ROGERS CORP
Form 10-K
February 18, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10 K
(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
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 No. 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)
Registrant's telephone number, including area code: (860) 774-9605

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1 Par Value	New York Stock Exchange
Rights to Purchase Capital Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
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 ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K. ¨

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

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ¨ No ý

The aggregate market value of the voting common equity held by non-affiliates as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $1,197,301,541. Rogers has no non-voting common equity.

The number of shares outstanding of common stock as of February 4, 2015 was 18,415,753.

Documents Incorporated by Reference:

Portions of Rogers' Definitive Proxy Statement for its 2015 Annual Meeting of Shareholders, currently scheduled for May 8, 2015, are incorporated by reference into Part III of this Form 10-K.

ROGERS CORPORATION
FORM 10-K

December 31, 2014

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Part I

Item 1. Business

Industry

Rogers Corporation, founded in 1832, is one of the oldest publicly traded and continuously operated companies in the United States. We have adapted our products over the 183 years of our history to meet the changing needs of the various markets we have served and currently serve. Today we predominantly supply a wide range of specialty materials products across a wide range of end markets, including portable communications, communications infrastructure, consumer electronics, mass transit, automotive, defense, and clean technology.

Strategically, our current focus is on three mega trends that have fueled growth of our Company: (1) continued growth of the internet and the variety of ways in which it can be accessed, (2) expansion of mass transit, and (3) further investment in clean technology. These trends and their related markets all require materials that perform to the highest standards, a characteristic that has been a key strength of our products over the years. We are also focused on growing our business both organically and through strategic acquisitions or technology investments that will add to or expand our product portfolio, as well as strengthen our presence in existing markets or expand into new markets. We will continue to focus on business opportunities and invest in expansion around the globe. Our vision is to be the leading innovative, growth oriented, and high technology materials solutions provider for our selective markets. To achieve this vision, we must have an organization that can cost effectively develop, produce and market products and services that provide clear advantages for our customers and markets.

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

Business Segments & Products

Our reporting structure is comprised of the following operating segments: Printed Circuit Materials (PCM), High Performance Foams (HPF) and Power Electronics Solutions (PES). Our non-core businesses are reported in the "Other" reportable segment.

- Printed Circuit Materials

The Printed Circuit Materials operating segment includes printed circuit board laminate products for high frequency, high performance applications. These products have characteristics that offer performance and other functional advantages in many market applications and serve to differentiate our products from other commonly available materials. These products are sold principally to independent and captive printed circuit board fabricators that convert our laminates to custom printed circuits.

The polymer-based dielectric layers of our circuit board laminates are proprietary materials that provide highly specialized electrical and mechanical properties. Trade names for our printed circuit board materials include RO3000®, RO4000®, RT/duroid®, ULTRALAM®, RO2800®, LoPro®, COOLSPAN® and TMM® laminates. All of these laminates are used for making circuitry that receive, transmit, and process high frequency communications signals; yet each laminate has varying properties that address specific needs and applications within the communications market. High frequency circuits are used in the equipment and devices that comprise wireless communications systems, including cellular communications, digital cellular communications, paging, direct broadcast television, global positioning, mobile radio communications, and radar for both aviation and automotive applications.

- High Performance Foams

The High Performance Foams operating segment includes polyurethane and silicone foam as well as solid products manufactured in roll stock, sheet, and molded formats. These materials have characteristics that offer functional advantages in many market applications which serve to differentiate Rogers' products from other commonly available materials.

High Performance Foams products are sold globally to converters, fabricators, distributors and original equipment manufacturers (OEMs) for use in general industrial applications, portable electronics including mobile internet devices, consumer goods, mass transportation, construction, printing applications and other markets. Trade names for our High Performance Foams include: PORON® Microcellular Urethanes used for making high performance gaskets and seals in vehicles, portable communications devices, computers and peripherals; PORON® cushion insole materials for footwear and related products; PORON® healthcare

and medical materials for body cushioning and orthotic appliances; R/bak® compressible printing plate backing and mounting products for cushioning flexographic plates for printing on packaging materials; PORON® and XRD® for high impact cushioning protection; Rogers BISCO® silicones cellular, solid and specialty roll stock for flame retardant gaskets, seals and cushioning applications in communications infrastructure equipment, aircraft, trains, cars and trucks, and for shielding extreme temperature or flame; and eSORBA® urethane foams used in portable communications, entertainment devices and other industrial applications.

We have two 50% owned joint ventures that extend and complement our worldwide business in High Performance Foams. Rogers INOAC Corporation (RIC), a joint venture with Japan-based INOAC Corporation, manufactures high performance polyurethane foam materials in Mie and Taketoyo, Japan to predominantly serve the Japanese and Taiwanese markets. Rogers INOAC Suzhou Corporation (RIS) was established in 2004 with INOAC Corporation and provides polyurethane foam materials primarily to the Asian marketplace.

• Power Electronics Solutions

The Power Electronics Solutions operating segment is comprised of direct bond copper (DBC) ceramic substrate products and busbar power distribution products. We believe that our advanced, customized components enable the performance and reliability of today’s growing array of power electronic devices and serve to increase the efficiency of applications by managing heat and ensuring the reliability of these critical devices used in converting raw energy into controlled and regulated power that can be used and managed.

Trade names for our Power Electronics Solutions products include curamik® ceramic substrates and RO-LINX® products. Curamik® ceramic substrates are used in the design of intelligent power management devices, such as insulated gate bipolar transistor (IGBT) modules, which enable a wide range of products including highly efficient industrial motor drives, wind and solar converters and electric and hybrid electric vehicle drive systems. RO-LINX® products are used in high power electrical inverter and converter systems for use in mass transit (e.g. high speed trains), clean technology applications (e.g. wind turbines, solar farms and electric vehicles) and variable frequency drives for high to mid power applications.

• Other

The Other reportable segment consists of elastomer components, floats and inverter distribution activities. Elastomer components are sold to OEMs for applications in ground transportation, office equipment, consumer and other markets. Trade names for our elastomer components include: NITROPHYL® floats for level sensing in fuel tanks, motors, and storage tanks and ENDUR® elastomer rollers and belts for document handling in copiers, printers, mail sorting machines and automated teller machines. Inverters are sold primarily to OEMs and fabricators that in turn sell to various other third parties primarily serving the portable communications and automotive markets.

Sales and Marketing

Most of our products are sold through direct sales channels positioned near major concentrations of our customers throughout North America, Europe and Asia. Our products were sold to over 3,000 customers worldwide in 2014. Our largest individual customer represented approximately 4% of Rogers' total sales for 2014. Although the loss of all of the sales made to any one of our larger customers would require a period of adjustment during which the results of a particular operating segment would be adversely impacted, we believe that such adjustments could be successfully made over a period of time due to the diversity of our customer base. We believe that our business relationships with major customers in our key markets are favorable, and that we are in a good position to respond promptly to variations in customer requirements and technology trends. However, the possibility exists of losing all of the business of any major customer in any product line.

We market our full range of products throughout the world. Almost all of our sales are facilitated through our own worldwide sales force, with a small percentage facilitated through independent agents and distributors.

Competition

Our operating segments - PCM, HPF and PES - all participate in industries that are characterized by strong global competition. This competition is comprised not only of those companies that make directly competing materials, but also those companies that make comparable and, therefore, potentially substitutable materials. Competition typically emanates from substantially larger, multinational manufacturers that often have greater financial resources than we do, as well as smaller regional producers with lower overhead costs and profit requirements. This latter type of low cost competitor is particularly prevalent in Asia.

Our overall strategy across our operating segments is to offer highly regarded, technologically advanced products that are price competitive in relation to value and to link our product offerings with superior market knowledge, technical know-how, and customer service. Further, we believe that in order to provide outstanding customer support we must be geographically close to

our customers in order to provide local service, support and distribution, which we achieve through our manufacturing facilities in the U.S., Europe and Asia, and our various sales offices around the globe. We believe this serves to differentiate our products and services and provides us a competitive advantage. We further believe that our relative position is dependent on our ability to maintain our technological advantage and the highest levels of design and customer service support; however, there is no assurance that we will be technologically competitive in the future, or that we will continue to develop new products that are technologically competitive.

Printed Circuit Materials

The Printed Circuit Materials operating segment offers products that we believe are leaders in most of the markets it serves, including communication infrastructure, consumer electronics, automotive and defense. A key strategy in this segment is to continue to develop and produce products that are technology leaders in the markets for which they are targeted, particularly those in which performance requirements are constantly increasing, such as in the wireless infrastructure market where demand for data transmission capacities is continuously growing. This segment has a strong worldwide presence, particularly in North America, Europe and Asia, and has manufacturing capabilities in all three regions. It faces competition in each of these locations from a wide variety of companies, from very large multinational manufacturers to much smaller, regional companies. In this segment we compete on quality, price and service, and must address the continual threat of commoditization, particularly with respect to products that have matured in their life cycle.

High Performance Foams

The High Performance Foams operating segment offers products that we believe hold leadership positions in several of the markets it serves, including portable communications, consumer electronics and transportation. We have a strong market presence in many parts of the world, particularly in North America and Asia. Our competition is comprised of companies from around the globe, including large multinational companies, as well as small regional companies that are particularly prevalent in Asia. In this segment, we typically compete on performance, quality and service, and we focus on protecting our intellectual property. We also strive to continuously differentiate our product offerings, as commoditization of certain products is always a risk.

Power Electronics Solutions

The Power Electronics Solutions operating segment offers products that we believe are leaders in most of the markets it serves, including highly efficient industrial motor drives, wind and solar converters, electric and hybrid electric vehicle drive systems, and mass transit. This operating segment has a strong presence in Europe and Asia. Our competition consists mainly of Asian companies, with some competition in the U.S. and Europe. In this segment we compete on quality and service, as well as on cost.

Research and Development

Research and development activities constitute an important and vital part of our overall business strategy. Our overall focus is typically on niche segments where we can differentiate our products from those of our competitors through technological advantage. The markets we serve are typically characterized by rapid technological changes and advances. Accordingly, the success of our strategy is in part dependent on our ability to develop market-leading products, which is primarily driven by efforts in research and development. We are focused on identifying technologies and innovations related to both our current product portfolio as well as other long term initiatives targeted at further diversifying our business.

As part of our long-term strategy, Rogers and Northeastern University established the Rogers Innovation Center at Northeastern’s George J. Kostas Research Institute for Homeland Security in Burlington, Massachusetts in early 2014. This partnership allows Rogers and Northeastern to leverage their complementary research and development initiatives in advanced materials with a focus on the earliest stages of technical and commercial development of new high-tech materials solutions in close alignment with market needs.

Patents and Other Intellectual Property Rights

We have many domestic and foreign patents and licenses and have additional patent applications on file related to all operating segments. These patents and licenses vary in duration and provide some protection from competition. In some cases, the patents result in license royalties. We have been awarded, have filed applications for, or have been licensed under numerous patents in the U.S. and other countries.

While our patents provide some advantage and protection, we believe that a large part of our competitive position and future success is largely determined by such factors as the innovative skills, systems and process knowledge, and technological expertise of our personnel; the range and success of new products we develop; and our customer service and support. It is our policy to

defend our patents when we determine it is in our best interests and the best interests of our shareholders to do so. However, there can be no assurance concerning the degree of protection afforded by these patents or the likelihood that pending patents will be issued.

We also own a number of registered and unregistered trademarks and have acquired certain confidential and proprietary technology that we believe to be of importance to our business. Overall, we believe that our patents provide an important competitive advantage in many of our businesses; however, in general, no single patent or group of patents is in itself essential to our business as a whole or to any of our operating segments.

Environmental Matters

The nature and scope of our business brings us in regular contact with the general public and a variety of businesses and government agencies. Such activities inherently subject us to the possibility of litigation related to environmental matters, which is defended and handled in the ordinary course of business. We have established accruals for matters for which management considers a loss to be probable and reasonably estimable. We do not believe that the outcome of any of these environmental matters will have a material adverse effect on our results of operations, financial position or cash flows, nor have we had any material recurring costs or capital expenditures relating to environmental matters, except as disclosed in Item 3 “Legal Proceedings” and Note 14 to the Consolidated Financial Statements of this Form 10-K. However, there can be no assurances that the ultimate liability concerning these matters will not have a material adverse effect on the Company.

Raw Materials

We are required to purchase a wide variety of raw materials in order to manufacture our various products and materials. Some of these raw materials are available through limited sources. If the continuous supply of raw materials were interrupted, our production could be negatively impacted. When this has occurred in the past, we have typically purchased sufficient quantities of the particular raw material in advance to sustain production until alternative materials and production processes could be qualified with customers. We believe that similar responses could mitigate potential raw material availability issues in the future; however, this strategy may not work in all cases. As such, we would have to work closely with our customers and suppliers to mitigate the impact of any raw material shortages on our business, but such shortages could have a material negative impact on our businesses under certain circumstances.

Seasonality

In our opinion, there is no material concentration of products or markets within the business that are seasonal in nature, except for some minor seasonality for those products used in cellular telephones due to the annual new model launch timetable, which can vary slightly from year to year in terms of timing and impact.

Employees

As of December 31, 2014, we employed approximately 2,800 employees.

Backlog

Our backlog of firm orders was $80.2 million at December 31, 2014, as compared to $50.5 million at December 31, 2013. The increase at the end of 2014 was primarily related to Power Electronics Solutions and Printed Circuit Materials, which experienced an increase in backlog of $8.3 million and $18.9 million, respectively, at December 31, 2014 as compared to December 31, 2013.

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Executive Officers

Our executive officers as of February 18, 2015 were as follows:

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2010-2014
Bruce D. Hoechner	55	President and Chief Executive Officer	2011	President, Asia Pacific Region, Dow Advanced Materials Division, Rohm and Haas Company from 2009 to September 2011
David Mathieson	60	Vice President, Finance, Chief Financial Officer	2014	Principal, David Mathieson, LLC from September 2010 to May 2011 and from October 2012 to May 2014; Executive Vice President and Chief Financial Officer, Comverge, Inc. from May 2011 to October 2012; Chief Financial Officer, RSC Holdings, Inc. from January 2008 to May 2010.
Robert C. Daigle	51	Senior Vice President and Chief Technology Officer	2009	
Gary M. Glandon	56	Vice President and Chief Human Resources Officer	2012	Chief Human Resources Officer, Solutia from October 2010 to July 2012; Chief Human Resources Officer, Energy Conversion Devices Inc. from July 2009 to October 2010
Jeffrey M. Grudzien	53	Vice President, Printed Circuit Materials Division	2012	Vice President, Sales and Marketing September 2007 to February 2012
Jay Knoll	51	Vice President and General Counsel	2014	Senior Vice President, General Counsel PKC Group Oyj - North America from June 2012 to November 2014; Director and Chief Restructuring Officer from November 2011 to June 2012, Interim President from May 2011 to November 2011, Executive Vice President, General Counsel and Chief Administrative Officer from January 2011 to April 2011, and Senior Vice President, General Counsel and Chief Administrative Officer from December 2007 to December 2010, Energy Conversion Devices, Inc.
John J. Krawczynski	43		2014	

		Chief Accounting Officer and Corporate Controller		Vice President Finance, Controller, The Yankee Candle Company, Inc. from September 2012 to February 2014; Vice President, Corporate Controller, Oakleaf Waste Management from March 2010 to September 2012; Vice President, Chief Accounting Officer and Corporate Controller, Gerber Scientific, Inc. from January 2005 to January 2010.
John C. Quinn	52	Vice President and General Manager, High Performance Foams Division	2013	Vice President & General Manager, Consumer Care, Tredegar Film Products, Tredegar Corporation from January 2013 to August 2013; Vice President & General Manager, New Growth Platforms, Avery Dennison Corporation from September 2010 to July 2011; Vice President & General Manager, Asia Pacific, Label and Packaging Materials, Avery Dennison Corporation from April 2006 to September 2010

Helen Zhang	51	Vice President, Power Electronics Solutions Division and President, Rogers Asia	2013	Global General Manager of Interconnect Technology, Dow Chemical Company, Dow Electronic Materials from July 2010 to April 2012; North Asia General Manager, Dow Chemical Company, Coating Materials business from April 2009 to June 2010

Available Information

We make available on our website (http://www.rogerscorp.com), or through a link posted on our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, reports filed pursuant to Section 16 and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). In addition, the SEC maintains an internet site that contains these reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (http://www.sec.gov).

We also make available on our website, in a printable format, the charters for our Board of Directors committees, including the Audit Committee, Compensation and Organization Committee, and Nominating and Governance Committee, in addition to our Corporate Governance Guidelines, Bylaws, Code of Business Conduct and Ethics Policy, Related Party Transactions Policy and Compensation Recovery Policy. Our website is not incorporated into or a part of this Form 10-K.

Item 1A. Risk Factors

Our business, financial condition and results of operations are subject to various risks, including those discussed below, which may affect the value of our stock. The risks discussed below are those that we believe are currently the most significant, although additional risks not presently known to us or that we currently deem less significant may also impact our business, financial condition and results of operations, perhaps materially.

The global credit and financial markets, despite recently demonstrating increased stability, could experience additional disruption, which could materially and adversely affect our business and results of operations.

Conditions in the global credit and financial markets continue to be uncertain and there can be no assurances that there will not be future deterioration in credit and financial markets and in confidence in overall economic conditions. These economic uncertainties affect businesses such as ours in a number of ways, making it difficult to accurately forecast and plan our future business activities. Adverse global economic conditions in our markets will likely negatively impact our business, which could result in the following conditions, among others:

- Reduced demand for our products;
- Increased price competition for our products;
- Increased credit or other financial difficulties at our suppliers that could result in delays in their ability to supply us with necessary raw materials, components or finished products;
- Increased risk of excess and obsolete inventories;
- Increased risk of the collectability of cash from our customers;
- Increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable; and
- Higher operating costs as a percentage of revenues.

Continued or additional volatility in the global credit and financial markets could also have a significant impact on our ability to generate returns on our investment portfolio, our ability to obtain financing, and consequently, our ability to further diversify our business through strategic acquisitions or other alliances (an important component of our long-term growth strategy), and our ability to obtain and hold insurance, among other things. Our investments and certain other assets are impacted by market conditions, including conditions that affect interest rates and the liquidity and creditworthiness of the banks and other intermediaries through which we hold investments, and any decrease in their or our ability to liquidate our investments could negatively affect our financial position.

Our future revenue, gross margins, operating results and net income are difficult to predict and may materially fluctuate.

Our future revenue, gross margins, operating results and net income are difficult to predict and may be materially affected by a number of factors, including:

- the effects of adverse economic conditions in the U.S. and international markets;
- changes in customer demand for our products and for end products that incorporate our materials;
- loss of or significant declines in sales to key customers;
- the timing of new product announcements or introductions by us, our customers, or our competitors;
- competitive pricing pressures;
- fluctuations in manufacturing yields, adequate availability of copper and other raw materials, and manufacturing, assembly and testing capacity;
- significant declines in backlog;
- the timing, delay or cancellation of significant customer orders and our ability to manage inventory;
- changes in geographic, product, or customer mix;

- the effects of the expiration of issued patents;
- our ability to utilize our manufacturing facilities at efficient levels;
- potential significant litigation-related costs;
- the difficulties inherent in forecasting future operating expense levels, including with respect to costs associated with labor, utilities, transportation and raw materials;
- the costs related to compliance with increasing worldwide regulations;
- changes in our effective tax rates in the U.S., China or other jurisdictions; and
- the effects of public health emergencies, natural disasters, security risks, terrorist activities, international conflicts and other events beyond our control.

In addition, the market segments on which we are currently focused require products that (i) enable the growth of the Internet and the increased performance of mobile communication devices; (ii) support the reliability and efficiency of clean energy technology;

and (iii) improve the performance and comfort of mass transit systems. These markets have been characterized by wide fluctuations in product supply and demand. From time to time, these industries have experienced significant downturns, often in connection with, or in anticipation of, maturing product cycles, reductions in government spending, and declines in general economic conditions. These downturns have been characterized by diminished product demand, production over-capacity and accelerated price erosion. Our business is also subject to rapid technological changes and there can be no assurance, depending on the mix of future business, that products stocked in our inventory will not be rendered obsolete before we ship them. As a result of this and other factors, there can be no assurance that we will not experience material fluctuations in future revenue, gross margins, operating results and net income on a quarterly or annual basis. In addition, if our revenue, gross margins, operating results and net income do not meet the expectations of securities analysts or investors, the market price of our common stock may decline.

Our future success depends upon our ability to continue to innovate, improve our products, develop and market new products, and identify and enter new markets.

Our future success depends in part upon our ability to continue to develop new products and improve our product and process technologies. Our success in these efforts will be determined by our ability to anticipate market requirements in our product development efforts, and the acceptance and continued commercial success of the end user's products. Additionally, our success depends upon our ability to adapt to technological changes and to support established and emerging industry standards.

In particular, some of the markets on which we focus are characterized by frequent new product introductions, evolving industry standards, rapid changes in product and process technologies, price competition and many new potential applications. To continue to be successful in these areas, we must be able to consistently develop, produce and supply materials that meet the demanding expectations of customers for quality, performance and reliability at competitive prices. Our timely introduction of new products to meet these needs could be affected by engineering or other development program delays and problems in effectively and efficiently increasing production to meet customer needs. In addition, rapid technological change, significant pricing pressures and short lead times characterize the end-use markets for devices and equipment into which our products are often incorporated. Because we manufacture and sell our own materials to meet the needs of these markets, our results may be negatively affected by these factors.
A significant amount of the Company’s profits and cash flow are derived from a limited number of key products and any changes in technology or other events that adversely affect the market for these products could have a material and negative impact on our financial results.
Our ability to generate profits and operating cash flow depends upon the level of profitability of a limited number of key products. As a result, although these products are used in a diverse range of applications, any event that adversely affects the markets for these key products could have a significant impact on our consolidated financial results. These events could include loss of patent protection, increased costs associated with manufacturing, unavailability of the raw materials needed to manufacture the products, increased competition from the introduction of new products, and technological evolution.
Additionally, emerging material technologies could replace our key products in certain applications, resulting in a decline in demand for the products. Disruptive technologies may reduce or eliminate the need for our key products. New process technologies developed by our competitors may also place us at a cost or quality disadvantage. Our own process technologies may be acquired or used unlawfully by others, enabling them to compete with us. If any of these events had a material adverse effect on the sales of our key products, loss of revenue, reduced margins, material charges and a significant reduction in profitability could result.
We may be unable to adequately protect our proprietary rights, which may limit our ability to compete effectively.

Our success depends, in part, on our ability to protect our intellectual property. We primarily rely on patents, copyrights, and trademarks, as well as nondisclosure agreements and other methods to protect our proprietary technologies and processes. Despite our efforts to protect our proprietary technologies and processes, it is possible that

competitors and other unauthorized third parties may obtain, copy, use or disclose our technologies, products, and processes. Moreover, the laws and/or judicial systems of foreign countries in which we design, manufacture, market and sell our products may afford little or no effective protection of our proprietary technology.

There can be no assurances that the claims allowed in our issued patents will be sufficiently broad to protect our technology. In addition, any of our existing or future patents may be challenged, invalidated or circumvented. As such, any rights under these patents may not provide us with meaningful protection. If our patents do not adequately protect our technology, our competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents. We may also be negatively affected by, and subject to increased competition as a result of, the normal expiration of our issued patents.

We try to control access to and distribution of our technologies, documentation and other proprietary information. Despite these efforts, internal or external parties may attempt to copy, disclose, obtain or use our products or technology without authorization. Also, former employees may seek employment with our business partners, customers or competitors, and there can be no assurance that the confidential nature of our proprietary information will be maintained in the course of such future employment.

We are exposed to business, economic, political, legal and other risks through our significant worldwide operations.

We have significant foreign operations, particularly in Asia and Europe, which exposes us to business, political and economic changes that could negatively impact our future sales, expenses and financial condition. For fiscal 2014, sales of our products to foreign customers accounted for approximately 75.8% of our net sales. As of December 31, 2014, we employed approximately 1,900 employees in Europe and Asia.

It is anticipated that with the passage of time, design decisions related to the products we make will be increasingly made by Asian, rather than European or North American-based, original equipment manufacturers (“OEMs”). There can be no assurance that we will be as successful obtaining design wins with respect to these Asian OEMs as we historically have been with European and North American OEMs.

Although we engage in hedging transactions to help reduce our exposure to currency exchange rate fluctuations, there can be no assurance that our competitive position will not be adversely affected by changes in the exchange rate of the U.S. dollar against other currencies.

Also, potential interest rate increases, as well as high energy and other consumer costs, could have an adverse impact on industrial and consumer spending patterns and could adversely impact demand for our products and the products which contain our materials.

While a substantial portion of our cash is generated outside the U.S., we require a significant amount of cash in the U.S. to address our operating requirements, the funding of acquisitions, debt and interest payments and other business expenditures. If we are unable to address our U.S. cash requirements through our U.S. operations cash flows, we could repatriate future earnings from foreign jurisdictions, increase our borrowings under our current credit facility, or raise capital from other sources. These alternatives would adversely affect our operating results as they would result in higher effective tax rates and increased interest expense.

We are also subject to the risks associated with ongoing uncertainties and political and economic instability in many countries around the world, as well as economic disruption from acts of terrorism and the response to them by the U.S. and its allies. Other business risks associated with international operations include, but are not limited to, increased managerial complexities; air transportation disruptions; expropriation; currency controls; additional costs related to foreign taxes, tariffs and freight rate increases; exposure to different business practices and differing legal standards, particularly with respect to price protection and data privacy; intellectual property and environmental compliance; trade and travel restrictions; pandemics; import and export license requirements and restrictions; difficulties in staffing and managing worldwide operations; longer accounts receivable cycles and collections; and unexpected changes in regulatory requirements. We may also be subject to unanticipated income taxes, excise duties, import taxes, export taxes, value added tax, or other governmental assessments, and taxes may be impacted by changes in legislation in the tax jurisdictions in which we operate. In addition, our organization and capital structure may limit our ability to transfer funds between countries, particularly into the U.S., without incurring adverse tax consequences.

We expect our business to continue to have a strong presence in Asia, particularly in China, in the foreseeable future, as the Asian marketplace is a key factor to our current and future success. Our operations in these markets may be adversely affected by China's continuously evolving laws and regulations, including those relating to taxation, import

and export tariffs, currency controls, environmental regulations, and intellectual property rights and enforcement of those rights. Enforcement of existing laws or agreements may be inconsistent, as there is a high degree of fragmentation among regulatory authorities resulting in uncertainties as to which authorities have jurisdiction over particular parties or transactions. In addition, changes in the political environment, governmental policies, or U.S. and China relations could result in revisions to laws or regulations or their interpretation and enforcement, potentially resulting in increased taxation, restrictions on imports, import duties or currency revaluations, all of which could have an adverse effect on our business plans and operational results.

Availability of and changes in the costs and quality of certain key raw materials could negatively impact our profit margins and our ability to produce products in a timely manner to required specifications.

We use certain key raw materials in our manufacturing processes, including, but not limited to, copper and certain types of resins, ceramic materials and chemicals, all of which could be subject to price volatility due to availability, demand and global monetary policies. In addition, these materials are often obtained from single or limited sources that expose us to price increases and material shortages and increase the potential for inconsistent incoming material quality. Any inability to obtain timely deliveries of materials

of acceptable quantity or quality, or a significant increase in the prices of materials, could have a material adverse effect on our operating results.

If we do not retain our key personnel, our ability to execute our business strategy could be adversely affected.

Our continued success depends to a significant extent upon the recruitment, retention and effective succession of our executive officers and key management and technical personnel, particularly our experienced engineers. The loss of the services of one or more of these key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on our operating results if the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract and retain qualified personnel.

Implementation of our acquisition and divestiture strategies may not be successful, which could affect our ability to increase our revenue or our profitability.

A key element of our business strategy involves expansion through the acquisition of businesses, assets, products, or technologies that allow us to complement our existing product offerings, expand our market coverage, increase our engineering workforce or enhance our technological capabilities. Accordingly, our future performance will be impacted by our ability to identify appropriate businesses and technologies to acquire, as well as effectively and efficiently integrating such acquisitions into Rogers. We may not succeed in such endeavors for a variety of reasons, including, but not limited to, the inability to identify businesses that have the technology or resources we need and, if we find such businesses, the possibility that we may not be able to purchase or license the technology or resources on commercially favorable terms or at all and, if we do make an acquisition, the possibility that we may not be able to effectively integrate the acquisition into Rogers.

An acquisition can require a significant level of investment. This would potentially require borrowing funds through our credit facility, which would create long-term debt and make us subject to the various covenant requirements contained in the related credit agreement. Certain risks are inherent in any acquisition, such as the risk that the acquisition may not be accretive to our business or perform to our expectations going forward and that revenue opportunities, cost savings and other anticipated synergies will not be fully realized.

We also continually review our current business and product portfolio to attempt to maximize our business performance. We may in the future deem it appropriate to pursue the divestiture of product lines or businesses as conditions dictate. These strategic decisions could have a potential negative impact on our business. A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to any purchaser, identify and separate the intellectual property to be divested from the intellectual property that we wish to retain, reduce fixed costs previously associated with the divested assets or business, and collect the proceeds from any divestitures. In addition, if customers of the divested business do not receive the same level of service from the new owners, this may adversely affect our other businesses to the extent that these customers also purchase other products that we offer. All of these efforts require varying levels of management resources, which may divert our attention from other business operations. If we do not realize the expected benefits or synergies of any divestiture transaction, our financial position, results of operations and cash flows could be negatively impacted.

We are involved with certain litigation and disputes and may become involved in future litigation or other disputes all of which could give rise to potential contingencies, such as environmental, product liability and/or warranty claims, that could be costly to bring or defend and could result in a significant negative impact to our business.

We are subject to a variety of claims and lawsuits arising out of the conduct of our business that could ultimately have a material adverse impact on our business, including our results of operations, financial condition and cash flows. Such claims could result from environmental issues, product liability claims and general commercial litigation, among

others.

Our products are typically highly specialized, proprietary materials that must meet very stringent performance requirements. We invest significant resources in the testing of our products to meet our product specifications. However, if any of our materials or products contain or are alleged to contain defects, we may be required to incur additional development and remediation costs or defend product liability claims arising from the alleged defects.

We are also subject to a variety of environmental issues, particularly considering the age of our business and the range of geographic areas and manufacturing processes we have been involved in over the course of time. Our estimation of any environmental liability is based on an evaluation of currently available information with respect to the situation, including existing technology, presently enacted laws and regulations, and our past experience in addressing environmental matters. However, there can be no assurances that our estimates will not be disputed or that any ultimate liability concerning this site will not have a material adverse effect on us.

We are currently engaged in proceedings involving a superfund site, as a participant in a group of potentially responsible parties (PRPs). Although current regulations impose potential joint and several liability upon each named party at any superfund site, we expect our contribution for cleanup to be limited due to the number of other PRPs, and our share of the alleged contributions of waste to the site, which we believe is de minimis. We are also involved in the remediation of certain polychlorinated biphenyl (PCB) contamination at our Woodstock, Connecticut manufacturing facility. In addition, Rogers Corporate Headquarters located in Rogers, CT, has entered into the Voluntary Corrective Action program with the Connecticut Department of Energy & Environmental Protection (CT DEEP) to meet the RCRA (Resource Conservation Recovery Act) Corrective Action program requirements related to potential contamination at its site in Rogers, CT.

Further, we are involved in certain asbestos-related product liability litigation. The level of such litigation has escalated in certain U.S. states in recent years and involves hundreds of companies that have been named as defendants. At December 31, 2014, there were 438 claims pending against us. We expect that additional claims will be brought against us in the future. Our ultimate liability with respect to such pending and unasserted claims is subject to various uncertainties, including the following:

- the number of claims that are brought in the future;
- the costs of defending and settling these claims;
- the risk of exhaustion of applicable insurance policies;
- the risk of insolvencies among our insurance carriers;
- the possibility that adverse jury verdicts could require us to pay damages in amounts greater than the amounts for which we have historically settled claims; and
- the risk of adverse changes in the Federal and State laws governing the compensation of asbestos claimants.

We believe we have sufficient insurance to cover the majority of costs related to these claims and that we have valid defenses to the majority of these claims and intend to defend ourselves vigorously in these matters. However, there can be no assurances that the ultimate resolution of these matters will be consistent with our expectations and will not have a material adverse effect on us. For further information, see Item 3 Legal Proceedings and Note 14 of this Form 10-K.

We are subject to increasingly strict environmental regulations, which could increase our expense and affect our operating results.

Our business is subject to increasingly strict environmental regulations that control and restrict the use, transportation, emission, discharge, storage and disposal of certain chemicals, gases and other substances used or produced in our various manufacturing processes. Public attention to environmental controls has continued to increase and changes in environmental regulations may require us to invest in potentially costly pollution control equipment or alter the way our products are made. In addition, we use hazardous and regulated materials that subject us to risks for strict liability for damages caused by accidental releases, regardless of fault. Any failure to control such materials adequately or to comply with regulatory restrictions or contractual obligations could increase our expenses and adversely affect our operating results.

New climate change regulations could require us to change our manufacturing processes worldwide or obtain substitute materials that may cost more or be harder to procure for our manufacturing operations. In addition, new restrictions on carbon dioxide or other greenhouse gas emissions could result in additional costs for us. The cost of complying, or of failing to comply, with these and other climate change and emissions regulations could have an adverse effect on our business plans and results of operations.

Our current reserve levels may not be adequate to cover potential exposures.

We establish reserves to cover various exposures, including uncollectible accounts receivable, excess or obsolete inventory, fair market value write-downs of certain assets, and various other liabilities. However, these reserves may not be adequate to cover future impairments or losses. These reserves are subject to analysis and adjustment on a regular basis and are based on management's best estimates based on the facts and circumstances known at the time. Such reserves are subject to many uncertainties, including the assumptions used to value certain assets, forward looking forecasted financial information, and bankruptcy or financial problems at key customers, among others. In the case of litigation matters for which reserves have not been established because the loss is not deemed probable or reasonably estimable, facts and circumstances could change related to such matters that could result in such matters being decided against us and require the payment of damages or other expenditures in amounts that are not presently accrued. The effects on our financial results of many of these factors depend in some cases on our ability to obtain insurance covering potential losses.

If we are unable to generate sufficient cash flow, we may not be able to service our debt obligations, including making payments on our outstanding line of credit.

At December 31, 2014, we have $60.0 million of outstanding debt remaining out of a total credit facility of approximately $265 million. In the first quarter of 2015, we borrowed $125.0 million against this line of credit to finance our strategic acquisition of Arlon, LLC. Our ability to make payments of principal and interest on our indebtedness when due depends upon the cash flows generated from our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to, among other things, seek additional financing in the debt or equity markets; refinance or restructure all or a portion of our indebtedness; sell selected assets; reduce or delay planned capital expenditures; or reduce or delay planned operating expenditures. Such measures might not be sufficient to enable us to service our debt, which could negatively impact our financial results. In addition, any such financing, refinancing, or sale of assets might not be available on economically favorable terms. In addition, our indebtedness could require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing the amount of cash flows available for working capital, capital expenditures, investments in technology and research and development, acquisitions, dividends and other general corporate purposes; limit our flexibility in planning for, or reacting to, changes in the industries in which we compete; place us at a competitive disadvantage compared to our competitors, some of whom have lower debt service obligations and greater financial resources than we do; limit our ability to borrow additional funds; or increase our vulnerability to general adverse economic and industry conditions.

Restrictions in our credit facility may limit our activities and materially and adversely affect our assets, financial position and cash flows.

Our current credit facility imposes, and future debt instruments to which we may become subject may impose, certain restrictions that limit our ability to engage in activities that could otherwise benefit the Company, including undertaking certain transactions, creating certain credit liens on our assets and incurring certain subsidiary indebtedness, among others. Our ability to comply with these financial restrictions and covenants is dependent on the cash flows generated from our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control, as further discussed in this Item 1A Risk Factors. In addition, our credit facility requires us to maintain compliance with specified financial ratios. If we breach any of the covenants under our credit facility and we do not obtain appropriate waivers, our operations may be negatively impacted by the consequences of such breaches, including the declaration of any outstanding indebtedness to be immediately due and payable.

Changes in tax rates and exposure may lead to additional income tax liabilities.

We are subject to income taxes in both the U.S. and various foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of income among these different jurisdictions. Our effective tax rates could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, increases in tax rates, changes in the valuation of deferred tax assets and liabilities or in tax laws, each of which could adversely affect our profitability. In particular, the carrying value of deferred tax assets is dependent on our ability to generate future taxable income. In addition, the amount of income taxes we pay is subject to audits in various jurisdictions, and a material assessment by a tax authority could adversely affect profitability.

Evaluations of goodwill, non-amortizable assets and other investments for impairment may result in a write-off of all or a portion of our recorded amounts, which would negatively affect our operating results and financial condition.

We perform an impairment review of goodwill, non-amortizable intangible assets and other investments on an annual basis, or when facts and circumstances surrounding such assets indicate that a potential impairment may have occurred. In 2014, we did not have an impairment of our goodwill or non-amortizable intangible assets. However, in the fourth quarter of 2014, management believed, based on a lack of positive business performance and a round of financing that we did not participate in, that our investment in Solicore had become impaired. As a result, this investment went through an evaluation process and we recognized an impairment of $0.2 million on our investment in Solicore in the fourth quarter of 2014. See Note 8 - Investment for further details on this impairment charge. Going forward, there can be no assurances that future impairments of goodwill, non-amortizable intangible assets or other investments will not occur. Any impairment may result in a write-off of all or a portion of our recorded amounts, which would negatively affect our operating results and financial condition.

Our stock price may be volatile.

The market price of our common stock has fluctuated widely from the beginning of fiscal year 2014 through the end of fiscal year 2014, with our stock price reaching a high of $82.48 per share and a low of $51.40 per share during that time period. Consequently, the current market price of our common stock may not be indicative of future market prices, and we may be unable to sustain or increase the value of an investment in our common stock. Factors affecting our stock price may include, but are not limited to, the following:

- changes in the long-term outlook for our Company in the markets we serve;
- variations in operating results from quarter to quarter;
- changes in earnings estimates by analysts or our failure to meet analysts' expectations;
- changes in the market value of publicly traded customers or suppliers, which could decrease their demand for our products;
- market conditions in the industries and markets in which we participate;
- general economic conditions;
- political changes, hostilities or natural disasters such as hurricanes and floods; and
- low trading volume of our common stock.

In addition, the New York Stock Exchange can experience significant price and volume fluctuations and continued market fluctuations could adversely affect the market price of our stock.

Employee benefit cost increases could reduce our profitability.

Our profitability is affected by employee benefit costs, particularly medical, pension and other employee benefits. In recent years, employee medical costs have increased due to factors such as the increase in health care costs in the U.S. These factors will continue to put pressure on our business and financial performance, as employee benefit costs continue to escalate. Although we actively seek to control increases in employee benefit costs and encourage employees to maintain healthy lifestyles to reduce future potential medical costs, there can be no assurance that we will succeed in limiting future cost increases. Continued employee benefit cost increases could have an adverse effect on our results of operations, cash flows and financial condition.

We also sponsor a limited number of defined benefit pension plans that cover certain employees. Our costs of providing defined benefit pension plans have risen dramatically in recent years, and are dependent upon a number of factors and assumptions that drive our projected liabilities and annual expenses, such as discount rates, the actual and projected rates of return on the plans' assets, governmental regulation, global equity prices, portfolio composition and our required and/or voluntary contributions to the plans. Changes in assumptions, the ability to grow our pension investments over time to increase the value of the plans' assets, and other factors relating to worldwide and domestic economic trends and financial market conditions, could all have a negative impact on our pension plans, which could result in an increase in our pension liabilities, a reduction in the funded status of our plan, increases in annual expense recognized related to the plans, and requirements to increase funding for some or all of our defined benefit pension plans, among other factors, all of which could negatively impact our operations and financial condition.

To mitigate some of these risks, we amended our U.S. defined benefit pension plans during 2013 and participants no longer accrue benefits under such plans, effectively freezing the plans going forward. While the risks outlined above will remain in force, the freezing of the plans will reduce overall risk, as we no longer accrue new benefit obligations, thus reducing projected future liabilities and annual plan expenses.

Security breaches and other disruptions could compromise our information and expose us to liability, which could adversely affect our business/operating revenues, margins, competitive position and reputation.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers and business partners, and personally identifiable information of our employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations, and damage to our reputation, which could adversely affect our business/operating revenues, margins, competitive position and reputation.

Our business could be negatively affected by collective labor arrangements and labor laws.

We have two U.S. collective bargaining units; one of which was acquired through the acquisition of Arlon, LLC in the first quarter of 2015, and various non-U.S. collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and potential labor disputes, any of which could adversely impact our productivity and results of operations. In addition, collective bargaining agreements, union contracts and labor laws may impair our ability to reduce our labor costs by streamlining existing manufacturing facilities and in restructuring our business because of limitations on personnel and salary changes and similar restrictions. Further, we may be subject to work stoppages, which are beyond our control, at our suppliers or customers.

Our business could be negatively affected by unanticipated events that are beyond our control.

Our business and operating results may be affected by certain events that we cannot anticipate and that are beyond our control, such as natural disasters and national emergencies, which could disrupt production at our facilities, or at the facilities of our customers and suppliers, and cause delayed deliveries, canceled orders and possibly loss of market share. From time to time, we purchase certain raw materials from single or limited sources, and, even if our facilities are not directly affected by such events, we could be affected by interruptions of production at our suppliers. In addition, our customers could be affected by certain events, which could decrease demand for our products.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We operate various manufacturing facilities and sales offices throughout the United States, Europe and Asia. The following table provides certain information about our principal general offices and manufacturing facilities:

Location	Floor Space (Sq Ft)	Type of Facility	Leased / Owned
United States			
Rogers, Connecticut	506,000	Manufacturing / Administrative Offices	Owned
Carol Stream, Illinois	215,000	Manufacturing	Owned
Chandler, Arizona	156,000	Manufacturing	Owned
Woodstock, Connecticut	152,000	Manufacturing	Owned
Chandler, Arizona	142,000	Manufacturing	Owned
Chandler, Arizona	120,000	Manufacturing	Owned
Burlington, Massachusetts	5,000	R&D Lab and Office Space	Leased through 2/17
Bear, Delaware*	125,000	Manufacturing / Administrative Offices	Owned
Rancho Cucamonga, California*	75,000	Manufacturing	Leased through 6/23
Europe			
Ghent, Belgium	114,000	Manufacturing	Owned
Evergem, Belgium	77,000	Manufacturing	Owned
Eschenbach, Germany	149,000	Manufacturing / Administrative Offices	Leased through 6/21
Budapest, Hungary	42,000	Manufacturing	Leased through 2/19
Asia			
Suzhou, China	324,000	Manufacturing	Owned
Suzhou, China	170,000	Manufacturing / Administrative Offices	Owned
Suzhou, China	130,000	Manufacturing	Owned
Suzhou, China	92,000	Manufacturing	Owned
Ansan, Korea	40,000	Manufacturing	Leased through 10/18
Suzhou, China	30,000	Manufacturing	Owned
Tokyo, Japan	3,094	Sales Office	Leased through 2/16
Taipei, Taiwan, R.O.C.	1,000	Sales Office	Leased through 7/16
Hwasung City, Korea	1,000	Sales Office	Leased through 12/15
Singapore	1,000	Sales Office	Leased through 10/15
Shanghai, China	1,000	Sales Office	Leased through 1/17
Shenzhen, China	1,000	Sales Office	Leased through 5/16
Beijing, China	1,000	Sales Office	Leased through 5/15
Suzhou, China*	75,000	Manufacturing	Owned
Suzhou, China*	15,000	Manufacturing / Administrative Offices	Leased through 4/15

* Early in 2015, we acquired Arlon, LLC. These are properties that Arlon, LLC held, and that we now own, or lease.

Item 3. Legal Proceedings

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

Superfund Sites

We are currently involved as a potentially responsible party (PRP) in one active case involving a waste disposal site, the Chatham Superfund Site. The costs incurred since inception for this claim have been immaterial and have been primarily covered by insurance policies, for both legal and remediation costs. In this matter we have been assessed a cost sharing percentage of approximately 2% in relation to the range for estimated total cleanup costs of $18.8 million to $29.6 million. We believe that we have sufficient insurance coverage to fully cover this liability and have recorded a liability and related insurance receivable of approximately $0.4 million as of December 31, 2014, which approximates our share of the low end of the estimated range. We believe we are a de minimis participant and, as such, have been allocated an insignificant percentage of the total PRP cost sharing responsibility. Based on facts presently known to us, we believe that the potential for the final results of this case having a material adverse effect on our results of operations, financial position or cash flows is remote. This case has been ongoing for many years and we believe that it will continue on for the indefinite future. No time frame for completion can be estimated at the present time.

PCB Contamination

We have been working with the Connecticut Department of Energy and Environmental Protection (CT DEEP) and the United States Environmental Protection Agency, Region I, in connection with certain polychlorinated biphenyl (PCB) contamination at our facility in Woodstock, Connecticut. The issue was originally discovered in the soil at the facility in the late 1990s, and this initial issue was remediated in 2000. Further contamination was later found in the groundwater beneath the property, which was addressed with the installation of a pump and treat system in 2011. Additional PCB contamination at this facility was found in the facility's original buildings, courtyards and surrounding areas including an on-site pond. Remediation costs related to this contamination are expected to approximate $0.7 million. Remediation activities of the affected buildings and courtyards were completed in 2014 at a total cost of $0.5 million. Currently, we have a reserve of $0.2 million for the pond remediation recorded on our consolidated statements of financial position. We believe this reserve will be adequate to cover the remaining remediation work related to the soil and pond contamination based on the information known at this time. However, if additional contamination is found, the cost of the remaining remediation may increase.

Overall, we have spent approximately $2.4 million in remediation and monitoring costs related to these PCB contamination issues. The future costs related to the maintenance of the groundwater pump and treat system now in place at the site are expected to be minimal. We believe that the remaining remediation activity will continue for several more years and no time frame for completion can be estimated at the present time.

Asbestos Litigation

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

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

•Claims
We have been named in asbestos litigation primarily in Illinois, Pennsylvania and Mississippi. As of December 31, 2014, there were 438 pending claims compared to 362 pending claims at December 31, 2013. The number of pending claims at a particular time can fluctuate significantly from period to period depending on how successful we have been in getting these cases dismissed or settled. Some jurisdictions prohibit specifying alleged damages in personal injury tort cases such as these, other than a minimum jurisdictional amount which may be required for such reasons as allowing the case to be litigated in a jury trial (which the plaintiffs believe will be more favorable to them than if heard only before a judge) or allowing the case to be litigated in federal court. This is in contrast to commercial litigation, in which specific alleged damage claims are often permitted. The prohibition on specifying alleged damages sometimes applies not only to the suit when filed but also during the trial - in some jurisdictions the plaintiff is not actually permitted to specify to the jury during the course of the trial the amount of alleged damages the plaintiff is claiming. Further, in those jurisdictions in which plaintiffs are permitted to claim specific alleged damages, many plaintiffs nonetheless still choose not to do so. In those cases in which plaintiffs are permitted to and choose to assert specific dollar amounts in their complaints,

we believe the amounts claimed are typically not meaningful as an indicator of a company's potential liability. This is because (1) the amounts claimed may bear no relation to the level of the plaintiff's injury and are often used as part of the plaintiff's litigation strategy, (2) the complaints typically assert claims against numerous defendants, and often the alleged damages are not allocated against specific defendants, but rather the broad claim is made against all of the defendants as a group, making it impossible for a particular defendant to quantify the alleged damages that are being specifically claimed against it and therefore its potential liability, and (3) many cases are brought on behalf of plaintiffs who have not suffered any medical injury, and ultimately are resolved without any payment or payment of a small fraction of the damages initially claimed.

We believe the rate at which plaintiffs filed asbestos-related suits against us increased in 2001, 2002, 2003 and 2004 because of increased activity on the part of plaintiffs to identify those companies that sold asbestos-containing products, but which did not directly mine, mill or market asbestos. A significant increase in the volume of asbestos-related bodily injury cases arose in Mississippi in 2002. This increase in the volume of claims in Mississippi was apparently due to the passage of tort reform legislation (applicable to asbestos-related injuries), which became effective on September 1, 2003 and which resulted in a higher than average number of claims being filed in Mississippi by plaintiffs seeking to ensure their claims would be governed by the law in effect prior to the passage of tort reform. The number of asbestos related suits filed against us decreased slightly in 2005 and 2006, but increased slightly in 2007, declined in 2008 and increased again in 2009 and 2010. The number of lawsuits filed against us in 2011, 2012, 2013 and 2014 was significantly higher than in 2010 due in large part to the filings of 3 plaintiff law firms in Madison County, Illinois. These new lawsuits are reflected in the National Economic Research Associates, Inc. ("NERA") and Marsh USA, Inc. ("Marsh") reports. (See "Impact on Financials Statements" section below.) NERA is a consulting firm with expertise in the field of evaluating mass tort litigation related to asbestos bodily-injury claims. Marsh is a consulting firm with expertise in the field of evaluating insurance coverage and the likelihood of recovery for asbestos-related claims.

- Defenses

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

- Dismissals and Settlements

Cases involving us typically name 50-300 defendants, although some cases have had as few as 1 and as many as 833 defendants. We have obtained dismissals of more than 60% of these claims. For the year ended December 31, 2014, one hundred four (104) claims were dismissed and thirteen (13) were settled. For the year ended December 31, 2013, we had one hundred fifteen (115) claims dismissed and twenty-three (23) settled. The majority of costs have been paid by our insurance carriers, including the costs associated with the small number of cases that have been settled. Such settlements totaled approximately $3.2 million for the year ended December 31, 2014, compared to $4.8 million for the year ended December 31, 2013. Although these figures provide some insight into our experience with asbestos litigation, no guarantee can be made as to the dismissal and settlement rates that we will experience in the future. Settlements are made without any admission of liability. Settlement amounts may vary depending upon a number of factors, including the jurisdiction where the action was brought, the nature and extent of the disease alleged and the associated medical evidence, the age and occupation of the claimant, the existence or absence of other possible causes of the alleged illness of the alleged injured party and the availability of legal defenses, as well as whether the action is brought alone or as part of a group of claimants. To date, we have been successful in obtaining dismissals for a majority of the claims and have settled only a limited number. Most of the settled claims were settled for nominal amounts, and the majority of such payments have been borne by our insurance carriers. In addition, to date, we have

not been required to pay any punitive damage awards.
•Potential Liability
NERA has historically been engaged to assist us in projecting our future asbestos-related liabilities and defense costs with regard to pending claims and future claims. Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict, including the number of claims that might be received, the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the financial resources of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case and the impact of potential changes in legislative or judicial standards, including potential tort reform. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties, the variability of our claims history and consultations with NERA, we currently believe

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

•Insurance Coverage

Our applicable insurance policies generally provide coverage for asbestos liability costs, including coverage for both indemnity and defense costs. Following the initiation of asbestos litigation, an effort was made to identify all of our primary, umbrella and excess level insurance carriers that provided applicable coverage beginning in the 1950s through the mid-1980s. We located primary policies for all such years except for the early 1960s. With respect to this period, we entered into an arrangement with ACE Property & Casualty Insurance Company in 2005, pursuant to which we and they share in asbestos liabilities allocable to such period. We have located umbrella or excess layer policies for all such years except for the period from May 18, 1961 to May 18, 1964. We believe that a policy was purchased from Continental Casualty Company covering this period based upon documents we have found, but the insurer has denied coverage. This policy has not yet been triggered.

Where appropriate, carriers were put on notice of the litigation. Marsh has historically been engaged to work with us to project our insurance coverage for asbestos-related claims. Marsh’s conclusions are based primarily on a review of our coverage history, application of reasonable assumptions on the allocation of coverage consistent with certain industry practices, an assessment of the creditworthiness of the insurance carriers, analysis of applicable deductibles, retentions and policy limits, the experience of NERA and a review of NERA’s reports.

•Cost Sharing Agreement

To date, our insurance carriers have paid for substantially all of the settlement and defense costs associated with our asbestos-related claims. The current cost sharing agreement between us and such insurance carriers is primarily designed to facilitate the ongoing administration and payment of such claims by the carriers until the applicable insurance coverage is exhausted. This agreement, which replaced an older agreement that had expired, can be terminated by election of any party thereto after January 25, 2015. Absent any such election, the agreement will continue until a party elects to terminate it.

In 2013 and 2014, the primary layer insurance policies providing coverage for the January 1, 1965 to January 1, 1967 periods exhausted. The cost sharing agreement contemplates that any excess carrier over exhausted primary layer carriers will become a party to the cost sharing agreement, replacing the coverage provided by the exhausted primary policies if the carrier providing such excess coverage is not already a party to the cost sharing agreement. The excess carrier providing coverage for the period set forth above is currently providing applicable insurance coverage in accordance with the allocation provisions of the cost sharing agreement.

•Impact on Financial Statements

The models developed for determining the potential exposure and related insurance coverage were developed by outside consultants deemed to be experts in their respective fields with the forecast for asbestos related liabilities generated by NERA and the related insurance receivable projections developed by Marsh. The models contain numerous assumptions that significantly impact the results generated by the models. We believe the assumptions made are reasonable at the present time, but are subject to uncertainty based on the actual future outcome of our asbestos litigation. We determined that a ten-year projection period is now appropriate as we have experience in addressing asbestos related lawsuits over the last few years to use as a baseline to project the liability over ten years. However, we do not believe we have sufficient data to justify a longer projection period at this time. As of December 31, 2014, the estimated liability and estimated insurance recovery for the ten-year period through 2024 was $56.5 million and $53.0 million, respectively. Each year we evaluate the changes in the estimated liability and estimated insurance recovery based on the projections of asbestos litigation and corresponding insurance coverage for that litigation and record the resulting expense or income. For the years ended December 31, 2014 and 2012, we recognized expense of $0.8 million and $2.7 million, respectively, and for the year ended December 31, 2013 we recorded income of $0.5 million.

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

There can be no assurance that our accrued asbestos liabilities will approximate our actual asbestos-related settlement and defense costs, or that our accrued insurance recoveries will be realized. We believe that it is reasonably possible that we will incur additional charges for our asbestos liabilities and defense costs in the future, which could exceed existing reserves, but such excess amount

cannot be reasonably estimated at this time. We will continue to vigorously defend ourselves and believe we have substantial unutilized insurance coverage to mitigate future costs related to this matter.

Other Environmental and General Litigation

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

Program (VCAP). As part of this program, we have had conversations with the CT DEEP to begin to determine if any corrective actions need to be taken at the site related to any potential contamination issues. We are currently in the early stages of evaluating this matter and have initiated internal due diligence work related to the site to better understand any potential issues.

As of December 31, 2014, a reserve of $0.1 million was recorded for the continuing assessments to determine the extent of

any potential remediation that may be required. However, at this time, it is currently unknown what the nature and extent of

any potential contamination is at the site, nor what any potential remediation or associated costs would be if any such issues were found. Therefore, based on the facts and circumstances known to us at the present time, we are unable to estimate the probability of incurring a contingent liability related to environmental remediation at this site, nor are we able to reasonably estimate any potential range of exposure at this time. As such, no reserve specific to environmental remediation activity has been established for this matter at this time.

- In 2013, we became aware of a claim made by a sales agent/distributor in Europe for the alleged improper termination of our relationship. The sales agent/distributor seeks compensation for the terminated relationship. During 2014, a mediation process was initiated and we have determined that the low end of the range for a probable liability in this matter is approximately $0.6 million and have recorded this reserve in our consolidated statements of financial position.

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Our common stock is traded on the New York Stock Exchange under the symbol “ROG”. As of the end of business on February 4, 2015, we had 396 shareholders of record. On the same date, the trading price of our common stock closed at $75.74 per share.

Capital Stock Market Prices

The following table sets forth the high and low prices during each quarter of the last two fiscal years on a per share basis:

	2014		2013	
	High	Low	High	Low
Fourth	$82.48	$51.40	$63.00	$56.47
Third	68.34	53.69	60.97	46.90
Second	67.30	56.26	48.80	37.20
First	65.73	56.17	51.96	46.31

Dividend Policy

We did not pay any dividends on our common stock in fiscal 2014 and 2013. We periodically evaluate the desirability of paying a dividend; however, at present, we expect to maintain a policy of emphasizing longer-term growth of capital rather than immediate dividend income. We are also currently restricted in our ability to pay dividends under our current, amended credit agreement (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K), in that we cannot make cash dividend payments if a default or event of default has occurred and is continuing or would result from the cash dividend payment.

Item 6. Selected Financial Data

(Dollars in thousands, except per share amounts)

	2014	2013	2012	2011	2010
Sales and Income From Continuing Operations					
Net sales	$610,911	$537,482	$498,761	$548,341	$373,230
Income (loss) before income taxes	80,410	48,885	22,650	55,768	44,401
Net Income (loss)	52,883	37,659	69,134	44,250	38,551
Per Share Data From Continuing Operations					
Basic	$2.91	$2.19	$4.21	$2.76	$2.44
Diluted	2.83	2.12	4.07	2.64	2.41
Book value	31.62	31.11	25.68	20.85	20.87
Financial Position From Continuing Operations					
Current assets	$432,054	$377,707	$306,190	$264,789	$220,590
Current liabilities	120,445	90,040	84,502	78,558	65,246
Ratio of current assets to current liabilities	3.6 to 1	4.2 to 1	3.6 to 1	3.4 to 1	3.4 to 1
Cash, cash equivalents and short-term investments	$237,375	$191,884	$114,863	$79,728	$80,321
Net Working capital	311,609	287,667	221,688	186,231	155,344
Property, plant and equipment, net	150,420	146,931	149,017	148,182	118,804
Total assets	835,117	806,534	759,278	676,785	482,598
Long-term debt and lease obligation less current maturities	31,042	67,170	84,442	122,610	—
Shareholders’ equity	581,963	555,527	434,152	338,256	330,532
Long-term debt as a percentage of shareholders’ equity	5.3 %	12.1 %	19.4 %	36.2 %	—
Other Data					
Depreciation and amortization from continuing operations	$26,268	$26,531	$27,130	$26,308	$15,700
Research and development expenses from continuing operations	22,878	21,646	19,311	21,530	17,754
Capital expenditures from continuing operations	28,755	16,859	23,774	21,316	12,241
Number of employees (average)	2,800	2,500	2,441	2,566	1,940
Net sales per employee	$218	$215	$204	$214	$192
Number of shares outstanding at year end	18,403,109	17,854,506	16,904,441	16,220,648	15,841,341

The financial data included within the preceding table should be read in conjunction with our Management's Discussion and Analysis of Financial Condition and Results of Operations as well as the Financial Statements and Supplementary Data (Items 7 and 8 of this Form 10-K), and with our previously filed Forms 10-K.

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

The following discussion and analysis of our financial condition and results of operations should be read together with the Selected Financial Data and our Consolidated Financial Statements and the related notes that appear elsewhere in this Form 10-K.

In the following discussion and analysis, we sometimes provide financial information that was not prepared in accordance with U.S. generally accepted accounting principles (GAAP). Management believes that this non-GAAP information provides meaningful supplemental information regarding the Company's performance by excluding certain expenses that are generally non-recurring or otherwise may not be indicative of the core business operating results. In general, the Company believes that the additional non-GAAP financial information provided herein is useful to management and investors in assessing the Company's historical performance and for planning, forecasting and analyzing future periods. However, non-GAAP information has limitations as an analytical tool and should not be considered in isolation from, or solely as an alternative to, financial information prepared in accordance with GAAP. Any time we provide non-GAAP information in the following narrative we identify it as such and in close proximity provide the most directly comparable GAAP financial measure, as well as the information necessary to reconcile the two measures.

Forward Looking Statements

Certain statements in this Form 10-K may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's expectations, estimates, projections and assumptions. Words such as “expects,” “anticipates,” “intends,” “believes,” “estimates,” “should,” “ “may,” “project,” “guidance,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results or performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such factors include, but are not limited to, changing business, economic, and political conditions both in the United States and in foreign countries, particularly in light of the uncertain outlook for global economic growth, particularly in several of our key markets; increasing competition; any difficulties in integrating acquired businesses into our operations and the possibility that anticipated benefits of acquisitions and divestitures may not materialize as expected; delays or problems in completing planned operational enhancements to various facilities; our achieving less than anticipated benefits and/or incurring greater than anticipated costs relating to streamlining initiatives or that such initiatives may be delayed or not fully implemented due to operational, legal or other challenges; changes in product mix; the possibility that changes in technology or market requirements will reduce the demand for our products; the possibility of significant declines in our backlog; the possibility of breaches of our information technology infrastructure; the development and marketing of new products and manufacturing processes and the inherent risks associated with such efforts and the ability to identify and enter new markets; the outcome of current and future litigation; our ability to retain key personnel; our ability to adequately protect our proprietary rights; the possibility of adverse effects resulting from the expiration of issued patents; the possibility that we may be required to recognize impairment charges against goodwill, non-amortizable assets and other investments in the future; the possibility of increasing levels of excess and obsolete inventory; increases in our employee benefit costs could reduce our profitability; the possibility of work stoppages, union and work council campaigns, labor disputes and adverse effects related to changes in labor laws; the accuracy of our analysis of our potential asbestos-related exposure and insurance coverage; the fact that our stock price has historically been volatile and may not be indicative of future prices; changes in the availability and cost and quality of raw materials, labor, transportation and utilities; changes in environmental and other governmental regulation which could increase expenses and affect operating results; our ability to accurately predict reserve levels; our ability to obtain favorable credit terms with our customers and collect accounts receivable; our ability to service our debt; certain covenants in our debt documents could adversely restrict our financial and operating flexibility; fluctuations in foreign currency exchange rates; and changes in tax rates and exposure which may increase our tax liabilities. Such

factors also apply to our joint ventures. We make no commitment to update any forward-looking statement or to disclose any facts, events, or circumstances after the date hereof that may affect the accuracy of any forward-looking statements, unless required by law. Additional information about certain factors that could cause actual results to differ from such forward-looking statements include, but are not limited to, those items described in Item 1A, Risk Factors, in this Form 10-K.

Business Overview

Company Background and Strategy

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

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

Strategically, our current focus is on three mega trends that have fueled growth of our Company: (1) continued growth of the internet and the variety of ways in which it can be accessed, (2) expansion of mass transit, and (3) further investment in clean technology. These trends and their related markets all require materials that perform to the highest standards, a characteristic which has been a key strength of our products over the years. We are also focused on growing our business both organically and through strategic acquisitions or technology investments that will add to or expand our product portfolio, as well as strengthen our presence in existing markets or expand into new markets. We will continue to focus on business opportunities and invest in expansion around the globe. Our vision is to be the leading innovative, growth oriented, and high technology materials solutions provider for our selective markets. To achieve this vision, we must have an organization that can cost effectively develop, produce and market products and services that provide clear advantages for our customers and markets.

2014 Executive Summary

In 2014, Rogers saw strong demand in our megatrend markets: internet connectivity, mass transit and clean technology. More than 60% of our sales are in these categories, reinforcing our belief that we are focused on the right markets that have strong, sustainable global demand. Rogers' core management team is seeing the results of all the work that has gone into realigning the Corporation both internally and externally to better service our customers and markets. We are continuing to work to improve the Corporation and have launched significant projects targeted at improving our infrastructure, particularly our information systems and manufacturing planning capabilities. We are also looking for new ways to grow, both organically through a combination of new product launches, new market applications, and geographic expansion, as well as externally through targeted acquisitions and technology initiatives. We believe that the recent actions taken to transform Rogers will provide a solid base for us to achieve our strategic goals and to increase value for our shareholders.

From a results perspective, we achieved net sales of $610.9 million in 2014, an increase of 13.7% from $537.5 million in 2013. This increase in 2014 was driven across all of our core businesses with net sales growth in the Printed Circuit Materials (PCM) operating segment of 30.2% from $184.9 million in 2013 to $240.9 million in 2014, net sales in the Power Electronics Solutions (PES) operating segment increasing 6.9% from $160.7 million in 2013 to $171.8 million in 2014, and net sales in High Performance Foams (HPF) increasing 3.3% from $168.1 million in 2013 to $173.7 million in 2014. At PCM, these increases were driven by growth in global telecommunications infrastructure capacity in wireless (3G & 4G) base stations and antenna systems, as well as other new application areas such as automotive safety radar systems. At PES, these increases were driven by increases in energy efficient motor drives, mass transit and vehicle electrification (x-by-wire) applications. At HPF, the increases were the result of general industrial, consumer comfort and impact protection, mass transit, and hybrid electric vehicles. Demand into the portable electronics (mobile internet devices and feature phones) applications was down and we expect continued challenges in this market as we move forward.

From an operating results perspective, we achieved $80.4 million in operating income during 2014, a 63.2% improvement over the $49.3 million achieved in 2013. Operating results in 2014 and 2013 included approximately $7.7 million and $12.6 million of special charges, respectively. The 2014 special charges relate to the early payment of certain long term pension obligations, acquisition costs and impairment of our investment in Solicore. The 2013 special charges related to the impairment of an investment in Solicore (see Footnote 8 - Investment) and severance related charges. Excluding these charges, non-GAAP operating income improved as a percentage of sales by 290 basis points from 11.5% in 2013 to 14.4% in 2014. We also experienced strong improvement in gross margin, which increased from 34.9% in 2013 to 38.3% in 2014. This improvement was primarily the result of increased operating

leverage on the incremental sales volume enhanced by improved operating efficiencies across our operating segments. Offsetting some of these favorable results was a 17.7% increase in selling and administrative expenses from $106.4 million in 2013 to $125.2 million in 2014. The drivers for this increase were incremental incentive and equity compensation costs, incremental expenditures in certain key strategic areas, severance costs and other cost increases. See "Results of Operations" below for further discussion.

Going forward, we expect to experience continued sales growth in Rogers' applications for telecommunications, automotive safety systems, rail traction, hybrid all-electric vehicles (EV/HEV), energy efficient motor controls, automotive electrification and protective cushioning. We also believe that many opportunities for growth exist, particularly as we expand our presence across new markets and regions, as well as further diversify our product portfolio in the markets we serve today.

Results of Continuing Operations

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

	2014	2013	2012
Net sales	100.0%	100.0%	100.0%
Gross margins	38.3%	34.9%	31.8%
Selling and administrative expenses	20.5%	19.8%	20.0%
Research and development expenses	3.7%	4.0%	3.9%
Restructuring and impairment charges	0.9%	1.9%	2.8%
Operating income (loss)	13.2%	9.2%	5.1%
Equity income in unconsolidated joint ventures	0.7%	0.8%	1.0%
Other income (expense), net	(0.2)%	(0.2)%	—
Realized investment gain (loss)	—	—	(0.7)%
Interest income (expense), net	(0.5)%	(0.6)%	(0.9)%
Income (loss) from continuing operations before income taxes	13.2%	9.1%	4.5%
Income tax expense (benefit)	4.5%	2.1%	(9.3)%
Income (loss) from continuing operations	8.6%	6.9%	13.8%

2014 vs. 2013

Net Sales

Net sales in 2014 were $610.9 million, a 13.7% increase from $537.5 million in 2013. The increase in net sales in 2014 is attributable to volume increases in all of our operating segments. Net sales in the Printed Circuit Materials (PCM) operating segment experienced a 30.2% increase from $184.9 million in 2013 to $240.9 million in 2014, the Power Electronics Solutions (PES) operating segment achieved a 6.9% increase from $160.7 million in 2013 to $171.8 million in 2014, and the High Performance Foams (HPF) operating segment increased 3.3% from $168.1 million in 2013 to $173.7 million in 2014. See "Segment Sales and Operations" below for further discussion on segment performance.

Gross Margin

Gross margin increased by approximately 340 basis points from 34.9% in 2013 to 38.3% in 2014. Our 2013 results included approximately $0.9 million or 20 basis points of special charges related to relocation costs associated with the move of certain manufacturing operations from the Power Electronics Solutions manufacturing facility in Eschenbach, Germany to a lower cost facility in Hungary. The primary driver of the improvement in gross margin was the increased sales volume achieved during 2014, which contributed approximately 180 basis points to the improvement. The remaining net improvement of 140 basis points was attributable primarily to our ability to leverage our existing asset base through production efficiencies to absorb the increased sales volume. In addition, we continue to implement improvements in supply chain, product quality and procurement, which also favorably impacted margin performance.

Selling and Administrative Expenses

Selling and administrative (S&A) expenses were $125.2 million in 2014, an increase of 17.7% from $106.4 million in 2013. Our 2014 results included approximately $2.3 million of acquisition costs. Our 2013 results included approximately $1.3 million of special charges comprised of $0.6 million in costs related to the move of certain manufacturing operations from the Power Electronic Solutions manufacturing facility is Eschenbach, Germany to a lower cost facility in Hungary and $0.7 million of other severance related charges. Excluding these charges, non-GAAP selling and administrative expense increased $17.8 million. As a percentage of sales, non-GAAP selling and administrative expenses increased by 60 basis points from 19.5% in 2013 to 20.1% in 2014. The overall increase in non-GAAP expenses is due to a variety of factors, including $7.7 million of incremental incentive and equity

compensation costs, $10.1 million for incremental expenditures in certain key strategic areas, such as sales and marketing, strategic planning, information technology and executive recruiting, as well as costs related to merit increases. Also contributing to the increased costs in 2014 were charges related to the CFO transition of $0.8 million, severance of $2.8 million, $1.3 million of incremental asbestos related liabilities and other cost increases of $2.1 million. These increases were offset by approximately $7.0 million in expense reductions related primarily to changes in our defined benefit pension plans initiated in 2013. Management is pursuing pension risk mitigation strategies which would decrease the financial volatility of the plan; however, it could also result in less expense savings in the future as the investment mix is shifted more heavily to fixed income securities from equity securities.

Research and Development Expenses

Research and development (R&D) expenses were $22.9 million in 2014, an increase of 6.0%, from $21.6 million in 2013. As a percentage of sales, R&D costs decreased from 4.0% in 2013 to 3.7% in 2014. The lower rate is due primarily to the significant increase in net sales. From a gross spending perspective, in the past year we have made concerted efforts to realign our R&D organization to better fit the future direction of the Company, including dedicating resources to focus on current product extensions and enhancements to meet our short term technology needs. We also are increasing investments that are targeted at developing new platforms and technologies focused on long term growth initiatives, as evidenced by our partnership with Northeastern University in Boston, Massachusetts. This partnership has resulted in the creation of the Rogers Innovation Center on its Burlington, Massachusetts campus. As a result, we expect to increase R&D expenditures as the Rogers Innovation Center ramps up, as our long term goal is to reinvest approximately 6% of net sales back into R&D activities.

Restructuring and Impairment Charges

Restructuring and impairment charges were $5.4 million in 2014 as compared to $10.4 million in 2013. In 2014, these charges were comprised primarily of the following: (i) $5.2 million related to the settlement of certain long term pension obligations and (ii) $ 0.2 million related to an impairment charge on an investment in Solicore, Inc. In 2013, these charges were comprised primarily of the following: (i) $4.6 million related to the impairment charge on the investment in Solicore, Inc., (ii) $4.2 million of severance and related charges as a result of additional streamlining initiatives as well as changes to the executive management team, and (iii) a $1.5 million curtailment charge related to the freezing of the defined benefit pension plans.

Equity Income in Unconsolidated Joint Ventures

Equity income in unconsolidated joint ventures was $4.1 million in 2014, a decrease of 4.7% from $4.3 million in 2013. The decline was primarily due to the depreciation of the Japanese Yen against the U.S. dollar of approximately 8.6% year over year.

Other Income (Expense), Net

Other income (expense), net was expense of $1.2 million in 2014 and 2013. Although the ending balance was the same year over year, there were changes in the activity. Our 2014 results included unfavorable commodity hedging transactions offset by lower commission payments to the joint ventures. Our 2013 results included approximately $0.7 million of unfavorable mark to market adjustments related to copper hedging contracts and approximately $0.3 million related to unfavorable foreign currency transaction adjustments.

Interest Income (Expense), Net

Interest income (expense), net, declined by 17.1% to $2.9 million of expense in 2014 from $3.5 million of expense in 2013. The decline is due primarily to lower interest expense on our debt facility, as we have paid down principal from $98.0 million at the beginning of 2013 to $60.0 million at the end of 2014.

Income Tax Expense (Benefit)

Our effective tax rate was 34.2% in 2014 and 23.0% in 2013. In 2014, our tax rate was adversely impacted by distribution of current year earnings from one of our foreign subsidiaries as well as acquisition costs. In both 2014 and 2013, our tax rate was favorably impacted by the tax benefit associated with the lapse of statute in accordance with applicable accounting guidance and foreign source income subject to tax at lower rates than income generated in the U.S. In 2013, the rate was favorably impacted by the tax benefit related to the lapse of statute in accordance with applicable accounting guidance, and foreign source income subject to tax at lower rates than income generated in the U.S.

We currently have a $0.7 million net operating loss in one of our Chinese entities that will expire in 2018. We have a $0.1 million net operating loss carryforward in Japan, which will expire in 2023. We also have state net operating loss carryforwards ranging from $0.1 million to $16.2 million in various state taxing jurisdictions, which will begin to expire in 2015. We have approximately

$7.0 million of credit carryforwards in Arizona, which will expire in 2015. We believe that it is more likely than not that the benefit from the China and state net operating loss carryforwards as well as our state credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of $7.7 million relating to these carryforwards. If or when recognized, the tax benefits related to any reversal of the valuation allowance on deferred tax assets as of December 31, 2014, will be accounted for as follows: approximately $6.8 million will be recognized as a reduction of income tax expense and $0.9 million will be recorded as an increase in equity.

Backlog

The backlog of firm orders was $80.2 million at December 31, 2014, as compared to $50.5 million at December 31, 2013. The increase at the end of 2014 was primarily related to the Power Electronics Solutions and Printed Circuit Materials operating segments, which experienced an increase in backlog of $8.3 million and $18.9 million, respectively, at December 31, 2014 as compared to December 31, 2013.

2013 vs. 2012

Net Sales

Net sales in 2013 were $537.5 million, a 7.8% increase from $498.8 million of sales in 2012. The increase in net sales in 2013 was primarily related to the significantly improved performance of the Power Electronics Solutions operating segment, which experienced a 19.7% increase in net sales from $134.3 million in 2012 to $160.7 million in 2013, and the Printed Circuit Materials operating segment, which achieved a 14.2% increase in net sales from $161.9 million in 2012 to $184.9 million in 2013. These increases were partially offset by a 6.3% decline in net sales in the High Performance Foams operating segment from $179.4 million in 2012 to $168.1 million in 2013. See “Segment Sales and Operations” below for further discussion on segment performance.

Gross Margin

Gross margin increased by approximately 310 basis points from 31.8% in 2012 to 34.9% in 2013. Our 2013 results included approximately $0.9 million or 20 basis points of special charges related to relocation costs associated with the move of certain manufacturing operations from the Power Electronics Solutions manufacturing facility in Eschenbach, Germany to a lower cost facility in Hungary. The primary driver of the improvement in gross margin was the increased sales volume achieved during 2013, which contributed approximately 70 basis points to the improvement, as well as the impact from streamlining activities, which contributed an additional 20 basis point improvement to our overall results. The remaining net improvement of 240 basis points is attributable primarily to efficiencies in the production process that enabled us to absorb lower cost, incremental manufacturing capacity through our existing manufacturing base while continuing to implement improvements in supply chain, product quality and procurement.

Selling and Administrative Expenses

Selling and administrative (S&A) expenses were $106.4 million in 2013, an increase of 6.7% from $99.7 million in 2012. 2013 results included approximately $1.3 million of special charges comprised of $0.6 million in costs related to the move of certain manufacturing operations from the Power Electronic Solutions manufacturing facility in Eschenbach, Germany to a lower cost facility in Hungary and $0.7 million of other severance related charges. Our 2012 results included approximately $5.8 million of special charges comprised primarily of a $2.9 million charge taken as a result of increasing the forecast period on asbestos related liabilities from 5 to 10 years during the fourth quarter of 2012, as well as a $2.0 million charge related to the settlement of a pension obligation with the former Chief Executive Officer of the Company. Excluding these charges, selling and administrative expense increased from $93.8 million in 2012 to $105.0 million in 2013. As a percentage of sales, excluding special charges, non-GAAP selling and

administrative expenses increased from 18.8% in 2012 to 19.5% in 2013. The overall increase in expenses is due to a variety of factors, including $9.3 million of incentive and equity compensation costs, as there was no incentive compensation during 2012 due to the decline in results as compared to 2011, and $1.6 million of higher amortization expense related to Curamik intangible assets as the amortization expense is based on the expected future cash flows related to the respective assets, which results in some year to year volatility. These increases were partially offset by cost savings of approximately $5.7 million primarily related to changes in the defined benefit pension plans and the streamlining initiatives initiated in 2012 and 2013. The remaining net increase is primarily attributable to incremental expenditures in certain key strategic areas, such as sales and marketing, strategic planning, information technology and executive recruiting - expenditures all targeted at better positioning the Company for future growth.

Research and Development Expenses

Research and development (R&D) expenses were $21.6 million in 2013, an increase of 12.1% from $19.3 million in 2012. As a percentage of sales, R&D expenses were 4.0% in 2013 and 3.9% in 2012. The increase in R&D expenditures is consistent with our long term strategic plan of investing up to 6% of net sales back into R&D activities. In the past year, we have made concerted efforts to begin realigning our R&D organization to better fit the future direction of the Company, including dedicating resources to focus on current product extensions and enhancements to build our short term technology needs, as well as increasing investments directed at developing new platforms and technologies that are focused on long term growth initiatives, as evidenced by our partnership with Northeastern University in Boston, Massachusetts to create the Rogers Innovation Center on their campus.

Restructuring and Impairment Charges

Restructuring and impairment charges were $10.4 million in 2013 as compared to $14.1 million in 2012. In 2013, these charges were comprised primarily of the following: (i) $4.6 million related to the impairment charge on the investment in Solicore, Inc., (ii) $4.2 million of severance and related charges as a result of additional streamlining initiatives as well as changes to the executive management team, and (iii) a $1.5 million curtailment charge related to the freezing of the defined benefit pension plans. In 2012, these charges were comprised primarily of the following: (i) $7.1 million in severance related charges resulting from streamlining initiatives that took place throughout the year, including the early retirement program implemented in the first quarter of 2012; (ii) approximately $2.3 million related to the shut-down of the Bremen manufacturing facility in Germany and relocation of certain production to the manufacturing facility in Carol Stream, Illinois; and (iii) $3.8 million in severance related charges resulting from actions taken to move the final inspection operations of Curamik from Germany to Hungary.

Equity Income in Unconsolidated Joint Ventures

Equity income in unconsolidated joint ventures was $4.3 million in 2013, a decrease of 8.8% from $4.7 million in 2012. The decline was primarily due to the depreciation of the Japanese Yen against the U.S. dollar of approximately 22.2% year over year, as well as the generally softer demand across most of the joint venture end markets.

Other Income (Expense), Net

Other income (expense), net was expense of $1.2 million in 2013 as compared to expense of $0.2 million in 2012. Our 2013 results included approximately $0.7 million of unfavorable mark to market adjustments related to copper hedging contracts and approximately $0.3 million related to unfavorable foreign currency transaction adjustments. Our 2012 results included approximately $1.0 million of unfavorable foreign currency transaction adjustments, more than offset by a $1.7 million gain from the sale of certain assets at the Arizona and Bremen, Germany manufacturing facilities.

Realized Gain (Loss)

Realized investment gain (loss) represents the portion of the auction rate securities impairment that relates to credit losses and is required to be recorded in the consolidated statements of income (loss). There was no loss recognized in 2013 and a loss of $3.2 million recognized in 2012. The 2012 loss was a result of the liquidation of the full auction rate securities portfolio, which resulted in net cash proceeds of approximately $25.4 million.

Interest Income (Expense), Net

Interest income (expense), net was expense of $3.5 million in 2013 as compared to expense of $4.3 million in 2012. This expense relates to the interest expense on our long-term debt, as well as the interest expense on the long term obligation related to the leased Power Electronic Solutions manufacturing facility in Eschenbach, Germany. The overall decline in the expense was driven by the decline in long term debt during 2013 as we paid down the facilities by $20.5 million from $98.0 million at December 31, 2012 to $77.5 million at December 31, 2013.

Income Tax Expense (Benefit)

Our effective tax rate was 23.0% in 2013 and (205.2)% in 2012. In both 2013 and 2012, our tax rate was favorably impacted by the tax benefit associated with certain discrete rate items recorded during each year and also benefited from favorable tax rates on certain foreign business activity. In 2013, the rate was primarily impacted by the following items: (i) 5.3% benefit related to the lapse of statute in accordance with applicable accounting guidance; and (ii) 6.8% benefit related to foreign source income which is taxed at lower rates than income generated in the U.S. In 2012, the rate was primarily impacted by the following items: (i) 232.5% benefit related to the reversal of the valuation allowance on the U.S. deferred tax assets; and (ii) 16.1% benefit related to foreign source income which is taxed at lower rates than income generated in the U.S.

In 2009, we established a valuation allowance against substantially all of our U.S. deferred tax assets as we concluded that we did not have sufficient evidence to support the position that these assets would be utilized in the future. This conclusion was reached primarily due to the presence of recent cumulative losses in the U.S. and upon consideration of all other available evidence, both positive and negative, using a "more likely than not standard" in accordance with applicable accounting guidance. As of the end of the third quarter of 2012, we concluded that a valuation allowance against these assets is no longer necessary as we are no longer in, nor are we expecting to be in, a cumulative loss in the foreseeable future. Also, in appropriate circumstances we have the opportunity to undertake a tax planning strategy to ensure that our deferred tax assets do not expire unutilized. This strategy is based upon our ability to make a tax election to capitalize certain expenses that will result in generating taxable income to allow us to utilize our deferred tax assets before they expire. We would undertake such a strategy to realize these deferred tax assets prior to expiration only if we determined it was reasonable, prudent, and feasible. This, along with other positive evidence, such as our recent history of positive taxable income, led us to conclude in 2012 that it is more likely than not that we will ultimately be able to realize our deferred tax assets.

We had a $1.0 million net operating loss as of December 31, 2013 in one of our Chinese entities that will begin to expire in 2017. We believe that we will generate sufficient taxable income in China such that this carryforward should be fully realized.

Backlog

The backlog of firm orders was $50.5 million at December 31, 2013, as compared to $43.3 million at December 31, 2012. The increase at the end of 2013 was primarily related to the Power Electronics Solutions and Printed Circuit Materials operating segments, which experienced an increase in backlog of $3.6 million and $3.7 million, respectively, at December 31, 2013 as compared to December 31, 2012.

Segment Sales and Operations
Core Strategic
Printed Circuit Materials
(Dollars in millions)

	2014	2013	2012
Net sales	$240.9	$184.9	$161.9
Operating income (loss)	43.7	18.8	8.2

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

2014 vs. 2013 - Net sales in 2014 were $240.9 million, an increase of 30.2% from $184.9 million in 2013. The increase in net sales was due primarily to a 52.9% increase in orders for high frequency circuit materials to support wireless base station and antenna applications in connection with the global 4G/LTE infrastructure build-out, particularly in China. Further, demand in automotive safety radar applications for Advanced Driver Assistance Systems increased by 37.7% year over year as auto manufacturers continue to adopt this safety feature into their designs. These increases were partially offset by a 15.9% decline in net sales for certain applications in handheld devices for improved internet connectivity.

Operating income improved by 132.4% from $18.8 million in 2013 to $43.7 million in 2014. As a percentage of net sales, operating income for 2014 was 18.1%, an increase from 10.2% in 2013. 2014 operating income includes approximately $2.9 million of special charges comprised of $1.9 million from the early payment of certain long term pension obligations, $0.9 million related to acquisition costs and $0.1 million related to the impairment of the Solicore investment. Our 2013 operating income included approximately $2.8 million of special charges comprised primarily of $1.0 million in severance charges and $1.6 million allocation related to the impairment of the Solicore investment.

Excluding these charges, non-GAAP operating income increased by 115.7% from $21.6 million in 2013 to $46.6 million in 2014. As a percentage of sales, excluding the 2014 and 2013 special charges, 2014 operating income was 19.3%, a 760 basis point improvement as compared to the 11.7% achieved in 2013. This increase is due primarily to the increase in net sales as we were able to achieve this growth by utilizing our existing manufacturing capacity. Results were also favorably impacted by the continuous efforts targeted at manufacturing efficiency improvements. This increase was partially offset by $6.9 million of higher allocated selling and administrative expenses in 2014 compared to 2013. See the "Results of Operations" section above for a discussion of these costs.

2013 vs. 2012 - Net sales in 2013 were $184.9 million, an increase of 14.2% from $161.9 million in 2012. The increase in net sales was due primarily to strong demand for PCM materials in handheld devices for improved internet connectivity, which experienced a 176.9% increase in 2013 as compared to 2012, as manufacturers expanded the use of our materials in their devices in areas such as antennas. Demand in automotive radar applications for Advanced Driver Assistance Systems (ADAS) increased by 74.8% year over year as auto manufacturers continued to adopt this safety feature into their designs. We also experienced a 9.9% year over year increase in net sales for power amplifiers in the base station market driven by the continued global roll-out of 4G-LTE, particularly in China.

Operating income improved to $18.8 million in 2013 as compared to $8.2 million in 2012. Our 2013 operating income included approximately $2.8 million of special charges comprised primarily of $1.0 million in severance charges and $1.6 million allocation related to the impairment of the Solicore investment. Our 2012 operating income included approximately $2.3 million of net special charges comprised primarily of $2.9 million in severance charges incurred as part of our overall streamlining initiatives, $0.6 million in charges related to pension settlement accounting (as further described in the "Selling and Administrative Expenses" section above), $0.9 million of allocated asbestos charges (as further described in in the "Selling and Administrative Expenses" section above) and $0.5 million of other special charges; partially offset by a one-time benefit of $2.1 million related to inventory valuation adjustments and $0.5 million related to an insurance reimbursement of a previously settled product liability claim. Excluding these special charges, operating income improved from $10.4 million in 2012 to $21.6 million in 2013. As a percentage of sales, excluding special charges, 2013 operating income was 11.7%, a 520 basis point improvement as compared to the 6.5% achieved in 2012. This significant improvement was driven by the strong volume increases achieved in this operating segment, as well as the overall improvement in operating leverage driven by the streamlining initiatives that began in 2012.

High Performance Foams

(Dollars in millions)

	2014	2013	2012
Net sales	$173.7	$168.1	$179.4
Operating income (loss)	23.1	22.3	25.7

The High Performance Foams (HPF) operating segment is comprised of polyurethane and silicone foam products, which are sold into a wide variety of markets for various applications such as general industrial, portable electronics, consumer and transportation markets for gasketing, sealing, and cushioning applications.

2014 vs. 2013 - Net sales increased by 3.3% from $168.1 million in 2013 to $173.7 million in 2014. This increase in net sales was driven primarily due to higher demand in general industrial (5.5%), battery applications for hybrid electric vehicles (67.4%), consumer comfort and impact protection (13.4%), and mass transit (12.3%). High Performance Foams demand into the portable electronics (mobile internet devices and feature phones) applications was down 9.2% year over year and we expect continued challenges in this market as we move forward.

Operating income increased by 3.6% from $22.3 million in 2013 to $23.1 million in 2014. As a percentage of net sales, operating income for both 2014 and 2013 was 13.3%. Our 2014 operating income includes approximately $2.0 million of special charges comprised of $1.3 million for the early payment of certain long term pension obligations and $0.6 million of acquisition costs. Our 2013 results included approximately $3.3 million of special charges comprised primarily of $1.5 million in severance charges and a $1.6 million allocation related to the impairment of the Solicore investment. Excluding these items, non-GAAP operating income declined by 2.3% from $25.7 million in 2013 to $25.1 million in 2014. As a percentage of net sales, excluding the 2014 and 2013 special charges, 2014 operating income was 14.4%, a 80 basis point decline as compared to the 15.2% achieved in 2013. This decline is primarily attributable to the increase of $4.7 million in allocated selling and administrative expenses incurred during 2014 and was partially offset by increased operating profit due to increased net sales. See the "Results of Operations" section above for a discussion of these costs.

2013 vs. 2012 - Net sales decreased by 6.3% from $179.4 million in 2012 to $168.1 million in 2013. This decline in net sales was driven primarily by a 12.7% decline in net sales into the mobile internet device market, as market dynamics negatively impacted volumes. Specifically, the introduction of smaller tablet devices, material utilization improvements by our customers, a shift in market share within our customer base, and the adoption of new

technologies allowing thinner form factors all contributed to the declines in this rapidly changing market. The decrease was partially offset by a 1.4% increase into the consumer and general industrial markets, where demand remained strong for our foam products.

Operating income declined by 13.2% from $25.7 million in 2012 to $22.3 million in 2013. Our 2013 results included approximately $3.3 million of special charges comprised primarily of $1.5 million in severance charges and a $1.6 million allocation related to the impairment of the Solicore investment. Our 2012 results included approximately $7.8 million of special charges, including $3.2 million related to the shutdown of the silicone foams manufacturing facility in Bremen, Germany, $2.2 million of net severance related charges as a result of our streamlining initiatives, $0.7 million in allocated pension settlement charges (as further described in the "Selling and Administrative Expenses" section above) and $1.0 million of allocated asbestos charges (as further described

in the "Selling and Administrative Expenses" section above). Excluding these special charges, operating income decreased by approximately 23.4% from $33.5 million in 2012 to $25.7 million in 2013. As a percentage of sales, excluding special charges, 2013 operating income was 15.2%, a 350 basis point decline as compared to the 18.7% achieved in 2012. This decline was primarily attributable to the lower sales volumes in the mobile internet device market, partially offset by improved operating leverage as a result of the streamlining initiatives that began in 2012.

Power Electronics Solutions

(Dollars in millions)

	2014	2013	2012
Net sales	$171.8	$160.7	$134.3
Operating income (loss)	5.4	1.1	(12.1)

The Power Electronics Solutions (PES) operating segment is comprised of two product lines - curamik® direct-bonded copper (DBC) substrates that are used primarily in the design of intelligent power management devices, such as IGBT (insulated gate bipolar transistor) modules that enable a wide range of products including highly efficient industrial motor drives, wind and solar energy converters and electrical systems in automobiles, and RO-LINX® busbars that are used primarily in power distribution systems products in mass transit and clean technology applications.

2014 vs. 2013 - Net sales increased by 6.9% from $160.7 million in 2013 to $171.8 million in 2014. This increase in net sales was led by an increase in demand in mass transit (14.9%), energy efficient motor control applications (16.2%) and vehicle electrification (x-by-wire) applications (26.8%). These increases more than offset weaker demand in laser diode (15.1%) and certain renewable energy applications (8.2%).

Operating income increased by 390.9% from $1.1 million in 2013 to $5.4 million in 2014. As a percentage of net sales, operating income in 2014 was 3.1%, an increase from 0.7% in 2013. Our 2014 operating income includes approximately $2.8 million of special charges comprised of $1.9 million of the early payment of certain long term pension obligations and $0.9 million of acquisition costs. Our 2013 results included approximately $6.1 million of special charges comprised primarily of $3.8 million of severance related charges, a $1.2 million allocation related to the impairment of the Solicore investment, and $1.1 million related to the start-up of inspecting operations in Hungary. Excluding these items, non-GAAP operating income improved by 13.9% from $7.2 million in 2013 to $8.2 million in 2014. This improvement was the result of sales volume increases achieved in this operating segment and manufacturing efficiency improvements, partially offset by an increase of $7.6 million of higher allocated selling and administrative expenses incurred in 2014. See the "Results of Operations" section above for a discussion of these costs.

2013 vs. 2012 - Net sales increased by 19.7% from $134.3 million in 2012 to $160.7 million in 2013. This significant recovery in net sales was driven primarily by a 28.4% increase in net sales into clean technology applications with strength across a number of markets, including hybrid and electric vehicles (89.9% increase), solar and wind applications (38.9% increase), and industrial motor drives (9.6% increase). Our 2013 results highlighted the recovery we had been anticipating in this operating segment since the significant downturns experienced in 2012.

Operating results improved from an operating loss of $12.1 million in 2012 to operating income of $1.1 million in 2013. Our 2013 results included approximately $6.1 million of special charges comprised primarily of $3.8 million of severance related charges, a $1.2 million allocation related to the impairment of the Solicore investment, and $1.1 million related to the start-up of inspecting operations in Hungary. Our 2012 results included approximately $9.2 million of special charges consisting primarily of $6.0 million of severance and related compensation charges, $0.8 million of allocated asbestos costs, and $0.7 million of charges related to the shutdown of manufacturing operations in North America. Excluding these charges, PES operating results improved from a loss of $2.8 million in 2012 to income of $7.2 million in 2013. As a percentage of sales, excluding special charges, 2013 operating income was 4.4%, a 650 basis point improvement as compared to the (2.1)% operating loss in 2012. These improvements were driven by the significant volume increases achieved in this operating segment, as well as the overall improvement in operating leverage driven by the streamlining initiatives that began in 2012.

Other

(Dollars in millions)

	2014	2013	2012
Net sales	$24.5	$23.7	$23.2
Operating income (loss)	8.2	7.1	3.8

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

2014 vs 2013 - Net sales increased by 3.5% from $23.7 million in 2013 to $24.5 million in 2014. The increase in net sales was due primarily to stronger demand for elastomer rollers and floats products, which increased 3.5% year over year. There was also stronger demand for inverters, which increased 3.0% year over year.

Operating results improved by 15.5% from $7.1 million in operating profit in 2013 to $8.2 million in operating profit in 2014. Our 2013 results included approximately $0.4 million of special charges related primarily to this segment's allocated portion of the Solicore impairment charge and severance charges. The overall improvement in operating results in this segment was attributable primarily to the increase in volume and improved operational efficiencies.

2013 vs 2012 - Net sales increased by 2.4% from $23.2 million in 2012 to $23.7 million in 2013. The increase in net sales was due primarily to a 6.7% increase in net sales of elastomer component and float products, partially offset by a 25.7% decline in net sales of inverter products from our legacy Durel business.

Operating results improved by 86.6% from $3.8 million in operating profit in 2012 to $7.1 million in operating profit in 2013. Our 2013 results included approximately $0.4 million of special charges related primarily to this segment's allocated portion of the Solicore impairment charge and severance charges. 2012 results included approximately $0.5 million of special charges related primarily to allocated severance and pension settlement related costs. Excluding these special charges, operating income improved from $4.3 million in 2012 to $7.4 million in 2013. As a percentage of sales, excluding special charges, 2013 operating income was 31.4%, a 1,300 basis point improvement as compared to the 18.4% achieved in 2012. This significant improvement was driven by the overall improvement in operating leverage driven by the streamlining initiatives that began in 2012.

Joint Ventures

Rogers INOAC Corporation (RIC)

RIC, our joint venture with Japan-based INOAC Corporation, was established over 29 years ago and manufactures high performance PORON urethane foam materials in Japan. RIC's 2014 net sales declined by approximately 17.7% as compared to 2013. Approximately 8.6 percentage points of this decline relates to the depreciation of the Japanese Yen against the U.S. dollar as the currency value significantly changed during the period. Excluding the impact of the currency change, net sales declined by approximately 1.8% year over year primarily due to the continued weakness in the Japanese domestic and export markets, particularly LCD TV's, domestic mobile phones and general industrial applications. Sales decreased by 21.5% from 2012 to 2013. Approximately 17.2 percentage points of this decline relates to the depreciation of the Japanese Yen against the U.S. dollar as the currency value significantly changed during the period. Excluding the impact of the currency change, net sales declined by approximately 4.4% year over year primarily due to the continued weakness in the Japanese domestic and export markets, particularly LCD TV's, domestic mobile phones and general industrial applications.

Rogers INOAC Suzhou Corporation (RIS)

RIS, our joint venture agreement with INOAC Corporation for the purpose of manufacturing PORON urethane foam materials in China, began operations in 2004. Net sales increased by approximately 2.3% from 2013 to 2014 and decreased approximately 10.4% from 2012 to 2013. The increase from 2013 to 2014 was primarily related small market gains in mobile internet devices. The decline from 2012 to 2013 was primarily related to design changes in the mobile internet device market that negatively impacted volumes.

Discontinued Operations

In the fourth quarter of 2011, we made the strategic decision to end the operations of our Thermal Management Solutions operating segment. We had invested in its operations for the previous few years, but had difficulty gaining traction in the market and working through issues in the manufacturing process. Therefore, we determined that we would not achieve future success in this operation and chose to shut down operations rather than invest further. There was no activity for this segment in 2014 or 2013. In 2012 operating income of $0.1 million was reflected as discontinued operations in the accompanying consolidated statements of income (loss). Net sales associated with the discontinued operations for 2012 were $0.1 million. The tax related to the discontinued operations was de minimis for 2013 and 2012.

In the second quarter of 2012, we decided to cease production of our non-woven composite materials operating segment located in Rogers, Connecticut. Sales of non-woven products had been steadily declining for several years and totaled approximately $5.3 million in 2012. Manufacturing operations ceased by the end of 2012 and last sales out of inventory occurred in the first quarter of 2013. In 2013, operating income of $0.1 million, net of tax, was reflected as discontinued operations in the accompanying consolidated statements of income (loss), net sales were $0.2 million, and tax related to the discontinued operation was $0.1 million. In 2012 an operating loss of $0.3 million, net of tax, was reflected as discontinued operations in the accompanying consolidated statements of income (loss). The tax related to the discontinued operations was $0.1 million in 2012.

Product and Market Development

Our research and development team is dedicated to growing our business by developing cost effective solutions that improve the performance of customers' products and by identifying business and technology acquisition opportunities to expand our market presence. Currently, R&D spend is approximately 4% of net sales, however, our long term strategic plan is to invest up to 6% in R&D activities as we work to grow the Company both organically and through external investments.

Liquidity, Capital Resources and Financial Position

We believe our ability to generate cash from operations to reinvest in our business is one of our fundamental strengths. We believe our existing sources of liquidity and cash flows expected to be generated from operations, together with available credit facilities, will be sufficient to fund our operations, capital expenditures, research and development efforts, and debt service commitments, as well as our other operating and investing needs, for at least the next twelve months and, we believe, well into the foreseeable future. We continue to have access to the remaining portion of the line of credit available under the Amended Credit Agreement (as defined in the Credit Facilities section which follows), as evidenced by our purchase of Arlon, LLC in the first quarter of 2015, for which we drew down our line of credit for approximately $125.0 million. We continually review and evaluate the adequacy of our cash flows, borrowing facilities and banking relationships to ensure that we have the appropriate access to cash to fund both near-term operating needs and long-term strategic initiatives.

(Dollars in thousands)

Key Balance Sheet Accounts:	December 31, 2014	December 31, 2013
Cash and cash equivalents	$237,375	$191,884
Accounts receivable, net	94,876	85,126
Inventories	68,628	66,889
Outstanding borrowings on credit facilities (short term and long term)	60,000	77,500

(Dollars in thousands)

Key Cash Flow Measures:	December 31, 2014	December 31, 2013
Cash provided by (used in) operating activities of continuing operations	$85,207	$77,167
Cash provided by (used in) investing activities of continuing operations	(28,520)	(16,979)
Cash provided by (used in) financing activities of continuing operations	1,867	10,657

At December 31, 2014, cash and cash equivalents were $237.4 million as compared to $191.9 million at the end of 2013, an increase of $45.5 million, or approximately 23.7%. This increase was due primarily to strong cash generated from operations, in addition to $20.5 million received from stock option exercises and $3.8 million received in dividends from our unconsolidated joint ventures. These increases in cash were partially offset by cash outlays of $13.0 million in contributions to our defined benefit pension plan, $17.5 million of payments on our debt facility, and $28.8 million in capital expenditures.

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

(Dollars in thousands)	December 31, 2014	December 31, 2013	December 31, 2012
U.S.	$96,721	$40,058	$26,813
Europe	71,802	93,764	47,918
Asia	68,852	58,062	40,132
Total cash and cash equivalents	$237,375	$191,884	$114,863

Cash held in certain foreign locations could be subject to additional taxes if we were to repatriate such amounts back to the U.S. Our current policy is that the historical earnings and cash in these locations will be permanently reinvested in those foreign locations.

Net working capital was $311.6 million, $287.7 million and $221.7 million in 2014, 2013 and 2012, respectively.

Significant changes in our balance sheet accounts from December 31, 2013 to December 31, 2014 were as follows:
Goodwill decreased $10.5 million or 9.7% from $108.7 million at December 31, 2013 to $98.2 million at December 31, 2014. This decrease is primarily due to the decline in the value of the Euro currency against the United States dollar in the year 2014. There have been no impairments of goodwill during the year ended December 31, 2014.
Other intangible assets decreased $10.9 million or 22.2% from $49.2 million at December 31, 2013 to $38.3 million at December 31, 2014. This decrease is primarily due to the decline in the value of the Euro currency against the United States dollar in the year 2014, coupled with the amortization of intangible assets. There have been no impairments of Other intangible assets during the year ended December 31, 2014.
Overall, our debt position declined by $17.5 million from $77.5 million at December 31, 2013 to $60.0 million at December 31, 2014 due to payments made on the facilities during 2014.

During 2014, $28.5 million of net cash was used for investing activities as compared to $17.0 million of net cash provided by investing activities in 2013 and $1.4 million of net cash used in investing activities in 2012. The investing activities in 2012 included liquidating our auction rate security portfolio which resulted in net proceeds of approximately $25.4 million. Capital expenditures were $28.8 million, $16.9 million and $23.8 million in 2014, 2013 and 2012, respectively.
Net cash provided by financing activities was $1.9 million in 2014, $10.7 million provided by financing activities in 2013 and net cash used in financing activities was $8.5 million in 2012.
Credit Facilities
On July 13, 2011, we entered into an amended and restated $265.0 million secured five year credit agreement, which we amended in March 2012. 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 provides for the extension of credit in the form of a $100.0 million term loan (which refinances 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; or adjusted London Interbank Offered Rate (“LIBOR”) plus 100 basis points. Euro-currency loans bear interest based on the adjusted LIBOR plus a spread of 175 - 250 basis points, depending on our leverage ratio. Our current borrowings are Euro-currency based.

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) on the unused amount of the lenders' commitments under the Amended Credit Agreement.

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

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 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).

The FCCR requirements are detailed in the table below:

Period	Ratio
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. Several factors in the first quarter of 2012, including the status of the global economy and the fact that there were no mandatory term loan payments when the original ratio was established, led to an amendment to the covenant which temporarily reduced the FCCR.

Fixed Charge metrics are detailed in the table below:

Periods	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Covenant Limit (minimum)	1.50	1.75	1.75	1.75	1.75
Actual FCCR	2.39	2.69	2.65	2.70	2.58

As of December 31, 2014, we were in compliance with all of our covenants, as we achieved actual ratios of approximately 0.55 on the leverage ratio and 2.58 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. Also, in connection with the Amended Credit Agreement, we capitalized an additional $0.1 million of debt issuance costs in 2012. These costs are being amortized over the life of the Amended Credit Agreement, which will terminate in June 2016.

We incurred amortization expense of $0.5 million for each of the years ended December 31, 2014, 2013 and 2012. At December 31, 2014, we have approximately $0.8 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 2014 and 2013, we made principal payments of $17.5 million and $20.5 million, respectively, on the outstanding debt. The 2013 payments included an $8.0 million payment on the revolving credit line, which paid the remaining balance of the revolving credit line.

We are obligated to repay $35.0 million on the term loan obligation in 2015. As of December 31, 2014, the outstanding debt related to the Amended Credit Agreement consisted of $60.0 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, with any balance due and payable at the agreement's expiration.

In addition, as of December 31, 2014, we had a $1.4 million standby letter of credit (LOC) that was backed by the Amended Credit Agreement. No amounts were owed on the standby LOC as of December 31, 2014 or December 31, 2013.

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 buy out the lease at June 30, 2013 as specified within the lease agreement. We did not exercise our option to buy out the lease at June 30, 2013. The swap is in a liability position with the bank at December 31, 2014, and has a fair value of $0.4 million. We have concluded that default by the lessor is not probable during the term of the swap; therefore, we believe 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. Under the terms of the leasing agreement, 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 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 December 31, 2014 and 2013 was $6.8 million and $8.0 million, respectively. Depreciation expense related to the capital lease was $0.4 million, $0.4 million and $0.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. Accumulated depreciation as of December 31, 2014 and 2013 was $1.6 million and $1.2 million, respectively.

These expenses were included as depreciation expense within Cost of Sales on our consolidated statements of income (loss). Interest expense related to the debt recorded on the capital lease was included in interest expense on the consolidated statements of income (loss). See “Interest” section below for further discussion.

Interest

We incurred interest expense on our outstanding debt of $1.8 million, $2.2 million and $2.9 million for each of the years ended December 31, 2014, 2013 and 2012, respectively. We incurred an unused commitment fee of approximately $0.4 million, for the years ended December 31, 2014, 2013 and 2012. In July 2012, we entered into an interest rate swap to hedge the variable interest rate on 65% of the term loan debt, then outstanding, effective July 2013. At December 31, 2014, our outstanding debt balance is only made up of the term loan debt which is $60.0 million. At December 31, 2014, the rate charged on this debt is the one month LIBOR of 0.1875% plus a spread of 1.75%.

We also incurred interest expense on the capital lease of $0.5 million, $0.5 million and $0.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. Cash paid for interest was $2.5 million, $3.1 million and $4.0 million for 2014, 2013 and 2012, respectively.

Auction Rate Securities

During the first quarter of 2012, we liquidated our auction rate securities 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 proceeds and par value of $0.9 million had previously been recognized as an impairment loss).

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2014:

(Dollars in thousands)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating leases	$6,080	$2,329	$2,743	$935	$73
Capital lease	4,827	743	1,485	1,485	1,114
Interest payments on capital lease	2,529	451	839	747	492
Inventory purchase obligation	1,478	1,478	—	—	—
Capital commitments	9,106	9,106	—	—	—