ROGERS CORP
Form 10-K
February 26, 2009

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

Commission file number 1-4347

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

Massachusetts	06-0513860
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

P.O. Box 188, One Technology Drive, Rogers, Connecticut 06263-0188
(860) 774-9605
(Address and telephone number of principal executive offices)

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

Title of 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 __ No X

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 X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. Yes __ No _X _

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 "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer _X_ Accelerated Filer __ Non-accelerated Filer __ (Do not check if a smaller reporting company) Smaller reporting company ____

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

The aggregate market value of the voting common equity held by non-affiliates as of June 29, 2008, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $587,613,836. Rogers has no non-voting common equity.

The number of shares outstanding of capital stock as of February 13, 2009 was 15,632,700.

Documents Incorporated by Reference:

Portions of Rogers' definitive proxy statement for its Annual Meeting of Shareholders, currently scheduled for May 7, 2009, are incorporated by reference into Part III of this Report.

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List of Exhibits Filed Herewith:

Exhibit 10aaa-3	Amendment No. 3 to Multicurrency Revolving Credit Agreement
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Exhibit 10aae-1	Amended and Restated Securities Pledge Agreement

Exhibit 21	Subsidiaries of Rogers Corporation
Exhibit 23.1	Consent of Independent Registered Public Accounting Firm
Exhibit 23.2	Consent of National Economic Research Associates, Inc.
Exhibit 23.3	Consent of Marsh USA, Inc.
Exhibit 31(a)	Certification of President and CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31(b)	Certification of Vice President, Finance and CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32(a)	Certification of President and CEO and Vice President, Finance and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

PART I

Item 1. Business

Industry

Rogers Corporation, founded in 1832, is one of the oldest publicly traded U.S. companies in continuous operation. We have adapted our products over the 176 years of our history to meet changing market needs, initially manufacturing specialty paperboard for use in early electrical applications, to today predominantly supplying a range of specialty materials and components for the portable communications, communications infrastructure, consumer electronics, mass transit, automotive, aerospace and defense, and alternative energy markets.

Our current focus is on worldwide markets that have an increasing percentage of materials being used to support growing high technology applications, such as cellular base stations and antennas, handheld wireless devices, satellite television receivers and automotive electronics. We continue to focus on business opportunities around the globe and particularly in the Asian marketplace, as evidenced by the continued investment in and expansion of our manufacturing facilities in Suzhou, China, which function as the manufacturing base to serve our customers in Asia.

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

Business Segments & Products

We operate in four reportable segments: Printed Circuit Materials, High Performance Foams, Custom Electrical Components and Other Polymer Products. Financial information by business segment and geographic area appears in Note 13 of the Consolidated Financial Statements on pages 73 through 74 of this Form 10-K. Our products are based on our core technologies in polymers, fillers, and adhesion. Most products are proprietary, or incorporate proprietary technology in their development and processing, and are sold under our valuable brand names.

Printed Circuit Materials

Our Printed Circuit Materials reportable segment includes printed circuit board laminates for high frequency, high performance applications. Our Printed Circuit Materials have characteristics that offer performance and other functional advantages in many market applications, and serve to differentiate our products from other commonly available materials.

Printed Circuit Materials are sold principally to independent and captive printed circuit board manufacturers who convert our laminates to custom printed circuits.

The polymer-based dielectric layers of our rigid circuit board laminates are proprietary materials that provide highly specialized electrical and mechanical properties. Trade names for our rigid printed circuit board materials include RO3000®, RO4000®, DUROID®, RT/duroid®, ULTRALAM®, RO2800® 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.

The flexible circuit materials that we manufacture are called R/flex® materials. They are mainly used to make interconnections for portable electronic devices, especially in cell phones, handheld and laptop computers, and hard disk drives.

Two of our joint ventures extend and complement our worldwide Printed Circuit Materials business. Polyimide Laminate Systems, LLC (PLS), our joint venture with Mitsui Chemicals, Inc. of Japan, was established in early 2000 to sell adhesiveless flexible circuit materials to Hutchinson Technology Incorporated (HTI). HTI uses these materials to make trace suspension assemblies in magneto resistive hard disk drives.

Rogers Chang Chun Technology, Co., Ltd. (RCCT), our joint venture with Chang Chun Plastics, Co., Ltd., was established in late 2001 to manufacture flexible circuit material for customers in Taiwan.

High Performance Foams

Our High Performance Foams reportable segment includes urethane and silicone foams. These foams have characteristics that offer functional advantages in many market applications, and serve to differentiate our products from other commonly available materials.

High Performance Foams are sold to fabricators, distributors and original equipment manufacturers for applications in consumer electronics, mass transit, aerospace and defense and other markets. Trade names for our High Performance Foams include: PORON® urethane foams 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; and R/bak® compressible printing plate backing and mounting products for cushioning flexographic plates for printing on packaging materials; BISCO® silicone foams used for making flame retardant gaskets and seals in communications infrastructure equipment, aircraft, trains, cars and trucks, and for shielding extreme temperature or flame.

Two of our joint ventures 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 PORON® urethane foam materials in Mie and Nagoya, Japan to predominantly service the Japanese market. In 2004, we further extended our relationship with INOAC Corporation with the formation of another joint venture in Suzhou, China, Rogers INOAC Suzhou Corporation (RIS), which also manufactures PORON® urethane foam materials primarily for RIC and our wholly-owned PORON® urethane foam materials business.

Custom Electrical Components

Our Custom Electrical Components reportable segment includes power distribution components and electroluminescent lamps and inverters. We manufacture power distribution components in Ghent, Belgium and Suzhou, China, under the RO-LINX® trade name, which we sell to manufacturers of high power/high voltage electrical inverter systems for use in mass transit, renewable energy generation, industrial applications, and to manufacturers of communication equipment. We manufacture DUREL® electroluminescent lamps (EL lamps) in Chandler, Arizona and Suzhou, China. We also design and sell inverters that drive EL lamps. These EL lamps and inverters are sold primarily to manufacturers of portable communications equipment and automobiles throughout the world. During 2006 and 2005, production capacity was added in China for both EL lamps and power distribution components, as we continue to work to bring manufacturing operations closer to our customers.

Other Polymer Products

Our Other Polymer Products reportable segment includes elastomer components, nonwoven composite materials, thermal management products, and resale activity related to flexible circuit material products. These products have characteristics that offer functional advantages in many market applications that serve to differentiate our products from those of our competitors and from other commonly available products.

Elastomer components are sold to original equipment manufacturers for applications in ground transportation, office equipment, consumer and other markets. Trade names for the 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. In 2004, we moved production of our elastomer components products from Windham, Connecticut to our facility in Suzhou, China in an effort to be closer to our customers in the Asian marketplace and to improve production cost efficiencies. In 2006, to further improve production leverage, we moved our Korean float manufacturing operations, which we acquired in 2004, to our facilities in Suzhou, China.

Our nonwoven composite materials are manufactured for medical padding, industrial pre-filtration applications, and as consumable supplies in the lithographic printing industry.

Thermal management products had its first sales in 2008 in the semi-conductor packaging market.

In 2007, we restructured our flexible circuit materials business and outsourced the majority of the manufacturing activities related to this business to our Taiwanese joint venture, RCCT. As part of this restructuring, we agreed to act as a distributor for the products now manufactured at RCCT, the sales for which are reported in this segment.

This segment no longer includes our polyolefin foams operating segment, which was divested in the third quarter of 2007, and our Induflex operating segment, which was divested in the fourth quarter of 2008.

Sales and Marketing

Most of our products are sold through direct sales channels positioned near major concentrations of our customers throughout the Americas, Europe and Asia. Our products were sold to over 2,600 customers worldwide in 2008. Although the loss of all the sales made to any one of our larger customers would require a period of adjustment during which the business of a segment would be adversely affected, we believe that such adjustment could be made over a period of time due to the diversity of our customer base. We also believe that our business relationships with the major customers within all of our key markets are generally 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 United States and in most foreign markets. Almost all of our sales are facilitated through our own worldwide sales force, with a small percentage facilitated through independent agents and distributors.

Competition

There are no companies that compete with us across our full range of product lines. However, each of our products faces competition in each business segment in domestic and foreign markets. Competition comes from companies of all sizes and types, including those with substantially more resources than us. Our strategy is to offer technologically advanced products that are price competitive in our markets, and to link the product offerings with market knowledge and customer service. We believe this serves to differentiate our products in many markets.

Research and Development

We have many domestic and foreign patents and licenses and have additional patent applications on file related to all business segments. In some cases, the patents result in license royalties. The patents are of varying duration and provide some protection from competition. Although we vigorously defend our patents, we believe that our patents are most valuable when combined with our equipment, technology, skills and market position. We also own a number of registered and unregistered trademarks and have acquired certain technology that we believe to be of importance to our business.

Environment

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 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. 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 Footnote 12 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 us.

Raw Materials

The manufacture of our various products and materials requires a wide variety of purchased raw materials. Some of these raw materials are available only from limited sources of supply that, if discontinued, could interrupt production. When this has occurred in the past, we have typically purchased sufficient quantities of the particular raw material to sustain production until alternative materials and production processes could be qualified with customers. We believe that similar responses would mitigate any raw material availability issues in the future.

Seasonality

In our opinion, there is generally 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, 2008, we employed approximately 1,960 employees. On January 30, 2009, however, we announced a cost reduction initiative that includes a workforce reduction that combines both voluntary and involuntary terminations and will affect about 10% of our salaried staffing worldwide.

Backlog

Our backlog of firm orders was $24.8 million at December 31, 2008, as compared to $44.7 million at December 30, 2007. The decrease at the end of 2008 was primarily related to the decrease in sales in the Custom Electrical Components reportable segment, as backlog for electroluminescent lamps and inverters, primarily sold to manufacturers of portable communications equipment and automobiles, decreased by approximately $12.5 million at year-end 2008 as compared to year-end 2007.

Executive Officers

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2004-2008
Robert D. Wachob	61	President and Chief Executive Officer	2004	President and Chief Operating Officer of the Company from April 2002 to April 2004
Michael D. Bessette	55	Vice President, Advanced Circuit Materials	2008	Vice President, Durel Division from January 2004 to July 2008
Michael L. Cooper	56	Vice President, Rogers Asia	2004	Vice President and Chief Information Officer of the Company from October 2001 to May 2004
Robert C. Daigle	45	Vice President, Research and Development and Chief Technology Officer	2003	
Frank J. Gillern	60	Vice President, Corporate Manufacturing	2008	Vice President, Advanced Circuit Materials Division from October 2003 to July 2008
Debra J. Granger	49	Vice President, Corporate Compliance and Controls	2007	Director, Corporate Compliance and Controls of the Company from March 2003 to February 2007
Jeffrey M. Grudzien	46	Vice President, Sales and Marketing	2007	Director of Asia Sales from January 2007 to September 2007; Director of Marketing from January 2005 to January 2007; Marketing Manager, High Performance Foams Division from February 2001 to December 2004
Peter G. Kaczmarek	50	Vice President, High Performance Foams and Information Technology	2007	Vice President, High Performance Foams Division from August 2001 to February 2007
Dennis M. Loughran	51	Vice President, Finance and Chief	2006	Vice President, Finance and Supply Chain, Alcoa Consumer Products from June 2000 to January 2006

		Financial Officer		
Paul B. Middleton	41	Treasurer and Principal Accounting Officer	2007	Corporate Controller of the Company from February 2006 to August 2007; Acting Chief Financial Officer and Corporate Controller of the Company from March 2005 to February 2006; Corporate Controller of the Company from December 2001 to March 2005

Name	Age	Present Position	Year Elected to Present Position	Other Positions Held During 2004-2008
John A. Richie	61	Vice President, Human Resources	1994	
Robert M. Soffer	61	Vice President and Secretary	2007	Vice President, Secretary and Treasurer from March 2005 to August 2007; Vice President and Secretary of the Company from December 2002 to March 2005
Luc Van Eenaeme	50	Vice President, Rogers Europe	2004	

Available Information

We make available, free of charge on our website (http://www.rogerscorp.com), 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 (Exchange Act) 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 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 a number of our various Board of Director 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 and Related Party Transactions Policy. This information is available in print without charge, to any shareholder who requests it, by sending a request to Rogers Corporation, One Technology Drive, P.O. Box 188, Rogers, CT 06263-0188, Attn: Vice President and Secretary. 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 securities. 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.

Status of the Global Economy

As widely reported, the global economy has been experiencing extreme disruptions during 2008, particularly in the last quarter, and to date in 2009. These disruptions have included severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. There can be no assurance that there will not be further deterioration in credit and financial markets and in confidence in 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. Continuing adverse global economic conditions in our markets would likely negatively impact our business, which could result in:

• 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 collectibility 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.

Financial and Credit Market Volatility

Continued volatility in the financial markets could have a significant effect on our business as it could impact the returns generated on our investment portfolio, our ability to further diversify our business through strategic acquisitions or other alliances, and our ability to obtain and hold insurance, among other things. As our investments are impacted by market conditions, such as factors that affect interest rates and the underlying liquidity of the related investment bank through which we hold investments, any volatility in our or their ability to liquidate our investments could negatively effect our financial position. Undertaking acquisitions and divestitures is an important component of our long-term growth strategy. The volatility of the credit markets can significantly affect us from an acquisition stand-point, through access to our line of credit and other forms of financing, and from a divestiture stand-point, through the availability of funds to the potential acquiring party.

Technology and Product Development

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

In particular, the communications market is characterized by frequent new product introductions, evolving industry standards, rapid changes in product and process technologies, price competition and many new potential applications. The products that we manufacture and sell to the communications market are relatively new. To continue to be successful in this area, we must be able to consistently manufacture and supply materials that meet the demanding expectations of customers for quality, performance and reliability at competitive prices. Our timely introduction of such new products 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 markets for computers and related equipment, such as printers and electronic portable hand-held devices. Because we manufacture and sell our own materials to meet the needs of these markets, our results may be negatively affected by these factors.

Volatility of Demand

The consumer electronics industry and the communications industry have historically 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 and declines in general economic conditions, as we are currently experiencing. These downturns have been characterized by diminished product demand, production over-capacity and accelerated price erosion. Our business may in the future be materially and adversely affected by such downturns.

Raw Materials

We from time to time must procure certain raw materials from single or limited sources that expose us to price increases and inconsistent material quality. In addition, our inability to obtain these materials in required quantities could result in significant delays or reductions in our own product shipments. In the past, we have been able to purchase sufficient quantities of raw materials to sustain production until alternative materials and production processes could be qualified with customers. However, 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 affect on our operating results.

Foreign Manufacturing and Sales

Our international manufacturing and sales involve risks, including imposition of governmental controls, currency exchange fluctuation, potential insolvency of international customers, reduced protection for intellectual property rights, the impact of recessions in foreign countries (as is currently being experienced), political instability, employee selection and retention, and generally longer receivable collection periods, as well as tariffs and other trade barriers. There can be no assurance that these factors will not have an adverse effect on our future international manufacturing and sales, and consequently, on our business, operating results and financial condition.

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 and cause delayed deliveries, cancelled orders and possibly loss of market share. In addition, 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.

Key Personnel

Our success depends to a significant extent upon the continued service of our executive officers and key management and technical personnel, particularly our experienced engineers, and on our ability to continue to attract and retain qualified personnel. The loss of services of one or more of our 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.

Acquisitions and Divestitures

Acquisitions and investments in technologies are an important component of our growth strategy. Accordingly, our future performance will be impacted by our ability to identify appropriate businesses to acquire, negotiate favorable terms for such acquisitions and then effectively and efficiently integrate such acquisitions into Rogers. There is no certainty that we will succeed in such endeavors.

Environmental and Other Litigation

We are subject to a variety of claims and lawsuits arising out of the conduct of our business. We are currently engaged in proceedings involving three waste disposal sites, as a participant in a group of potentially responsible parties (PRP's). Our estimation of environmental liabilities is based on an evaluation of currently available information with respect to each individual situation, including existing technology, presently enacted laws and regulations, and our past experience in addressing environmental matters. 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 PRP's, and our share of the contributions of alleged waste to the sites, which we believe is de-minimis. In addition, we believe we have sufficient insurance to cover all material costs of these claims. However, there can be no assurances that our estimates will not be disputed or that any ultimate liability concerning these sites will not have a material adverse effect on us.

We are also involved in certain asbestos-related product liability litigation. The level of such litigation has escalated in certain U.S. states in the recent years and involves hundreds of companies that have been named as defendants. At December 31, 2008, there were approximately 163 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 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 changes in the litigation environment of Federal and state law governing the compensation of asbestos claimants.

We believe we have sufficient insurance to cover all material costs of these claims and that we have valid defenses to 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.

Adequacy of Reserve Levels

We establish reserves to cover uncollectible accounts receivable, excess or obsolete inventory, fair market value write-downs of certain assets, and various liabilities, which may not be adequate to cover future write-downs or losses. These reserves are subject to adjustment from time to time depending on actual experience and are subject to many uncertainties, including bankruptcy or other financial problems at key customers. In the case of litigation matters for which reserves have not been established because the loss is not deemed probable, it is reasonably possible such matters could be decided against us and require the payment of damages or other expenditures in amounts that are not presently estimable.

The effects on our financial results of many of these factors depend in some cases on our ability to obtain insurance covering potential losses at reasonable rates.

Changes in Tax Rates and Exposure to Additional Income Tax Liabilities

We are subject to income taxes in both the United States 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, changes in the valuation of deferred tax assets and liabilities, or in tax laws, which could 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 affect profitability.

Expense Reduction and Cost Containment Goals

Over the past few years, we have implemented certain restructuring plans in order to better align our cost structure with our anticipated revenue stream, while improving our results of operations and cash flows, including those related to our Durel and Flexible Circuit Material operating segments. However, we may not realize the anticipated benefits of these restructuring plans and to the extent that we do not reach our objectives, we may be required to implement further restructuring plans, which may lead us to incur material future charges. Further, our restructuring plans could result in a potential adverse effect on employee capabilities that could harm our efficiency and our ability to act quickly and effectively in the rapidly changing technology markets in which we sell our products.

Ability to access capital markets

In recent months, the volatility and disruption in the capital and credit markets have reached unprecedented levels. If these conditions continue or worsen, there can be no assurance that we will not experience a material adverse effect on our ability to borrow money, including under our existing credit facilities, or have access to capital, if needed. Although our lender has made commitments to make funds available to us in a timely fashion, our lender may be unable or unwilling to lend money. In addition, if we determine that it is appropriate or necessary to raise capital in the future, the future cost of raising funds through the debt or equity markets may be more expensive or those markets may be unavailable. If we were unable to raise funds through debt or equity markets, it could materially and adversely affect our business, financial condition and results of operations.

International nature of our business

Due to the international nature of our business, political or economic changes could harm our future sales, expenses and financial condition. Our future sales, costs and expenses could be adversely affected by a variety of international factors, including:

- changes in a country’s or region’s political or economic conditions;
- longer accounts receivable cycles;
- trade protection measures;
- unexpected changes in regulatory requirements;
- differing technology standards and/or customer requirements; and
- import or export licensing requirements, which could affect our ability to obtain favorable terms for components or lead to penalties or restrictions.

For fiscal 2008, sales of our products to foreign customers accounted for approximately 72% of our net sales. As of December 31, 2008, we employed approximately 1,100 employees overseas. In addition, a portion of our product and component manufacturing, along with key suppliers, is located outside of the United States, and also could be disrupted by some of the international factors described above.

Our stock price is volatile

The market price of our common stock has fluctuated widely from the beginning of fiscal year 2007 through the end of fiscal year 2008 with our stock price experiencing a high of $61.79 per share and a low of $29.14 per share. 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:

- 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 price per share of our public company customers;
- market conditions in the industries upon which we depend;
- general economic conditions;
- political changes, hostilities or natural disasters such as hurricanes and floods; and
- low trading volume of our stock.

In addition, the stock market has recently experienced significant price and volume fluctuations and these market fluctuations could adversely affect the market price of our stock.

Auction Rate Securities

No active market currently exists for the auction rate securities (ARS) we hold and as a result we may not be able to liquidate them at the current valuation, if at all. As a result, we have written down the cost basis of these securities to their estimated fair value and determined that the decline in fair value is considered not other-than-temporary in accordance with U.S. generally accepted accounting principles. Additional valuation allowances may have to be taken again in the future under certain scenarios based on market conditions at a given time.

We currently hold $50.0 million of par value ARS. The estimated fair value of these securities at December 31, 2008, was $43.4 million and they are rated as investment grade securities. The contractual maturities of these securities range from 5 to 38 years and are comprised predominately of student loan and municipality securities. Prior to the first quarter of 2008, these securities provided short-term liquidity through a Dutch auction process that reset the applicable interest rate at pre-determined calendar intervals, generally every 28 to 35 days. This mechanism allowed existing investors to either retain or liquidate their holdings by selling such securities at par.

We have the intent and ability to hold these securities for an extended period of time and continue to receive interest income when due. Given the continued challenges in the financial markets and the prolonged credit crisis, we cannot reasonably predict when or whether market conditions will change resulting in the recovery of fair value on these auction rate securities. It is also possible that a secondary market for auction rate securities may emerge in which securities similar to our own would trade at prices below our currently recorded fair values. Under such a scenario, or if other events arise that impact the fair value of the securities, we may have to recognize other-than temporary impairment charges, which would adversely impact our financial position and results of operations.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

On December 31, 2008, we operated various manufacturing facilities and sales offices throughout the United States, Europe and Asia. In general, our facilities are in good condition, are considered to be adequate for the uses to which they are being put, and are in the aggregate substantially in regular use. The principal facilities and offices are listed below:

Location	Floor Space (Square Feet)	Type of Facility	Leased / Owned
United States			
Rogers, Connecticut	506,000	Manufacturing / Administrative Offices	Owned
Woodstock, Connecticut	152,000	Manufacturing	Owned
Carol Stream, Illinois	215,000	Manufacturing	Owned
Chandler, Arizona	156,000	Manufacturing	Owned
Chandler, Arizona	142,000	Manufacturing	Owned
Chandler, Arizona	120,000	Manufacturing	Owned
Windham, Connecticut	88,000	Formerly Manufacturing	Owned
Belgium			
Evergem, Belgium	64,000	Manufacturing	Owned
Ghent, Belgium	90,000	Manufacturing	Owned
Asia			
Suzhou, China	200,000	Manufacturing	Owned
Suzhou, China	93,000	Manufacturing	Leased through 7/10
Suzhou, China	93,000	Manufacturing	Leased through 7/10
Suzhou, China	215,000	Manufacturing	Owned
Tokyo, Japan	2,000	Sales Office	Leased through 2/10
Wanchai, Hong Kong	1,000	Sales Office	Leased through 6/10
Taipei, Taiwan, R.O.C.	1,000	Sales Office	Leased through 7/10
Seoul, Korea	1,000	Sales Office	Leased through 12/09
Singapore	1,000	Sales Office	Leased through 11/10
Shanghai, China	1,000	Sales Office	Leased through 7/11
Shenzhen, China	1,000	Sales Office	Leased through 6/10
Beijing, China	1,000	Sales Office	Leased through 12/10

Item 3. Legal Proceedings

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

Environmental Remediation in Manchester, Connecticut

In the fourth quarter of 2002, we sold our Moldable Composites Division located in Manchester, Connecticut to Vyncolit North America, Inc., at the time a subsidiary of the Perstorp Group, located in Sweden. Subsequent to the divestiture, certain environmental matters were discovered at the Manchester location and we determined that, under the terms of the arrangement, we would be responsible for estimated remediation costs of approximately $0.5 million. We recorded a reserve for this amount in 2002 in accordance with SFAS No. 5, Accounting for Contingencies (SFAS 5). The Connecticut Department of Environmental Protection (CT DEP) accepted our Remedial Action Plan in February 2005. We completed the remediation activities in December 2005 and started post-remediation groundwater monitoring in 2006. The cost of the remediation approximated the reserve originally recorded in 2002. We have completed all of the required groundwater monitoring with favorable results. As of the end of the third quarter, this site was remediated in accordance with the Connecticut Remediation Standard.

Superfund Sites

We are currently involved as a potentially responsible party (PRP) in three active cases involving waste disposal sites. In certain cases, these proceedings are at a stage where it is still not possible to estimate the ultimate cost of remediation, the timing and extent of remedial action that may be required by governmental authorities, and the amount of our liability, if any, alone or in relation to that of any other PRP’s. However, the costs incurred since inception for these claims have been immaterial and have been primarily covered by insurance policies, for both legal and remediation costs. In one particular case, we have been assessed a cost sharing percentage of approximately 2% in relation to the range for estimated total cleanup costs of $17 million to $24 million. We believe we have sufficient insurance coverage to fully cover this liability and have recorded a liability and related insurance receivable of approximately $0.4 million as of December 31, 2008, which approximates our share of the low end of the range. During the third quarter of 2008, we settled a fourth superfund case when we reached agreement with the CT DEP as a de minimis party and agreed to pay approximately $0.1 million to settle our portion of the claim and release us from further involvement with the site.

In all our superfund cases, we believe we are a de-minimis participant and have only 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 these cases having a material adverse effect on our results of operations, financial position or cash flows is remote. These cases have been ongoing for many years and we believe that they 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 CT DEP and the United States Environmental Protection Agency (EPA) Region I in connection with certain polychlorinated biphenyl (PCB) contamination in the soil beneath a section of cement flooring at our Woodstock, Connecticut facility. We completed clean-up efforts in 2000 in accordance with a previously agreed upon remediation plan. To address the small amount of residual contamination at the site, we proposed a plan of Monitored Natural Attenuation, which was subsequently rejected by the CT DEP. The CT DEP has additionally rejected two revised plans that were submitted. We are continuing to work with the CT DEP to resolve this issue.

Since inception, we have spent approximately $2.5 million in remediation and monitoring costs related to the site. We cannot estimate the range of future remediation costs based on facts and circumstances known to us at the present time. We believe that this situation 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, it merely represents jurisdictional amounts. Even in those situations where specific damages are alleged, the claims frequently seek the same amount of damages, irrespective of the disease or injury. Plaintiffs' lawyers often sue dozens or even hundreds of defendants in individual lawsuits on behalf of hundreds or even thousands of claimants. As a result, even when specific damages are alleged with respect to a specific disease or injury, those damages are not expressly identified as to us.

We did not mine, mill, manufacture or market asbestos; rather, we made some limited 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, 2008, there were approximately 163 pending claims compared to approximately 175 pending claims at December 30, 2007. The number of open claims during 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 damage 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 do 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. Of the approximately 163 claims pending as of December 31, 2008, 55 claims do not specify the amount of damages sought, 104 claims cite jurisdictional amounts, and only four (4) claims (or approximately 2.5% of the pending claims) specify the amount of damages sought not based on jurisdictional requirements. Of these four (4) claims, one (1) claim alleges compensatory and punitive damages of $20,000,000; one (1) claim alleges compensatory and punitive damages of $1,000,000, and an unspecified amount of exemplary damages, interest and costs; and two (2) claims allege compensatory damages of $65,000,000 and punitive damages of $60,000,000. These four (4) claims name between nine (9) and seventy-six (76) defendants. However, for the reasons cited above, we do not believe that this data allows for an accurate assessment of the relation that the amount of alleged damages claimed might bear to the ultimate disposition of these cases.

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 declined in 2006, increased slightly in 2007, and declined again in 2008.

- Defenses

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

- Dismissals and Settlements

Cases involving us typically name 50-300 defendants, although some cases have had as few as one and as many as 833 defendants. We have obtained dismissals of many of these claims. For the fiscal year ended December 31, 2008, we were able to have approximately 83 claims dismissed and settled 4 claims. For the fiscal year ended December 30, 2007, approximately 59 claims were dismissed and 12 were settled. The majority of costs have been paid by our insurance carriers, including the costs associated with the small number of cases that have been settled. Such settlements totaled approximately $1.5 million in 2008, compared to approximately $2.0 million for the full year 2007. Although these figures provide some insight into our experience with asbestos litigation, no guarantee can be made as to the dismissal and settlement rate that we will experience in the future.

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

- Potential Liability

In late 2004, we determined that it was reasonably prudent, based on facts and circumstances known to us at that time, to have a formal analysis performed to determine our potential future liability and related insurance coverage for asbestos-related matters. This determination was made based on several factors, including the growing number of asbestos-related claims at the time and the related settlement history. As a result, National Economic Research Associates, Inc. (NERA), a consulting firm with expertise in the field of evaluating mass tort litigation asbestos bodily-injury claims, was engaged to assist us in projecting our future asbestos-related liabilities and defense costs with regard to pending claims and future unasserted claims. Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict, including the number of claims that might be received, the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the financial resources of other companies that are co-defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case and the impact of potential changes in legislative or judicial standards, including potential tort reform. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties, our limited claims history and consultations with NERA, we believe that five 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 net asbestos-related contingent liability (i.e., our indemnity or other claim disposition costs plus related legal fees) cannot be estimated with certainty.

- Insurance Coverage

Our applicable insurance policies generally provide coverage for asbestos liability costs, including coverage for both resolution and defense costs. Following the initiation of asbestos litigation, an effort was made to identify all of our primary and excess insurance carriers that provided applicable coverage beginning in the 1950s through the mid-1980s. There appear to be three such primary carriers, all of which were put on notice of the litigation. In late 2004, Marsh Risk Consulting (Marsh), a consulting firm with expertise in the field of evaluating insurance coverage and the likelihood of recovery for asbestos-related claims, was engaged to work with us to project our insurance coverage for asbestos-related claims. Marsh's conclusions were based primarily on a review of our coverage history, application of reasonable assumptions on the allocation of coverage consistent with industry standards, 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 primary insurance carriers have provided for substantially all of the settlement and defense costs associated with our asbestos-related claims. However, as claims continued, we determined, along with our primary insurance carriers, that it would be appropriate to enter into a cost sharing agreement to clearly define the cost sharing relationship among such carriers and ourselves. A definitive cost sharing agreement was finalized on September 28, 2006. Under the definitive agreement, the primary insurance carriers will continue to pay essentially all resolution and defense costs associated with these claims until the coverage is exhausted.

- Impact on Financial Statements

Given the inherent uncertainty in making future projections, we have had the projections of current and future asbestos claims periodically re-examined, and we will have them updated if needed based on our experience, changes in the underlying assumptions that formed the basis for NERA's and Marsh's models, and other relevant factors, such as changes in the tort system and our success in resolving claims. Based on the assumptions employed by and the report prepared by NERA and other variables, NERA and Marsh updated their respective analyses for year-end 2007 and the estimated liability and estimated insurance recovery, for the five-year period through 2012, is $23.6 and $23.5 million, respectively. NERA and Marsh updated their respective analyses for 2008 and the estimated liability and estimated insurance recovery, for the five-year period through 2013, is $24.3 and $24.0 million, respectively.

The amounts that we have recorded for the asbestos-related liability and the related insurance receivables described above were based on currently known facts and a number of assumptions. Projecting future events, such as the number of new claims to be filed each year, the average cost of disposing 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 amounts cannot be 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 Matters

- In 2005, we began to market our manufacturing facility in Windham, Connecticut to find potential interested buyers. This facility was formerly the location of the manufacturing operations of our elastomer component and float businesses prior to the relocation of these businesses to Suzhou, China in the fall of 2004. As part of our due diligence in preparing the site for sale, we determined that there were several environmental issues at the site and, although under no legal obligation to voluntarily remediate the site, we believed that remediation procedures would have to be performed in order to successfully sell the property. Therefore, we obtained an independent third-party assessment on the site, which determined that the potential remediation cost range would be approximately $0.4 million to $1.0 million. In accordance with SFAS 5, we determined that the potential remediation would most likely approximate the mid-point of this range and recorded a $0.7 million charge in the fourth quarter of 2005. During the third quarter of 2008, the remediation for this site was completed. Due to the remediation not being as extensive as originally estimated, we reduced the accrual by approximately $0.5 million and paid approximately $0.2 million in costs associated with the remediation work. The costs remaining to be paid related to this site are minimal.

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On May 16, 2007, CalAmp Corp. (CalAmp) filed a lawsuit against us for unspecified damages. During the second quarter of 2008, CalAmp responded to discovery requests in the litigation and stated that their current estimated total damages were $82.9 million. In the lawsuit, which was filed in the United States District Court, Central District of California, CalAmp alleged performance issues with certain printed circuit board laminate materials we had provided for use in certain of their products. In the first quarter of 2009 this lawsuit was settled for $9.0 million. Both parties acknowledged that Rogers admitted no wrongdoing or liability for any claim made by CalAmp. We agreed to settle this litigation solely to avoid the time, expense and inconvenience of continued litigation. Under the settlement reached through mediation mandated by the U.S. District Court for the Central District of California, we paid CalAmp $9.0 million in January 2009. We had accrued $0.9 million related to this lawsuit in 2007 and recorded an additional $8.1 million in the fourth quarter of 2008 (recorded in "Other current liabilities" in the Consolidated Financial Statements in Item 8 of this Form 10-K). Legal and other costs related to this lawsuit were approximately $1.8 million in 2008. In January 2009, subsequent to the settlement with CalAmp, we reached an agreement with our primary insurance carrier to recover costs associated with a portion of the settlement ($1.0 million) as well as certain legal fees and other defense costs associated with the lawsuit (approximately $1.0 million). As of December 31, 2008 we had a receivable for $1.2 million for amounts remaining to be collected from this carrier. On February 6, 2009, we also filed suit in the U.S. District Court for the District of Massachusetts against Fireman's Fund Insurance Company, an excess insurance carrier, seeking to collect the remaining $8.0 million of the settlement amount. At this time, we cannot determine the probability of recovery in this matter and, consequently, have not recorded this amount as a receivable.

In addition to the above issues, the nature and scope of our business bring 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.

For additional discussion on our environmental and litigation matters, see Footnote 12 to the Consolidated Financial Statements in Item 8 of this Form 10-K.

Item 4. Submission of Matters to a Vote of Security Holders

None.

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 13, 2009, we had 654 shareholders of record. On the same date, the trading price of our common stock closed at $23.78 per share.

Capital Stock Market Prices

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

	2008		2007	
	High	Low	High	Low
Fourth	$ 38.10	$ 21.03	$ 50.00	$ 40.20
Third	44.50	35.53	46.32	34.70
Second	42.27	30.79	49.30	36.69
First	45.59	29.14	61.79	44.00

Dividend Policy

We did not pay any dividends on our common stock in fiscal 2008 and 2007. 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.

Issuer Purchases of Equity Securities

From time to time, the Board of Directors authorizes the repurchase, at management's discretion and/or pursuant to a corporate 10b5-1 trading plan, of shares of our common stock. There were no repurchases in 2006, and in October 2006 the then existing buyback program expired with authorization to repurchase approximately $21.4 million of common stock remaining. On February 15, 2007, the Board of Directors approved a new buyback program, under which we were authorized to repurchase up to an aggregate of $50 million in market value of common stock over a twelve-month period. During 2007, we repurchased a total of 810,380 shares of common stock, for a total of $35.5 million. On February 15, 2008, the Board of Directors approved a new buyback program, under which we were authorized to repurchase up to an aggregate of $30 million in market value of common stock over a twelve-month period. Through the three months ended March 30, 2008 we had repurchased 906,834 shares of common stock, for $30.0 million, which completed this buyback program.

Item 6. Selected Financial Data

(Dollars in thousands, except per share amounts)

	2008	2007	2006	2005	2004
Sales and income from continuing operations					
Net sales	$ 365,362	$ 412,698	$ 430,366	$ 335,543	$ 348,886
Income before income taxes	25,106	23,540	69,497	38,925	54,714
Net income	21,617	20,625	55,167	33,268	38,814
Per Share Data from continuing operations					
Basic	1.38	1.25	3.29	2.04	2.37
Diluted	1.36	1.23	3.19	2.01	2.27
Book value	21.47	22.17	21.09	17.24	17.12
Financial Position					
Current assets	184,293	247,054	272,554	181,030	172,934
Current liabilities	59,836	68,286	82,143	57,366	57,387
Ratio of current assets to current liabilities	3.1 to 1	3.6 to 1	3.3 to 1	3.2 to 1	3.0 to 1
Cash, cash equivalents and short-term investments	70,625	89,628	81,823	46,401	39,967
Working capital	124,457	178,768	190,411	123,664	115,547
Property, plant and equipment, net	145,222	147,203	141,406	131,616	140,384
Total assets	475,433	470,948	480,902	400,600	405,195
Long-term debt less current maturities	--	--	--	--	--
Shareholders' Equity	336,144	363,981	357,177	280,250	281,495
Long-term debt as a percentage of shareholders' equity	0%	0%	0%	0%	0%
Other Data					
Depreciation and amortization from continuing operations	18,397	24,296	18,276	16,853	15,970
Research and development expenses from continuing operations	21,885	24,600	24,168	19,403	18,871
Capital expenditures from continuing operations	21,004	30,885	20,639	28,482	21,158
Number of employees (average)	1,960	2,100	2,416	1,975	1,728
Net sales per employee	186	197	178	170	202
Number of shares outstanding at year-end	15,654,123	16,414,918	16,937,523	16,255,024	16,437,790

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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.

Business Overview

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 products, consumer electronics, semiconductors, mass transit, automotive, ground transportation, aerospace, defense and alternative 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 fabricators and contract manufacturers that, in turn, produce component products that are sold to original equipment manufacturers (OEM's) for use in various applications. As such, our business is highly dependent, although indirectly, on market demand for these OEM's products. Our ability to forecast future sales and earnings results 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 forecasting.

Our current focus is on worldwide markets that have an increasing percentage of materials being used to support growing high technology applications, such as cellular base stations and antennas, handheld wireless devices, satellite television receivers and automotive electronics. We continue to focus on business opportunities around the globe and particularly in the Asian marketplace, as evidenced by the continued investment in and expansion of our manufacturing facilities in Suzhou, China, which functions as our manufacturing base to serve our customers in Asia. Our goal is to become the supplier of choice for our customers in all of the various markets in which we participate. To achieve this goal, we strive to make the best products in these respective markets and to deliver the highest level of service to our customers.

During 2008, we began to feel the impact of the global recession on our business, as sales volumes declined significantly at the end of the fourth quarter. In recessionary times such as these, our diversification and position in the overall supply chain typically help to mitigate the initial impact of a recession on us, as we typically see orders decline later than many other companies. Historically, this has also helped us to rebound from a recession earlier than other companies, as we provide materials and component products to our customers who in turn sell to an end user, although past history is not an indication of the current marketplace and what will occur in the future. We believe that 2009 will be a challenging year as the uncertainty of the global recession will continue. However, we do believe that we are well positioned to sustain our business through difficult times, as we have a strong balance sheet with no debt, strong cash flows, and a focus on working capital management.

Overall in 2008, sales declined 11% from $412.7 million to $365.4 million. The most significant declines were experienced in our Custom Electrical Components reportable segment, where sales declined by approximately $42.6 million, or 31%, due primarily to the decline in electroluminescent (EL) lamp sales as many applications in the portable communications market are reaching end of life, and our Printed Circuit Materials reportable segment, where sales declined by $20.6 million, or 14%, due primarily to the decline in the Flexible Circuits market. These declines were partially offset by growth in our High Performance Foams business, which experienced an increase in sales of approximately 8%, or $8.9 million in 2008 as compared to 2007.

In 2008, we continued our efforts to review our current product portfolio in order to streamline our business, which we believe will enable us to focus on the key strategic businesses that we believe will ultimately drive growth for the Company. As part of these efforts, we sold our Induflex business, which was reported in our "Other Polymer Products" reportable segment, in the fourth quarter of 2008 for approximately $13.6 million, resulting in a net gain on the sale of approximately $3.2 million. This operating segment is classified as a discontinued operation in the consolidated financial statements.

Over the past several years, we have worked to better align our business with our customers, which includes having manufacturing capacity close to our customers in order to be responsive to their needs. We continue to invest in our operations in China, as many of our products, including EL lamps, power distribution system products, elastomer components and floats, are currently being manufactured at our Suzhou, China facility. We continue to focus on this strategic facility, particularly as demand for our products increases in the Asian marketplace. In 2007, we added additional capacity for our polyurethane foam products at our Suzhou facility through our Rogers INOAC Suzhou Corporation (RIS) joint venture to better meet the demand for our high-end foam products in the Asian marketplace.

In 2009, we will continue to focus on positioning ourselves to take advantage of the potential opportunities that could arise if and when the global economy begins to shift in a positive direction. We will focus on maintaining our strong balance sheet position, while continuing to manage our working capital requirements. We will also focus on the future by continuing our efforts in new product development, as well as pursuing potential acquisitions that align with our strategic direction. Finally, we will make efforts to control our costs and operate as efficiently as possible to help mitigate the volume reductions we are currently experiencing. We believe that all of these measures will help position ourselves to maintain our business through this economic downturn, as well as enable us to take advantage of opportunities when the economy begins to experience positive momentum.

Results of Continuing Operations

The following table sets forth, for the last three fiscal years, selected Company operating data expressed as a percentage of net sales.

	2008	2007	2006
Net sales	100.0%	100.0%	100.0%
Gross margins	31.2%	27.0%	32.0%
Selling and administrative expenses	22.5%	17.3%	14.1%
Research and development expenses	6.0%	6.0%	5.6%
Restructuring and impairment charges	-	0.8%	-
Operating income	2.7%	2.9%	12.3%
Equity income in unconsolidated joint ventures	1.7%	2.0%	2.0%
Other income, net	1.7%	0.4%	1.3%
Interest income, net	0.8%	0.4%	0.5%
Income from continuing operations before income taxes	6.9%	5.7%	16.1%
Income tax expense	1.0%	0.7%	3.3%
Income from continuing operations	5.9%	5.0%	12.8%

2008 vs. 2007

Net Sales

Net sales in 2008 were $365.4 million, a decrease of 11.5% from $412.7 million of sales in 2007. The decrease in sales is primarily due to a 31.4% decrease in the Custom Electrical Components reportable segment from $135.1 million in 2007 to $92.6 million in 2008 and in the Printed Circuit Materials reportable segment of $20.6 million, or 14.3%, from $143.8 million to $123.2 million, partially offset by an increase in sales in our High Performance Foams reportable segment of $8.9 million, or 8%, from $110.6 million to $119.5 million. The factors resulting in these changes in sales are discussed in greater detail in the "Segment Sales and Operations" section below.

Manufacturing Margins

Manufacturing margins increased approximately 420 basis points to 31.2% in 2008 from 27.0% in 2007. Margins increased at our three strategic segments – High Performance Foams, Printed Circuit Materials and Custom Electrical Components - due in part to our focus on cost containment measures as well as gaining operational efficiencies in anticipation of the volume declines that occurred at the end of 2008. Also, in 2007, we recognized certain charges relating to our restructuring activities that included recognizing reserves on certain inventories at our Durel and Flexible Circuit Materials operating segments that negatively impacted our margins in 2007. A portion of this inventory reserved in 2007 was sold in 2008 which positively impacted our margins in 2008 by approximately 100 basis points.

Selling and Administrative Expenses

Selling and administrative expenses were $82.2 million in 2008, an increase of $10.9 million from $71.4 million in 2007. The 2008 results included approximately $8.0 million in charges related to the settlement of and legal fees for our lawsuit with CalAmp (see Footnote 12 to the Consolidated Financial Statements in Item 8 of this Form 10-K for further discussion), as well as incentive compensation expense of approximately $11.4 million. These 2008 charges were partially offset by the cost containment initiatives and operating efficiency measures that were implemented this year. The 2007 expense included approximately $2.4 million of charges related to restructuring activities that were initiated in the second quarter of 2007 related to our Durel and Flexible Circuit Materials operating segments. Overall selling and administrative expenses increased as a percentage of sales from 17.3% in 2007 to 22.5% in 2008.

Research and Development Expenses

Research and development expenses decreased from $24.6 million in 2007 to $21.9 million in 2008. As a percentage of sales, expenses remained consistent at 6.0% in both 2008 and 2007. Our strategic plan is to invest an average of 6% of net sales annually into research and development and it is expected that future expenditures will be consistent with this targeted investment level. We continue to invest in research and development to improve our existing technologies and find new applications for these materials, as well as to explore new, emerging technologies, as well as existing technologies, that we believe will complement our existing product portfolio.

Restructuring and Impairment Charges

Restructuring and impairment charges were $13.8 million in 2007, while there were no such charges in 2008. The charges in 2007 related primarily to our Durel and flexible circuit materials operating segments. The charges consisted of (i) accelerated depreciation and amortization on fixed assets and contracts ($5.0 million), (ii) an increase in inventory reserves ($5.3 million), (iii) severance costs related to a company-wide headcount reduction ($3.0 million), and (iv) the impairment of goodwill related to our composite materials operating segment ($0.5 million). For income statement presentation purposes, approximately $7.9 million of these charges are included in "Cost of sales",

$2.4 million are included in “Selling and administrative expenses” and $3.5 million are included in “Restructuring and impairment charges”. Further discussion of these amounts is as follows:

- Durel

In 2007, we recorded a non-cash pre-tax charge of $9.4 million related to our Durel operating segment, which is aggregated into our Custom Electrical Components reportable segment. This charge included a $7.6 million restructuring charge related to the write down of inventory and accelerated depreciation on machinery and equipment related to the Durel business and a $1.8 million charge related to the accelerated expense recognition of a prepaid license associated with a certain flexible electroluminescent (EL) lamp product. These charges were partially offset by the sale of approximately $1.0 million of inventory previously reserved for in the second quarter of 2007. These charges resulted from a significant change in the current outlook for existing and future EL lamp programs during the second quarter of 2007 based on information related to certain program terminations from our most significant customer of EL lamps in the portable communications market. As a result of this change in business conditions, all remaining production of EL lamps for the portable communications market that was located at Durel’s manufacturing facility in Arizona was shifted to China by the end of the second quarter of 2007. As of year end 2008, substantially all EL production, including lamps for the automotive industry, shifted to our China facility. The significant change in the outlook of EL programs and the planned shift in EL production to China was an indicator of impairment that triggered an impairment analysis on the long-lived assets of the Durel business in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). The impairment analysis, which was completed as part of the second quarter of 2007 closing process with the assistance of an independent third-party appraisal firm, led us to conclude that no impairment charge associated with the Durel long-lived assets was necessary. As such, in accordance with SFAS 144, we determined that it was appropriate to reduce the estimated useful lives of EL lamp related equipment in Durel’s US manufacturing facility. In addition, the reduced forecast of EL lamp sales, specifically related to flexible EL lamps for the portable communications market, caused us to accelerate the expense recognition of a prepaid license associated with flexible EL lamps based on the current forecasted revenues. We incurred charges of approximately $0.4 million in 2008 related to these restructuring activities and sold approximately $2.7 million of previously reserved inventory.

- Flexible Circuit Materials

In 2007, we recorded a non-cash pre-tax charge of $3.1 million related to our flexible circuit materials operating segment, which was aggregated into our Printed Circuit Materials reportable segment. This charge related to the write down of inventory and accelerated depreciation on machinery and equipment related to the flexible circuit materials business and was partially offset by the sale of approximately $1.3 million of inventory previously reserved for in the second quarter of 2007. Flexible circuit materials, which are used in a variety of consumer electronic products, have become a commodity product with increased global competition and pricing pressure driven by excess capacity. This commoditization has caused the operating results of the flexible circuit materials business to significantly decline in recent periods, which resulted in our revaluation of the strategic future viability of this business. We determined that these market factors were an indicator of impairment that triggered an analysis of the long-lived assets related to the flexible circuit materials business in accordance with SFAS 144. The impairment analysis, which was completed as part of the second quarter of 2007 closing process with the assistance of an independent third-party appraisal firm, concluded that no impairment charge associated with the flexible circuit materials long-lived assets was necessary. As such, in accordance with SFAS 144, we determined that it was appropriate to reduce the estimated useful lives of the equipment related to the flexible circuit materials operating segment. We also determined, based on business conditions at that time that certain inventories associated with this business would not be saleable, and we reserved for these inventories accordingly. We incurred minimal charges in 2008 related to these restructuring activities and sold approximately $1.0 million of previously reserved inventory.

- Composite Materials

In 2007, we recorded a non-cash pre-tax charge of $0.5 million related to the impairment of the goodwill associated with the composite materials operating segment, which is aggregated into our Other Polymer Products reportable segment. The operating results of the composite materials business have gradually declined over the past few years. During the second quarter of 2007, a government program, which was material to the sales and earnings of the composite materials business, expired. We determined that the loss of this program, which we had previously thought would be replaced with new business, was an indicator of impairment due to the significance of the program on the long-term revenues of this business. Consequently, we performed an impairment analysis on the composite materials operating segment under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). The impairment analysis, which was completed as part of the 2007 second quarter closing process with the assistance of an independent third-party appraisal firm, resulted in us recording an impairment charge of $0.5 million related to the goodwill associated with this business. The analysis did not result in the impairment of any of the business' other long-lived assets. No additional charges related to the impairment of the goodwill associated with the composite materials operating segment were recorded during the remainder of 2007.

- Severance

In 2007, as part of the restructuring activities previously discussed, we took a number of actions to reduce costs, including a company-wide headcount reduction. In accordance with SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, and SFAS No. 112, Employers' Accounting for Postemployment Benefits, we recorded $3.0 million of severance charges in 2007. In addition, we made severance payments of $1.3 million in 2007 and the remaining $1.7 million was paid in 2008.

Equity Income in Unconsolidated Joint Ventures

Equity income in unconsolidated joint ventures decreased $1.9 million from $8.1 million in 2007 to $6.2 million in 2008. Joint venture sales were down across all businesses, which were primarily related to customers managing inventories caused by the softening in consumer demand. Most impacted were our polyurethane foam joint ventures with INOAC Corporation in Japan and China, which experienced weakened demand, particularly in the gaming console and cell phone markets.

Other Income

Other income increased from $1.7 million in 2007 to $6.1 million in 2008. The increase is due in part to our foreign currency hedging program that was implemented in 2008, which contributed approximately $2.0 million in favorable foreign currency adjustments in 2008, as well as an increase in commission income related to our PLS joint venture ($0.3 million) and the inclusion of certain one-time charges associated with adjusting our legal entity structure in China that negatively impacted 2007 results, as well as certain other one-time charges, that did not occur in 2008.

Income Taxes

Our effective tax rate was 13.9% in 2008 and 12.4% in 2007. In 2008 and 2007, our tax rate was favorably impacted by the tax benefit associated with certain discrete rate items recorded during the year and continued to benefit from favorable tax rates on certain foreign business activity and general business tax credits.

It is our policy, in accordance with APB 23, that no U.S. taxes are provided on undistributed earnings of certain wholly-owned foreign subsidiaries because substantially all such earnings are expected to be reinvested indefinitely. We provide deferred taxes for the undistributed earnings of our Japanese high performance foams joint venture as well as our Taiwanese flexible circuit materials joint venture.

We are eligible for a tax holiday on the earnings of our subsidiaries in China. Under the business license agreement granted to Rogers Technologies (Suzhou) Company (RSZ), a wholly-owned subsidiary of ours, the first two years of cumulatively profitable operations were taxed at a zero percent tax rate followed by a reduced tax rate in subsequent years. In 2008, the fourth year under this agreement, RSZ reported pretax income of $3.0 million, which was subject to a tax rate of 9%, resulting in a decrease of 3 percentage points in our effective tax rate. In 2009, the tax rate in effect will be 10% and will increase each subsequent year until reaching the full rate of 25% in 2012, subject to local government approval. Under the business license agreement granted to Rogers (Shanghai) International Trading Company Ltd. (RSH), we were subject to a rate of tax of 18% in 2008, which resulted in a decrease of 5 percentage points in our effective tax rate based upon their pretax income of $7.0 million. In 2009, the tax rate in effect will be 20%, and will increase each subsequent year until reaching the full rate of 25% in 2012, subject to local government approval.

Backlog

Our backlog of firm orders was $24.8 million at December 31, 2008, as compared to $42.6 million at December 30, 2007. The decrease at the end of 2008 was primarily related to the decrease in sales in the Custom Electrical Components reportable segment, as backlog for electroluminescent lamps and inverters, primarily sold to manufacturers of portable communications equipment and automobiles, decreased by approximately $12.5 million at year-end 2008 as compared to year-end 2007.

2007 vs. 2006

Net Sales

Net sales in 2007 were $412.7 million, a decrease of 4.1% from $430.4 million of sales in 2006. The decrease in sales is primarily due to a 9.6% decrease in the Custom Electrical Components reportable segment from $149.4 million in 2006 to $135.1 million in 2007 and in the Printed Circuit Materials reportable segment of $9.8 million, or 6.4%, from $153.6 million to $143.8 million, partially offset by an increase in sales in our High Performance Foams reportable segment of $7.4 million, or 7.2%, from $103.2 million to $110.6 million. The factors resulting in these changes in sales are discussed in greater detail in the "Segment Sales and Operations" section below.

Manufacturing Margins

Manufacturing margins decreased approximately 500 basis points to 27.0% in 2007 from 32.0% in 2006. Margins decreased for all segments but primarily in the Custom Electrical Components reportable segment, where lower volumes and increased pricing pressures eroded margins. Also, we encountered increased material costs across several of our businesses, as well as decreased operating leverage, particularly in our flexible materials business, which further impacted margins.

Selling and Administrative Expenses

Selling and administrative expenses were $71.4 million in 2007, an increase of $10.7 million from $60.7 million in 2006. The 2007 results included $2.4 million in costs associated with the acceleration of certain contract expenses and the accelerated depreciation of certain assets related to the second and third quarter restructuring activities. The 2007 results also included additional costs related to professional services fees, contract expenses and stock compensation expense, partially offset by a decline in incentive compensation expense in 2007 as compared to 2006. Overall selling and administrative expenses increased as a percentage of sales from 14.1% in 2006 to 17.3% in 2007.

Research and Development Expenses

Research and development expenses had a minimal increase from $24.2 million in 2006 to $24.6 million in 2007. As a percentage of sales, expenses increased slightly in 2007 to 6.0% as compared to 5.6% in 2006. Our strategic plan is to invest an average of 6% of net sales annually into research and development and it is expected that future expenditures will be consistent with this targeted investment level. We continue to invest in research and development to improve our existing technologies and find new applications for these materials; as well as to explore new, emerging technologies that we believe will complement our existing product portfolio.

Restructuring and Impairment Charges

Restructuring and impairment charges in 2007 were $13.8 million as compared to $5.0 million in 2006. The charges in 2007 related primarily to our Durel and flexible circuit materials businesses. The charges consisted of (i) accelerated depreciation and amortization on fixed assets and contracts ($5.0 million), (ii) increase in inventory reserves ($5.3 million), (iii) severance costs related to a company-wide headcount reduction ($3.0 million), and (iv) the impairment of goodwill related to our composite materials operating segment ($0.5 million). For income statement presentation purposes, approximately $7.9 million of these charges are included in "Cost of sales", $2.4 million are included in "Selling and administrative expenses" and $3.5 million are included in "Restructuring and impairment charges". The charge in 2006 of $5.0 million is related to the impairment of goodwill associated with our polyester-based industrial laminates business and is included in "Restructuring and impairment charges" in our statements of income. Further discussion of these amounts is as follows:

- Durel

In 2007, we recorded a non-cash pre-tax charge of $9.4 million related to our Durel operating segment, which is aggregated into our Custom Electrical Components reportable segment. This charge included a $7.6 million restructuring charge related to the write down of inventory and accelerated depreciation on machinery and equipment related to the Durel business and a $1.8 million charge related to the accelerated expense recognition of a prepaid license associated with a certain flexible electroluminescent (EL) lamp product. These charges were partially offset by the sale of approximately $1.0 million of inventory previously reserved for in the second quarter of 2007. These charges resulted from a significant change in the current outlook for existing and future EL lamp programs during the second quarter of 2007 based on information related to certain program terminations from our most significant customer of EL lamps in the portable communications market. As a result of this change in business conditions, all remaining production of EL lamps for the portable communications market that was located at Durel's manufacturing facility in Arizona was shifted to China by the end of the second quarter of 2007. As of year end 2008, substantially all EL production, including lamps for the automotive industry, shifted to our China facility. The significant change in the outlook of EL programs and the planned shift in EL production to China was an indicator of impairment that triggered an impairment analysis on the long-lived assets of the Durel business in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). The impairment analysis, which was completed as part of the second quarter of 2007 closing process with the assistance of an independent third-party appraisal firm, led us to conclude that no impairment charge associated with the Durel long-lived assets was necessary. As such, in accordance with SFAS 144, we determined that it was appropriate to reduce the estimated useful lives of EL lamp related equipment in Durel's US manufacturing facility. In addition, the reduced forecast of EL lamp sales, specifically related to flexible EL lamps for the portable communications market, caused us to accelerate the expense recognition of a prepaid license associated with flexible EL lamps based on the current forecasted revenues.

- Flexible Circuit Materials

In 2007, we recorded a non-cash pre-tax charge of $3.1 million related to our flexible circuit materials operating segment, which was aggregated into our Printed Circuit Materials reportable segment. This charge related to the write down of inventory and accelerated depreciation on machinery and equipment related to the flexible circuit materials business and was partially offset by the sale of approximately $1.3 million of inventory previously reserved for in the second quarter of 2007. Flexible circuit materials, which are used in a variety of consumer electronic products, have become a commodity product with increased global competition and pricing pressure driven by excess capacity. This commoditization has caused the operating results of the flexible circuit materials business to significantly decline in recent periods, which resulted in our revaluation of the strategic future viability of this business. We determined that these market factors were an indicator of impairment that triggered an analysis of the long-lived assets related to the flexible circuit materials business in accordance with SFAS 144. The impairment analysis, which was completed as part of the second quarter of 2007 closing process with the assistance of an independent third-party appraisal firm, concluded that no impairment charge associated with the flexible circuit materials long-lived assets was necessary. As such, in accordance with SFAS 144, we determined that it was appropriate to reduce the estimated useful lives of the equipment related to the flexible circuit materials operating segment. We also determined, based on business conditions at that time, that certain inventories associated with this business would not be saleable, and we reserved for these inventories accordingly.

- Composite Materials

In 2007, we recorded a non-cash pre-tax charge of $0.5 million related to the impairment of the goodwill associated with the composite materials operating segment, which is aggregated into our Other Polymer Products reportable segment. The operating results of the composite materials business have gradually declined over the past few years. During the second quarter of 2007, a government program, which was material to the sales and earnings of the composite materials business, expired. We determined that the loss of this program, which we had previously thought would be replaced with new business, was an indicator of impairment due to the significance of the program on the long-term revenues of this business. Consequently, we performed an impairment analysis on the composite materials operating segment under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). The impairment analysis, which was completed as part of the 2007 second quarter closing process with the assistance of an independent third-party appraisal firm, resulted in us recording an impairment charge of $0.5 million related to the goodwill associated with this business. The analysis did not result in the impairment of any of the business' other long-lived assets. No additional charges related to the impairment of the goodwill associated with the composite materials operating segment were recorded during the remainder of 2007.

- Severance

In 2007, as part of the restructuring activities previously discussed, we took a number of actions to reduce costs, including a company-wide headcount reduction. In accordance with SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, and SFAS No. 112, Employers' Accounting for Postemployment Benefits, we recorded $3.0 million of severance charges in 2007. In addition, we made severance payments of $1.3 million in 2007.

Equity Income in Unconsolidated Joint Ventures

Equity income in unconsolidated joint ventures decreased $0.5 million from $8.6 million in 2006 to $8.1 million in 2007. This was primarily driven by a decline in our flexible circuit materials joint venture in Taiwan, RCCT, which is consistent with the results of our wholly owned flexible circuit materials business. This decline was partially offset by the strong performance of our high performance foams joint ventures in Japan and China.

Other Income

Other income decreased from $5.6 million in 2006 to $1.7 million in 2007. This decrease is primarily related to reduced royalty income as certain royalty agreements expired at the end of 2006 and certain one-time costs associated with adjusting our legal entity structure in China.

Income Taxes

Our effective tax rate was 12.4% in 2007 and 20.6% in 2006. In 2007, our tax rate was favorably impacted by the tax benefit associated with the restructuring, impairment and other one-time charges as well as certain other discrete rate items recorded during the year. Also in 2007, the effective tax rate continued to benefit from favorable tax rates on certain foreign business activity and general business tax credits. In 2006, the effective tax rate benefited from favorable tax rates on certain foreign business activity as well as non-taxable foreign sales income and research and general business tax credits.

It is our policy, in accordance with APB 23, that no U.S. taxes are provided on undistributed earnings of certain wholly-owned foreign subsidiaries because substantially all such earnings are expected to be reinvested indefinitely. We provide deferred taxes for the undistributed earnings of our Japanese high performance foams joint venture as well as our Taiwanese flexible circuit materials joint venture.

We are eligible for a tax holiday on the earnings of our subsidiaries in China. Under the business license agreement granted to Rogers Technologies (Suzhou) Company (RSZ), a wholly-owned subsidiary, the first two years of cumulatively profitable operations were taxed at a zero percent tax rate. In 2007, the third year under this agreement, RSZ reported pretax income of $6.5 million, which was subject to a tax rate of 7.5%, resulting in a decrease in our effective tax rate of 7 percentage points. Under the business license agreement granted to Rogers (Shanghai) International Trading Company Ltd. (RSH), we were subject to a rate of tax of 15% in 2007, which resulted in a decrease in our effective tax rate of 7% based upon their pretax income of $8.8 million.

Backlog

Our backlog of firm orders was $42.6 million at December 30, 2007, as compared to $38.7 million at December 31, 2006. The increase at the end of 2007 was primarily related to the increase in sales in the Custom Electrical Components reportable segment, as backlog for power distribution components, primarily sold in the ground transportation market, increased by approximately $4.0 million at year-end 2007 as compared to year-end 2006.

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Segment Sales and Operations

Printed Circuit Materials

(Dollars in millions)	2008	2007	2006
Net sales	$ 123.2	$ 143.8	$ 153.6
Operating income (loss)	(3.0)	1.2	13.3

Our Printed Circuit Materials (PCM) reportable segment is comprised of high frequency circuit material products. Net sales in this segment decreased by 14% in 2008 as compared to 2007 and by 6% in 2007 as compared to 2006. The decline in sales and operating profits were primarily driven by reduced sales volumes of flexible circuit material products. Over time, the flexible circuit materials market has become more commoditized as global competition has increased. This has resulted in pricing pressures partially driven by excess capacity, which has caused our sales volumes and margins to decline. Also contributing to the sales decline in 2008 were reduced sales of high frequency products into the satellite television market due in part to the decline in the housing market; partially offset by strong sales into the defense market. In 2007, sales declines in the flexible circuit material products were partially offset by an increase in sales of high frequency material products into the satellite television market due to the addition of new high definition service, as well as increased penetration into digital applications.

2008 operating results include one-time charges of approximately $8.0 million for settlement costs and legal fees related to the CalAmp litigation. 2007 results included one-time charges of approximately $2.6 million of net restructuring charges related to accelerated depreciation on certain equipment used to manufacture flexible circuit materials in the U.S., an increase in inventory reserves, and severance costs. (For further discussion of these charges, see "Restructuring and Impairment Charges" section in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K.)

High Performance Foams

(Dollars in millions)	2008	2007	2006
Net sales	$ 119.5	$ 110.6	$ 103.2
Operating income	20.6	20.0	21.8

Our High Performance Foams (HPF) reportable segment is comprised of Poron® urethane and Bisco® silicone foam products. Net sales in this segment have increased steadily over the last three years as sales increased by approximately 8% in 2008 as compared to 2007 and by 7% in 2007 as compared to 2006. Operating profits have remained relatively consistent, although declining as a percentage of sales of the same time period due to an unfavorable sales mix and decreased operating leverage due to declines in production levels of certain higher margin products. This segment continues to perform well with consistent growth driven by strong demand in the portable communications and transportation markets. In 2007, we added a second urethane foam manufacturing line in our Suzhou, China campus under the management of our RIS joint venture in order to better meet customer demand in the Asian marketplace. However, at the end of 2008, sales across all markets declined as the global economic crisis and associated decline in consumer spending began to impact the business. We believe that significant inventory build-up existed in the portable communications market at the end of 2008, particularly in Asia, and we anticipate that this will negatively impact sales into this segment until inventories return to more normalized levels. We continue to focus on new product development, which we believe will help drive sales in this segment once the economy, consumer spending and inventory levels regain positive momentum.

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Custom Electrical Components

(Dollars in millions)		2008		2007		2006
Net sales	$	92.6	$	135.1	$	149.4
Operating income (loss)		(0.1)		(4.1)		14.8

Our Custom Electrical Components (CEC) reportable segment is comprised of electroluminescent lamps, inverters, and power distribution systems products. Net sales in this segment have decreased significantly since 2006 as the segment experienced a decline of approximately 31% in 2008 as compared to 2007 and approximately 10% in 2007 as compared to 2006, while operating results declined substantially from a profit of $14.8 million in 2006 to a loss of $4.1 million in 2007 and a loss of $0.1 million in 2008. The consistent decline in sales is directly attributable to the reduction in demand for EL backlighting in the portable communications market. In 2007, as a result of this decline, we recorded a net restructuring charge of $10.2 million, which were comprised of increased inventory reserves, accelerated depreciation related to idle equipment in the U.S., accelerated expense recognition of a prepaid license associated with certain EL lamp product sales, and severance costs. (For further discussion of these charges, see "Restructuring and Impairment Charges" section in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K.) We believe that the demand for EL lamps will continue to lessen in the portable communications market and we are currently exploring other potential opportunities for this technology in advertising, as well as in the automotive and consumer electronics markets, among others.

The Power Distribution Systems operating segment continues to perform well due to strong demand in the mass transit market as infrastructure build continues across the world, especially in China, as well as increased penetration in wind power applications.

Other Polymer Products

(Dollars in millions)		2008		2007		2006
Net sales	$	30.1	$	23.1	$	24.2
Operating income (loss)		(7.6)		(5.4)		3.1

Our Other Polymer Products (OPP) reportable segment consists of the following products: elastomer rollers, floats, non-woven materials, thermal management products, and polyester-based industrial laminates. Net sales increased in 2008 as compared to 2007, primarily due to the inclusion of a new operating segment in this reportable segment. In 2008, as previously disclosed, we restructured our Flexible Circuit Materials operating segment and outsourced the majority of the manufacturing of these products to our joint venture, RCCT. As part of this restructuring, we agreed to distribute the products now produced by RCCT, the related sales for which are included in this segment. Also as previously disclosed, we sold our Induflex operating segment, which was previously reported in this reportable segment but is now reported as a discontinued operation for financial reporting purposes. Sales remained relatively consistent from 2006 to 2007 in this segment.

The segment's operating results declined in 2008 as compared to 2007 and from 2007 as compared to 2006. The decline in 2008 is primarily driven to start up costs associated with our new Thermal Management Systems operating segment, as well as losses associated with the new Flexible Circuit Materials distribution segment mentioned above. In 2007, this segment's results included approximately $0.5 million in restructuring charges related to the impairment of goodwill related to our composite materials business. (For further discussion of these charges, see the "Restructuring and Impairment Charges" section in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - in this Form 10-K.) Also in 2007, we formally divested our polyolefin foam operation, which is now classified as a discontinued operation for financial reporting purposes and is not included in the results presented here.

We continuously evaluate the viability of the product portfolio in this segment as it relates to our long-term strategic and operational focus, as evidenced by the disposition of our Induflex operating segment in 2008.

Joint Ventures

Rogers INOAC Corporation (RIC)

RIC, our joint venture with Japan-based INOAC Corporation, was established over 20 years ago and manufactures high performance PORON® urethane foam materials in Japan. Sales increased 6% from 2007 to 2008 and 12% from 2006 to 2007. The increase experienced in 2007 and early in 2008 was primarily driven by new LCD gasket design wins in portable communications and electronic games for the domestic Japanese market. However, sales volumes declined at the end of 2008 due to softening demand, particularly in gaming consoles.

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. Sales decreased 12% from 2007 to 2008 and increased 41% from 2006 to 2007. The decline in sales for 2008 is a result of the softening market during the fourth quarter of 2008.

Rogers Chang Chun Technology Co., Ltd. (RCCT)

RCCT, our joint venture with Chang Chun Plastics Co., Ltd., was established in late 2001 to manufacture flexible circuit materials for customers in Taiwan. Sales decreased 7% from 2007 to 2008 and 19% from 2006 to 2007. The decreases experienced in 2008 and 2007 were primarily driven by the overall global decline in the flexible circuit materials market.

Polyimide Laminate Systems, LLC (PLS)

PLS, our joint venture with Mitsui Chemicals, Inc., sells adhesiveless laminates for trace suspension assemblies. Sales increased by 4% in 2008 as compared to 2007 and decreased by 4% in 2007 as compared to 2006. The increase in 2008 was due to strong demand in the first half of the year in the personal computer market, however demand declined significantly by the end of 2008. The decrease in 2007 was due to end of life and product cycle phase outs of maturing first generation programs and a slight delay in volume production increases of second generation programs.

Discontinued Operations

On October 31, 2008, we closed on an agreement to sell the shares of our Induflex subsidiary to BV Capital Partners. Under the terms of the agreement, Rogers received approximately 10.7 million euros (US$13.6 million at the October 31, 2008 spot price), which represents the purchase price of approximately 8.9 million euros plus other amounts due under the agreement. In addition to this purchase price, there is an opportunity for Rogers to receive additional earnout amounts over the next three years based on the future performance of the divested business.

This subsidiary had been aggregated in our Other Polymer Products reportable segment. Net income of $1.7 million, $1.2 million and operating loss of $4.3 million, have been reflected as discontinued operations in the accompanying consolidated statements of income for the years ended December 31, 2008, December 30, 2007 and December 31, 2006, respectively. The net gain reflected as discontinued operations at December 31, 2008 includes a $3.2 million gain related to the sale of Induflex. Net sales associated with the discontinued operations were $16.7 million, $18.7 million and $15.4 million for the years ended December 31, 2008, December 30, 2007 and December 31, 2006, respectively. The tax related to the discontinued operations was $0.2 million, $0.4 million and $0.2 million of tax expense for December 31, 2008, December 30, 2007 and December 31, 2006, respectively.

On July 27, 2007, we completed the closure of the operations of the polyolefin foams operating segment, which had been aggregated in our Other Polymer Products reportable segment. For the fiscal years ended 2007, 2006 and 2005, $0.3 million of net income, $4.4 million and $17.3 million of net loss, respectively, have been reflected as discontinued operations in the accompanying consolidated statements of income. Net sales associated with the discontinued operations were $1.9 million, $8.8 million and $7.4 million for 2007, 2006 and 2005, respectively. In the third quarter of 2007, we ceased operations of the polyolefin foams operating segment and there were no net sales associated with the discontinued operations for the second half of 2007. See “Note 15 – Discontinued Operations” for further discussion.

Product and Market Development

Our research and development team is dedicated to growing our businesses by developing cost effective solutions that enable or improve the performance of customers' products. Research and development as a percentage of sales was approximately 6.0% in 2008 as compared to 6.0% in 2007 and 5.6% in 2006. Our strategic plan is to invest an average of 6% of net sales annually into research and development and it is expected that future expenditures will be consistent with this targeted investment level. We continue to invest in research and development to expand product offerings based on existing platforms, improving existing products and developing new platforms.

We introduced a variety of new products during 2008. For our High Performance Foams business, we introduced a new thin and highly compressible dust seal material for displays that incorporates adhesive for ease of assembly, a new foam product that meets requirements for more environmentally friendly products in the footwear industry, a new cost effective, high performance backer cushion for corrugated box printing and a new silicone foam product for rail car subfloors that meets new flame, smoke and toxicity requirements. For our Custom Electrical Components business, we introduced a new multisegment driver for electroluminescent lamps, electroluminescent lamps for out of home advertising and a packaged LED driver with dimming capability. We also introduced new power distribution assemblies with increased thermal performance for mass transit applications. For our Printed Circuit Materials business, we introduced new products with lower dielectric constant and lower thermal expansion for improved electrical performance and higher reliability in avionic applications and new thin high dielectric constant substrates for IC packaging applications. We also introduced a new thermally and electrically conductive adhesive for high frequency printed circuit board assemblies.

Liquidity, Capital Resources, and Financial Position

We believe that our ability to generate cash from operations to reinvest in the business is one of our fundamental strengths, as demonstrated by our financial position remaining strong throughout 2008. We have remained debt free since 2002 and continue to finance our operational needs through internally generated funds. We believe that over the next twelve months, our cash position and internally generated funds during the year will be sufficient to meet the capital expenditures and ongoing financial needs of the business. In addition, we continue to have availability to substantial lines of credit should any unforeseen need impact the period. We continually review and evaluate the adequacy of our lending facilities and relationships.

Cash Flows from Operating, Investing and Financing Activities

At December 31, 2008, December 30, 2007 and December 31, 2006 we had cash and cash equivalents of $70.2 million, $36.3 million and $13.6 million, respectively, and working capital of $124.5 million, $178.8 million and $190.4 million, respectively.

Cash flows from operating activities were $72.1 million in 2008 compared to $64.9 million in 2007 and $28.8 million in 2006. Significant items that impacted operating cash flows included the following:

- A decrease in inventories of $7.4 million in 2008 as compared to a decrease of $19.7 million in 2007 and an increase of $25.7 million in 2006. The continuing decline from 2007 to 2008 is the result of the sales declines in the Customer Electrical Components and Printed Circuit Materials reportable segments, as well as a focused effort to reduce inventory levels to improve cash flows and strengthen our working capital position.
- A decrease in accounts receivable of $29.5 million in 2008 as compared to a decrease of $13.0 million in 2007 and an increase of $22.0 million in 2006. The decrease in 2008 and 2007 versus the increase in 2006 is primarily due to lower sales volumes in addition to concentrated collection efforts made in order to strengthen our working capital position.

- A decrease in accounts payable and other accrued liabilities of $7.0 million in 2008 as compared to a decrease of $10.0 million in 2007 and an increase of $21.3 million in 2006. The decrease in 2008, which has continued since 2007, is primarily attributable to the decrease in raw material purchases related to the decreased production levels which is further evidenced by the decrease in inventory balances over the comparable period as discussed above.

During 2008, we used $7.2 million in cash for investing activities as compared to $17.0 million in 2007 and $64.7 million in 2006. The decrease in cash used for investing activities in 2008 and 2007 versus 2006 is primarily attributable to the sale of short-term investments during 2006. In 2008, our short-term investments were classified as long-term marketable securities because they were auction rate securities deemed to be illiquid. In addition, capital expenditures were $21.0 million, $30.9 million and $20.6 million in 2008, 2007 and 2006, respectively, and in 2008 we had net proceeds of $10.5 million related to our Induflex subsidiary. The higher 2007 capital spending was driven by our continuing investment in China, as we continued to build manufacturing capacity in Suzhou, China. Cash generated from our operating activities exceeded capital spending in all three years, and spending was financed through these internally generated funds.

Net cash used in financing activities was $26.6 million in 2008 as compared to cash used by financing activities of $27.6 million in 2007 and cash provided by financing activities of $23.5 million in 2006. The use of cash in 2008 and 2007 was driven primarily by our stock repurchase program, as $30.0 million and $35.5 million were spent to reacquire stock in 2008 and 2007, respectively. We did not repurchase stock in 2006. The activity in 2006, of $17.8 million, is primarily related to the proceeds from the sale of capital stock, as a result of the exercise of stock options.

Credit Facilities

We have a Multicurrency Revolving Credit Agreement with RBS Citizens, National Association (Bank), a successor in interest to Citizens Bank of Connecticut (Credit Agreement). The Credit Agreement provides for two credit facilities. One facility (Credit Facility A) is available for loans or letters of credit up to $75 million, and the second facility (Credit Facility B) is available for loans of up to $25 million. Credit Facility A is a five-year facility and Credit Facility B is a 364-day facility. Both are multi-currency facilities under which we may borrow in US dollars, Japanese Yen, Euros or any other currency freely convertible into US dollars and traded on a recognized interbank market. Under the terms of the Credit Agreement, we have the right to incur additional indebtedness outside of the Credit Agreement through additional borrowings in an aggregate amount of up to $25 million.

Credit Facility A expires on November 13, 2011. Credit Facility B was renewed on November 11, 2008, and we expect to renew it annually, subject to the conditions of the credit markets. The rate of interest charged on any outstanding loans can, at our option and subject to certain restrictions, be based on the prime rate or at rates from 40 to 87.5 basis points over a LIBOR loan rate for Credit Facility A, and from 40 to 200 basis points for Credit Facility B. The spreads over the LIBOR rate for Credit Facility A are based on our leverage ratio. Under the arrangement, the ongoing commitment fee varies from zero to 25 basis points of the maximum amount that can be borrowed, net of any outstanding borrowings and the maximum amount that beneficiaries may draw under outstanding letters of credit.

There were no borrowings pursuant to the Credit Agreement at December 31, 2008 and December 30, 2007, respectively. The Credit Agreement contains restrictive covenants primarily related to total indebtedness, interest expense, and capital expenditures. We were in compliance with those covenants at December 31, 2008 and December 30, 2007.

At December 31, 2008 we had certain standby letters of credit (LOC) and guarantees that were backed by the Credit Facility:

- $1.0 million irrevocable standby LOC - to guarantee Rogers' self insured workers compensation plan
- $0.25 million irrevocable standby LOC – guarantees a payable obligation of Rogers' Belgian subsidiary
- $0.75 million letter guarantee – to guarantee a payable obligation for a Chinese subsidiary (Rogers Shanghai)
- $0.62 million letter guarantee – to guarantee a payable obligation for a Chinese subsidiary (Rogers Suzhou)

No amounts were owed on the LOCs as of December 31, 2008.

The volatility in the credit markets has generally diminished liquidity and capital availability in worldwide markets. We are unable to predict the likely duration and severity of the current disruptions in the credit and financial markets and adverse global economic conditions. However, we believe that our existing sources of liquidity and cash expected to be generated from future operations, together with existing and anticipated available long-term financing, will be sufficient to fund operations, capital expenditures, and research and development efforts for at least the next twelve months.

Financial Position

The following discusses the significant fluctuations on our balance sheet at December 31, 2008 as compared to December 30, 2007:

- Decrease in inventories of 15% is the result of our efforts to reduce inventory levels in order to strengthen our working capital position and better align our inventory levels with our expected sales levels.
- Decrease in accounts receivable of 40% is primarily attributable to lower sales volumes in addition to our concentrated collection efforts in order to strengthen our working capital position.
- Increase in accrued employee benefits and compensation of 69% is a result of the increased annual incentive compensation and commission payouts for 2008, which did not occur in 2007.
- Decrease in accounts payable of 46% is primarily attributable to the decrease in raw material purchases to support current production levels as further evidenced by the decrease in inventory balances over the comparable period as discussed above, as well as the timing of payments at year-end.
- Decrease in additional paid-in capital of 49% is primarily related to the stock repurchases that we made during the year.

Auction Rate Securities

As of December 31, 2008, we held approximately $50.0 million of auction rate securities at par value as compared to approximately $53.3 million as of December 30, 2007. At the end of 2007, these securities were classified as available-for-sale and recorded at fair value based on market valuations at that time (Level 1 input in accordance with the Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157)). However, in the first quarter of 2008, the markets in which these securities traded became illiquid, causing us to reclassify these securities from a Level 1 input to a Level 3 input, as an active market no longer existed for these securities, so we had to base our valuations on unobservable inputs in accordance with SFAS 157. Accordingly, our asset value was determined considering several factors, including an estimated time horizon for redeeming such securities, a discount factor to determine the present value of such securities, as well as the quality of the underlying securities, most of which were backed by investment grade student loans or municipalities. Our initial valuations utilized a discount period of approximately two years, which represented our best estimates of the time period over which these securities would be redeemed. However, as 2008 progressed, we determined that, based on the market conditions at the time that the estimated time horizon for redemption of such securities would be greater than two years and, in the fourth quarter of 2008, we adjusted our assumptions for this consideration. The total fair value of the auction rate securities at December 31, 2008, was $43.3 million. These securities are classified as long-term assets, except for those that are scheduled to be redeemed within the next three months, which are classified as short-term investments. Also, any gains/losses resulting from the valuation of these securities are deemed to be “not other-than-temporary” and are recorded in other comprehensive income. The assumptions utilized in the valuation, as well as in the not other-than-temporary determination, will continue to be reviewed and, as market conditions continue to evolve and change, we will adjust our assumptions accordingly, which could result in either positive or negative valuation adjustments in the future.

Currently, we believe that we have the ability and intent to hold these securities until recovery. We also do not believe that the illiquid nature of these securities will negatively impact our business, as we believe we have the ability to generate sufficient cash to fund the operations and future growth of the business absent these securities.

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2008:

(Dollars in thousands)	Payments Due by Period				
	Total	Within 1 Year	1-3 Years	3-5 Years	After 5 Years
Operating leases	$ 2,746	$ 1,348	$ 1,222	$ 176	$ -
Inventory purchase obligations	457	457	-	-	-
Capital commitments	4,868	4,868	-	-	-
Pension and Retiree Health and Life Insurance Benefits (1)	90,384	7,843	15,713	19,924	46,904
Total	$ 98,455	$ 14,516	$ 16,935	$ 20,100	$ 46,904

(1) Pension benefit payments, which amount to $80.3 million, are expected to be paid through the utilization of pension plan assets; retiree health and life insurance benefits, which amount to $10.1 million, are expected to be paid from operating cash flows.

Effects of Inflation

We do not believe that inflation has had a material impact on our business, sales, or operating results during the periods presented.

Off-Balance Sheet Arrangements

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

Recent Accounting Standards

Hierarchy of Generally Accepted Accounting Principles

In May 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This Statement is effective 60 days following the Securities and Exchange Commission’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. We are in the process of evaluating the impact, if any, of the provisions of SFAS 162 on our consolidated financial position, operations and cash flows.

Disclosures about Derivative Instruments

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities - an amendment to FASB Statement No. 133 (SFAS 161). SFAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The fair value of derivative instruments and their gains and losses will need to be presented in tabular format in order to present a more complete picture of the effects of using derivative instruments. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. We adopted the provisions of SFAS 161 on September 28, 2008 and have disclosed information related to derivative instruments in accordance with SFAS 161 in this Form 10-K (see Note 3 "Hedging Transactions and Derivative Financial Statements").

Accounting for Business Combinations and Noncontrolling Interests

In December 2007, the FASB issued SFAS No. 141(revised 2007), Business Combinations (SFAS 141(R)), and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160). SFAS 141(R) will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 141(R) and SFAS 160 are required to be adopted concurrently and are effective for fiscal years beginning on or after December 15, 2008. The adoption of SFAS 141(R) will change our accounting treatment for business combinations on a prospective basis, beginning in the first quarter of 2009. We are currently evaluating the impact, if any, that SFAS 141(R) may have on our financial condition and results of operations.

Accounting for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 was effective in the first quarter of 2008, and the adoption has not had a material impact on our financial position or results of operations.

Accounting for Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 replaces multiple existing definitions of fair value with a single definition, establishes a consistent framework for measuring fair value and expands financial statement disclosures regarding fair value measurements. SFAS 157 applies only to fair value measurements that already are required or permitted by other accounting standards and does not require any new fair value measurements and is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 on December 31, 2007 expanded our disclosures pertaining to the measurement of assets and liabilities. See Note 2 “Fair Value Measurements”.

Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an Interpretation of FASB No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. FIN 48 is effective for accounting periods commencing after December 15, 2006. We adopted the provisions of FIN 48 on January 1, 2007. Upon adoption, an increase of $2.7 million was recorded in the liability for unrecognized tax benefits, which was recorded through a decrease in retained earnings.

Critical Accounting Policies

Our Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles, which require management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances and believe that appropriate reserves have been established based on reasonable methodologies and appropriate assumptions based on facts and circumstances that are known; however, actual results may differ from these estimates under different assumptions or conditions. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions that are highly judgmental and uncertain at the time the estimate is made, if different estimates could reasonably have been used or if changes to those estimates are reasonably likely to periodically occur that could affect the amounts carried in the financial statements. These critical accounting policies are as follows:

Environmental and Product Liabilities

We accrue for our environmental investigation, remediation, operating and maintenance costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. For environmental matters, the most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including existing technology, current laws and regulations and prior remediation experience. For sites with multiple potential responsible parties (PRP's), we consider our likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Where no amount within a range of estimates is more likely to occur than another, the minimum is accrued. When future liabilities are determined to be reimbursable by insurance coverage, an accrual is recorded for the potential liability and a receivable is recorded for the estimated insurance reimbursement amount. We are exposed to the uncertain nature inherent in such remediation and the possibility that initial estimates will not reflect the final outcome of a matter.

In late 2004, we determined that it was reasonably prudent, based on facts and circumstances known to us at that time, to perform a formal analysis to determine our potential future liability and related insurance coverage for asbestos-related matters. The determination to perform this study was made based on several factors, including the growing number of asbestos-related claims and recent settlement history. 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, our limited claims history and consultations with National Economic Research Associates, Inc. (NERA), we believe that five 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 net asbestos-related contingent liability (i.e., its indemnity or other claim disposition costs plus related legal fees) cannot be estimated with certainty.

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. The models required us to make numerous assumptions that significantly impacted 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 believe, based on the limited amount of settlement and claims history currently known to us, that a reasonable future time frame to quantify our liability is five years, resulting in a liability at December 31, 2008 of approximately $24.3 million, which is substantially offset by an insurance receivable of $24.0 million. If we were to adjust our assumptions related to the determination of these amounts, the impact of increasing the time frame for projected claims from five years to seven years would be an increase to the liability of $9.8 million, which we believe would be substantially covered by insurance; conversely, the impact of changing this assumption from five years to three years would be a decrease to the liability of $9.9 million.

Given the inherent uncertainty in making future projections, we plan to have the projections of current and future asbestos claims periodically re-examined, and we will update them if needed based on our experience, changes in the underlying assumptions that formed the basis for NERA's and Marsh Risk Consulting's (Marsh) models, and other relevant factors, such as changes in the tort system. 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 cannot estimate such excess amounts at this time.

Income Taxes

SFAS No. 109, Accounting for Income Taxes (SFAS 109), establishes financial accounting and reporting standards to be used in determining the effect of income taxes. The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current fiscal year and the deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our Financial Statements. Deferred tax assets and liabilities reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We establish a valuation allowance to offset any deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The determination of the amount of a valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. In assessing the need for a valuation allowance, we consider all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding our volume, pricing and costs. Additionally, valuation allowances related to deferred tax assets can be impacted by changes to tax laws.

Significant judgment is required in determining income tax provisions under SFAS 109 and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that are likely to be challenged and that may not be sustained on review by tax authorities. In the normal course of business, we are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Inventory Allowances

We maintain a reserve for obsolete and slow-moving inventory. Products and materials that are specifically identified as obsolete are fully reserved. In general, most products that have been held in inventory greater than one year are fully reserved unless there are mitigating circumstances, including forecasted sales or current orders for the product. The remainder of the allowance is based on our estimates, and fluctuates with market conditions, design cycles and other economic factors. Risks associated with this allowance include unforeseen changes in business cycles that could affect the marketability of certain products and an unforecasted decline in current production. We closely monitor the market place and related inventory levels and have historically maintained reasonably accurate allowance levels. In addition, we value certain inventories using the last-in, first-out (“LIFO”) method. Accordingly, a LIFO valuation reserve is calculated using the link chain index method and is maintained to properly value these inventories. Our obsolescence reserve has ranged from 10% to 20% of gross inventory over the last three years. A 100 basis point adjustment to the December 31, 2008 obsolescence reserve would change the reserve by approximately $0.7 million.

Goodwill

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142), goodwill is subject to annual impairment tests, or earlier if events or changes in circumstances indicate the carrying value may have been impaired. Determining the fair value of an operating segment is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates and operating margins, discount rates, and future market conditions, among others. We believe that the assumptions and rates used in our annual impairment test under SFAS 142 are reasonable, but inherently uncertain. The 2008 impairment test was performed in the fourth quarter of 2008 on the two operating segments for which we had goodwill recorded at that time and it did not result in an impairment charge. The excess of fair value over carrying value for these operating segments ranged from approximately $16.0 million to $28.0 million. In order to estimate the sensitivity of the analysis performed, we applied a hypothetical 10% decrease to the fair values of each operating segment, which resulted in excess fair value over carrying value ranging from approximately $13.0 million to $23.0 million for each respective operating segment. These valuations are based on a five year discounted cash flow analysis, which utilized a discount rate of approximately 14% and a terminal year growth rate of 3%.

Long-Lived Assets

We review property, plant and equipment and identified intangible assets for impairment whenever events or changes in circumstances indicate the carrying value of assets may not be recoverable. Recoverability of these assets is measured by comparison of their carrying value to future undiscounted cash flows the assets are expected to generate over their remaining economic lives. If such assets are considered to be impaired, the impairment to be recognized in earnings equals the amount by which the carrying value of the assets exceeds their market value determined by either a quoted market price, if available, or a value determined by utilizing a discounted cash flow analysis. We did not record any impairment charges in 2008 related to our property, plant and equipment and identified intangible assets.

Pension and Other Postretirement Benefits

We provide various defined benefit pension plans for our U.S. employees and sponsor three defined benefit healthcare and life insurance plans. The costs and obligations associated with these plans are dependent upon various actuarial assumptions used in calculating such amounts. These assumptions include discount rates, salary growth, long-term rate of return on plan assets, mortality rates and other factors. The assumptions used were determined as follows: (i) the discount rate used is based on comparisons to the Citigroup index and, to a lesser extent, the Moody's AA bond index; (ii) the salary growth is based on our historical and projected level of salary increases; and (iii) the long-term rate of return on plan assets is determined based on historical portfolio results, market conditions and our expectations of future returns. The rates used to determine our costs and obligations under our pension and postretirement plans are disclosed in Footnote 7 of the Consolidated Financial Statements of this Form 10-K. Each assumption has different sensitivity characteristics. For the year ended December 31, 2008, a 25 basis point increase in the discount rate would have decreased our net benefit cost by approximately $0.2 million and a 25 basis point reduction in the long-term rate of return on plan assets would have increased our net benefit cost by approximately $0.3 million.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is determined based on a variety of factors that affect the potential collectibility of receivables, including length of time receivables are past due, customer credit ratings, financial stability of customers, specific one-time events and past customer history. In addition, in circumstances when we are made aware of a specific customer's inability to meet its financial obligations, a specific allowance is established. The majority of accounts are individually evaluated on a regular basis and appropriate reserves are established as deemed appropriate based on the criteria previously mentioned. The remainder of the reserve is based on our estimates and takes into consideration historical trends, market conditions and the composition of our customer base. The risk with this estimate is associated with failure to become aware of potential collectibility issues related to specific accounts and thereby become exposed to potential unreserved losses. Historically, our estimates and assumptions around the allowance have been reasonably accurate and we have processes and controls in place to closely monitor customers and potential credit issues. Historically over the past three years, our allowance as a percentage of total receivables has ranged from 1.8% to 2.5%. A 50 basis point increase in our current year allowance to receivable ratio would increase our allowance reserve by approximately $0.2 million.

Forward-Looking Information

Certain statements in this Annual Report on 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," 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; increasing competition; changes in product mix; the development of new products and manufacturing processes and the inherent risks associated with such efforts; the outcome of current and future litigation; the accuracy of our analysis of our potential asbestos-related exposure and insurance coverage; changes in the availability and cost of raw materials; fluctuations in foreign currency exchange rates; and any difficulties in integrating acquired businesses into our operations. 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 to this Form 10-K, "Risk Factors".

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

Currently, we are exposed to market risk from changes in foreign exchange rates. We currently do not use derivative instruments for trading or speculative purposes. We monitor foreign exchange and interest rate risks and manage such risks on specific transactions. The risk management process primarily uses analytical techniques and sensitivity analysis.

We have various borrowing facilities where the interest rates, although not fixed, are currently relatively low. Currently, an increase in the associated interest rates would not significantly impact interest expense on these facilities, as we currently have no debt.

The fair value of our investment portfolio or the related interest income would not be significantly impacted by either a 100 basis point increase or decrease in interest rates due mainly to the size and nature of our investment portfolio.

At the beginning of 2008 our short-term investments were comprised of auction-rate securities. These investments had been classified as available-for-sale due to the short-term nature of the investments, however, during the first quarter of 2008 we reclassified them to long-term. Changes in market conditions during the first quarter of 2008 caused us to change the nature of these investments and record an impairment for the first quarter and each subsequent quarter of 2008. This impairment is classified as not other-than-temporary due to the liquidity of the Company, and our intent and current ability are to hold the investments until they recover.

Our financial results are affected by changes in foreign exchange rates and economic conditions in foreign countries in which we do business. Our primary overseas markets are in Europe and Asia, thus exposing us to exchange rate risk from fluctuations in the Euro and the various currencies used in the Far East. Exposure to variability in currency exchange rates is mitigated, when possible, through the use of natural hedges, whereby purchases and sales in the same foreign currency and with similar maturity dates offset one another. We can initiate hedging activities by entering into foreign exchange forward contracts with third parties when the use of natural hedges is not possible or desirable. In 2008, a 10% increase/decrease in exchange rates would have resulted in an increase/decrease to sales and net income of $12.5 million and $1.3 million, respectively.

For additional discussion on our market risk, see Footnotes 2 and 3 to the consolidated financial statements in Item 8 of this Form 10-K.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Rogers Corporation

We have audited the accompanying consolidated statements of financial position of Rogers Corporation as of December 31, 2008 and December 30, 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rogers Corporation at December 31, 2008 and December 30, 2007, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, Rogers Corporation adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes and as discussed in Note 7 to the consolidated financial statements, effective December 31, 2006, Rogers Corporation adopted Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, and amendment of FASB Nos. 87, 88, 106 and 132(R).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Rogers Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts
February 20, 2009

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Dollars in thousands, except per share amounts)

	December 31, 2008	December 30, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 70,170	$ 36,328
Short-term investments	455	53,300
Accounts receivable, less allowance for doubtful accounts of $1,171 and $1,376	44,492	74,545
Accounts receivable from joint ventures	3,185	3,368
Accounts receivable, other	2,765	2,203
Inventories	41,617	49,144
Prepaid income taxes	1,579	5,160
Deferred income taxes	9,803	10,180
Asbestos-related insurance receivables	4,632	4,303
Other current assets	5,595	3,351
Assets of discontinued operations	-	5,172
Total current assets	184,293	247,054
Property, plant and equipment, net of accumulated depreciation of $165,701 and $151,321	145,222	144,420
Investments in unconsolidated joint ventures	31,051	30,556
Deferred income taxes	37,939	9,984
Pension asset	-	2,173
Goodwill and other intangibles	9,634	10,131
Asbestos-related insurance receivables	19,416	19,149
Long-term marketable securities	42,945	-
Other long-term assets	4,933	4,698
Assets of discontinued operations	-	2,783
Total assets	$ 475,433	$ 470,948
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 11,619	$ 21,370
Accrued employee benefits and compensation	23,378	13,746
Accrued income taxes payable	1,318	6,326
Asbestos-related liabilities	4,632	4,303
Other current liabilities	18,889	20,178
Liabilities of discontinued operations	-	2,363
Total current liabilities	59,836	68,286
Pension liability	43,683	8,009
Retiree health care and life insurance benefits	7,793	6,288
Asbestos-related liabilities	19,644	19,341
Other long-term liabilities	8,333	4,619
Liabilities of discontinued operations	-	424
Shareholders' Equity		

Capital Stock - $1 par value; 50,000,000 authorized shares; 15,654,123 and 16,414,918 shares issued and outstanding		15,654		16,415
Additional paid-in capital		19,264		37,636
Retained earnings		323,343		296,828
Accumulated other comprehensive income (loss)		(22,117)		13,102
Total shareholders' equity		336,144		363,981
Total liabilities and shareholders' equity	$	475,433	$	470,948

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

CONSOLIDATED STATEMENTS OF INCOME

For each of the fiscal years in the three-year period ended December 31, 2008
(Dollars in thousands, except per share amounts)

	2008	2007	2006
Net sales	$ 365,362	$ 412,698	$ 430,366
Cost of sales	251,399	301,393	292,551
Gross margin	113,963	111,305	137,815
Selling and administrative expenses	82,215	71,395	60,653
Research and development expenses	21,885	24,600	24,168
Restructuring and impairment charges	-	3,538	-
Operating income	9,863	11,772	52,994
Equity income in unconsolidated joint ventures	6,236	8,086	8,563
Other income, net	6,060	1,673	5,615
Interest income, net	2,947	2,009	2,325
Income from continuing operations before income taxes	25,106	23,540	69,497
Income tax expense	3,489	2,915	14,330
Income from continuing operations	21,617	20,625	55,167
Income (loss) from discontinued operations, net of taxes	1,676	1,499	(8,711)
Gain on sale of discontinued operations, net of taxes	3,222	-	-
Income (loss) from discontinued operations, net of taxes	4,898	1,499	(8,711)
Net income	$ 26,515	$ 22,124	$ 46,456
Basic net income per share:			
Income from continuing operations	$ 1.38	$ 1.25	$ 3.29
Income (loss) from discontinued operations, net	0.31	0.09	(0.52)
Net income	$ 1.69	$ 1.34	$ 2.77
Diluted net income per share:			
Income from continuing operations	$ 1.36	$ 1.23	$ 3.19
Income (loss) from discontinued operations, net	0.31	0.09	(0.50)
Net income	$ 1.67	$ 1.32	$ 2.69
Shares used in computing:			
Basic	15,714,884	16,555,656	16,747,444
Diluted	15,924,172	16,749,337	17,287,837

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands)	Capital Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2006	$ 16,255	$ 31,220	$ 230,986	$ 1,789	$ 280,250
Comprehensive income:					
Net income	-	-	46,456	-	46,456
Other comprehensive income (loss):					
Foreign currency translation	-	-	-	7,579	7,579
Minimum pension liability, net of tax	-	-	-	(50)	(50)
Total comprehensive income					53,985
Adjustment to initially apply SFAS 158, net of tax	-	-	-	(5,873)	(5,873)
Stock options exercised	630	17,200	-	-	17,830
Stock issued to directors	8	398	-	-	406
Shares issued	45	713	-	-	758
Stock-based compensation expense	-	4,875	-	-	4,875
Tax benefit on stock options exercised	-	4,946	-	-	4,946
Balance at December 31, 2006	16,938	59,352	277,442	3,445	357,177
Comprehensive income:					
Net income	-	-	22,124	-	22,124
Other comprehensive income:					
Foreign currency translation	-	-	-	4,480	4,480
Pension and OPEB, net of tax	-	-	-	5,177	5,177
Total comprehensive income					31,781
Adoption of FIN 48	-	-	(2,738)	-	(2,738)
Stock options exercised	265	6,738	-	-	7,003
Stock issued to directors	1	140	-	-	141
Shares issued	21	934	-	-	955
Share buyback	(810)	(34,730)			(35,540)
Stock-based compensation expense	-	5,202	-	-	5,202
Tax benefit on stock options exercised	-	-	-	-	-
Balance at December 30, 2007	16,415	37,636	296,828	13,102	363,981
Comprehensive income:					
Net income	-	-	26,515	-	26,515
Other comprehensive income:					
Foreign currency translation	-	-	-	(2,438)	(2,438)
Pension and OPEB, net of tax	-	-	-	(29,235)	(29,235)
Unrealized loss on marketable securities, net of tax				(4,092)	(4,092)
Unrealized gain on derivative instruments, net of tax				546	546
Total comprehensive income					(8,704)

Stock options exercised		99		3,241		-		-	3,340
Stock issued to directors		3		77		-		-	80
Shares issued		44		1,206		-		-	1,250
Share buyback		(907)		(29,093)					(30,000)
Stock-based compensation expense		-		5,644		-		-	5,644
Tax benefit on stock options exercised		-		553		-		-	553
Balance at December 31, 2008	$	15,654	$	19,264	$	323,343	$	(22,117)	$ 336,144

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For each of the fiscal years in the three-year period ended December 31, 2008

(Dollars in thousands)	2008	2007	2006
Operating Activities			
Net income	$ 26,515	$ 22,124	$ 46,456
Loss (income) from discontinued operations	(1,676)	(1,499)	8,711
Gain on sale of discontinued operations	(3,222)	-	-
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,397	24,296	18,276
Stock-based compensation expense	5,644	5,202	4,875
Deferred income taxes	(5,138)	(5,460)	(9,597)
Excess tax benefit related to stock award plans	-	-	(4,946)
Tax benefit related to stock award plans	(553)	-	-
Equity in undistributed income of unconsolidated joint ventures, net	(6,236)	(8,086)	(8,563)
Dividends received from unconsolidated joint ventures	8,996	5,808	3,351
Pension and postretirement benefits	(6,909)	(3,444)	(1,731)
Impairment charges	-	525	-
Changes in operating assets and liabilities excluding effects of acquisition and disposition of businesses:			
Accounts receivable	29,512	12,978	(21,973)
Accounts receivable from joint ventures	183	2,069	133
Inventories	7,394	19,670	(25,719)
Other current assets	1,554	449	(569)
Accounts payable and other accrued liabilities	(6,981)	(10,041)	21,278
Other, net	4,582	332	(1,210)
Net cash provided by operating activities of continuing operations	72,062	64,923	28,772
Net cash provided by (used in) operating activities of discontinued operations	(2,781)	2,991	5,122
Net cash provided by operating activities	69,281	67,914	33,894
Investing Activities			
Capital expenditures	(21,004)	(30,885)	(20,639)
Proceeds from sale of business, net of cash received	10,519	-	-
Purchases of short-term investments	(132,690)	(1,135,430)	(1,349,668)
Maturities of short-term investments	135,990		