ROGERS CORP
Form 10-Q
October 30, 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 September 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	06-0513860
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)
P.O. Box 188, One Technology Drive, Rogers, Connecticut	06263-0188
(Address of principal executive offices)	(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 October 21, 2013 was 17,720,405.

ROGERS CORPORATION
FORM 10-Q

September 30, 2013

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Exhibits:

Exhibit 23.1	Consent of National Economic Research Associates, Inc.
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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		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net sales	$142,820	$129,134	$401,252	$374,584
Cost of sales	91,634	86,157	264,347	258,550
Gross margin	51,186	42,977	136,905	116,034
Selling and administrative expenses	25,582	26,074	76,335	72,640
Research and development expenses	5,364	4,808	16,883	14,606
Restructuring and impairment charges	1,231	1,766	5,756	9,949
Operating income (loss)	19,009	10,329	37,931	18,839
Equity income in unconsolidated joint ventures	1,754	1,773	3,045	3,735
Other income (expense), net	(101)	19	(867)	140
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	(881)	(1,104)	(2,616)	(3,366)
Income (loss) before income tax expense (benefit)	19,781	11,017	37,493	16,103
Income tax expense (benefit)	6,209	(48,107)	11,361	(47,852)
Income (loss) from continuing operations	13,572	59,124	26,132	63,955
Income (loss) from discontinued operations, net of income taxes	—	(148)	102	(333)
Net income (loss)	$13,572	$58,976	$26,234	$63,622
Basic net income (loss) per share:				
Income (loss) from continuing operations	$0.79	$3.59	$1.52	$3.91
Income (loss) from discontinued operations	—	(0.01)	0.01	(0.02)
Net income (loss)	$0.79	$3.58	$1.53	$3.89
Diluted net income (loss) per share:				
Income (loss) from continuing operations	$0.76	$3.47	$1.48	$3.78
Income (loss) from discontinued operations	—	(0.01)	0.01	(0.02)
Net income (loss)	$0.76	$3.46	$1.49	$3.76

Shares used in computing:				
Basic net income per share	17,244,831	16,484,957	17,141,672	16,342,289
Diluted net income per share	17,863,035	17,024,137	17,711,972	16,903,224

The accompanying notes are an integral part of the condensed consolidated financial statements.
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ROGERS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Dollars in thousands)

	September 30, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$158,608	$114,863
Restricted cash	—	950
Accounts receivable, less allowance for doubtful accounts of $1,784 and $1,773	97,312	78,788
Accounts receivable from joint ventures	2,447	2,142
Accounts receivable, other	1,182	2,297
Taxes receivable	2,025	5,079
Inventories	65,783	73,178
Prepaid income taxes	5,495	4,914
Deferred income taxes	7,754	7,225
Asbestos-related insurance receivables	8,195	8,195
Other current assets	7,966	8,559
Assets of discontinued operations	—	746
Total current assets	356,767	306,936
Property, plant and equipment, net of accumulated depreciation of $218,836 and $205,575	148,332	149,017
Investments in unconsolidated joint ventures	20,908	21,171
Deferred income taxes	57,380	71,439
Goodwill	106,887	105,041
Other intangible assets	49,890	53,288
Asbestos-related insurance receivables	40,067	40,067
Investments, other	5,127	5,000
Other long-term assets	7,784	8,065
Total assets	$793,142	$760,024
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$21,674	$16,730
Accrued employee benefits and compensation	26,150	23,156
Accrued income taxes payable	2,661	3,135
Current portion of lease obligation	834	1,423
Current portion of long term debt	16,250	20,500
Asbestos-related liabilities	8,195	8,195
Other accrued liabilities	10,675	11,363
Liabilities of discontinued operations	—	3
Total current liabilities	86,439	84,505
Long term lease obligation	7,121	6,942
Long term debt	65,000	77,500
Pension liability	27,508	65,942
Retiree health care and life insurance benefits	10,654	10,654
Asbestos-related liabilities	43,222	43,222

Non-current income tax	20,713	19,300
Deferred income taxes	17,229	17,545
Other long-term liabilities	347	262
Shareholders’ Equity		
Capital Stock - $1 par value; 50,000,000 authorized shares; 17,715,820 and 16,904,441 shares outstanding	17,716	16,904
Additional paid-in capital	102,755	74,272
Retained earnings	427,018	400,784
Accumulated other comprehensive income (loss)	(32,580)	(57,808)
Total shareholders' equity	514,909	434,152
Total liabilities and shareholders' equity	$793,142	$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)	—	—	26,234	—	26,234
Other comprehensive income (loss)				25,228	25,228
Stock options exercised	722	25,325	—	—	26,047
Stock issued to directors	15	(15)	—	—	—
Shares issued for employees stock purchase plan	25	708	—	—	733
Shares issued for restricted stock	50	(1,239)	—	—	(1,189)
Stock-based compensation expense	—	3,704	—	—	3,704
Balance at September 30, 2013	$17,716	$102,755	$427,018	$ (32,580)	$514,909

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Income (loss) from continuing operations, net of tax	$13,572	59,124	$26,132	$ 63,955
Foreign currency translation adjustment	11,083	5,416	4,877	530
Net unrealized gains (losses) on securities:				
Net unrealized gain (loss) on marketable securities reclassified into earnings, net of tax (1)	—	—	—	1,168
Derivative instruments designated as cash flow hedges:				
Unrealized gain (loss) on derivative instruments held at period end, net of tax (1)	(54)	(296)	19	(84)
Pension and postretirement actuarial net gain (loss) incurred in fiscal year	—	—	17,225	—
Pension and postretirement benefit plans reclassified into earnings, net of tax (1)				
Amortization of loss	354	2,233	2,103	4,165
Amortization of prior service cost	—	2	1,004	6
Other comprehensive income (loss)	11,383	7,355	25,228	5,785
Comprehensive income (loss) from continuing operations	24,955	66,479	51,360	69,740
Income (loss) from discontinued operations, net of income taxes	—	(148)	102	(333)
Comprehensive income (loss)	$24,955	$66,331	$51,462	$ 69,407

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

	Nine Months Ended	
	September 30, 2013	September 30, 2012
Operating Activities:		
Net income (loss)	$26,234	$63,622
Loss (income) from discontinued operations	(102)	333
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	19,617	20,655
Stock-based compensation expense	3,704	3,775
Loss from long-term investments	—	3,245
Deferred income taxes	2,267	(54,330)
Equity in undistributed income of unconsolidated joint ventures	(3,045)	(3,735)
Dividends received from unconsolidated joint ventures	1,988	2,929
Pension and postretirement benefits	5,346	11,149
Gain from the sale of property, plant and equipment	(104)	(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	(14,121)	(10,245)
Accounts receivable, joint ventures	(305)	(1,187)
Inventories	7,875	8,196
Pension contribution	(13,000)	(22,326)
Other current assets	34	(1,146)
Accounts payable and other accrued expenses	6,089	(6,411)
Other, net	1,779	1,350
Net cash provided by (used in) operating activities of continuing operations	44,256	15,834
Net cash provided by (used in) operating activities of discontinued operations	848	(312)
Net cash provided by (used in) operating activities	45,104	15,522
Investing Activities:		
Capital expenditures	(13,549)	(16,465)
Proceeds from short-term investments	—	25,438
Proceeds from the sale of property, plant and equipment, net	104	1,979
Deferred purchase price for previous acquisition of business	—	(3,100)
Net cash provided by (used in) investing activities of continuing operations	(13,445)	7,852
Financing Activities:		
Repayment of debt principal and long term lease obligation	(17,371)	(17,242)
Proceeds from sale of capital stock, net	26,047	7,926
Issuance of restricted stock shares	(1,189)	(755)
Proceeds from issuance of shares to employee stock purchase plan	733	413
Net cash provided by (used in) financing activities of continuing operations	8,220	(9,658)
Effect of exchange rate fluctuations on cash	3,866	(2,343)

Net increase (decrease) in cash and cash equivalents	43,745	11,373
Cash and cash equivalents at beginning of year	114,863	79,728
Cash and cash equivalents at end of quarter	$158,608	$91,101

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 and liabilities 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 September 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	809	—	809	—
Liabilities					
Interest rate swap instrument	Other accrued liabilities	(332)	—	(332)	—

(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, and are as of a April 30, 2013 valuation date.

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 were 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) was 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 September 30, 2012	$—

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There were no credit losses recognized for the nine months ended September 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 related to 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 in this Form 10-Q. See further discussion 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 nine month periods ended September 30, 2013 and 2012, there was no hedge ineffectiveness.

We currently have thirteen 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. These contracts cover the 2013 and 2014 monthly copper exposure and do not qualify for hedge accounting treatment; therefore, any mark-to-market adjustments required 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 and therefore, any mark-to-market adjustments on these contracts are recorded in the "Other income, net" line item in our condensed consolidated statements of income (loss).

During the nine months ended September 30, 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 September 30, 2013, the term loan debt of $81.3 million represents all of our total outstanding debt. At September 30, 2013, the rate charged on this debt is the 1 month LIBOR at 0.1875% 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	¥350,000,000
July 2013 - November 2013	40	metric tons per month	HUF/EUR	290,000,000
December 2013 - March 2014	30	metric tons per month		
January 2014 - April 2014	30	metric tons per month		
September 2013 - December 2013	30	metric tons per month		
January 2014 - June 2014	75	metric tons per month		
January 2014 - December 2014	10	metric tons per month		
April 2014 - June 2014	35	metric tons per month		
May 2014 - December 2014	30	metric tons per month		
July 2014 - September 2014	40	metric tons per month		
July 2014 - December 2014	35	metric tons per month		

(Dollars in thousands)		The Effect of Current Derivative Instruments on the Financial Statements for the period ended September 30, 2013 Amount of gain (loss)	
Foreign Exchange Contracts	Location of gain (loss)	Three months ended	Nine months ended
Contracts not designated as hedging instruments	Other income, net	$28	$224
Copper Derivative Instruments			
Contracts not designated as hedging instruments	Other income, net	(33)	(378)
Interest Rate Swap Instrument			
Contracts designated as hedging instruments	Other comprehensive income (loss)	(82)	30

(Dollars in thousands)		The Effect of Current Derivative Instruments on the Financial Statements for the period ended September 30, 2012 Amount of gain (loss)	
Foreign Exchange Contracts	Location of gain (loss)	Three months ended	Nine months ended
Contracts not designated as hedging instruments	Other income, net	$28	$109
Copper Derivative Instruments			
Contracts designated as hedging instruments	Other comprehensive income (loss)	(191)	(2)
Contracts not designated as hedging instruments	Other income, net	5	5
Interest Rate Swap Instrument			
Contracts designated as hedging instruments	Other comprehensive income (loss)	(355)	(355)

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)	September 30, 2013	December 31, 2012
Raw materials	$26,987	$29,064
Work-in-process	15,876	13,154
Finished goods	22,920	30,960
Total Inventory	$65,783	$73,178

Note 5 - Accumulated Other Comprehensive Income (Loss)

The changes of accumulated other comprehensive income (loss) by component at September 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	4,877	—	19	4,896
Actuarial net gain (loss) incurred in the fiscal year	—	17,225	—	17,225
Amounts reclassified from accumulated other comprehensive income	—	3,107	—	3,107
Net current-period other comprehensive income	4,877	20,332	19	25,228
Ending Balance September 30, 2013	$17,462	$(49,826)	$(216)	$(32,580)

(1) Net of taxes of $11,423 and $22,371 for the periods ended September 30, 2013 and December 31, 2012, respectively.

(2) Net of taxes of $116 and $127 for the periods ended September 30, 2013 and December 31, 2012, respectively.

The changes of accumulated other comprehensive income (loss) by component at September 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	530	—	(84)	—	446
Amounts reclassified from accumulated other comprehensive income	—	4,171	—	1,168	5,339
Net current-period other comprehensive income	530	4,171	(84)	1,168	5,785
Ending Balance September 30, 2012	$6,405	$(63,068)	$(354)	$—	$(57,017)

(3) Net of taxes of 18,553 and $20,799 for the periods ended September 30, 2012 and December 31, 2011, respectively.

(4) Net of taxes of $0 and $0 for the periods ended September 30, 2012 and December 31, 2011, respectively.

(5) Net of taxes of $1,555 for the period ended December 31, 2011.

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

Details about accumulated other comprehensive income components	Amounts reclassified from accumulated other comprehensive income (loss) for the period ended September 30, 2013 Three months ended	Nine 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	$—	$1,545	(6)
Actuarial losses	545	3,235	(6)
	545	4,780	Total before tax
	(191)	(1,673)	Tax (benefit) expense
	$354	$3,107	Net of tax

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

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

Details about accumulated other comprehensive income components	Amounts reclassified from accumulated other comprehensive income (loss) for the period ended September 30, 2012 Three months ended	Nine 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	$9	(6)
Actuarial losses	3,436	6,408	(6)
	3,439	6,417	Total before tax
	1,204	2,246	Tax benefit (expense)
	$2,235	$4,171	Net of tax

(6) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 8 - "Pension Benefits 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 September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Numerator:				
Income (loss) from continuing operations	$13,572	$59,124	$26,132	$63,955
Denominator:				
Denominator for basic earnings per share - Weighted-average shares	17,245	16,485	17,142	16,342
Effect of dilutive stock options	618	539	570	561
Denominator for diluted earnings per share - Adjusted weighted-average shares and assumed conversions	17,863	17,024	17,712	16,903
Basic income (loss) from continuing operations per share:	$0.79	$3.59	$1.52	$3.91
Diluted income (loss) from continuing operations per share:	0.76	3.47	1.48	3.78

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 September 30, 2013	Three Months Ended September 30, 2012
Anti-dilutive shares excluded	—	23,200

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 nine months ended September 30, 2013, or in the third quarter of 2012. The fair value of options granted during the nine month period ended September 30, 2012 were calculated using the following weighted-average assumptions:

	September 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	—	

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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 nine month periods ended September 30, 2013, we recognized approximately $0.3 million of income and $0.3 million of expense, respectively, related to stock options. Income was recognized in the third quarter of 2013, of $0.7 million, due to an adjustment to expense related to employee terminations in previous years based on historical activity to ensure that the amount expensed is only for options that ultimately vest and not for those options that are forfeited. This income was reduced during the quarter, as an officer left the company, resulting in the forfeiture of two stock option grants and the modification of one stock option grant resulting in $0.2 million of expense, net. During the three and nine month periods ended September 30, 2012, we recognized approximately $0.4 million and $1.7 million of stock option compensation expense, respectively.
A summary of the activity under our stock option plans as of September 30, 2013 and changes during the three and nine 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 June 30, 2013	1,503,873	$42.26	3.7	$12,388,067
Options granted	—	—		
Options exercised	(461,081)	38.94		
Options forfeited	(13,617)	42.43		
Options outstanding at September 30, 2013	1,029,175	43.75	3.9	16,452,670
Options exercisable at September 30, 2013	831,692	45.32	3.2	12,038,245
Options vested or expected to vest at September 30, 2013*	1,023,251	43.78	3.9	16,320,237

* 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	(712,321)	36.04
Options forfeited	(24,451)	39.49

Options outstanding at September 30, 2013	1,029,175

During the nine month period ended September 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 $11.7 million, and the total amount of cash received from the exercise of these options was $26.0 million.

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 actual retirement date if it occurs during the vesting period). 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) of net sales, (ii) the three year CAGR of 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	(15,222)
Non-vested awards outstanding at September 30, 2013	73,358

During the three and nine month periods ended September 30, 2013, we recognized expense for performance-based restricted stock awards of approximately $0.5 million and $0.6 million, respectively. During the three and nine month periods ended September 30, 2012, due to reductions in the estimated payout percentages of outstanding grants, we recognized expense for performance-based restricted stock awards of approximately $0.2 million and income of approximately $0.2 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	152,380
Stock issued	(7,136)
Awards forfeited	(24,492)
Non-vested awards outstanding at September 30, 2013	235,891

During the three and nine month periods ended September 30, 2013, we recognized compensation expense for time-based restricted stock awards of approximately $1.2 million and $1.8 million, respectively. During the three and nine month periods ended September 30, 2012, we recognized compensation expense for time-based restricted stock awards of approximately $0.4 million and $1.2 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 September 30, 2013	31,550

For each of the nine month periods ended September 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 either the third 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 September 30, 2013 and 2012, respectively, and approximately $0.3 million of compensation expense associated with the plan for each of the nine month periods ended September 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 approved 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 (1)

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

(1) This calculation was performed as of June 30, 2013 due to the pension freeze and we are not otherwise required to perform the calculation at interim periods, as required by the applicable accounting guidance.

(Dollars in thousands)	Pension Benefits (1)
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 (1) 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 (1) June 30, 2013
Net actuarial loss	$58,860
Prior service cost	—
Net amount recognized at end of period	$58,860

(1) This calculation was performed as of June 30, 2013 due to the pension freeze and we are not otherwise required to perform the calculation at interim periods, as required by the applicable accounting guidance.

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		Nine Months Ended		Three Months Ended		Nine Months Ended	
Change in benefit obligation:	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Service cost	$132	$ 1,150	$2,342	$ 3,447	$143	$ 149	$484	$ 481
Interest cost	1,869	2,094	5,884	6,336	61	92	202	272
Expected return on plan assets	(2,900)	(2,495)	(8,347)	(7,397)	—	—	—	—
Amortization of prior service cost	—	116	124	347	—	(113)	(115)	(338)
Amortization of net loss	545	1,347	3,070	4,138	—	66	165	247
Special termination benefit	—	—	—	—	—	—	—	1,593
Settlement charge	—	2,023	—	2,023	—	—	—	—
Curtailment charge	—	—	1,537	—	—	—	—	—
Net periodic benefit cost (income)	$(354)	$ 4,235	$4,610	$ 8,894	$204	$ 194	$736	$ 2,255

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).

In the third quarter of 2012, we made a one-time cash payment to our former President and Chief Executive Officer of approximately $6.3 million in accordance with the provisions of his retirement contract related to his participation in the Pension Restoration Plan. This payment resulted in a settlement charge of approximately $2.0 million, which was recognized in the third quarter of 2012.

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 nine months of 2012 associated with our retirement health and life insurance benefits program, as we extended Plan eligibility to certain individuals who participated in the early retirement program. 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 for pension benefits (2):

	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 pension benefits for the period ended (2):

	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 %

(2) This calculation was performed as of April 30, 2013 due to the pension freeze and we are not otherwise required to perform the calculation at interim periods, as required by the applicable accounting guidance.

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 we try to mitigate 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 our other assets for investment purposes.

The following table presents the fair value of the net assets by asset category (2):

(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

(2) This calculation was performed as of April 30, 2013 due to the pension freeze and we are not otherwise required to perform the calculation at interim periods, as required by the applicable accounting guidance.

The following tables set forth by level, within the fair value hierarchy, the assets carried at fair value (2):

	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. (2)

(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

(2) This calculation was performed as of April 30, 2013 due to the pension freeze and we are not otherwise required to perform the calculation at interim periods, as required by the applicable accounting guidance.

Employer Contributions

For the nine months ended September 30, 2013 and 2012, we made voluntary contributions of $13.0 million and $16.0 million, respectively, to our qualified defined benefit pension plans.

We did not make any contributions to our non-qualified defined benefit pension plan for the nine months ended September 30, 2013. We made $6.3 million in contributions to our non-qualified defined benefit pension plan for the three and nine months ended September 30, 2012, respectively.

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 (2)
2014	$ 8,441
2015	8,029
2016	8,209
2017	8,303
2018	8,595
2019-2023	48,629

(2) This calculation was performed as of April 30, 2013 due to the pension freeze and we are not otherwise required to perform the calculation at interim periods, as required by the applicable accounting guidance.

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		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net sales				
Core Strategic				
High Performance Foams	$44,460	$48,045	$126,839	$131,807
Printed Circuit Materials	47,105	43,437	136,253	123,352
Power Electronics Solutions				
Curamik Electronics Solutions	32,137	22,050	83,951	70,250
Power Distribution Systems	13,191	9,395	36,460	31,484
Other	5,927	6,207	17,749	17,691
Net sales	$142,820	$129,134	$401,252	$374,584
Operating income (loss)				
Core Strategic				
High Performance Foams	$7,490	$8,848	$17,622	$16,001
Printed Circuit Materials	5,857	3,195	13,651	5,971
Power Electronics Solutions				
Curamik Electronics Solutions	986	(2,394)	(4,650)	(5,371)
Power Distribution Systems	2,824	(325)	5,473	(840)
Other	1,852	1,005	5,835	3,078
Operating income (loss)	19,009	10,329	37,931	18,839
Equity income in unconsolidated joint ventures	1,754	1,773	3,045	3,735
Other income (expense), net	(101)	19	(867)	140
Net realized gain (loss)	—	—	—	(3,245)
Interest income (expense), net	(881)	(1,104)	(2,616)	(3,366)
Income (loss) before income tax expense (benefit)	$19,781	$11,017	$37,493	$16,103

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

Note 10 – Joint Ventures

As of September 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 $1.8 million and $3.0 million for the three and nine month periods ended September 30, 2013, respectively, and equity income of $1.8 million and $3.7 million for the three and nine month periods ended September 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		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net sales	$16,431	$20,004	$38,924	$48,383
Gross profit (loss)	4,989	5,973	10,189	13,517
Net income (loss)	3,508	3,546	6,090	7,470

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.

Fixed Charge metrics are detailed in the table below.

Periods	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Covenant Limit	1.25	1.25	1.50	1.50	1.50
Actual FCCR	1.93	2.18	2.27	2.06	2.23

As of September 30, 2013, we were in compliance with all of our covenants, as we achieved actual ratios of approximately 1.03 on the leverage ratio and 2.23 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 third quarters of 2013 and 2012, respectively, and expenses of $0.4 million in each of the first nine months of 2013 and 2012, respectively. At September 30, 2013, we have approximately $1.4 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 nine months of 2013, we made principal payments of $16.8 million on the debt, including a $8.0 million payment on the revolver, which paid the remaining balance of that debt. We made $24.5 million of principal payments in fiscal 2012. We are obligated to pay $16.3 million on this debt obligation in the next 12 months. As of September 30, 2013, our outstanding debt related to the Amended Credit Agreement, as amended, consists of $81.3 million of term loan debt. 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 September 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),

No amounts were owed on the LOC or guarantees as of September 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, our Curamik subsidiary, 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 September 30, 2013, and has a fair value of $0.8 million. 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 September 30, 2013 is $8.0 million. Depreciation expense related to the capital lease was $0.1 million in each of the three month periods ended September 30, 2013 and 2012, and $0.3 million in each of the nine month periods ended September 30, 2013 and September 30, 2012. Accumulated depreciation at September 30, 2013 and December 31, 2012 was $1.0 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 $1.7 million in the three and nine month periods ended September 30, 2013, respectively, and $0.8 million and $2.3 million in the three and nine month periods ended September 30, 2012, respectively. We incurred an unused commitment fee of approximately $0.1 million and $0.3 million in the three and nine month periods ended September 30, 2013, respectively, and of approximately $0.1 million and $0.3 million in the three and nine month periods ended September 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 September 30, 2013, our outstanding debt balance is only made up of the term loan which amounted to $81.3 million. At September 30, 2013, the rate charged on this debt is the 1 month LIBOR at 0.1875% plus a spread of 2.00%.

We also incurred interest expense on the capital lease of $0.1 million and $0.4 million in the three and nine month periods ended September 30, 2013, respectively, and of $0.3 million and $1.1 million in the three and nine month periods ended September 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.

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Note 12 – Goodwill and Intangible Assets
Definite Lived Intangible Assets

(Dollars in thousands)	September 30, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks and patents	$1,057	$ 280	$777	$1,065	$	