ROGERS CORP
Form 10-Q
August 01, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012
or

[ ] 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 X No___

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 X No___

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 X Accelerated filer ____

Non-accelerated filer ____(Do not check if a smaller reporting company) Smaller reporting company ____

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

The number of shares outstanding of the registrant's common stock as of July 23, 2012 was 16,431,245.

ROGERS CORPORATION
FORM 10-Q

June 30, 2012

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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 Managements Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report on Form 10Q.

Part I – Financial Information

Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net sales	$126,671	$143,501	$248,044	$279,429
Cost of sales	89,799	94,930	174,731	188,316
Gross margin	36,872	48,571	73,313	91,113
Selling and administrative expenses	22,468	26,436	46,862	50,537
Research and development expenses	4,498	5,628	9,847	10,837
Restructuring and impairment charges	830	-	8,214	-
Operating income (loss)	9,076	16,507	8,390	29,739
Equity income in unconsolidated joint ventures	1,305	1,323	1,962	2,751
Other income (expense), net	261	280	122	1,629
Realized investment gain (loss):				
Increase (decrease) in fair value of investments	-	602	(522)	699
Less: Portion reclassified to/from other comprehensive income	-	573	2,723	667
Net realized gain (loss)	-	29	(3,245)	32
Interest income (expense), net	(1,072)	(1,265)	(2,262)	(2,843)
Income (loss) before income tax expense (benefit)	9,570	16,874	4,967	31,308
Income tax expense (benefit)	3,115	3,442	213	6,811
Income (loss) from continuing operations	6,455	13,432	4,754	24,497
Income (loss) from discontinued operations, net of income taxes	-	(1,304)	(108)	(2,934)
Net income (loss)	$6,455	$12,128	$4,646	$21,563
Basic net income (loss) per share:				
Income (loss) from continuing operations	$0.40	$0.84	$0.29	$1.54
Income (loss) from discontinued operations	-	(0.08)	(0.01)	(0.18)
Net income (loss)	$0.40	$0.76	$0.28	$1.36
Diluted net income (loss) per share:				
Income (loss) from continuing operations	$0.38	$0.81	$0.28	$1.48
Income (loss) from discontinued operations	-	(0.08)	(0.01)	(0.18)
Net income (loss)	$0.38	$0.73	$0.27	$1.30

Comprehensive income (loss)	$(4,445)	$18,846	$1,140	$43,326
Shares used in computing:				
Basic	16,309,053	15,944,483	16,270,955	15,918,978
Diluted	16,864,166	16,678,377	16,842,768	16,603,543

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, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$95,786	$79,728
Accounts receivable, less allowance for doubtful accounts of $1,315 and $1,040	81,767	77,682
Accounts receivable from joint ventures	2,418	1,640
Accounts receivable, other	3,325	3,819
Taxes receivable	1,719	2,713
Inventories	74,678	78,320
Prepaid income taxes	4,934	4,315
Deferred income taxes	1,893	2,146
Asbestos-related insurance receivables	6,471	6,459
Other current assets	9,989	7,360
Assets held for sale	-	1,400
Assets of discontinued operations	-	50
Total current assets	282,980	265,632
Property, plant and equipment, net of accumulated depreciation of $206,509 and $198,075	146,472	148,182
Investments in unconsolidated joint ventures	22,774	23,868
Deferred income taxes	20,650	20,117
Goodwill and other intangibles	153,835	158,627
Asbestos-related insurance receivables	21,262	21,943
Investments, other	5,000	5,000
Other long-term assets	8,189	8,299
Long-term marketable securities	-	25,960
Total assets	$661,162	$677,628
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$15,561	$15,787
Accrued employee benefits and compensation	33,315	30,135
Accrued income taxes payable	31	1,799
Current portion of lease obligation	1,560	1,596
Current portion of long term debt	27,500	7,500
Asbestos-related liabilities	6,471	6,459
Other accrued liabilities	10,376	15,368
Liabilities of discontinued operations	-	153
Total current liabilities	94,814	78,797
Long term debt	92,500	115,000
Long term lease obligation	6,955	7,610

Pension liability	52,862	68,871
Retiree health care and life insurance benefits	9,486	9,486
Asbestos-related liabilities	21,468	22,326
Non-current income tax	18,628	17,588
Deferred income taxes	18,489	19,259
Other long-term liabilities	617	435
Shareholders' Equity		
Capital Stock - $1 par value; 50,000,000 authorized shares; 16,395,739 and 16,220,648 shares outstanding	16,396	16,221
Additional paid-in capital	58,510	52,738
Retained earnings	336,745	332,099
Accumulated other comprehensive income (loss)	(66,308)	(62,802)
Total shareholders' equity	345,343	338,256
Total liabilities and shareholders' equity	$661,162	$677,628

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

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

(Dollars in thousands)	Capital Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2011	$16,221	$52,738	$332,099	$ (62,802)	$ 338,256
Comprehensive income (loss):					
Net income (loss):	-	-	4,646	-	4,646
Other comprehensive income (loss):					
Foreign currency translation, net of tax	-	-	-	(4,886)	(4,886)
Unrealized loss on marketable securities, net of tax	-	-	-	1,168	1,168
Unrealized loss on derivative instruments, net of tax	-	-	-	212	212
Total comprehensive income (loss)	-	-	4,646	(3,506)	1,140
Stock options exercised	115	3,312	-	-	3,427
Stock issued to directors	15	(15)	-	-	-
Shares issued for employees stock purchase plan	15	398	-	-	413
Shares issued for restricted stock	30	(601)			(571)
Stock-based compensation expense	-	2,678	-	-	2,678
Balance at June 30, 2012	$16,396	$58,510	$336,745	$ (66,308)	$ 345,343

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)

	Six Months Ended June 30, 2012	June 30, 2011
Operating Activities:		
Net income (loss)	$4,646	$21,563
Loss (earnings) from discontinued operations	108	2,934
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	13,561	13,149
Stock-based compensation expense	2,678	3,610
Loss from long-term investments	3,245	-
Deferred income taxes	(1,050)	2,148
Equity in undistributed income of unconsolidated joint ventures, net	(1,962)	(2,751)
Dividends received from unconsolidated joint ventures	2,929	2,762
Pension and postretirement benefits	6,718	2,970
Gain from the sale of property, plant and equipment	(579)	(1,900)
Impairment of assets	539	-
Amortization of inventory fair value	-	1,805
Changes in operating assets and liabilities excluding effects of acquisition and disposition of businesses:		
Accounts receivable	(3,340)	(12,114)
Accounts receivable, joint ventures	(778)	(917)
Inventories	3,018	(12,107)
Pension contribution	(16,000)	-
Other current assets	(3,331)	(3,203)
Accounts payable and other accrued expenses	(7,433)	(22,097)
Other, net	1,332	767
Net cash provided by (used in) operating activities of continuing operations	4,301	(3,381)
Net cash provided by (used in) operating activites of discontinued operations	-	(2,979)
Net cash provided by (used in) operating activites	4,301	(6,360)
Investing Activities:		
Capital expenditures	(10,767)	(8,006)
Proceeds from short-term investments	25,438	4,000
Proceeds from the sale of property, plant and equipment, net	1,979	5,900
Deferred purchase price for previous acquisition of business	(3,100)	-
Acquisition of business, net of cash received	-	(139,825)
Net cash provided by (used in) investing activities of continuing operations	13,550	(137,931)
Financing Activities:		
Proceeds from long term borrowings	-	145,000
Repayment of debt principal and long term lease obligation	(2,992)	(10,000)
Payment of long term borrowings acquired through acquisition	-	(7,452)
Proceeds from sale of capital stock, net	3,427	5,464

Issuance of restricted stock shares	(571)	-
Proceeds from issuance of shares to employee stock purchase plan	413	396
Net cash provided by (used in) financing activities of continuing operations	277	133,408
Effect of exchange rate fluctuations on cash	(2,070)	2,395
Net increase (decrease) in cash and cash equivalents	16,058	(8,488)
Cash and cash equivalents at beginning of year	79,728	80,135
Cash and cash equivalents at end of quarter	$95,786	$71,647
Supplemental disclosure of noncash investing and financing activities		
Capital lease obligation acquired through acquisition	$-	$10,831

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

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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 statements of financial position and related interim statements of comprehensive income (loss), statements of shareholders equity, and 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. On December 31, 2011 the Thermal Management Solutions business, which had been a separate operating segment, was discontinued. See Note 17-Discontinued Operations for further discussion.

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, 2011.

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 and copper derivative contracts.

(Dollars in thousands)	Carrying amount as of June 30, 2012	Level 1	Level 2	Level 3
Foreign currency option contracts	$ -	$ -	$ -	$ -
Copper derivative contracts	(82)	-	(82)	-

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 and par value of $0.9 million had previously been recognized as an impairment loss) in our condensed consolidated statements of comprehensive income (loss). 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. Since par value redemptions had slowed in recent quarters with no clear path for full redemption over the next several years and the rate of return on these securities was very low, management determined that a discounted redemption in the first quarter of 2012 was in the best interests of the Company as the cash could be better utilized for other purposes going forward.

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.

When an OTTI of a security occurs, the amount of the OTTI recognized in earnings depends on whether the security holder intended to sell the security or it is more likely than not that the holder would be required to sell the security before recovery of its cost basis. If the holder does not intend to sell the security and it is not more likely than not that the holder would be required to sell the security before the recovery of its cost basis, the other-than-temporary loss would be separated into (i) the amount representing the credit loss and (ii) the amount related to all other factors. The amount representing the credit loss would be recognized in earnings, and, the remaining amount would be 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 would have been recognized in earnings, and as long as the factors above were not met, the remaining amount would have been recorded in other comprehensive income.

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 the end of the first quarter of 2008, and all of our auction rate securities had been in a loss position since that time until we redeemed them 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.

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.

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		-
Cash received for redemptions below 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. Below is a roll forward of credit losses recognized in earnings for the six months ended June 30, 2011.

(Dollars in thousands)

		Credit Losses
Balance at December 31, 2010	$	917
Credit losses recorded		39
Reduction in credit losses due to redemptions		(71)
Balance at June 30, 2011	$	885

Derivatives Contracts

As of June 30, 2012, the carrying value of our derivative instruments was approximately $0.1 million. As further explained below in Note 3, “Hedging Transactions and Derivative Financial Instruments”, we are exposed to certain risks relating to our ongoing business operations. The primary risks being managed through the use of derivative instruments are foreign currency exchange rate risk and commodity pricing risk, particularly related to copper pricing. The fair value of any foreign currency option derivatives is based upon valuation models applied to current market information such as strike price, spot rate, maturity date and volatility, and by reference to market values resulting from an over-the-counter market or obtaining market data for similar instruments with similar characteristics. As of June 30, 2012, we did not have any outstanding foreign currency derivative contracts.

The fair value of the 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'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. We do not use derivative financial instruments for trading or speculation purposes.

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 condensed consolidated 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 condensed consolidated statements of comprehensive (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 condensed consolidated statements of comprehensive income (loss) during the current period.

As of the end of the second quarter of 2012, we have two contracts in place to hedge our exposure related to the purchase of copper at our German subsidiary, Curamik. These contracts are held with financial institutions and minimize our risk associated with a potential rise in copper prices. These two contracts cover our 2012 monthly copper exposure and qualify for hedge accounting treatment; therefore, any mark-to-market adjustments on these contracts are recorded in accumulated other comprehensive income (loss) in the equity section of our condensed consolidated statements of financial position. At June 30, 2012, the term loan debt represents $95.0 million of our outstanding facility. The interest rate swap results in the variable portion of the interest rate for this portion of the debt being fixed at 0.075% for the period from July 2013 to June 2016. (At June 30, 2012, the rate charged on this debt is 0.25% on the variable portion of the rate plus a spread of 2.25%.)

In July 2012, we entered into an interest rate swap derivative instrument to hedge the variable portion of the interest rate on 65% of the term loan debt, effective July 2013. This transaction has been designated as a cash flow hedge.

Notional Value of Copper Derivatives	
Copper	70 metric tons per month

(Dollars in thousands)	The Effect of Current Derivative Instruments on the Financial Statements for the six-month period ended June 30, 2012		Fair Values of Derivative Instruments as of June 30, 2012
Foreign Exchange Option Contracts	Location of gain (loss)	Amount of gain (loss)	Other Assets (Liabilities)
Contracts not designated as hedging instruments	Other income, net	$ 81	$ -
Copper Derivative Instruments			
Contracts designated as hedging instruments	Other comprehensive income (loss)	(82)	(82)

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 of investment grade credit rating.

Note 4 – Acquisition of Business

Curamik Electronics GmbH

On January 4, 2011, we acquired Curamik Electronics GmbH (Curamik), a manufacturer of power electronic substrate products headquartered in Eschenbach, Germany. The aggregate purchase price was $151.1 million, which reflects post-closing adjustments.

Curamik, founded in 1983, is the worldwide leader for the development and production of direct bonded copper ceramic 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 high efficiency industrial motor drives, wind and solar energy converters and electrical systems in automobiles. Most of Curamik's products are manufactured using state of the art automated processes in its facility located in Eschenbach.

The acquisition has been accounted for in accordance with applicable purchase accounting guidance. The following table represents the fair market value assigned to the acquired assets and liabilities in the transaction.

(Dollars in thousands)

Assets:		
Cash	$	11,256
Accounts receivable		11,876
Other current assets		1,386
Inventory		12,259
Property, plant & equipment		32,312
Other non-current assets		2,276
Intangible assets		52,354
Goodwill		79,837
Total assets		203,556
Liabilities		
Accounts payable		6,053
Other current liabilities		20,427
Deferred tax liability		9,329
Other long-term liabilities		16,666
Total liabilities		52,475
Fair value of net assets acquired	$	151,081

Total costs incurred related to the acquisition were approximately $3.4 million, of which $1.3 million were incurred in the first quarter of 2011 and $2.1 million in the fourth quarter of 2010. They are included in "Selling and administrative expenses" on our condensed consolidated statements of comprehensive income (loss).

Note 5 - Inventories

Inventories were as follows:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Raw materials	$ 30,517	$ 30,655
Work-in-process	15,982	14,919
Finished goods	28,179	32,746
	$ 74,678	$ 78,320

Note 6 - Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) for the periods ended June 30, 2012 and 2011 were as follows:

(Dollars in thousands)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net income (loss)	$6,455	$12,128	$4,646	$21,563
Foreign currency translation adjustments	(10,857)	6,298	(4,886)	21,262
Unrealized gain (loss) on marketable securities, net of tax	-	420	1,168	501
Unrealized gain (loss) on derivative instruments, net of tax	(43)	-	212	-
Comprehensive income (loss)	$(4,445)	$18,846	$1,140	$43,326

The components of accumulated other comprehensive income (loss) at June 30, 2012 and December 31, 2011 were as follows:

(Dollars in thousands)	June 30, 2012	December 31, 2011
Foreign currency translation adjustments	$ 989	$ 5,875
Funded status of pension plans and other postretirement benefits, net of tax	(67,239)	(67,239)
Unrealized gain (loss) on derivative instruments, net of tax	(58)	(270)
Unrealized gain (loss) on marketable securities, net of tax	-	(1,168)
Accumulated other comprehensive income (loss)	$ (66,308)	$ (62,802)

Note 7- 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, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	June 30, 2011
Numerator:				
Income (loss)	$6,455	$13,432	$4,754	$24,497
Denominator:				
Denominator for basic earnings per share -				
Weighted-average shares	16,309	15,945	16,271	15,919
Effect of dilutive stock options	555	733	572	685

Denominator for diluted earnings per share - Adjusted weighted-average shares and assumed conversions	16,864	16,678	16,843	16,604
Basic income (loss) per share:	$0.40	$0.84	$0.29	$1.54
Diluted income (loss) per share:	0.38	0.81	0.28	1.48

Certain potential ordinary 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, 2012	June 30, 2011
Anti-dilutive shares excluded	932,104	722,903

Note 8 – 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 2nd, 3rd and 4th 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. The fair value of options granted during the three and six month periods ended June 30, 2012 and 2011 were calculated using the following weighted-average assumptions:

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Options granted	-	58,550	46,950	58,550
Weighted average exercise price	$ -	$ 47.89	$ 41.27	$ 47.89
Weighted-average grant date fair value	-	22.30	19.08	22.30
Assumptions:				
Expected volatility	-	45.15 %	47.70 %	45.15 %
Expected term (in years)	-	6.0	5.9	6.0
Risk-free interest rate	-	2.64 %	1.43 %	2.64 %
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 attribution 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, 2012, we recognized approximately $0.6 million and $1.3 million of stock option compensation expense, respectively. During the three and six month periods ended June 30, 2011, we recognized approximately $0.8 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, 2012 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, 2012	2,440,999	$37.59	4.9	$14,667,018
Options granted	-	-		
Options exercised	(112,531)	29.74		
Options cancelled	(28,999)	46.78		
Options outstanding at June 30, 2012	2,299,469	38.07	4.8	14,513,131
Options exercisable at June 30, 2012	1,594,269	41.39	3.7	7,279,532
Options vested or expected to vest at June 30, 2012*	2,273,222	38.19	4.7	14,247,752

* 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, 2011	2,401,809	$ 37.54
Options granted	46,950	41.27
Options exercised	(116,491)	29.72
Options cancelled	(32,799)	44.06
Options outstanding at June 30, 2012	2,299,469	

During the six month period ended June 30, 2012, 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 $1.1 million, and the total amount of cash received from the exercise of these options was $3.5 million.

Performance-Based Restricted Stock

In 2006, we began granting performance-based restricted stock grants to certain key executives. These grants cliff vest at the end of the three-year measurement period, except for 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 performance measures. Compensation expense is recognized ratably over the vesting period, unless the employee has an accelerated vesting schedule. Additionally, compensation expense is increased or decreased based on changes in the estimated pay out percentages each quarter. The 2009 grant, which vested as of December 31, 2011, met the performance criteria and was paid out at 97.4% of target.

Performance
Based
Restricted

	Stock Awards
Non-vested awards outstanding at December 31, 2011	101,730
Awards granted	22,120
Stock issued	(43,750)
Awards forfeited	(6,642)
Non-vested awards outstanding at June 30, 2012	73,458

During the three and six month periods ended June 30, 2012, due to reductions in the estimated payout percentages of outstanding grants, we recognized income for performance-based restricted stock awards of approximately $0.5 million and $0.4 million, respectively. During the three and six month periods ended June 30, 2011, we recognized expense for performance-based restricted stock awards of approximately $0.9 million and $1.1 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. Time-based restricted stock grants typically cliff vest at the end of the three-year vesting period, and we recognize compensation expense on these awards ratably 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, 2011	86,707
Awards granted	46,180
Stock issued	(980)
Awards forfeited	(3,782)
Non-vested awards outstanding at June 30, 2012	128,125

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. During the three and six month periods ended June 30, 2011, we recognized expense for time-based restricted stock awards of approximately $0.2 million of during each period.

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 these 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.

	Deferred Stock Units
Non-vested awards outstanding at December 31, 2011	27,350
Awards granted	17,600
Stock issued	(14,800)
Awards forfeited	-
Non-vested awards outstanding at June 30, 2012	30,150

For each of the three and six month periods ended June 30, 2012 and 2011, we recognized compensation expense of $0.7 million related to deferred stock units. There was no expense associated with these grants in the first quarter of either year.

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, 2012 and, 2011, and approximately $0.2 million of compensation expense associated with the six month periods ended June 30, 2012 and 2011.

Note 9 – Pension Benefit and Other Postretirement Benefit Plans

Components of Net Periodic Benefit Cost

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

(Dollars in thousands)

(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, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Service cost	$ 1,108	$ 1,060	$ 2,297	$ 2,120	$ 149	$ 176	$ 331	$ 352
Interest cost	2,124	2,116	4,242	4,232	92	97	180	194
Expected return on plan assets	(2,495)	(2,591)	(4,903)	(5,182)	-	-	-	-
Amortization of prior service cost	116	150	232	300	(113)	(157)	(226)	(314)
Amortization of net loss	1,442	553	2,791	1,106	66	81	181	162
Special termination benefit	-	-	-	-	-	-	2,300	-
Adjustment to termination benefit	-	-	-	-	(707)	-	(707)	-