Net sales were $1.4 million and $2.6 million for the three and six month periods ended June 30, 2012, respectively. The tax related to the discontinued operations was $0.1 million for the six months ended June 30, 2013 and June 30, 2012. Tax related to this segment was diminimus for the three months ended June 30, 2013 and June 30, 2012.

Note 17- Recent Accounting Pronouncements

Comprehensive Income

In January 2013, the Financial Accounting Standards Board issued an update which seeks to improve the reporting of reclassifications out of accumulated other comprehensive income. This change requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. This update supersedes the presentation requirements for reclassifications out of accumulated other comprehensive income in Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income, and ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of

Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This update is effective for the reporting periods beginning after December 15, 2012, which was our first quarter of fiscal year 2013. The adoption of the update is reflected in Note 5 - "Accumulated other comprehensive income (loss)" but has not impacted our financial condition or results of operations.

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

As used herein, the "Company", "Rogers", "we", "us", "our" and similar terms include Rogers Corporation and its subsidiaries unless the context indicates otherwise.

Forward Looking Statements

This information should be read in conjunction with the unaudited financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Form 10-K for the year-ended December 31, 2012.

Certain statements in this Quarterly Report on Form 10-Q may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "intends," "believes," "estimates," "should," "target," "may," "project," "guidance," and variations of such words and similar expressions intended to identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results or performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such factors include, but are not limited to, changing business, economic, and political conditions both in the United States and in foreign countries, particularly in light of the sovereign debt crisis being experienced globally and the uncertain outlook for global economic growth, particularly in several of our key markets; increasing competition; any difficulties in integrating acquired businesses into our operations and the possibility that anticipated benefits of acquisitions or divestitures may not materialize as expected; delays or problems in completing planned operational enhancements to various facilities; our achieving less than anticipated benefits and/or incurring greater than anticipated costs relating to streamlining initiatives or that such initiatives may be delayed or not fully implemented due to operational, legal or other challenges; changes in product mix; the development and marketing of new products and manufacturing processes and the inherent risks associated with such efforts and the ability to identify and enter new markets; the outcome of current and future litigation; our ability to retain key personnel; our ability to adequately protect our proprietary rights; the possibility that we may be required to recognize impairment charges against goodwill and non-amortizable assets in the future; increases in our employee benefit costs could reduce our profitability; the accuracy of our analysis of our potential asbestos-related exposure and insurance coverage; the fact that our stock price has historically been volatile and may not be indicative of future prices; changes in the availability and cost and quality of raw materials; changes in environmental regulation, which could increase expenses and affect operating results; our ability to accurately predict reserve levels; our ability to obtain favorable credit terms with our customers and collect accounts receivable; our ability to service our debt; certain covenants in our debt documents could adversely restrict our financial and operating flexibility; fluctuations in foreign currency exchange rates; and changes in tax rates and exposure which may increase our tax liabilities. Such factors also apply to our joint ventures. We make no commitment to update any forward-looking statement or to disclose any facts, events, or circumstances after the date hereof that may affect the accuracy of any forward-looking statements, unless required by law. Additional information about certain factors that could cause actual results to differ from such forward-looking statements include, but are not limited to, those items described in our filings with the Securities and Exchange Commission, including Item 1A, Risk Factors, to the Company's Form 10-K for the year-ended December 31, 2012 and previously filed Form 10-Q's.

Executive Summary

Company Background and Strategy

We are a global enterprise that provides our customers with innovative solutions and industry leading products in a variety of markets, including portable communications, communications infrastructure, consumer electronics, mass transit, automotive, defense and clean technology. We generate revenues and cash flows through the development, manufacture, and distribution of specialty material-based products that are sold to multiple customers, primarily original equipment manufacturers (OEMs) and contract manufacturers that, in turn, produce component products that

are sold to end-customers for use in various applications. As such, our business is highly dependent, although indirectly, on market demand for these end-user products. Our ability to forecast future sales growth is largely dependent on management's ability to anticipate changing market conditions and how our customers will react to these changing conditions. It is also highly limited due to the short lead times demanded by our customers and the dynamics of serving as a relatively small supplier in the overall supply chain for these end-user products. In addition, our sales represent a number of different products across a wide range of price points and distribution channels that do not always allow for meaningful quantitative analysis of changes in demand or price per unit with respect to the effect on sales and earnings.

Strategically, our current focus is on three mega trends that we believe will fuel the future growth of our Company – continued growth of the internet and the variety of ways in which it can be accessed, expansion of mass transit, and further investment in clean technology. These trends and their related markets all require materials that perform to the highest standards, which has been a key strength of our products over the years. We are also focused on growing our business both organically and through strategic acquisitions or technology investments that will add to or expand our product portfolio, as well as strengthen our presence

in existing markets or expand into new markets. We will continue to focus on business opportunities and invest in expansion around the globe. Our vision is to be the leading innovative, growth oriented, and high technology materials solutions provider for our selective markets. To achieve this vision, we must have an organization that can cost effectively develop, produce and market products and services that provide clear advantages for our customers and markets.

2013 Second Quarter Executive Summary

In the second quarter of 2013, we achieved net sales of $132.5 million, a 5.7% increase from the second quarter of 2012 net sales of $125.3 million. Income from continuing operations decreased by 12.5% from $6.4 million in the second quarter of 2012 to $5.6 million in the second quarter of 2013. However, in the second quarter of 2013, income from continuing operations included approximately $6.2 million of special charges primarily related to activities targeted at streamlining the organization, including approximately $3.9 million in severance charges from a workforce reduction, a $1.6 million curtailment charge related to changes to our defined benefit pension plans in the United States, and approximately $0.7 million in other charges primarily related to the move of Curamik's finishing operations from Germany to Hungary. Similarly, the second quarter of 2012 included approximately $2.0 million in special charges primarily related to streamlining activities, including $1.5 million related to the shutdown of the High Performance Foams manufacturing facility in Bremen, Germany. Excluding these charges, adjusted income from continuing operations improved by 18.2% quarter over quarter and, as a percentage of net sales, from 8.8% of net sales in the second quarter of 2012 to 9.9% of net sales in the second quarter of 2013. We also experienced strong improvement in gross margin, which increased from 29.3% in the second quarter of 2012 to 33.5% in the second quarter of 2013.

Overall, these results highlight the fact that we delivered solid revenue and margin improvements quarter over quarter, driven primarily by the strong rebound in the Power Electronics Solutions segment. This segment is comprised of the Curamik Electronics Solutions (CES) operating segment and the Power Distribution Systems (PDS) operating segment. Quarter over quarter, CES experienced a 19.2% increase in net sales from $23.9 million in the second quarter of 2012 to $28.5 million in the second quarter of 2013, while PDS experienced a 6.0% increase in net sales from $11.6 million in 2012 to $12.3 million in the second quarter of 2013. Further contributing to these improvements was our Printed Circuit Materials operating segment, which experienced an increase in net sales of 12.5% from $40.5 million in the second quarter of 2012 to $45.6 million in the second quarter of 2013. These improvements were partially offset by a decline in sales of 7.8% at our High Performance Foams operating segment from $43.3 million in the second quarter of 2012 to $39.9 million in the second quarter of 2013.

From an operations perspective, the cost savings generated from streamlining initiatives that were initiated in 2012 continue to be realized, as we expect to achieve an annualized cost savings of approximately $20.0 million in 2013. Further, the additional initiatives that occurred during the first half of 2013 are expected to generate approximately $12.0 million in annualized cost savings by the first quarter of 2014. The 2013 initiatives included changes to our defined benefit pension plans, as benefits under these plans will no longer accrue to employees active in the plans. We expect to incur net benefits related to this action of approximately $6.8 million, which we expect to begin to materially impact results in the third quarter of 2013. Overall, we recognized approximately $5.0 million of savings in the second quarter of 2013, which is in line with our projections. Some of these cost savings will be offset by investments in other initiatives targeted at growing our business in the future, such as increased spending on sales and marketing and research and development initiatives, as well as spending targeted at improving our functional infrastructure, including information technology and process improvement initiatives.

We are continuing to pursue initiatives aimed at further streamlining our cost structure in order to maintain our improved operating leverage. We will also focus on external investments and initiatives targeted at growing sales, while focusing internally at improving our operational processes to drive further cost savings throughout the organization and expanding the presence of our existing product portfolio.

Results of Operations

The following table sets forth, for the periods indicated, selected operations data expressed as a percentage of net sales.

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Gross margin	33.5 %	29.3 %	33.2 %	29.8 %
Selling and administrative expenses	19.3 %	17.8 %	19.6 %	19.0 %
Research and development expenses	4.7 %	3.6 %	4.5 %	4.0 %
Restructuring and impairment charges	3.4	0.7 %	1.9	3.3 %
Operating income (loss)	6.1 %	7.2 %	7.2 %	3.5 %
Equity income in unconsolidated joint ventures	0.6 %	1.1 %	0.5 %	0.8 %
Other income (expense), net	(0.1)%	0.2 %	(0.3)%	— %
Net realized gain (loss)	—	— %	—	(1.3)%
Interest income (expense), net	(0.6)%	(0.9)%	(0.6)%	(0.9)%
Income (loss) before income tax expense (benefit)	6.0 %	7.6 %	6.8 %	2.1 %
Income tax expense (benefit)	1.7 %	2.5 %	2.0 %	0.1 %
Income (loss) from continuing operations	4.3 %	5.1 %	4.8 %	2.0 %

Net Sales

Net sales increased by 5.7% from $125.3 million in the second quarter of 2012 to $132.5 million in the second quarter of 2013. On a year to date basis, net sales increased by 5.3% from $245.5 million in the first half of 2012 to $258.4 million in the first half of 2013. The increase in sales on both a quarterly and year to date basis is primarily attributable to volume increases in three of our Core Strategic segments - Printed Circuit Materials (12.5% and 11.6%, respectively), Curamik Electronics Solutions (19.2% and 7.5%, respectively), and Power Distribution Systems (6.1% and 5.3%, respectively); partially offset by a decline in net sales in High Performance Foams (7.8% and 1.7%, respectively). See “Segment Sales and Operations” below for further discussion on segment performance.

Gross Margin

Gross margin as a percentage of net sales increased by 420 basis points from 29.3% in the second quarter of 2012 to 33.5% in the second quarter of 2013. 2013 gross margin included special changes related to the move of final inspection operations in the Curamik segment from Germany to Hungary that negatively impacted gross margin by approximately 10 basis points during the quarter. 2012 gross margin included special charges related to the shut down of Power Distribution Systems operations in Arizona and High Performance Foams operations in Bremen, Germany that negatively impacted margins by approximately 90 basis points during the quarter. Excluding these charges, gross margin improved by 370 basis points from 30.2% in the second quarter of 2012 to 33.9% in the second quarter of 2013. The quarterly improvement was primarily the result of the incremental contribution from the increase in net sales that contributed approximately 107 basis points to the increase and the favorable impact from streamlining savings that contributed approximately 226 basis points of improvement.

On a year to date basis, gross margin as a percentage of sales increased from 29.8% in the first half of 2012 to 33.2% in the first half of 2013. 2013 gross margin included special charges related to the move of final inspection operations in the Curamik segment from Germany to Hungary that negatively impacted gross margin by approximately 20 basis points year to date. 2012 gross margin included special charges related to the shut down of Power Distribution Systems operations in Arizona and High Performance Foams operations in Bremen, Germany, that negatively

impacted margins by approximately 40 basis points year to date. Excluding these charges, gross margin improved by 320 basis points from 30.2% in the first half of 2012 to 33.4% in the first half of 2013. The year to date improvement was primarily the result of the incremental contribution from the increase in net sales that contributed approximately 83 basis points to the increase and the favorable impact from streamlining savings that contributed approximately 230 basis points of improvement.

Selling and Administrative Expenses

Selling and administrative expenses increased 15.8% from $22.3 million in the second quarter of 2012 to $25.8 million in the second quarter of 2013. Second quarter 2013 results included approximately $0.3 million in special charges related to the move of Curamik Electronics Solutions finishing operations from Germany to Hungary. As a percentage of sales, selling and administrative costs, excluding special charges, increased by 130 basis points from 17.8% in the second quarter of 2012 to 19.1% in the second quarter of 2013. The overall increase in expenses is due to a variety of factors, including $1.7 million of incremental incentive and equity compensation costs, $0.4 million of higher intangible amortization costs related to Curamik purchase accounting, and other net increases of approximately $1.0 million for incremental expenditures in certain key strategic areas, including sales and marketing, strategic planning and executive recruiting, in order to better position the Company for future growth. These items in total resulted in a negative impact of 230 basis points on selling and administrative expenses as a percentage of net sales. These items were partially offset by the favorable impact from the increase in net sales of $7.2 million quarter over quarter, which resulted in a favorable 100 basis point impact on our results.

On a year to date basis, selling and administrative expenses increased 9.5% from $46.6 million in the first half of 2012 to $51.0 million in the first half of 2013. Year to date 2013 results included approximately $1.0 million in special charges comprised of $0.3 million in costs related to the move of Curamik Electronics Solutions finishing operations from Germany to Hungary and $0.7 million of severance related charges. As a percentage of sales, selling and administrative costs, excluding special charges, increased by 40 basis points from 18.9% in the first half of 2012 to 19.3% in the first half of 2013. The overall increase in expenses is due to a variety of factors, including $1.5 million of incremental incentive and equity compensation costs, $0.8 million of higher intangible amortization costs related to Curamik purchase accounting, and other net increases of approximately $2.1 million for incremental expenditures in certain key strategic areas, including sales and marketing, strategic planning and executive recruiting, in order to better position the Company for future growth. These items in total resulted in a negative impact of 170 basis points on selling and administrative expenses as a percentage of net sales. These items were partially offset by the favorable impact from the increase in net sales of $13.0 million quarter over quarter, which resulted in a favorable 85 basis point impact on our results.

Research and Development Expenses

Research and development (R&D) expenses increased 39.6% from $4.5 million in the second quarter of 2012 to $6.3 million in the second quarter of 2013. As a percentage of net sales, R&D costs increased from 3.6% of net sales in the second quarter of 2012 to 4.7% of net sales in the second quarter of 2013. Year to date, R&D expenses increased by 17.6% from $9.8 million in the first half of 2012 to $11.5 million in the first half of 2013. As a percentage of net sales, R&D expenses increased from 4.0% of net sales in the first half of 2012 to 4.5% of net sales in the first half of 2013. This increase in R&D expenditures both on a quarterly and year to date basis is consistent with our long term strategic plan of investing up to 6% of net sales back into R&D activities. In the past year, we have made concerted efforts to begin realigning our R&D organization to better fit the future direction of the organization, including dedicating resources to focus on current product extensions and enhancements to build our short term technology needs, as well as increasing investments will be focused on developing new platforms and technologies that are focused on long term growth initiatives, such as the recently announced partnership with Northeastern University in Boston, Massachusetts that will create Rogers Innovation Center on their campus.

Equity Income in Unconsolidated Joint Ventures

Equity income in unconsolidated joint ventures decreased by 41.6% from $1.3 million in the second quarter of 2012 to $0.8 million in the second quarter of 2013. On a year to date basis, equity income in unconsolidated joint ventures declined by 34.2% from $2.0 million in the first half of 2012 to $1.3 million in the first half of 2013. The decrease was primarily due to the depreciation of the Japanese Yen against the U.S. dollar of approximately 22.3% quarter over quarter and 19.0% year over year, as well as the continued weakness in LCD TVs and domestic mobile phone markets.

Other Income (Expense), Net

In the second quarter of 2013, other income (expense), net, was expense of $0.2 million as compared to income of $0.3 million in the second quarter of 2012. The difference in these amounts is primarily attributable to approximately

$0.2 million of incremental expense recognized in the second quarter of 2013 related to foreign currency exchange translation. On a year to date basis, in the first half of 2013 we recognized expense of approximately $0.8 million as compared to income of $0.1 million in the first half of 2012. The difference in these amounts is primarily attributable to approximately $0.3 million of incremental expense recognized in the first half of 2013 related to foreign currency exchange translation and $0.5 million of income recognized in the second quarter of 2012 related to the sale of certain assets at our Arizona facility.

Realized Investment Gain (Loss), Net

There was no realized investment gain (loss), net, in the second quarter of 2013 or 2012, nor in the first half of 2013. In the first half of 2012, we incurred a realized investment loss of $3.2 million related to the liquidation of the auction rate securities portfolio, which resulted in net proceeds of approximately $25.4 million.

Interest Income (Expense), Net

Interest income (expense), net, declined by 22.6% from $1.1 million of expense in the second quarter of 2012 to $0.8 million of expense in the second quarter of 2013. On a year to date basis, interest income (expense), net, declined by 23.3% from $2.3 million of expense in the first half of 2012 to $1.7 million of expense in the first half of 2013. This decline was due primarily to lower interest expense on our debt facility, as we have paid down the principal from $122.5 million at the beginning of 2012 to approximately $93.0 million at the end of the second quarter of 2013. The outstanding debt balance declined from $122.5 million at the end of 2011 to $121.3 million at the end of the first quarter of 2012 and further to $120.0 million at the end of the second quarter of 2012.

Income Taxes

Our effective tax rate was 29.0% in the second quarter of 2013 as compared to 32.5% in the second quarter of 2012. On a year to date basis, the effective tax rate was 29.1% in the first six months of 2013 as compared to 5.0% in the first six months of 2012. In the first six months of 2012, our tax rate was favorably impacted by certain one-time discrete items including a $1.5 million benefit related to the reversal of the valuation allowance resulting from the sale of the auction rate securities portfolio. In both the first and second quarters of 2013 and 2012, our tax rate benefited from favorable tax rates on certain foreign business activity as compared to our statutory rate of 35%.

Segment Sales and Operations

Core Strategic

High Performance Foams

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales	$39.9	$43.3	$82.4	$83.8
Operating income (loss)	3.5	5.7	10.1	7.2

The High Performance Foams operating segment is comprised of our polyurethane and silicone foam products, which are sold into a wide variety of markets for various applications, such as portable communications, consumer electronics, and mass transit markets for gaskets, sealing, and cushioning applications.

Q2 2013 versus Q2 2012

Net sales in this segment declined by 7.8% from $43.3 million in the second quarter of 2012 to $39.9 million in the second quarter of 2013. This decrease in net sales is due primarily to changes in tablet device market dynamics, as introductions of smaller tablet devices, utilization improvements by our customers, and a shift in market share within our customer base resulted in a 66.1% decline in net sales into that market. We also experienced a 4.6% decline in demand in the transportation market primarily due to utilization improvement by our hybrid electric vehicle customers. These declines were partially offset by a 9.6% increase in demand in general industrial and consumer applications for cushioning, sealing and impact protection materials. We expect demand will improve in the second half of the year due to normal seasonal increases in demand in mobile electronic devices and tablets, as well as improving economic conditions in North America. We also continue to gain market penetration in consumer, personal protection and general industrial applications.

Operating income declined by 39.7% from $5.7 million in the second quarter of 2012 to $3.5 million in the second quarter of 2013. Second quarter 2013 results included approximately $1.4 million of special charges, including $1.2 million related to severance costs from the workforce reduction that occurred during the second quarter and $0.2 million of costs associated with the ratification of a new union contract for Connecticut union employees. Second quarter 2012 results included $1.4 million of special charges related primarily to the shutdown of the silicone foams manufacturing facility in Bremen, Germany. Excluding these charges, operating income declined by 31.9% from $7.2 million in the second quarter of 2012 to $4.9 million in the second quarter of 2013. This remaining decline is driven primarily by the lost contribution on the lower sales volumes, as well as higher costs of production due to certain raw material issues that are currently being addressed; partially offset by improved results related to the production of molded Poron, as well as cost savings resulting from our streamlining initiatives, including the shut down of the Bremen facility.

YTD 2013 versus YTD 2012

Net sales in this segment decreased by 1.7% from $83.8 million in the first half of 2012 to $82.4 million in the first half of 2013. This decrease in net sales is due primarily to changes in tablet device market dynamics, as introductions of smaller tablet devices, utilization improvements by our customers, and a shift in market share within our customer base resulted in a 48.2% decline in

net sales in that market. These declines were partially offset by a 9.7% increase in demand in general industrial and consumer applications for cushioning, sealing and impact protection materials.

Operating income increased by 41.6% from $7.2 million in the first half of 2012 to $10.1 million in the first half of 2013. Results in the first half of 2013 included approximately $1.6 million of special charges related primarily to severance costs as a result of workforce reductions. First half 2012 results included approximately $3.9 million of special charges comprised of approximately $2.3 million of net severance related charges as a result of our streamlining initiatives, as well as approximately $1.5 million related primarily to the shut down of the segments silicone foams manufacturing facility in Bremen, Germany. Excluding these charges, operating results improved by approximately $0.7 million, or 5.8%, even though net sales declined by approximately $1.4 million , or 1.7%. This improvement is due primarily to the cost savings impact of our streamlining initiatives, including the shut down of the Bremen facility and improved results related to the production of molded Poron; partially offset by higher than planned production costs due primarily to lower yields as a result of certain raw material issues and lost contribution due to the decline in net sales.

Printed Circuit Materials

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales	$45.6	$40.5	$89.1	$79.9
Operating income (loss)	4.0	3.1	7.8	2.8

Our Printed Circuit Materials operating segment is comprised of our high frequency circuit material products used for making circuitry that receive, process and transmit high frequency communications signals, in a wide variety of markets and applications, including wireless communications, high reliability applications, and automotive applications, among others.

Q2 2013 versus Q2 2012

Net sales in this segment increased by 12.5% from $40.5 million in the second quarter of 2012 to $45.6 million in the second quarter of 2013. The increase in net sales is due primarily to strong demand in the telecom base station market, where sales increased by 7.3%, as well as in automotive safety sensor applications, which experienced an 84.9% increase in net sales as auto manufacturers continue to adopt this safety feature into their designs. In addition, the segment continues to gain adoptions in new wireless antenna applications.

Operating income improved by 28.0% from $3.1 million in the second quarter of 2012 to $4.0 million in the second quarter of 2013. Second quarter 2013 results included approximately $0.9 million of special charges primarily related to severance costs as a result of workforce reductions, while second quarter 2012 results were favorably impacted by $0.8 million of one-time benefits related primarily to an insurance reimbursement of a previously settled product liability claim. Excluding these items, operating income improved by 106.9% quarter over quarter due primarily to the profit contribution related to the sales increase, as well as favorable impacts from streamlining initiatives and cost improvements in the manufacturing process.

YTD 2013 versus YTD 2012

Net sales in this segment increased by 11.6% from $79.9 million in the first half of 2012 to $89.1 million in the first half of 2013. This increase in net sales is due primarily to strong demand in the telecom base station market, where sales increased by 13.8% as, as well as in automotive safety sensor applications, which experienced a 13.8% increase in net sales as auto manufacturers continue to adopt this safety feature into their designs. These increases were partially offset by an 8.4% decline in net sales into the high reliability market as a result of declines in government spending.

Operating income improved by 180.6% from $2.8 million in the first half of 2012 to $7.8 million in the first half of 2013. First half 2013 results included approximately $1.1 million of special charges related primarily to severance costs as a result of workforce reductions, while first half 2012 results included approximately $2.5 million of net special charges comprised primarily of $3.0 million in net severance related charges, partially offset by a one-time benefit of $0.8 million related to an insurance reimbursement on a previously settled product liability claim. Excluding these items, operating income improved by 66.0% year over year due primarily to the profit contribution

related to the sales increase, as well as favorable impacts from streamlining initiatives and cost improvements in the manufacturing process.

Power Electronics Solutions

- Curamik Electronics Solutions

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales	$28.5	$23.9	$51.8	$48.2
Operating income (loss)	(2.5)	(1.2)	(5.6)	(3.0)

Our Curamik Electronic Solutions operating segment is comprised of our power electronic substrate products, which are used primarily in the design of intelligent power management devices, such as IGBT (insulated gate bipolar transistor) modules that enable a wide range of products including highly efficient industrial motor drives, wind and solar energy converters and electrical systems in automobiles.

Q2 2013 versus Q2 2012

Net sales in this segment increased by 19.2% from $23.9 million in the second quarter of 2012 to $28.5 million in the second quarter of 2013. This increase in net sales was driven by strength across almost all of the segment's markets, led by particularly strong demand in the laser diode, solar power module and energy-efficient appliance markets, where net sales increased by 46.5%, 49.2%, and 107.9%, respectively. As evidenced by the increase in net sales into these markets, this segment is beginning to experience a recovery in demand in many key application areas as it recovers from the constriction in global capital and infrastructure spending that originated in the first half of 2012. Also, the move of certain finishing operations from Germany to Hungary is on schedule and expected to be completed by the fourth quarter of 2013.

Operating results for the quarter declined from an operating loss of $1.2 million in the second quarter of 2012 to an operating loss of $2.5 million in the second quarter of 2013. Second quarter 2013 results included approximately $2.0 million of special charges comprised primarily of $1.6 million in severance costs related to a workforce reduction, as well as approximately $0.4 million in start up costs related to the Hungary operation. Second quarter 2012 results included $0.8 million of special charges comprised of $0.2 million in severance related charges and $0.6 million related to the write off of an uncollectible receivable. Excluding these charges, operating results declined slightly quarter over quarter. This decline is driven primarily by increased expense from the amortization of intangible assets related to purchase accounting ($0.4 million) and increased corporate overhead allocation charges (approximately $1.4 million), which was almost fully offset by the profit contribution related to the increase in net sales and favorable impacts from streamlining initiatives.

YTD 2013 versus YTD 2012

Net sales in this segment increased by 7.5% from $48.2 million in the first half of 2012 to $51.8 million in the first half of 2013. This increase in net sales was driven by strength across almost all of the segment's markets, led by particularly strong demand in the laser diode, solar power module, hybrid electric vehicle power modules and energy-efficient appliance markets, where net sales increased by 26.5%, 24.1%, 68.8%, and 47.6%, respectively.

Operating results for the six months declined from an operating loss of $3.0 million in the first half of 2012 to an operating loss of $5.6 million in the first half of 2013. First half 2013 results included approximately $2.8 million of special charges comprised primarily of $1.9 million in severance costs related to a workforce reduction, as well as approximately $0.9 million in start up costs related to the Hungary operation. First half 2012 results included $1.5 million of special charges comprised of $0.9 million in severance related charges and $0.6 million related to the write off of an uncollectible receivable. Excluding these charges, the decline in operating results is driven primarily by increased expense from the amortization of intangible assets related to purchase accounting ($0.8 million) and increased corporate overhead allocation charges (approximately $2.8 million), which was almost fully offset by the profit contribution related to the increase in net sales, as well as favorable impacts from streamlining initiatives.

- Power Distribution Systems

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales	$12.3	$11.6	$23.3	$22.1
Operating income (loss)	1.1	0.1	2.6	(0.5)

Our Power Distribution Systems operating segment is comprised of our busbar products, which are used primarily in power distribution systems products in mass transit and clean technology applications.

Q2 2013 versus Q2 2012

Net sales in this segment increased by 6.1% from $11.6 million in the second quarter of 2012 to $12.3 million in the second quarter of 2013. The increase was driven primarily by continued demand for power distribution products in the electric vehicle and renewable energy markets, which increased by 350.3% and 161.3%, respectively, as development efforts and investment activity have increased in both markets. Further improvement in demand is expected when the Chinese government implements its announced investments in rail infrastructure.

Operating income increased from $0.1 million in the second quarter of 2012 to $1.1 million in the second quarter of 2013. Second quarter 2013 results included approximately $0.8 million of special charges related primarily to severance costs, while second quarter 2012 results included approximately $0.6 million of special charges related primarily to the shut down of operations of the segment's manufacturing capability in North America and other severance charges. Excluding these charges, operating income increased by 162.7%, or $1.2 million, quarter over quarter. This improvement is due primarily to the profit contribution associated with the sales increase and a favorable sales mix, as well as favorable impacts from streamlining initiatives.

YTD 2013 versus YTD 2012

Net sales in this segment increased by 5.3% from $22.1 million in the first half of 2012 to $23.3 million in the first half of 2013. The increase was driven primarily by continued demand for power distribution products in the electric vehicle and renewable energy markets, which increased by 355.7% and 106.2%, respectively, as development efforts and investment activity have increased in both markets. Further improvement in demand is expected when the Chinese government implements its announced investments in rail infrastructure.

Operating results improved from an operating loss of $0.5 million in the first half of 2012 to operating income of $2.6 million in the first half of 2013. First half 2013 results included approximately $0.9 million of special charges related primarily to severance costs, while first half 2012 results included approximately $1.1 million of special charges related primarily to the shut down of operations of the segments manufacturing capability in North America and other severance charges. Excluding these charges, operating results improved by 503.0%, or $3.0 million, year over year. This improvement is due primarily to the profit contribution associated with the sales increase and a favorable sales mix, as well as favorable impacts from streamlining initiatives.

Other

(Dollars in millions)	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net sales	$6.2	$6.0	$11.8	$11.5
Operating income (loss)	2.0	1.3	4.0	2.1

Our Other reportable segment consists of our elastomer rollers and floats, as well as our inverter distribution business.

Q2 2013 versus Q2 2012

Net sales increased by 3.3% from $6.0 million in the second quarter of 2012 to $6.2 million in the second quarter of 2013. This increase is primarily due to stronger demand for elastomer rollers and floats products, which increased 6.7% quarter over quarter, partially offset by the continued decline in demand for inverters, which declined 21.3% quarter over quarter.

Operating income increased by 57.6% from $1.3 million in the second quarter of 2012 to $2.0 million in the first quarter of 2013. 2013 results included approximately $0.1 of special charges related to severance costs. The overall improvement in operating results in this segment is attributable primarily to the operational efficiencies achieved through the segments streamlining initiatives, as well as a significant decrease in allocated Corporate overhead charges quarter over quarter.

YTD 2013 versus YTD 2012

Net sales increased by 2.9% from $11.5 million in the first half of 2012 to $11.8 million in the first half of 2013. This increase is primarily due to stronger demand for elastomer rollers and float products, which increased 7.8% period over period, partially offset by the continued decline in demand for inverters, which declined 29.4% period over period.

Operating income increased by 92.2% from $2.1 million in the first half of 2012 to $4.0 million in the first half of 2013. First half 2013 results included approximately $0.1 of special charges related to severance costs and first half

2012 results included approximately $0.3 million of special charges associated with streamlining activities. The overall improvement in operating results in this segment is attributable primarily to the operational efficiencies achieved through the segments streamlining initiatives, as well as a significant decrease in allocated Corporate overhead charges period over period.

Liquidity, Capital Resources and Financial Position

We believe that our ability to generate cash from operations to reinvest in our business is one of our fundamental strengths. While the U.S. financial markets have grown more stable in recent years, significant volatility still remains in the global markets particularly in Europe, and credit markets in general have diminished liquidity and capital availability globally. We believe that our existing sources of liquidity and future cash flows that are expected to be generated from our operations, together with our available credit facilities, will be sufficient to fund our operations, capital expenditures, research and development efforts, and debt service commitments, as well as our other operating and investing needs, for at least the next twelve months. We continue to have access to the remaining portion of the line of credit available under the Amended Credit Agreement, as amended, should any issue or strategic opportunities arise. We continually review and evaluate the adequacy of our cash flows, borrowing facilities and banking relationships to ensure that we have the appropriate access to cash to fund both our near-term operating needs and our long-term strategic initiatives.

(Dollars in thousands)	June 30, 2013	December 31, 2012
Key Balance Sheet Accounts:		
Cash and cash equivalents	$137,015	$114,863
Accounts receivable	88,846	78,788
Inventory	66,733	73,178
Outstanding borrowing on credit facilities (short term and long term)	93,000	98,000
	Six Months Ended	
	June 30, 2013	June 30, 2012
Key Cash Flow Measures:		
Cash provided by (used in) operating activities of continuing operations	$29,720	$4,569
Cash provided by (used in) investing activities of continuing operations	(10,462)	13,550
Cash provided by (used in) financing activities of continuing operations	1,946	277

At the end of the second quarter of 2013, cash and cash equivalents were $137.0 million as compared to $114.9 million at the end of 2012, an increase of $22.1 million, or approximately 19.3%. This increase was due primarily to strong cash generated from operations, partially offset by $10.5 million in capital expenditures, a $6.5 million contribution to the defined benefit pension plans, and $5.0 million in required debt payments.

The following table illustrates the location of our cash and cash equivalents by our three major geographic areas as of the periods indicated:

(Dollars in thousands)	June 30, 2013	December 31, 2012
U.S.	$21,817	$26,813
Europe	56,190	47,918
Asia	59,008	40,132
Total cash and cash equivalents	$137,015	$114,863

Cash held in certain foreign locations could be subject to additional taxes if we repatriated such amounts back to the U.S. from foreign countries that have a lower tax rate than in the U.S. Our current policy is that the historical earnings and cash in these locations will be permanently reinvested in those foreign locations.

Significant changes in our balance sheet accounts from December 31, 2012 to June 30, 2013 are as follows:

Accounts receivable trade increased by 12.8% from $78.8 million at December 31, 2012 to $88.8 million at June 30, 2013. This increase is primarily attributable to the increased sales volumes experienced throughout fiscal 2013 as our days sales outstanding metric has improved over that time period from 63.8 days outstanding at December 31, 2012 to 58.8 days outstanding at June 30, 2013, indicating that we are efficiently collecting our receivables even as sales volumes increase.

Inventory decreased by 8.9% from $73.2 million at December 31, 2012 to $66.7 million at June 30, 2013. This decrease is primarily attributable to higher sales volumes, particularly at Curamik, as we had sold out of inventory to meet demand

and as we work to increase manufacturing capacity levels to meet increased demand. We are also focused on lowering inventory levels as appropriate to better manage working capital.

Current taxes receivable declined by 56.4% from $5.1 million at December 31, 2012 to $2.2 million at June 30, 2013. This decrease is primarily attributable to receipt of tax refunds totaling $2.7 million in the first quarter of 2013.

Long term deferred income tax assets decreased by 17.2% from $71.4 million at December 31, 2012 to $59.2 million at June 30, 2013. This decrease is primarily attributable to the change in the unrealized loss related to our pension liability.

Long term pension liability decreased by 48.4% from $65.9 million at December 31, 2012 to $34.0 million at June 30, 2013. This decrease was due to the change in our defined benefit pension plans as the plans were frozen so that future benefits will no longer accrue under these plans.

Credit Facilities

On July 13, 2011, we entered into an amended and restated $265.0 million secured five year credit agreement. This credit agreement ("Amended Credit Agreement") is with (i) JPMorgan Chase Bank, N.A., as administrative agent; (ii) HSBC Bank USA, National Association; (iii) RBS Citizens, National Association; (iv) Fifth Third Bank; and (v) Citibank, N.A. JPMorgan Securities LLC and HSBC Bank USA, National Association acted as joint bookrunners and joint lead arrangers; HSBC Bank USA, National Association and RBS Citizens, National Association acted as co-syndication agents; and Fifth Third Bank and Citibank, N.A. acted as co-documentation agents. The Amended Credit Agreement amends and restates the credit agreement signed between the Company and the same banks on November 23, 2010 and increased our borrowing capacity from $165.0 million under the original agreement to $265.0 million under the Amended Credit Agreement.

Key features of the Amended Credit Agreement, as compared to the November 23, 2010 credit agreement, include an increase in credit from $165.0 million to $265.0 million with the addition of a $100.0 million term loan; The extension of maturity from November 23, 2014 to July 13, 2016; a 25 basis point reduction in interest costs; an increase in the size of permitted acquisitions from $25.0 million to $100.0 million; and an increase in permitted additional indebtedness from $20.0 million to $120.0 million.

The Amended Credit Agreement provided for the extension of credit in the form of a $100.0 million term loan (which refinanced outstanding borrowings in the amount of $100.0 million from the existing revolving credit line), as further described below; and up to $165.0 million of revolving loans, in multiple currencies, at any time and from time to time until the maturity of the Amended Credit Agreement, on July 13, 2016. We may borrow, pre-pay and re-borrow amounts under the $165.0 million revolving portion of the Amended Credit Agreement; however, with respect to the $100.0 million term loan portion, any principal amounts re-paid may not be re-borrowed. Borrowings may be used to finance working capital needs, for letters of credit and for general corporate purposes in the ordinary course of business, including the financing of permitted acquisitions (as defined in the Amended Credit Agreement).

Borrowings under the Amended Credit Agreement bear interest based on one of two options. Alternate base rate loans bear interest that includes a base reference rate plus a spread of 75 - 150 basis points, depending on our leverage ratio. The base reference rate is the greater of the prime rate; federal funds effective rate plus 50 basis points; and adjusted London interbank offered ("LIBO") rate plus 100 basis points. Eurocurrency loans bear interest based on the adjusted LIBO rate plus a spread of 175 - 250 basis points, depending on our leverage ratio.

In addition to interest payable on the principal amount of indebtedness outstanding from time to time under the Amended Credit Agreement, the Company is required to pay a quarterly fee of 0.20% to 0.35% (based upon its leverage ratio) of the unused amount of the lenders' commitments under the Amended Credit Agreement.

In connection with the Amended Credit Agreement, we transferred borrowings in the amount of $100.0 million from the revolving credit line under the November 23, 2010 credit agreement to the term loan under the Amended Credit Agreement. The Amended Credit Agreement requires the mandatory quarterly repayment of principal on amounts borrowed under such term loan. Payments commenced on September 30, 2011, and are scheduled to be completed on June 30, 2016. The aggregate mandatory principal payments due are as follows:

2011	$2.5	million
2012	$7.5	million
2013	$12.5	million

2014	$17.5	million
2015	$35.0	million
2016	$25.0	million

The Amended Credit Agreement is secured by many of the assets of Rogers and our World Properties, Inc, subsidiary, including but not limited to, receivables, equipment, intellectual property, inventory, stock in certain subsidiaries and real property.

As part of the Amended Credit Agreement, we are restricted in our ability to perform certain actions, including, but not limited to, our ability to pay dividends, incur additional debt, sell certain assets, and make capital expenditures, with certain exceptions. Further, we are currently required to maintain certain financial covenant ratios, including (i) a leverage ratio of no more than 3.0 to 1.0, and (ii) a minimum fixed charge coverage ratio (FCCR) as defined in the following table:

Period	Ratio
March 31, 2012 to December 31, 2012	1.25 : 1.00
March 31, 2013 to December 31, 2013	1.50 : 1.00
March 31, 2014 and thereafter	1.75 : 1.00

The FCCR is the ratio between Adjusted Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) and Consolidated Fixed Charges as defined in the Amended Credit Agreement, which measures our ability to cover the fixed charge obligations. The key components of Consolidated Fixed Charges are capital expenditures, scheduled debt payments, capital lease payments, rent and interest expenses. In the first quarter of 2012, through an amendment to the Amended Credit Agreement, the FCCR was modified from 2.50 to the tiered structure outlined in the table above. Several factors contributed to the need for an amendment to this covenant. The original 2.50 ratio was based on a more robust set of financial projections, and these have moderated to some extent with the recent events in the marketplace and the overall global economy, particularly in Europe and China. Additionally, there were no mandatory term loan payments when the original ratio was determined, which would further stress the ratio. Finally, we forecasted an increase in planned capital investment to support certain strategic initiatives, which added pressure to the ratio as well.

Fixed Charge metrics are detailed in the table below.

Periods	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Covenant Limit	1.25	1.25	1.25	1.50	1.50
Actual FCCR	2.09	1.93	2.18	2.27	2.06

As of June 30, 2013, we were in compliance with all of our covenants, as we achieved actual ratios of approximately 1.27 on the leverage ratio and 2.06 on the fixed charge coverage ratio.

If an event of default occurs, the lenders may, among other things, terminate their commitments and declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees. We are in compliance with all financial and other covenants as of June 30, 2013.

In connection with the establishment of the initial credit agreement in 2010, we capitalized approximately $1.6 million of debt issuance costs. We capitalized an additional $0.7 million of debt issuance costs in 2011 related to the Amended Credit Agreement, as amended. Also, in connection with the Amended Credit Agreement, as amended, we capitalized an additional $0.1 million of debt issuance costs in the first quarter of 2012. These costs will be amortized over the life of the Amended Credit Agreement, as amended, which will expire in June 2016.

We incurred amortization expense of $0.1 million in each of the second quarters of 2013 and 2012, respectively, and expense of $0.2 million in each of the first six months of 2013 and 2012, respectively. At June 30, 2013, we have approximately $1.5 million of credit facility costs remaining to be amortized.

In the first quarter of 2011, we made an initial draw on the line of credit of $145.0 million to fund the acquisition of Curamik. During the first six months of 2013, we made principal payments of $5.0 million on the debt. We made $24.5 million of principal payments in fiscal 2012. We are obligated to pay $15.0 million on this debt obligation and are scheduling $8.0 million of discretionary revolver payments within the next 12 months. As of June 30, 2013, our outstanding debt related to the Amended Credit Agreement, as amended, consists of $85.0 million of term loan debt and $8.0 million on the revolving line of credit. We have the option to pay part of or the entire amount at any time over the remaining life of the Amended Credit Agreement, as amended, with any balance due and payable at the agreement's expiration.

In addition, as of June 30, 2013 we had the following standby letters of credit (LOC) and guarantees that are backed by the Amended Credit Agreement, as amended:

- $1.4 million letter of credit to guarantee Rogers workers compensation plan;

- $0.1 million letter guarantee to guarantee a payable obligation for a Chinese subsidiary (Rogers Suzhou),
- $0.1 million letter guarantee to guarantee a payable obligation for a Chinese subsidiary (Rogers Suzhou).

No amounts were owed on the LOC or guarantees as of June 30, 2013 or December 31, 2012.

We also guarantee an interest rate swap related to the lease of the Curamik manufacturing facility in Eschenbach, Germany. The swap agreement is between the lessor and a third party bank. We guarantee any liability related to the swap agreement in case of default by the lessor through the term of the swap until expiration in July 2016, or if we exercised the option to buyout the lease at June 30, 2013 as specified within the lease agreement. We did not exercise our option to buyout the lease at June 30, 2013. The swap is in a liability position with the bank at June 30, 2013. We have concluded that the probability of default by the lessor is not probable during the term of the swap, and we chose not to exercise the option to buyout the lease during the leasing period; therefore, the guarantee has no value.

Capital Lease

During the first quarter of 2011, we recorded a capital lease obligation related to the acquisition of Curamik for its primary manufacturing facility in Eschenbach, Germany. We had an option to purchase the property in either 2013 or upon the expiration of the lease in 2021 at a price which is the greater of (i) the then-current market value or (ii) the financial residual book value of the land including the buildings and installations thereon. We chose not to exercise the option to purchase the property that was available to us on June 30, 2013. The total obligation recorded for the lease as of June 30, 2013 is $7.7 million. Depreciation expense related to the capital lease was $0.1 million in each of the three month periods ending June 30, 2013 and 2012, and $0.2 million in each of the six month periods ending June 30, 2013 and June 30, 2012. Accumulated depreciation at June 30, 2013 and December 31, 2012 was $0.9 million and $0.8 million, respectively.

Interest

We incurred interest expense on our outstanding debt of $0.5 million and $1.1 million in the three and six month periods ended June 30, 2013, respectively, and $0.7 million and $1.5 million in the three and six month periods ended June 30, 2012, respectively. We incurred an unused commitment fee of approximately $0.1 million and $0.3 million in the three and six month periods ended June 30, 2013, respectively, and of approximately $0.1 million and $0.2 million in the three and six month periods ended June 30, 2012. In July 2012, we entered into an interest rate swap to hedge the variable interest rate on 65% of the term loan debt, then outstanding, effective July 2013. At June 30, 2013, the term loan debt amounted to $85.0 million of our total outstanding debt of $93.0 million. At June 30, 2013, the rate charged on this debt is the 1 month LIBOR at 0.25% plus a spread of 2.00%.

We also incurred interest expense on the capital lease of $0.1 million and $0.3 million in the three and six month periods ended June 30, 2013, respectively, and of $0.4 million and $0.8 million in the three and six month periods ended June 30, 2012, respectively.

Auction Rate Securities

During the first quarter of 2012, we liquidated our auction rate security portfolio, receiving net proceeds of $25.4 million on a stated par value of $29.5 million. As a result of this liquidation, we recognized a loss on the discount of the securities of $3.2 million (the remaining difference between the liquidation value and par value of $0.9 million had previously been recognized as an impairment loss) in our earnings. Since the markets for these securities failed in the first quarter of 2008, we had redeemed $24.9 million of these securities, mostly at par, prior to the liquidation in the first quarter of 2012.

Prior to the first quarter of 2008, our available-for-sale auction rate securities were recorded at fair value as determined in the active market at the time. However, due to events in the credit markets, the auctions failed during the first quarter of 2008 for the auction rate securities that we held at that time, and all of our auction rate securities had been in a loss position since that time until they were liquidated in the first quarter of 2012. Given the lack of unobservable inputs in the auction markets since the first quarter of 2008, such securities were considered Level 3 securities.

During 2011, we performed a fair value assessment of these securities based on a discounted cash flow model, utilizing various assumptions that included estimated interest rates, probabilities of successful auctions, the timing of cash flows, and the quality and level of collateral of the securities. These inputs were chosen based on our understanding of the expectations of the market and are consistent with the assumptions utilized during our assessment of these securities at year end 2011.

Prior to the first quarter of 2012, we had recognized an other–than-temporary impairment (OTTI) on these securities. An OTTI is recognized in earnings for a security in an unrealized loss position when an entity either (a) has the intent

to sell the security or (b) more likely than not will be required to sell the security before its anticipated recovery. If neither of these circumstances (a) or (b) are present the other-than-temporary loss is separated into (i) the amount representing the credit loss and (ii) the amount related to all other factors. The credit loss is primarily based on the underlying ratings of the securities and is recognized in earnings, and the remaining amount is recorded in other comprehensive income. This is the approach we used to recognize the OTTI taken prior to liquidation in the first quarter of 2012. The amount representing the credit loss was recognized in earnings, and since circumstances (a) and (b) above were not present, the remaining amount was recorded in other comprehensive income.

Due to our belief that it would have taken more than twelve months for the auction rate securities market to recover, these securities were classified as long-term assets, except for those that were scheduled to be redeemed within a twelve month period, which were classified as short-term investments.

Contingencies

During the second quarter of 2013, we did not become aware of any new material developments related to environmental matters or other contingencies. We have not had any material recurring costs and capital expenditures related to environmental matters. Refer to Note 13 - “Commitments and Contingencies”, to the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q, for further discussion on ongoing environmental and contingency matters.

Contractual Obligations

In the second quarter of 2013, we made changes to our retirement plans in order to better plan and manage related expenses which have a significant and variable impact on earnings. Effective June 30, 2013 for salaried and non-union hourly employees in the U.S. and effective December 31, 2013 for union employees in the U.S., benefits under our defined benefit pension plans will no longer accrue. The contractual obligations related to the pensions changed from year end, and therefore, are presented below as of June 30, 2013:

(Dollars in thousands)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Pension benefits (1)	$90,207	$8,441	$16,238	$16,899	$48,629

(1) Pension benefits are expected to be paid through the utilization of pension plan assets.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements that have or are, in the opinion of management, likely to have a current or future material effect on our financial condition or results of operations.

Critical Accounting Policies

There have been no material changes in our critical accounting policies during the second quarter of 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See the discussion of the liquidation of our auction rate securities portfolio in Note 2 - “Fair Value Measurements”, to the condensed consolidated financial statements in Part I, Item I of this Form 10-Q. There have been no significant changes in our exposure to market risk during the second quarter of 2013. For discussion of our exposure to market risk, refer to Item 7A, Quantitative and Qualitative Disclosures About Market Risk, contained in our 2012 Annual Report on Form 10-K.

Item 4. Controls and Procedures

The Company, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the design and operation of our disclosure controls and procedures, as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of June 30, 2013. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2013 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company’s internal control over financial reporting during its most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect the Company’s internal control

over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act.

Part II - Other Information

Item 1. Legal Proceedings

See a discussion of environmental, asbestos and other litigation matters in Note 13 - “Commitments and Contingencies”, to the condensed consolidated financial statements in Part I, Item 1 of this Form 10-Q.

Item 6. Exhibits

List of Exhibits:

23.1	Consent of National Economic Research Associates, Inc., filed herewith.
23.2	Consent of Marsh U.S.A., Inc., filed herewith.
31.1	Certification of President and Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of Vice President, Finance and Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32	Certification of President and Chief Executive Officer (Principal Executive Officer) and Vice President, Finance and Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
101	The following materials from Rogers Corporation's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013 formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Income (Loss) for the three and six months ended June 30, 2013 and June 30, 2012, (ii) Condensed Consolidated Statements of Financial Position at June 30, 2013 and December 31, 2012, (iii) Condensed Consolidated Statements of Stockholders Equity at June 30, 2013 and December 31, 2012, (iv) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2013 and June 30, 2012, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and June 30, 2012 and (vi) Notes to Condensed Consolidated Financial Statements.+

+ Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ROGERS CORPORATION
(Registrant)

/s/ Dennis M. Loughran	/s/ Ronald J. Pelletier
Dennis M. Loughran	Ronald J. Pelletier
Vice President, Finance and Chief Financial Officer	Corporate Controller and Principal Accounting Officer
Principal Financial Officer	

Dated: July 31, 2013