

ROCKWELL AUTOMATION INC

Form 10-Q

August 04, 2011

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended June 30, 2011  
Commission file number 1-12383  
**Rockwell Automation, Inc.**  
(Exact name of registrant as specified in its charter)**

Delaware

25-1797617

(State or other jurisdiction  
of incorporation or organization)

(I.R.S. Employer  
Identification No.)

1201 South Second Street, Milwaukee, Wisconsin

53204

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (414) 382-2000

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting  
Company

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

143,209,513 shares of registrant's Common Stock, \$1.00 par value, were outstanding on June 30, 2011.

**ROCKWELL AUTOMATION, INC.  
INDEX**

Page No.

**PART I. FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements:**

**Condensed Consolidated Balance Sheet  
June 30, 2011 and September 30, 2010**

2

**Condensed Consolidated Statement of Operations  
Three and Nine Months Ended June 30, 2011 and 2010**

3

**Condensed Consolidated Statement of Cash Flows  
Nine Months Ended June 30, 2011 and 2010**

4

**Notes to Condensed Consolidated Financial Statements**

5

**Report of Independent Registered Public Accounting Firm**

16

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

17

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

33

**Item 4. Controls and Procedures**

33

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

34

**Item 1A. Risk Factors**

34

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

34

**Item 6. Exhibits**

35

**Signatures**

36

**Exhibit 12**

**Exhibit 15**

**Exhibit 31.1**

**Exhibit 31.2**

**Exhibit 32.1**

**Exhibit 32.2**

**EX-101 INSTANCE DOCUMENT**

**EX-101 SCHEMA DOCUMENT**

**EX-101 CALCULATION LINKBASE DOCUMENT**

**EX-101 LABELS LINKBASE DOCUMENT**

**EX-101 PRESENTATION LINKBASE DOCUMENT**

EX-101 DEFINITION LINKBASE DOCUMENT

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements**

**ROCKWELL AUTOMATION, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**(Unaudited)**  
**(in millions)**

|                                                                                    | June 30,<br>2011 | September<br>30,<br>2010 |
|------------------------------------------------------------------------------------|------------------|--------------------------|
| <b>ASSETS</b>                                                                      |                  |                          |
| Current assets:                                                                    |                  |                          |
| Cash and cash equivalents                                                          | \$ 1,021.8       | \$ 813.4                 |
| Receivables                                                                        | 1,045.4          | 859.0                    |
| Inventories                                                                        | 690.5            | 603.3                    |
| Deferred income taxes                                                              | 185.7            | 170.2                    |
| Other current assets                                                               | 152.3            | 140.7                    |
| <br>                                                                               |                  |                          |
| Total current assets                                                               | 3,095.7          | 2,586.6                  |
| <br>                                                                               |                  |                          |
| Property, net of accumulated depreciation of \$1,223.3 and \$1,185.5, respectively | 544.2            | 536.9                    |
| Goodwill                                                                           | 968.6            | 912.5                    |
| Other intangible assets, net                                                       | 224.8            | 217.3                    |
| Deferred income taxes                                                              | 317.3            | 324.5                    |
| Prepaid pension                                                                    | 43.3             | 28.3                     |
| Other assets                                                                       | 133.8            | 142.2                    |
| <br>                                                                               |                  |                          |
| TOTAL                                                                              | \$ 5,327.7       | \$ 4,748.3               |

**LIABILITIES AND SHAREOWNERS EQUITY**

|                                                      |          |          |
|------------------------------------------------------|----------|----------|
| Current liabilities:                                 |          |          |
| Accounts payable                                     | \$ 478.9 | \$ 435.7 |
| Compensation and benefits                            | 230.5    | 300.1    |
| Advance payments from customers and deferred revenue | 205.5    | 184.9    |
| Customer returns, rebates and incentives             | 134.0    | 119.5    |
| Other current liabilities                            | 290.4    | 182.1    |
| <br>                                                 |          |          |
| Total current liabilities                            | 1,339.3  | 1,222.3  |
| <br>                                                 |          |          |
| Long-term debt                                       | 905.0    | 904.9    |
| Retirement benefits                                  | 946.4    | 923.4    |
| Other liabilities                                    | 239.9    | 237.3    |
| <br>                                                 |          |          |
| Commitments and contingent liabilities (Note 11)     |          |          |

|                                                                                                |            |            |
|------------------------------------------------------------------------------------------------|------------|------------|
| Shareowners equity:                                                                            |            |            |
| Common stock (shares issued: 181.4)                                                            | 181.4      | 181.4      |
| Additional paid-in capital                                                                     | 1,371.9    | 1,344.2    |
| Retained earnings                                                                              | 3,180.8    | 2,912.4    |
| Accumulated other comprehensive loss                                                           | (708.1)    | (841.2)    |
| Common stock in treasury, at cost (shares held: June 30, 2011, 38.2; September 30, 2010, 39.7) | (2,128.9)  | (2,136.4)  |
| <br>                                                                                           |            |            |
| Total shareowners equity                                                                       | 1,897.1    | 1,460.4    |
| <br>                                                                                           |            |            |
| TOTAL                                                                                          | \$ 5,327.7 | \$ 4,748.3 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

**ROCKWELL AUTOMATION, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**(Unaudited)**  
**(in millions, except per share amounts)**

|                                                       | Three Months Ended<br>June 30, |                 | Nine Months Ended<br>June 30, |                 |
|-------------------------------------------------------|--------------------------------|-----------------|-------------------------------|-----------------|
|                                                       | 2011                           | 2010            | 2011                          | 2010            |
| Sales                                                 |                                |                 |                               |                 |
| Products and solutions                                | \$ 1,370.0                     | \$ 1,128.6      | \$ 3,935.1                    | \$ 3,127.0      |
| Services                                              | 146.2                          | 139.5           | 411.0                         | 373.1           |
|                                                       | 1,516.2                        | 1,268.1         | 4,346.1                       | 3,500.1         |
| Cost of sales                                         |                                |                 |                               |                 |
| Products and solutions                                | (810.1)                        | (663.8)         | (2,338.5)                     | (1,836.2)       |
| Services                                              | (99.3)                         | (97.0)          | (280.4)                       | (256.7)         |
|                                                       | (909.4)                        | (760.8)         | (2,618.9)                     | (2,092.9)       |
| Gross profit                                          | 606.8                          | 507.3           | 1,727.2                       | 1,407.2         |
| Selling, general and administrative expenses          | (370.0)                        | (333.3)         | (1,073.1)                     | (969.0)         |
| Other (expense) income                                | (0.9)                          | (3.7)           | 2.3                           | (6.5)           |
| Interest expense                                      | (14.7)                         | (14.8)          | (44.9)                        | (45.3)          |
| Income from continuing operations before income taxes | 221.2                          | 155.5           | 611.5                         | 386.4           |
| Income tax provision                                  | (42.4)                         | (36.1)          | (116.2)                       | (77.3)          |
| <b>Income from continuing operations</b>              | <b>178.8</b>                   | <b>119.4</b>    | <b>495.3</b>                  | <b>309.1</b>    |
| Income from discontinued operations                   | 0.7                            |                 | 0.7                           | 23.9            |
| <b>Net income</b>                                     | <b>\$ 179.5</b>                | <b>\$ 119.4</b> | <b>\$ 496.0</b>               | <b>\$ 333.0</b> |
| <b>Basic earnings per share:</b>                      |                                |                 |                               |                 |
| Continuing operations                                 | \$ 1.24                        | \$ 0.84         | \$ 3.46                       | \$ 2.17         |
| Discontinued operations                               | 0.01                           |                 | 0.01                          | 0.17            |
| Net income                                            | \$ 1.25                        | \$ 0.84         | \$ 3.47                       | \$ 2.34         |

**Diluted earnings per share:**

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|                                             |          |         |          |         |
|---------------------------------------------|----------|---------|----------|---------|
| Continuing operations                       | \$ 1.22  | \$ 0.83 | \$ 3.40  | \$ 2.14 |
| Discontinued operations                     | 0.01     |         |          | 0.17    |
| Net income                                  | \$ 1.23  | \$ 0.83 | \$ 3.40  | \$ 2.31 |
| <b>Cash dividends per share</b>             | \$ 0.775 | \$ 0.64 | \$ 1.475 | \$ 1.22 |
| <b>Weighted average outstanding shares:</b> |          |         |          |         |
| Basic                                       | 143.4    | 142.0   | 142.8    | 142.1   |
| Diluted                                     | 145.9    | 144.3   | 145.5    | 144.1   |

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Unaudited)**  
**(in millions)**

|                                                                                       | Nine Months Ended<br>June 30, |                |
|---------------------------------------------------------------------------------------|-------------------------------|----------------|
|                                                                                       | 2011                          | 2010           |
| <b>Continuing operations:</b>                                                         |                               |                |
| <b>Operating activities:</b>                                                          |                               |                |
| Net income                                                                            | \$ 496.0                      | \$ 333.0       |
| Income from discontinued operations                                                   | (0.7)                         | (23.9)         |
| Income from continuing operations                                                     | 495.3                         | 309.1          |
| Adjustments to arrive at cash provided by operating activities:                       |                               |                |
| Depreciation                                                                          | 70.4                          | 71.0           |
| Amortization of intangible assets                                                     | 26.2                          | 23.2           |
| Share-based compensation expense                                                      | 29.3                          | 27.1           |
| Retirement benefits expense                                                           | 75.6                          | 66.6           |
| Pension trust contributions                                                           | (23.3)                        | (21.9)         |
| Net (gain) loss on disposition of property and investments                            | (2.0)                         | 1.7            |
| Income tax benefit from the exercise of stock options                                 | 3.1                           | 0.5            |
| Excess income tax benefit from share-based compensation                               | (37.8)                        | (12.3)         |
| Changes in assets and liabilities, excluding effects of foreign currency adjustments: |                               |                |
| Receivables                                                                           | (153.3)                       | (134.7)        |
| Inventories                                                                           | (68.5)                        | (151.6)        |
| Accounts payable                                                                      | 37.0                          | 88.5           |
| Compensation and benefits                                                             | (73.7)                        | 115.0          |
| Income taxes                                                                          | 67.5                          | 22.2           |
| Other assets and liabilities                                                          | 16.7                          | 29.0           |
| <b>Cash provided by operating activities</b>                                          | <b>462.5</b>                  | <b>433.4</b>   |
| <b>Investing activities:</b>                                                          |                               |                |
| Capital expenditures                                                                  | (76.0)                        | (54.2)         |
| Acquisition of businesses, net of cash acquired                                       | (45.9)                        |                |
| Proceeds from sale of property and investments                                        | 4.3                           | 4.5            |
| <b>Cash used for investing activities</b>                                             | <b>(117.6)</b>                | <b>(49.7)</b>  |
| <b>Financing activities:</b>                                                          |                               |                |
| Cash dividends                                                                        | (150.3)                       | (124.0)        |
| Purchases of treasury stock                                                           | (222.7)                       | (90.4)         |
| Proceeds from the exercise of stock options                                           | 170.8                         | 28.7           |
| Excess income tax benefit from share-based compensation                               | 37.8                          | 12.3           |
| Other financing activities                                                            | (0.3)                         | (0.3)          |
| <b>Cash used for financing activities</b>                                             | <b>(164.7)</b>                | <b>(173.7)</b> |

|                                                         |            |          |
|---------------------------------------------------------|------------|----------|
| Effect of exchange rate changes on cash                 | 31.6       | (27.6)   |
| <b>Cash provided by continuing operations</b>           | 211.8      | 182.4    |
| <b>Discontinued operations:</b>                         |            |          |
| Cash used for discontinued operating activities         | (3.4)      | (0.2)    |
| <b>Cash used for discontinued operations</b>            | (3.4)      | (0.2)    |
| <b>Increase in cash and cash equivalents</b>            | 208.4      | 182.2    |
| <b>Cash and cash equivalents at beginning of period</b> | 813.4      | 643.8    |
| <b>Cash and cash equivalents at end of period</b>       | \$ 1,021.8 | \$ 826.0 |

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation and Accounting Policies**

In the opinion of management of Rockwell Automation, Inc. (the Company or Rockwell Automation), the unaudited Condensed Consolidated Financial Statements contain all adjustments necessary to present fairly the financial position, results of operations, and cash flows for the periods presented and, except as otherwise indicated, such adjustments consist only of those of a normal recurring nature. These statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended September 30, 2010. The results of operations for the three and nine month periods ended June 30, 2011 are not necessarily indicative of the results for the full year. All date references to years and quarters herein refer to our fiscal year and fiscal quarter unless otherwise stated.

*Receivables*

Receivables are stated net of allowances for doubtful accounts of \$23.8 million at June 30, 2011 and \$17.9 million at September 30, 2010. In addition, receivables are stated net of an allowance for certain customer returns, rebates and incentives of \$8.6 million at June 30, 2011 and \$16.4 million at September 30, 2010.

*Earnings Per Share*

The following table reconciles basic and diluted earnings per share (EPS) amounts (in millions, except per share amounts):

|                                                                     | Three Months Ended<br>June 30, |          | Nine Months Ended<br>June 30, |          |
|---------------------------------------------------------------------|--------------------------------|----------|-------------------------------|----------|
|                                                                     | 2011                           | 2010     | 2011                          | 2010     |
| Income from continuing operations                                   | \$ 178.8                       | \$ 119.4 | \$ 495.3                      | \$ 309.1 |
| Less: Allocation to participating securities                        | (0.3)                          | (0.3)    | (1.0)                         | (0.7)    |
| Income from continuing operations available to common shareowners   | \$ 178.5                       | \$ 119.1 | \$ 494.3                      | \$ 308.4 |
| Income from discontinued operations                                 | \$ 0.7                         | \$       | \$ 0.7                        | \$ 23.9  |
| Less: Allocation to participating securities                        |                                |          |                               | (0.1)    |
| Income from discontinued operations available to common shareowners | \$ 0.7                         | \$       | \$ 0.7                        | \$ 23.8  |
| Net income                                                          | \$ 179.5                       | \$ 119.4 | \$ 496.0                      | \$ 333.0 |
| Less: Allocation to participating securities                        | (0.3)                          | (0.3)    | (1.0)                         | (0.8)    |
| Net income available to common shareowners                          | \$ 179.2                       | \$ 119.1 | \$ 495.0                      | \$ 332.2 |
| Basic weighted average outstanding shares                           | 143.4                          | 142.0    | 142.8                         | 142.1    |
| Effect of dilutive securities                                       |                                |          |                               |          |
| Stock options                                                       | 2.1                            | 1.9      | 2.3                           | 1.7      |
| Performance shares                                                  | 0.4                            | 0.4      | 0.4                           | 0.3      |
| Diluted weighted average outstanding shares                         | 145.9                          | 144.3    | 145.5                         | 144.1    |

**Basic earnings per share:**

|                         |    |      |    |      |    |      |    |      |
|-------------------------|----|------|----|------|----|------|----|------|
| Continuing operations   | \$ | 1.24 | \$ | 0.84 | \$ | 3.46 | \$ | 2.17 |
| Discontinued operations |    | 0.01 |    |      |    | 0.01 |    | 0.17 |
| Net income              | \$ | 1.25 | \$ | 0.84 | \$ | 3.47 | \$ | 2.34 |

**Diluted earnings per share:**

|                         |    |      |    |      |    |      |    |      |
|-------------------------|----|------|----|------|----|------|----|------|
| Continuing operations   | \$ | 1.22 | \$ | 0.83 | \$ | 3.40 | \$ | 2.14 |
| Discontinued operations |    | 0.01 |    |      |    |      |    | 0.17 |
| Net income              | \$ | 1.23 | \$ | 0.83 | \$ | 3.40 | \$ | 2.31 |

For the three and nine months ended June 30, 2011, share-based compensation awards for 1.1 million and 1.9 million shares, respectively, were excluded from the diluted EPS calculation because they were antidilutive. For the three and nine months ended June 30, 2010, share-based compensation awards for 3.7 million and 5.0 million shares, respectively, were excluded from the diluted EPS calculation because they were antidilutive.

Table of Contents

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation and Accounting Policies (Continued)***Recent Accounting Pronouncements*

In June 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to the presentation of comprehensive income that eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under this guidance, an entity can elect to present items of net income and other comprehensive income in one continuous statement or two consecutive statements. This guidance is effective for us beginning October 1, 2012. We do not believe the adoption of this guidance will have a material effect on our consolidated financial statements and related disclosures.

In May 2011, the FASB issued updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between accounting principles generally accepted in the United States (U.S. GAAP) and International Financial Reporting Standards. This guidance includes amendments that clarify the application of existing fair value measurements and disclosures, in addition to other amendments that change principles or requirements for fair value measurements or disclosures. This guidance is effective for us beginning January 1, 2012. We do not believe the adoption of this guidance will have a material effect on our consolidated financial statements and related disclosures.

**2. Share-Based Compensation**

We recognized \$10.1 million and \$29.3 million of pre-tax share-based compensation expense during the three and nine months ended June 30, 2011, respectively. We recognized \$9.2 million and \$27.1 million of pre-tax share-based compensation expense during the three and nine months ended June 30, 2010, respectively.

Our annual grant of share-based compensation takes place during the first quarter of each fiscal year. The number of shares granted to all employees and non-employee directors and the weighted average fair value per share during the periods presented were (in thousands except per share amounts):

|                                             | Nine Months Ended June 30, |                                  |        |                                  |
|---------------------------------------------|----------------------------|----------------------------------|--------|----------------------------------|
|                                             | 2011                       |                                  | 2010   |                                  |
|                                             | Grants                     | Wtd. Avg.<br>Share<br>Fair Value | Grants | Wtd. Avg.<br>Share<br>Fair Value |
| Stock options                               | 1,727                      | \$ 21.39                         | 2,169  | \$ 13.59                         |
| Performance shares                          | 77                         | 87.00                            | 146    | 54.81                            |
| Restricted stock and restricted stock units | 68                         | 74.52                            | 146    | 43.66                            |
| Unrestricted stock                          | 11                         | 69.79                            | 11     | 44.20                            |

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**3. Acquisitions**

In April 2011, we acquired certain assets and assumed certain liabilities of Hiprom (Pty) Ltd and its affiliates (Hiprom), a process control and automation systems integrator for the mining and mineral processing industry in South Africa. In May 2011, we purchased a majority stake in the equity of Lektronix Limited and its affiliate (Lektronix), an independent industrial automation repairs and service provider in Europe and Asia. The terms of this acquisition included mirroring put and call options for a fixed price in December 2011 with respect to the remaining minority shares. Accordingly, we recorded the Lektronix share purchase as an acquisition of all outstanding equity interests with a corresponding liability of \$11.1 million related to the put/call option as of the acquisition date. The aggregate purchase price of the Hiprom and Lektronix acquisitions was \$58.8 million.

We recorded goodwill of \$34.0 million attributable to intangible assets that do not meet the criteria for separate recognition, including an assembled workforce with industry-wide technical expertise and customer service capabilities. We assigned the full amount of goodwill for Hiprom and Lektronix to our Control Products & Solutions segment. None of the goodwill recorded is expected to be deductible for tax purposes.

Purchase price allocations may be subsequently adjusted to reflect final valuation studies. The fair values and weighted average useful lives that have been preliminarily assigned to the acquired identifiable intangible assets of these two acquisitions are:

| (in millions, except useful lives) | Fair<br>Value | Wtd. Avg.<br>Useful<br>Life |
|------------------------------------|---------------|-----------------------------|
| Customer relationships             | \$ 14.3       | 14 years                    |
| Technology                         | 1.5           | 10 years                    |
| Trademarks                         | 1.3           | 2 years                     |
| Other intangible assets            | 0.6           | 4 years                     |

The results of operations of the acquired businesses have been included in our Condensed Consolidated Statement of Operations since the dates of acquisition. Pro forma financial information and allocation of the purchase price are not presented as the effects of these acquisitions are not material to our results of operations or financial position.

**4. Inventories**

Inventories consist of (in millions):

|                                   | June 30,<br>2011 | September 30,<br>2010 |
|-----------------------------------|------------------|-----------------------|
| Finished goods                    | \$ 253.5         | \$ 244.2              |
| Work in process                   | 162.0            | 144.1                 |
| Raw materials, parts and supplies | 275.0            | 215.0                 |
| Inventories                       | \$ 690.5         | \$ 603.3              |

We report inventories net of the allowance for excess and obsolete inventory of \$49.1 million at June 30, 2011 and \$46.3 million at September 30, 2010.



**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**5. Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill for the nine months ended June 30, 2011 are (in millions):

|                                  | Architecture &<br>Software | Control<br>Products &<br>Solutions | Total    |
|----------------------------------|----------------------------|------------------------------------|----------|
| Balance as of September 30, 2010 | \$ 385.5                   | \$ 527.0                           | \$ 912.5 |
| Acquisition of businesses        |                            | 34.0                               | 34.0     |
| Translation and other            | 4.3                        | 17.8                               | 22.1     |
| <br>                             |                            |                                    |          |
| Balance as of June 30, 2011      | \$ 389.8                   | \$ 578.8                           | \$ 968.6 |

Other intangible assets consist of (in millions):

|                                               | Carrying<br>Amount | June 30, 2011<br>Accumulated<br>Amortization | Net      |
|-----------------------------------------------|--------------------|----------------------------------------------|----------|
| Amortized intangible assets:                  |                    |                                              |          |
| Computer software products                    | \$ 175.2           | \$ 120.1                                     | \$ 55.1  |
| Customer relationships                        | 73.7               | 20.9                                         | 52.8     |
| Technology                                    | 85.7               | 42.8                                         | 42.9     |
| Trademarks                                    | 31.9               | 8.1                                          | 23.8     |
| Other                                         | 22.1               | 15.6                                         | 6.5      |
| <br>                                          |                    |                                              |          |
| Total amortized intangible assets             | 388.6              | 207.5                                        | 181.1    |
| Intangible assets not subject to amortization | 43.7               |                                              | 43.7     |
| <br>                                          |                    |                                              |          |
| Total                                         | \$ 432.3           | \$ 207.5                                     | \$ 224.8 |

|                                               | Carrying<br>Amount | September 30, 2010<br>Accumulated<br>Amortization | Net     |
|-----------------------------------------------|--------------------|---------------------------------------------------|---------|
| Amortized intangible assets:                  |                    |                                                   |         |
| Computer software products                    | \$ 160.1           | \$ 107.3                                          | \$ 52.8 |
| Customer relationships                        | 59.6               | 16.6                                              | 43.0    |
| Technology                                    | 83.8               | 38.0                                              | 45.8    |
| Trademarks                                    | 32.5               | 7.6                                               | 24.9    |
| Other                                         | 23.6               | 16.5                                              | 7.1     |
| <br>                                          |                    |                                                   |         |
| Total amortized intangible assets             | 359.6              | 186.0                                             | 173.6   |
| Intangible assets not subject to amortization | 43.7               |                                                   | 43.7    |



Total \$ 403.3 \$ 186.0 \$ 217.3

The Allen-Bradley® trademark has an indefinite life, and therefore is not subject to amortization. Estimated amortization expense is \$35.6 million in 2011, \$33.9 million in 2012, \$27.3 million in 2013, \$22.1 million in 2014 and \$17.4 million in 2015.

We performed the annual evaluation of our goodwill and indefinite life intangible assets for impairment as required by U.S. GAAP during the second quarter of 2011 and concluded these assets are not impaired. We did not identify any impairment indicators during the third quarter of 2011 that would require further impairment analysis.

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**6. Other Current Liabilities**

Other current liabilities consist of (in millions):

|                                                 | June 30,<br>2011 | September 30,<br>2010 |
|-------------------------------------------------|------------------|-----------------------|
| Unrealized losses on foreign exchange contracts | \$ 15.9          | \$ 18.9               |
| Product warranty obligations                    | 37.4             | 37.3                  |
| Taxes other than income taxes                   | 40.2             | 33.3                  |
| Accrued interest                                | 15.0             | 15.6                  |
| Dividends payable                               | 60.9             |                       |
| Income taxes payable                            | 46.7             | 20.6                  |
| Other                                           | 74.3             | 56.4                  |
| <br>                                            |                  |                       |
| Other current liabilities                       | \$ 290.4         | \$ 182.1              |

**7. Product Warranty Obligations**

We record a liability for product warranty obligations at the time of sale to a customer based upon historical warranty experience. Most of our products are covered under a warranty period that runs for twelve months from either the date of sale or from installation to an end-user or Original Equipment Manufacturer (OEM) customer. We also record a liability for specific warranty matters when they become probable and reasonably estimable. Our product warranty obligations are included in other current liabilities in the Condensed Consolidated Balance Sheet.

Changes in the product warranty obligations for the nine months ended June 30, 2011 and 2010 are (in millions):

|                                        | Nine Months Ended<br>June 30, |         |
|----------------------------------------|-------------------------------|---------|
|                                        | 2011                          | 2010    |
| Balance at beginning of period         | \$ 37.3                       | \$ 32.1 |
| Warranties recorded at time of sale    | 27.3                          | 30.6    |
| Adjustments to pre-existing warranties | (3.0)                         | (1.2)   |
| Settlements of warranty claims         | (24.2)                        | (25.3)  |
| <br>                                   |                               |         |
| Balance at end of period               | \$ 37.4                       | \$ 36.2 |

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**8. Derivative Instruments and Fair Value Measurement**

We use foreign currency forward exchange contracts to manage certain foreign currency risks. We enter into these contracts to offset changes in the amount of future cash flows associated with certain third-party and intercompany transactions denominated in foreign currencies expected to occur within the next two years (cash flow hedges). Certain of our locations have assets and liabilities denominated in currencies other than their functional currencies resulting from intercompany loans and other transactions with third parties denominated in foreign currencies. We also enter into foreign currency forward exchange contracts that we do not designate as hedging instruments to offset the transaction gains or losses associated with some of these assets and liabilities.

We value our forward exchange contracts using a market approach. We use an internally developed valuation model based on inputs including forward and spot prices for currency and interest rate curves. We have not changed our valuation techniques during the nine months ended June 30, 2011. The notional values of our forward exchange contracts outstanding at June 30, 2011 were \$869.7 million, of which \$533.4 million were designated as cash flow hedges. Contracts with the most significant notional values relate to transactions denominated in the United States dollar, euro and Canadian dollar.

We also use foreign currency denominated debt obligations to hedge portions of our net investments in non-US subsidiaries. The currency effects of the debt obligations are reflected in accumulated other comprehensive loss within shareholders' equity where they offset gains and losses recorded on our net investments globally. At June 30, 2011 we had \$14.4 million of foreign currency denominated debt designated as net investment hedges.

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. U.S. GAAP also classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis and their location in our Condensed Consolidated Balance Sheet were (in millions):

|                                               | Balance Sheet Location    | Fair Value (Level 2) |                    |
|-----------------------------------------------|---------------------------|----------------------|--------------------|
|                                               |                           | June 30, 2011        | September 30, 2010 |
| Derivatives Designated as Hedging Instruments |                           |                      |                    |
| Forward exchange contracts                    | Other current assets      | \$ 15.7              | \$ 9.9             |
| Forward exchange contracts                    | Other assets              | 1.6                  | 2.7                |
| Forward exchange contracts                    | Other current liabilities | (11.8)               | (8.5)              |
| Forward exchange contracts                    | Other liabilities         | (1.4)                | (1.5)              |
| Total                                         |                           | \$ 4.1               | \$ 2.6             |

| Derivatives Not Designated as Hedging Instruments | Balance Sheet Location    | Fair Value (Level 2) |                    |
|---------------------------------------------------|---------------------------|----------------------|--------------------|
|                                                   |                           | June 30, 2011        | September 30, 2010 |
| Forward exchange contracts                        | Other current assets      | \$ 11.0              | \$ 15.6            |
| Forward exchange contracts                        | Other current liabilities | (4.1)                | (10.4)             |
| Total                                             |                           | \$ 6.9               | \$ 5.2             |

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**8. Derivative Instruments and Fair Value Measurement (Continued)**

The pre-tax amount of gains (losses) recorded in other comprehensive income related to hedges that would have been recorded in the Condensed Consolidated Statement of Operations had they not been so designated as cash flow hedges was (in millions):

|                                                           | Three Months Ended<br>June 30, |               | Nine Months Ended<br>June 30, |                |
|-----------------------------------------------------------|--------------------------------|---------------|-------------------------------|----------------|
|                                                           | 2011                           | 2010          | 2011                          | 2010           |
| Forward exchange contracts                                | \$ 5.3                         | \$ 9.7        | \$ (3.5)                      | \$ 18.3        |
| Foreign currency denominated debt (net investment hedges) |                                |               | (0.5)                         |                |
| <b>Total</b>                                              | <b>\$ 5.3</b>                  | <b>\$ 9.7</b> | <b>\$ (4.0)</b>               | <b>\$ 18.3</b> |

Approximately \$3.9 million (\$2.4 million net of tax) of net unrealized gains on cash flow hedges as of June 30, 2011 will be reclassified into earnings during the next 12 months. We expect that these net unrealized gains will be offset when the hedged items are recognized in earnings.

The pre-tax amount of gains (losses) reclassified from accumulated other comprehensive loss into the Condensed Consolidated Statement of Operations related to derivative forward exchange contracts designated as cash flow hedges, which offset the related losses and gains on the hedged items during the periods presented was:

|               | Three Months Ended<br>June 30, |                 | Nine Months Ended<br>June 30, |                 |
|---------------|--------------------------------|-----------------|-------------------------------|-----------------|
|               | 2011                           | 2010            | 2011                          | 2010            |
| Sales         | \$ 0.2                         | \$ (0.8)        | \$                            | \$ (1.5)        |
| Cost of sales | (2.3)                          | 0.7             | (3.4)                         | (4.4)           |
| <b>Total</b>  | <b>\$ (2.1)</b>                | <b>\$ (0.1)</b> | <b>\$ (3.4)</b>               | <b>\$ (5.9)</b> |

The amount recognized in earnings as a result of ineffective hedges was not significant.

The pre-tax amount of gains (losses) from forward exchange contracts not designated as hedging instruments recognized in the Condensed Consolidated Statement of Operations during the periods presented was:

|                        | Three Months Ended<br>June 30, |                 | Nine Months Ended<br>June 30, |                  |
|------------------------|--------------------------------|-----------------|-------------------------------|------------------|
|                        | 2011                           | 2010            | 2011                          | 2010             |
| Other (expense) income | \$ 6.6                         | \$ (2.8)        | \$ 1.5                        | \$ (22.6)        |
| Cost of sales          | (0.2)                          |                 | (0.2)                         |                  |
| <b>Total</b>           | <b>\$ 6.4</b>                  | <b>\$ (2.8)</b> | <b>\$ 1.3</b>                 | <b>\$ (22.6)</b> |

We also hold financial instruments consisting of cash, accounts receivable, accounts payable and long-term debt. The carrying value of our cash, accounts receivable and accounts payable as reported in our Condensed Consolidated Balance Sheet approximates fair value. We base the fair value of long-term debt upon quoted market prices for the same or similar issues. The following is a summary of the carrying value and fair value of our long-term debt (in millions):

|                | June 30, 2011  |            | September 30, 2010 |            |
|----------------|----------------|------------|--------------------|------------|
|                | Carrying Value | Fair Value | Carrying Value     | Fair Value |
| Long-term debt | \$ 905.0       | \$ 1,043.6 | \$ 904.9           | \$ 1,073.8 |

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**9. Retirement Benefits**

The components of net periodic benefit cost in income from continuing operations are (in millions):

|                                | Pension Benefits   |         |                   |         |
|--------------------------------|--------------------|---------|-------------------|---------|
|                                | Three Months Ended |         | Nine Months Ended |         |
|                                | June 30,           |         | June 30,          |         |
|                                | 2011               | 2010    | 2011              | 2010    |
| Service cost                   | \$ 17.8            | \$ 19.3 | \$ 52.9           | \$ 51.9 |
| Interest cost                  | 41.6               | 40.0    | 123.5             | 119.8   |
| Expected return on plan assets | (52.2)             | (48.1)  | (154.3)           | (144.1) |
| Amortization:                  |                    |         |                   |         |
| Prior service credit           | (0.5)              | (1.1)   | (1.5)             | (3.2)   |
| Net actuarial loss             | 16.0               | 10.6    | 47.8              | 31.6    |
| <br>                           |                    |         |                   |         |
| Net periodic benefit cost      | \$ 22.7            | \$ 20.7 | \$ 68.4           | \$ 56.0 |

|                           | Other Postretirement Benefits |        |                   |         |
|---------------------------|-------------------------------|--------|-------------------|---------|
|                           | Three Months Ended            |        | Nine Months Ended |         |
|                           | June 30,                      |        | June 30,          |         |
|                           | 2011                          | 2010   | 2011              | 2010    |
| Service cost              | \$ 0.8                        | \$ 0.9 | \$ 2.6            | \$ 2.8  |
| Interest cost             | 2.5                           | 3.1    | 7.6               | 9.4     |
| Amortization:             |                               |        |                   |         |
| Prior service credit      | (2.6)                         | (2.6)  | (7.9)             | (7.9)   |
| Net actuarial loss        | 1.7                           | 2.1    | 4.9               | 6.3     |
| <br>                      |                               |        |                   |         |
| Net periodic benefit cost | \$ 2.4                        | \$ 3.5 | \$ 7.2            | \$ 10.6 |

**10. Comprehensive Income**

Comprehensive income consists of (in millions):

|                                                                  | Three Months Ended |          | Nine Months Ended |          |
|------------------------------------------------------------------|--------------------|----------|-------------------|----------|
|                                                                  | June 30,           |          | June 30,          |          |
|                                                                  | 2011               | 2010     | 2011              | 2010     |
|                                                                  | Net income         | \$ 179.5 | \$ 119.4          | \$ 496.0 |
| Other comprehensive income (loss):                               |                    |          |                   |          |
| Unrecognized pension and postretirement benefit plan liabilities | 9.4                | 4.3      | 27.6              | 12.9     |
| Currency translation adjustments                                 | 48.2               | (41.2)   | 105.8             | (101.0)  |
| Net unrealized gains on cash flow hedges                         | 4.6                | 6.1      |                   | 15.1     |

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|                                   |          |         |          |          |
|-----------------------------------|----------|---------|----------|----------|
| Other                             |          |         | (0.3)    | 0.1      |
| Other comprehensive income (loss) | 62.2     | (30.8)  | 133.1    | (72.9)   |
| Comprehensive income              | \$ 241.7 | \$ 88.6 | \$ 629.1 | \$ 260.1 |



**Table of Contents**

**ROCKWELL AUTOMATION, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**11. Commitments and Contingent Liabilities**

Various lawsuits, claims and proceedings have been or may be instituted or asserted against us relating to the conduct of our business, including those pertaining to product liability, environmental, safety and health, intellectual property, employment and contract matters. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to us, we believe the disposition of matters that are pending or have been asserted will not have a material adverse effect on our business or financial condition.

We (including our subsidiaries) have been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos that was used in certain components of our products many years ago. Currently there are a few thousand claimants in lawsuits that name us as defendants, together with hundreds of other companies. In some cases, the claims involve products from divested businesses, and we are indemnified for most of the costs. However, we have agreed to defend and indemnify asbestos claims associated with products manufactured or sold by our former Dodge mechanical and Reliance Electric motors and motor repair services businesses prior to their divestiture by us, which occurred on January 31, 2007. We are also responsible for half of the costs and liabilities associated with asbestos cases against the former Rockwell International Corporation's (RIC's) divested measurement and flow control business. But in all cases, for those claimants who do show that they worked with our products or products of divested businesses for which we are responsible, we nevertheless believe we have meritorious defenses, in substantial part due to the integrity of the products, the encapsulated nature of any asbestos-containing components, and the lack of any impairing medical condition on the part of many claimants. We defend those cases vigorously. Historically, we have been dismissed from the vast majority of these claims with no payment to claimants.

We have maintained insurance coverage that we believe covers indemnity and defense costs, over and above self-insured retentions, for claims arising from our former Allen-Bradley subsidiary. Following litigation against Nationwide Indemnity Company (Nationwide) and Kemper Insurance (Kemper), the insurance carriers that provided liability insurance coverage to Allen-Bradley, we entered into separate agreements on April 1, 2008 with both insurance carriers to further resolve responsibility for ongoing and future coverage of Allen-Bradley asbestos claims. In exchange for a lump sum payment, Kemper bought out its remaining liability and has been released from further insurance obligations to Allen-Bradley. Nationwide entered into a cost share agreement with us to pay the substantial majority of future defense and indemnity costs for Allen-Bradley asbestos claims. We believe that this arrangement with Nationwide will continue to provide coverage for Allen-Bradley asbestos claims throughout the remaining life of the asbestos liability.

The uncertainties of asbestos claim litigation make it difficult to predict accurately the ultimate outcome of asbestos claims. That uncertainty is increased by the possibility of adverse rulings or new legislation affecting asbestos claim litigation or the settlement process. Subject to these uncertainties and based on our experience defending asbestos claims, we do not believe these lawsuits will have a material adverse effect on our financial condition.

We have, from time to time, divested certain of our businesses. In connection with these divestitures, certain lawsuits, claims and proceedings may be instituted or asserted against us related to the period that we owned the businesses, either because we agreed to retain certain liabilities related to these periods or because such liabilities fall upon us by operation of law. In some instances, the divested business has assumed the liabilities; however, it is possible that we might be responsible to satisfy those liabilities if the divested business is unable to do so.

In connection with the spin-offs of our former automotive component systems business, semiconductor systems business and Rockwell Collins avionics and communications business, the spun-off companies have agreed to indemnify us for substantially all contingent liabilities related to the respective businesses, including environmental and intellectual property matters.

In connection with the sale of our Dodge mechanical and Reliance Electric motors and motor repair services businesses, we agreed to indemnify the purchaser, Baldor Electric Company, for costs and damages related to certain legal, legacy environmental and asbestos matters of these businesses, arising before January 31, 2007, for which the maximum exposure would be capped at the amount received for the sale. Federal Pacific Electric, a non-operating

entity that had been retained following the sale of our Dodge mechanical and Reliance Electric motors and motor repair services businesses, dissolved pursuant to Delaware law on March 31, 2011.

**Table of Contents**

**ROCKWELL AUTOMATION, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**11. Commitments and Contingent Liabilities (Continued)**

In many countries we provide a limited intellectual property indemnity as part of our terms and conditions of sale. We also at times provide limited intellectual property indemnities in other contracts with third parties, such as contracts concerning the development and manufacture of our products, the divestiture of businesses and the licensing of intellectual property. Due to the number of agreements containing such provisions, we are unable to estimate the maximum potential future payments.

**12. Income Taxes**

At the end of each interim period, we estimate a base effective tax rate that we expect for the full fiscal year based on our most recent forecast of pre-tax income, permanent book and tax differences and global tax planning strategies. We use this base rate to provide for income taxes on a year-to-date basis, excluding the effect of significant unusual or extraordinary items and items that are reported net of their related tax effects. We record the tax effect of significant unusual or extraordinary items and items that are reported net of their tax effects in the period in which they occur.

The effective tax rate for the nine months ended June 30, 2011 was 19.0 percent. The effective rate was lower than the U.S. statutory rate of 35 percent because we benefited from lower non-U.S. tax rates, the utilization of foreign tax credits and net discrete tax benefits of \$21.0 million related to the favorable resolution of worldwide tax matters and the retroactive extension of the U.S. federal research tax credit.

The amount of unrecognized tax benefits was \$75.2 million (\$35.9 million net of \$39.3 million of offsetting tax benefits) at June 30, 2011 and \$66.3 million (\$15.2 million net of \$51.1 million of offsetting tax benefits) at September 30, 2010. The amount of unrecognized tax benefits that would reduce our effective tax rate if recognized was \$66.7 million (\$30.4 million net of \$36.3 million of offsetting tax benefits) at June 30, 2011. Offsetting tax benefits primarily consist of tax receivables and deposits that are recorded in other assets.

There was no material change in the amount of unrecognized tax benefits in the first nine months of 2011. We believe it is reasonably possible that the amount of unrecognized tax benefits could be reduced by up to \$4.9 million and the amount of offsetting tax benefits could be increased by up to \$10.5 million during the next 12 months as a result of the resolution of worldwide tax matters and the lapses of statutes of limitations.

We recognize interest and penalties related to tax matters in tax expense. Accrued interest and penalties were \$16.5 million and \$1.2 million at June 30, 2011 and \$24.9 million and \$1.7 million at September 30, 2010, respectively.

We conduct business globally and are routinely audited by the various tax jurisdictions in which we operate. We are no longer subject to U.S. federal income tax examinations for years before 2009 and are no longer subject to state, local and foreign income tax examinations for years before 2003.

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**13. Segment Information**

The following tables reflect the sales and operating results of our reportable segments (in millions):

|                                                   | Three Months Ended |            | Nine Months Ended |            |
|---------------------------------------------------|--------------------|------------|-------------------|------------|
|                                                   | June 30,           |            | June 30,          |            |
|                                                   | 2011               | 2010       | 2011              | 2010       |
| Sales                                             |                    |            |                   |            |
| Architecture & Software                           | \$ 672.9           | \$ 553.9   | \$ 1,911.0        | \$ 1,539.1 |
| Control Products & Solutions                      | 843.3              | 714.2      | 2,435.1           | 1,961.0    |
| Total                                             | \$ 1,516.2         | \$ 1,268.1 | \$ 4,346.1        | \$ 3,500.1 |
| Segment operating earnings                        |                    |            |                   |            |
| Architecture & Software                           | \$ 175.9           | \$ 125.4   | \$ 481.2          | \$ 347.0   |
| Control Products & Solutions                      | 87.4               | 72.6       | 248.3             | 165.1      |
| Total                                             | 263.3              | 198.0      | 729.5             | 512.1      |
| Purchase accounting depreciation and amortization | (5.1)              | (4.6)      | (14.6)            | (14.2)     |
| General corporate net                             | (22.3)             | (23.1)     | (58.5)            | (66.2)     |
| Interest expense                                  | (14.7)             | (14.8)     | (44.9)            | (45.3)     |
| Income tax provision                              | (42.4)             | (36.1)     | (116.2)           | (77.3)     |
| Income from continuing operations                 | \$ 178.8           | \$ 119.4   | \$ 495.3          | \$ 309.1   |

Among other considerations, we evaluate performance and allocate resources based upon segment operating earnings before income taxes, interest expense, costs related to corporate offices, certain nonrecurring corporate initiatives, gains and losses from the disposition of businesses and incremental acquisition related expenses resulting from purchase accounting adjustments such as intangible asset amortization, depreciation, inventory and purchased research and development charges. Depending on the product, intersegment sales that are within a single legal entity are recorded either at cost or cost plus a mark-up, which does not necessarily represent a market price. Sales between legal entities are at an appropriate transfer price. We allocate costs related to shared segment operating activities to the segments using a methodology consistent with the expected benefit.

In the United States and Canada, we sell our products primarily through independent distributors. We sell large systems and service offerings principally through a direct sales force, though opportunities are sometimes identified through distributors. Outside the United States and Canada, we sell products through a combination of direct sales and sales through distributors. Sales to our largest distributor in the three and nine months ended June 30, 2011 and 2010, were approximately 10 percent of our total sales.

**14. Discontinued Operations**

In the three and nine months ended June 30, 2011, we recorded a net \$0.7 million benefit from the settlement of an indemnification of Baldor Electric Company and certain tax matters related to divested businesses, partially offset by a change in estimate for an environmental matter pertaining to a discontinued business.

In the nine months ended June 30, 2010, we recorded a \$21.3 million tax benefit as a result of the resolution of a domestic tax matter relating to the January 2007 sale of our Dodge mechanical and Reliance Electric motors and motor repair services businesses. We also recorded a net \$2.6 million after-tax benefit relating to changes in estimate

for environmental and legal matters of our divested businesses.

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareowners of  
Rockwell Automation, Inc.

Milwaukee, Wisconsin:

We have reviewed the accompanying condensed consolidated balance sheet of Rockwell Automation, Inc. and subsidiaries (the Company) as of June 30, 2011, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended June 30, 2011 and 2010, and cash flows for the nine-month periods ended June 30, 2011 and 2010. These condensed consolidated interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Rockwell Automation, Inc. and subsidiaries as of September 30, 2010, and the related consolidated statements of operations, cash flows, shareowners' equity and comprehensive income (loss) for the year then ended (not presented herein); and in our report dated November 18, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2010 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

August 4, 2011

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**

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

**Results of Operations**

***Forward-Looking Statement***

This Quarterly Report contains statements (including certain projections and business trends) that are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Words such as believe, estimate, project, plan, expect, anticipate, will, intend and other similar expressions may identify forward-looking statements. Actual results may differ materially from those projected as a result of certain risks and uncertainties, many of which are beyond our control, including but not limited to:

- macroeconomic factors, including global and regional business conditions, the availability and cost of capital, the cyclical nature of our customers' capital spending, sovereign debt concerns and currency exchange rates;
- laws, regulations and governmental policies affecting our activities in the countries where we do business;
- successful development of advanced technologies and demand for and market acceptance of new and existing products;
- the availability, effectiveness and security of our information technology systems;
- competitive product and pricing pressures;
- disruption of our operations due to natural disasters, acts of war, strikes, terrorism or other causes;
- intellectual property infringement claims by others and the ability to protect our intellectual property;
- our ability to successfully address claims by taxing authorities in the various jurisdictions where we do business;
- our ability to attract and retain qualified personnel;
- our ability to manage costs related to employee retirement and health care benefits;
- the uncertainties of litigation;
- disruption of our distribution channels;
- the availability and price of components and materials;
- successful execution of our cost productivity and globalization initiatives; and
- other risks and uncertainties, including but not limited to those detailed from time to time in our Securities and Exchange Commission (SEC) filings.

These forward-looking statements reflect our beliefs as of the date of filing this report. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. See Item 1A, Risk Factors of our Annual Report on Form 10-K for the fiscal year ended September 30, 2010 for more information.

***Non-GAAP Measures***

The following discussion includes organic sales and free cash flow, which are non-GAAP measures. See **Supplemental Sales Information** for a reconciliation of reported sales to organic sales and a discussion of why we believe this non-GAAP measure is useful to investors. See **Financial Condition** for a reconciliation of cash flows from operating activities to free cash flow and a discussion of why we believe this non-GAAP measure is useful to investors.

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**

***Overview***

We are a leading global provider of industrial automation power, control and information solutions that help manufacturers achieve a competitive advantage for their businesses. Overall demand for our products and services is driven by:

- investments in manufacturing, including upgrades, modifications and expansions of existing facilities or production lines, and the creation of new facilities or production lines;
- our customers' needs for productivity and cost reduction, sustainable production (cleaner, safer and more energy efficient), quality assurance and overall global competitiveness;
- industry factors that include our customers' new product introductions, demand for our customers' products or services, and the regulatory and competitive environments in which our customers operate;
- levels of global industrial production and capacity utilization;
- regional factors that include local political, social, regulatory and economic circumstances;
- the seasonal spending patterns of our customers due to their annual budgeting processes and their working schedules; and
- investments in basic materials production capacity, partly in response to higher end-product pricing.

***Long-term Strategy***

Our strategic framework incorporates our vision of being the most valued global provider of innovative industrial automation and information products, services and solutions, and our growth and performance strategy, which seeks to:

- achieve growth rates in excess of the automation market by expanding our served market and strengthening our technology and customer-facing differentiation;
- diversify our revenue streams by increasing our capabilities in new applications, including process control, safety and information software, broadening our solutions and service capabilities, advancing our global presence and serving a wider range of industries;
- grow market share by gaining new customers and by capturing a larger share of our OEM machine builders and end user customers' spending;
- enhance our market access by building our channel capability and partner network;
- make acquisitions that serve as catalysts to organic growth by adding complementary technology, expanding our served market, increasing our domain expertise or continuing our geographic diversification;
- deploy human and financial resources to strengthen our technology leadership and allow us to continue to transform our business model into one that is based less on tangible assets and more on intellectual capital;
- and
- continuously improve quality and customer experience, drive 3-4 percent annual cost productivity, and optimize end-to-end business processes.

By implementing the strategy above, we seek to achieve our long-term financial goals that include revenue growth of 6-8 percent, double-digit EPS growth and 60 percent of our revenue outside the U.S.



**Table of Contents****ROCKWELL AUTOMATION, INC.*****U.S. Industrial Economic Trends***

In the third quarter of 2011, sales to U.S. customers accounted for 48 percent of our total sales. The various indicators we use to gauge the direction and momentum of our served U.S. markets include:

The Industrial Production Index (Total Index), published by the Federal Reserve, which measures the real output of manufacturing, mining, and electric and gas utilities. The Industrial Production Index is expressed as a percentage of real output in a base year, currently 2007. Historically there has been a meaningful correlation between the Industrial Production Index and the level of automation investment made by our U.S. customers in their manufacturing base.

The Manufacturing Purchasing Managers Index (PMI), published by the Institute for Supply Management (ISM), which is an indication of the current and near-term state of manufacturing activity in the U.S.

According to the ISM, a PMI measure above 50 indicates that the U.S. manufacturing economy is generally expanding while a measure below 50 indicates that it is generally contracting.

Industrial Equipment Spending, which is an economic statistic compiled by the Bureau of Economic Analysis (BEA). This statistic provides insight into spending trends in the broad U.S. industrial economy. This measure over the longer term has proven to demonstrate a reasonable correlation with our domestic growth.

Capacity Utilization (Total Industry), which is an indication of plant operating activity published by the Federal Reserve. Historically there has been a meaningful correlation between Capacity Utilization and levels of U.S. industrial production.

The table below depicts the trends in these indicators since the quarter ended September 2009. Industrial production has continued to increase, but at a moderating rate. Consistent with that, capacity utilization and the PMI were lower than the most recent quarter, but continued to indicate expansion of manufacturing activity.

|                | Industrial<br>Production<br>Index | PMI  | Industrial<br>Equipment<br>Spending<br>(in billions) | Capacity<br>Utilization<br>(percent) |
|----------------|-----------------------------------|------|------------------------------------------------------|--------------------------------------|
| Fiscal 2011    |                                   |      |                                                      |                                      |
| Quarter ended: |                                   |      |                                                      |                                      |
| June 2011      | 93.0                              | 55.3 | \$ 182.3                                             | 76.7                                 |
| March 2011     | 92.8                              | 61.2 | 185.0                                                | 76.8                                 |
| December 2010  | 91.7                              | 58.5 | 178.0                                                | 76.1                                 |
| Fiscal 2010    |                                   |      |                                                      |                                      |
| Quarter ended: |                                   |      |                                                      |                                      |
| September 2010 | 91.0                              | 55.3 | 172.9                                                | 75.5                                 |
| June 2010      | 89.5                              | 55.3 | 169.1                                                | 74.0                                 |
| March 2010     | 88.0                              | 60.4 | 154.5                                                | 72.3                                 |
| December 2009  | 86.3                              | 56.4 | 153.6                                                | 70.3                                 |
| Fiscal 2009    |                                   |      |                                                      |                                      |
| Quarter ended: |                                   |      |                                                      |                                      |
| September 2009 | 85.2                              | 53.2 | 153.2                                                | 68.9                                 |

*Note: Economic indicators are subject to revisions by the issuing organizations.*

**Table of Contents****ROCKWELL AUTOMATION, INC.*****Non-U.S. Regional Trends***

In the third quarter of 2011, sales to non-U.S. customers accounted for 52 percent of our total sales. These customers include both indigenous companies and multinational companies with expanding global presence. In addition to the global factors previously mentioned, international demand, particularly in emerging markets, has historically been driven by the strength of the industrial economy in each region, investments in infrastructure and expanding consumer markets.

We use changes in Gross Domestic Product (GDP) as one indicator of the growth opportunities in each region where we do business. Positive macroeconomic trends and forecasts make us optimistic that the global recovery will continue throughout fiscal 2011. Growth in emerging markets continues to exceed global GDP growth rates.

***Revenue by Geographic Region***

The table below presents our sales for the quarter ended June 30, 2011 by geographic region and the change in sales from the quarter ended June 30, 2010 (in millions, except percentages):

|                                | Three<br>Months Ended<br>June 30,<br>2011(1) | Change vs.<br>Three<br>Months Ended<br>June 30, 2010 | Change in<br>Organic Sales<br>vs. Three<br>Months Ended<br>June 30,<br>2010(2) |
|--------------------------------|----------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------|
| United States                  | \$ 732.9                                     | 11%                                                  | 11%                                                                            |
| Canada                         | 101.7                                        | 15%                                                  | 8%                                                                             |
| Europe, Middle East and Africa | 327.1                                        | 36%                                                  | 19%                                                                            |
| Asia-Pacific                   | 228.6                                        | 23%                                                  | 14%                                                                            |
| Latin America                  | 125.9                                        | 33%                                                  | 21%                                                                            |
| Total Sales                    | \$ 1,516.2                                   | 20%                                                  | 14%                                                                            |

The table below presents our sales for the nine months ended June 30, 2011 by geographic region and the change in sales from the nine months ended June 30, 2010 (in millions, except percentages):

|                                | Nine<br>Months Ended<br>June 30,<br>2011(1) | Change vs.<br>Nine<br>Months Ended<br>June 30, 2010 | Change in<br>Organic Sales<br>vs. Nine<br>Months Ended<br>June 30,<br>2010(2) |
|--------------------------------|---------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------|
| United States                  | \$ 2,117.8                                  | 19%                                                 | 19%                                                                           |
| Canada                         | 292.0                                       | 22%                                                 | 16%                                                                           |
| Europe, Middle East and Africa | 924.1                                       | 29%                                                 | 26%                                                                           |
| Asia-Pacific                   | 650.2                                       | 27%                                                 | 20%                                                                           |
| Latin America                  | 362.0                                       | 42%                                                 | 33%                                                                           |

|             |    |         |     |     |
|-------------|----|---------|-----|-----|
| Total Sales | \$ | 4,346.1 | 24% | 21% |
|-------------|----|---------|-----|-----|

- (1) We attribute sales to the geographic regions based upon country of destination.
- (2) Organic sales is a non-GAAP measure. See **Supplemental Sales Information** for information on this non-GAAP measure.

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**

***Summary of Results of Operations***

Sales in the third quarter of 2011 increased 20 percent compared to the third quarter of 2010. Organic sales increased 14 percent, as the effects of currency translation contributed 6 percentage points to the total increase during the quarter. Sales in our solutions and services businesses increased 16 percent year over year, and our backlog in these businesses continued to increase. Product sales grew 21 percent year over year reflecting continued improvement in customers spending and increased OEM demand. Sales related to our process initiative grew at a rate above the company average.

Total sales in emerging markets increased 29 percent as compared to the third quarter of 2010. Organic sales in emerging markets increased 19 percent year over year as the effects of currency translation and acquisitions contributed 9 and 1 percentage points, respectively, to the total increase. Emerging markets represented 22 percent of total company sales in the third quarter of 2011. Latin America was our best performing region as organic sales increased 21 percent as compared to the same period in 2010. Organic sales to customers in mature markets were also strong globally. Our Europe, Middle East and Africa (EMEA) region achieved 19 percent organic sales growth year over year.

In our Architecture & Software segment, sales increased 21 percent in the third quarter of 2011 as compared to the third quarter of 2010. In our Control Products & Solutions segment, sales in the third quarter of 2011 increased 18 percent from the third quarter of 2010.

The improvement in operating margin was primarily due to volume leverage, partially offset by increased spending to support growth. Margin performance was particularly strong in the Architecture & Software segment.

Our effective tax rate during the quarter was 19.2 percent, and declined 4 percentage points year over year, primarily due to net discrete tax benefits from the favorable resolution of worldwide tax matters.

**Table of Contents****ROCKWELL AUTOMATION, INC.****Summary of Results of Operations (Continued)**

The following tables reflect the sales and operating results for the three and nine months ended June 30, 2011 and 2010 (in millions, except per share amounts):

|                                                       | Three Months Ended<br>June 30, |            | Nine Months Ended<br>June 30, |            |
|-------------------------------------------------------|--------------------------------|------------|-------------------------------|------------|
|                                                       | 2011                           | 2010       | 2011                          | 2010       |
| Sales                                                 |                                |            |                               |            |
| Architecture & Software                               | \$ 672.9                       | \$ 553.9   | \$ 1,911.0                    | \$ 1,539.1 |
| Control Products & Solutions                          | 843.3                          | 714.2      | 2,435.1                       | 1,961.0    |
| Total                                                 | \$ 1,516.2                     | \$ 1,268.1 | \$ 4,346.1                    | \$ 3,500.1 |
| Segment operating earnings (a)                        |                                |            |                               |            |
| Architecture & Software                               | \$ 175.9                       | \$ 125.4   | \$ 481.2                      | \$ 347.0   |
| Control Products & Solutions                          | 87.4                           | 72.6       | 248.3                         | 165.1      |
| Purchase accounting depreciation and amortization     | (5.1)                          | (4.6)      | (14.6)                        | (14.2)     |
| General corporate net                                 | (22.3)                         | (23.1)     | (58.5)                        | (66.2)     |
| Interest expense                                      | (14.7)                         | (14.8)     | (44.9)                        | (45.3)     |
| Income from continuing operations before income taxes | 221.2                          | 155.5      | 611.5                         | 386.4      |
| Income tax provision                                  | (42.4)                         | (36.1)     | (116.2)                       | (77.3)     |
| Income from continuing operations                     | 178.8                          | 119.4      | 495.3                         | 309.1      |
| Income from discontinued operations (b)               | 0.7                            |            | 0.7                           | 23.9       |
| Net income                                            | \$ 179.5                       | \$ 119.4   | \$ 496.0                      | \$ 333.0   |
| Diluted earnings per share:                           |                                |            |                               |            |
| Continuing operations                                 | \$ 1.22                        | \$ 0.83    | \$ 3.40                       | \$ 2.14    |
| Discontinued operations                               | 0.01                           |            |                               | 0.17       |
| Net income                                            | \$ 1.23                        | \$ 0.83    | \$ 3.40                       | \$ 2.31    |
| Diluted weighted average outstanding shares           | 145.9                          | 144.3      | 145.5                         | 144.1      |

(a) See Note 13 in the Condensed Consolidated Financial Statements for the definition of segment operating earnings.

- (b) See Note 14 in the Condensed Consolidated Financial Statements for a description of items reported as discontinued operations.

**Table of Contents****ROCKWELL AUTOMATION, INC.*****2011 Third Quarter Compared to 2010 Third Quarter***

| (in millions, except per share amounts)               | 2011       | 2010       | Change   |
|-------------------------------------------------------|------------|------------|----------|
| Sales                                                 | \$ 1,516.2 | \$ 1,268.1 | \$ 248.1 |
| Income from continuing operations before income taxes | 221.2      | 155.5      | 65.7     |
| Diluted earnings per share from continuing operations | 1.22       | 0.83       | 0.39     |

***Sales***

Our sales increased \$248.1 million, or 20 percent, to \$1,516.2 in the third quarter of 2011 from \$1,268.1 million in the third quarter of 2010. Organic sales increased 14 percent, substantially all of which was related to increases in volume due to current macroeconomic trends in most regions, as the impact of pricing on revenues was immaterial.

We had strong growth in all regions globally. Organic sales increased in Latin America by 21 percent as compared to the third quarter of 2010. Organic sales increased 19 percent year over year in EMEA. Asia-Pacific had year-over-year organic sales growth of 14 percent, led by strength in India which had organic sales growth of 27 percent<sup>1</sup> during the quarter. Organic sales in the United States and Canada increased 11 percent and 8 percent, respectively, compared to the third quarter of 2010.

During the third quarter of 2011, sales in all of our key end markets improved compared to the same quarter in the prior year. The largest sales increases were to customers in the transportation and mining industries, while the smallest increases were to customers in the consumer industries.

***Income from Continuing Operations before Income Taxes***

Income from continuing operations before income taxes increased 42 percent to \$221.2 in the third quarter of 2011 from \$155.5 million in the third quarter of 2010. Increased volume caused the significant year-over-year income improvement, partially offset by increased spending to support growth.

General corporate expenses were \$22.3 million in the third quarter of 2011 down from \$23.1 million in the third quarter of 2010. Selling, general and administrative expense as a percentage of sales decreased 1.9 points to 24.4 percent, as volume increases outpaced spending increases.

<sup>1</sup> Organic sales growth in India excludes 3 percentage points from the effect of changes in currency.

**Table of Contents****ROCKWELL AUTOMATION, INC.****2011 Third Quarter Compared to 2010 Third Quarter (Continued)***Income Taxes*

The effective tax rate for the third quarter of 2011 was 19.2 percent compared to 23.2 percent in the third quarter of 2010. During the third quarter of 2011, we recognized net discrete tax benefits of \$12.1 million related to the favorable resolution of worldwide tax matters. During the third quarter of 2010, we recognized net discrete tax expenses of \$1.0 million.

*Architecture & Software*

| (in millions, except percentages) | 2011     | 2010     | Change   |
|-----------------------------------|----------|----------|----------|
| Sales                             | \$ 672.9 | \$ 553.9 | \$ 119.0 |
| Segment operating earnings        | 175.9    | 125.4    | 50.5     |
| Segment operating margin          | 26.1%    | 22.6%    | 3.5pts   |

*Sales*

Architecture & Software sales increased 21 percent to \$672.9 million in the third quarter of 2011 compared to \$553.9 million in the third quarter of 2010. Organic sales increased 15 percent and currency translation contributed 6 percentage points to the total increase. Substantially all of the organic sales increase resulted from increased volume due to current macroeconomic trends in most regions and industries. Logix organic sales increased 26 percent in the third quarter of 2011 compared to the third quarter of 2010<sup>2</sup>. Year-over-year sales increases in Canada, EMEA, Asia-Pacific and Latin America were greater than the segment average rate of increase, while year-over-year sales increases in the United States were below the segment average rate of increase. Pricing had an immaterial impact on sales in the period.

*Operating Margin*

Architecture & Software segment operating earnings were \$175.9 million in the third quarter of 2011, up 40 percent from \$125.4 million in the same quarter of 2010. Operating margin increased 3.5 points to 26.1 percent in the third quarter of 2011 as compared to the third quarter of 2010. The increase was predominantly due to volume increases, partially offset by increased spending to support growth. Approximately half of the increased spending to support growth described earlier applied to the Architecture & Software segment.

<sup>2</sup> Organic sales growth for Logix excludes 7 percentage points from the effect of changes in currency.



**Table of Contents****ROCKWELL AUTOMATION, INC.****2011 Third Quarter Compared to 2010 Third Quarter (Continued)***Control Products & Solutions*

| (in millions, except percentages) | 2011     | 2010     | Change   |
|-----------------------------------|----------|----------|----------|
| Sales                             | \$ 843.3 | \$ 714.2 | \$ 129.1 |
| Segment operating earnings        | 87.4     | 72.6     | 14.8     |
| Segment operating margin          | 10.4%    | 10.2%    | 0.2pts   |

*Sales*

Control Products & Solutions sales were \$843.3 million in the third quarter of 2011, up 18 percent from \$714.2 million in the third quarter of 2010. Organic sales increased 12 percent as the effects of currency translation and acquisitions contributed 5 and 1 percentage points, respectively, to the total increase. The segment's product businesses grew at rates similar to our Architecture & Software segment, while our solutions and services businesses grew by 16 percent year over year. EMEA, Asia-Pacific and Latin America reported above average year-over-year overall segment growth. Year-over-year sales increases in the United States and Canada were below the segment average rate of increase. Pricing had an immaterial impact on revenue during the period.

*Operating Margin*

Control Products & Solutions segment operating earnings were \$87.4 million in the third quarter of 2011, up 20 percent from \$72.6 million in the same quarter of 2010. Operating margin increased by 0.2 points to 10.4 percent in the third quarter of 2011 as compared to 10.2 percent in the third quarter of 2010. The increase was predominantly due to volume increases, partially offset by increased spending to support growth and somewhat lower margins in the solutions and services businesses within this segment. The effect of currency, acquisitions and material and fuel cost inflation had a more negative impact on this segment. Approximately half of the increased spending to support growth described earlier applied to the Control Products & Solutions segment.

**Table of Contents****ROCKWELL AUTOMATION, INC.*****Nine Months Ended June 30, 2011 Compared to Nine Months Ended June 30, 2010***

| (in millions, except per share amounts)               | 2011       | 2010       | Change   |
|-------------------------------------------------------|------------|------------|----------|
| Sales                                                 | \$ 4,346.1 | \$ 3,500.1 | \$ 846.0 |
| Income from continuing operations before income taxes | 611.5      | 386.4      | 225.1    |
| Diluted earnings per share from continuing operations | 3.40       | 2.14       | 1.26     |

***Sales***

Our sales increased \$846.0 million, or 24 percent, to \$4,346.1 million in the first nine months of 2011 from \$3,500.1 million in the first nine months of 2010. Broad-based revenue growth included strong growth in every region and in both our products and solutions and services businesses. Product sales grew 25 percent year over year, while sales in our solutions and services businesses increased 22 percent year over year. Pricing contributed less than 1 percentage point to growth during the period.

Organic sales in the Asia-Pacific region increased 20 percent year over year, led by strength in the emerging markets of Asia-Pacific, including China and India with 28 and 26 percent growth, respectively<sup>3</sup>. Year-over-year organic sales increased in Latin America by 33 percent. Organic sales to customers in mature markets were also strong globally. Year-over-year organic sales increased 26 percent in EMEA, 19 percent in the United States and 16 percent in Canada.

In the nine months ended June 30, 2011, our largest year-over-year end market sales increases were to customers in the transportation industry.

***Income from Continuing Operations before Income Taxes***

Income from continuing operations before income taxes increased 58 percent from \$386.4 million in the first nine months of 2010 to \$611.5 million in the first nine months of 2011. Increased volume caused the significant year-over-year income improvement, partially offset by cost increases related to increased spending to support growth, increased employee compensation, and material and fuel cost inflation.

The first quarter of 2010 was the last quarter to benefit from the temporary employee pay cuts implemented in fiscal year 2009 during the economic downturn. The first quarter of 2010 was also the last quarter prior to a wage and salary increase. The year-over-year effect of this compensation increase was approximately \$25 million.

Material and fuel costs had a negative effect of less than one point of total segment operating margin.

General corporate expenses were \$58.5 million in the first nine months of 2011 compared to \$66.2 million in the first nine months of 2010. The decline was primarily due to a sale of an investment which resulted in a \$3.8 million gain in 2011. Selling, general and administrative expense as a percentage of sales decreased by 3.0 points to 24.7 percent, as volume increases outpaced spending increases.

<sup>3</sup> Organic sales growth in China and India exclude 4 and 3 percentage points from the effect of changes in currency, respectively.

**Table of Contents****ROCKWELL AUTOMATION, INC.*****Nine Months Ended June 30, 2011 Compared to Nine Months Ended June 30, 2010 (Continued)****Income Taxes*

The effective tax rate for the first nine months of 2011 was 19.0 percent compared to 20.0 percent in the first nine months of 2010. During the first nine months of 2011, we recognized net discrete tax benefits of \$21.0 million related to the favorable resolution of worldwide tax matters and the retroactive extension of the U.S. federal research tax credit. During the first nine months of 2010, we recognized discrete tax benefits of \$14.6 million related to the favorable resolution of tax matters, partially offset by discrete tax expenses of \$6.7 million primarily related to the impact of a change in Mexican tax law and interest related to unrecognized tax benefits.

*Discontinued Operations*

Income from discontinued operations was \$0.7 million in the first nine months of 2011, compared to \$23.9 million in the first nine months of 2010. Income from discontinued operations in the prior year included a \$21.3 million tax benefit resulting from the resolution of a domestic tax matter relating to the January 2007 sale of our Dodge mechanical and Reliance Electric motors and motor repair services businesses.

*Architecture & Software*

(in millions, except percentages)

|                            | 2011       | 2010       | Change   |
|----------------------------|------------|------------|----------|
| Sales                      | \$ 1,911.0 | \$ 1,539.1 | \$ 371.9 |
| Segment operating earnings | 481.2      | 347.0      | 134.2    |
| Segment operating margin   | 25.2%      | 22.5%      | 2.7pts   |

*Sales*

Architecture & Software sales increased 24 percent to \$1,911.0 million in the first nine months of 2011 compared to \$1,539.1 million in the first nine months of 2010. Organic sales increased 22 percent, as the effects of currency translation contributed 2 percentage points to the total increase. Substantially all of the organic sales increase resulted from increased volume due to positive market conditions in most regions and industries, as product pricing remained relatively stable. Canada, Asia-Pacific, EMEA and Latin America year-over-year sales grew above the segment average rate of increase, while year-over-year sales increases in the United States were slightly below the segment average rate of increase. Logix sales increased 30 percent in the first nine months of 2011 compared to the first nine months of 2010.

*Operating Margin*

Architecture & Software segment operating earnings were \$481.2 million in the first nine months of 2011, up 39 percent from \$347.0 million in the first nine months of 2010. Operating margin increased 2.7 points to 25.2 percent in the first nine months of 2011 as compared to the first nine months of 2010. The increase was predominantly due to volume increases, partially offset by cost increases related to increased spending to support growth, increased employee costs, and material and fuel cost inflation. Approximately half of the increased spending to support growth and increased employee costs described earlier related to the Architecture & Software segment.

**Table of Contents****ROCKWELL AUTOMATION, INC.*****Nine Months Ended June 30, 2011 Compared to Nine Months Ended June 30, 2010 (Continued)******Control Products & Solutions***

(in millions, except percentages)

|                            | 2011       | 2010       | Change   |
|----------------------------|------------|------------|----------|
| Sales                      | \$ 2,435.1 | \$ 1,961.0 | \$ 474.1 |
| Segment operating earnings | 248.3      | 165.1      | 83.2     |
| Segment operating margin   | 10.2%      | 8.4%       | 1.8pts   |

***Sales***

Control Products & Solutions sales were \$2,435.1 million in the first nine months of 2011, up 24 percent from \$1,961.0 million in the first nine months of 2010. Organic sales increased 21 percent, as currency translation contributed 3 percentage points to the total increase. The segment's sales increase resulted from growth in both products and solutions and services businesses, which grew at rates similar to the segment average. Asia-Pacific and Latin America reported year-over-year growth above the segment average. Year-over-year sales increases in the United States and Canada were less than the segment average growth rate. Year-over-year sales in EMEA were near the segment average rate of increase. Pricing had an immaterial impact on revenue during the period.

***Operating Margin***

Control Products & Solutions segment operating earnings were \$248.3 million in the first nine months of 2011, up 50 percent from \$165.1 million in the same period of 2010. Operating margin increased 1.8 points to 10.2 percent in the first nine months of 2011 as compared to 8.4 percent the first nine months of 2010. The increase was predominantly due to volume increases, partially offset by increased spending to support growth and increased employee compensation. The effects of currency, acquisitions and material and fuel cost increases had a more negative impact on this segment. Approximately half of the increased spending to support growth and employee costs described earlier related to the Control & Solutions segment.

**Table of Contents****ROCKWELL AUTOMATION, INC.****Financial Condition**

The following is a summary of our cash flows from operating, investing and financing activities, as reflected in the Condensed Consolidated Statement of Cash Flows (in millions):

|                                         | Nine Months Ended<br>June 30, |          |
|-----------------------------------------|-------------------------------|----------|
|                                         | 2011                          | 2010     |
| Cash provided by (used for):            |                               |          |
| Operating activities                    | \$ 462.5                      | \$ 433.4 |
| Investing activities                    | (117.6)                       | (49.7)   |
| Financing activities                    | (164.7)                       | (173.7)  |
| Effect of exchange rate changes on cash | 31.6                          | (27.6)   |
| <br>                                    |                               |          |
| Cash provided by continuing operations  | \$ 211.8                      | \$ 182.4 |

The following table summarizes free cash flow (in millions):

|                                                         |          |          |
|---------------------------------------------------------|----------|----------|
| Cash provided by continuing operating activities        | \$ 462.5 | \$ 433.4 |
| Capital expenditures of continuing operations           | (76.0)   | (54.2)   |
| Excess income tax benefit from share-based compensation | 37.8     | 12.3     |
| <br>                                                    |          |          |
| Free cash flow                                          | \$ 424.3 | \$ 391.5 |

Our definition of free cash flow, which is a non-GAAP financial measure, takes into consideration capital investments required to maintain the operations of our businesses and execute our strategy. Cash provided by continuing operating activities adds back non-cash depreciation expense to earnings and thus does not reflect a charge for necessary capital expenditures. Our definition of free cash flow excludes the operating cash flows and capital expenditures related to our discontinued operations. Operating, investing and financing cash flows of our discontinued operations are presented separately in our statement of cash flows. Our accounting for share-based compensation requires us to report the related excess income tax benefit as a financing cash flow rather than as an operating cash flow. We have added this benefit back to our calculation of free cash flow in order to generally classify cash flows arising from income taxes as operating cash flows. In our opinion, free cash flow provides useful information to investors regarding our ability to generate cash from business operations that is available for acquisitions and other investments, service of debt principal, dividends and share repurchases. We use free cash flow as one measure to monitor and evaluate performance. Our definition of free cash flow may be different from definitions used by other companies.

Free cash flow was a source of \$424.3 million for the nine months ended June 30, 2011, compared to a source of \$391.5 million for the nine months ended June 30, 2010. This increase in free cash flow is primarily due to improvements in current year earnings and lower income tax payments, partially offset by higher performance-based compensation payments in the first quarter of 2011 as compared to the first quarter of 2010. The 2011 payments are for performance-based compensation earned by our global employee population related to 2010 results.

We repurchased approximately 2.7 million shares of our common stock in the first nine months of 2011. The total cost of these shares was \$221.5 million. We paid \$1.2 million in the first quarter of 2011 for unsettled share purchases outstanding at September 30, 2010. We repurchased approximately 1.7 million shares of our common stock in the first nine months of 2010. The total cost of these shares was \$93.1 million, of which \$2.7 million was recorded in accounts payable at June 30, 2010, related to 55,000 shares that did not settle until July 2010. Our decision to repurchase

additional stock in the remainder of 2011 will depend on business conditions, free cash flow generation, other cash requirements and stock price. At June 30, 2011, we had approximately \$279.6 million remaining for stock repurchases under our existing board authorization. See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds, for additional information regarding share repurchases.

We expect future uses of cash to include working capital requirements, capital expenditures, additional contributions to our pension plans, acquisitions of businesses, dividends to shareowners, repurchases of common stock and repayments of debt. We expect capital expenditures in 2011 to be about \$120 million. We expect to fund these future uses of cash with a combination of existing cash balances, cash generated by operating activities, commercial paper borrowings, or a new issuance of debt or other securities.

**Table of Contents****ROCKWELL AUTOMATION, INC.****Financial Condition (Continued)**

In addition to cash generated by operating activities, we have access to existing financing sources, including the public debt markets and unsecured credit facilities with various banks. Commercial paper is our principal source of short-term financing. At June 30, 2011 and September 30, 2010, we had no commercial paper borrowings outstanding. Our debt-to-total-capital ratio was 32.3 percent at June 30, 2011 and 38.3 percent at September 30, 2010.

On March 14, 2011, we replaced our former three-year \$267.5 million unsecured revolving credit facility expiring in March 2012 and our former 364-day \$300.0 million unsecured revolving credit facility expiring in March 2011 with a new four-year \$750.0 million unsecured revolving credit facility. We did not incur early termination penalties in connection with the termination of the former credit facilities. We have not drawn down under any of these credit facilities at June 30, 2011 or September 30, 2010. Borrowings under these credit facilities bear interest based on short-term money market rates in effect during the period the borrowings are outstanding. The terms of these credit facilities contain covenants under which we would be in default if our debt-to-total-capital ratio was to exceed 60 percent. We were in compliance with all covenants under these credit facilities at June 30, 2011 and September 30, 2010. Separate short-term unsecured credit facilities of approximately \$139.2 million at June 30, 2011 were available to non-U.S. subsidiaries.

The following is a summary of our credit ratings as of June 30, 2011:

| Credit Rating Agency | Short Term<br>Rating | Long Term<br>Rating | Outlook |
|----------------------|----------------------|---------------------|---------|
| Standard & Poor's    | A-1                  | A                   | Stable  |
| Moody's              | P-2                  | A3                  | Stable  |
| Fitch Ratings        | F1                   | A                   | Stable  |

Among other uses, we can draw on our credit facility as a standby liquidity facility to repay our outstanding commercial paper as it matures. This access to funds to repay maturing commercial paper is an important factor in maintaining the commercial paper ratings set forth in the table above. Under our current policy with respect to these ratings, we expect to limit our other borrowings under our credit facility, if any, to amounts that would leave enough credit available under the facility so that we could borrow, if needed, to repay all of our then outstanding commercial paper as it matures.

Our ability to access the commercial paper market and the related costs of these borrowings are affected by the strength of our credit rating and market conditions. We have not experienced any difficulty in accessing the commercial paper market to date. If our access to the commercial paper market is adversely affected due to a change in market conditions or otherwise, we would expect to rely on a combination of available cash and our unsecured committed credit facility to provide short-term funding. In such event, the cost of borrowings under our unsecured committed credit facility could be higher than the cost of commercial paper borrowings.

We regularly monitor the third-party depository institutions that hold our cash and cash equivalents. Our emphasis is primarily on safety and liquidity of principal and secondarily on maximizing yield on those funds. We diversify our cash and cash equivalents among counterparties to minimize exposure to any one of these entities.

We enter into contracts to offset changes in the amount of future cash flows associated with certain third-party sales and intercompany transactions denominated in foreign currencies forecasted to occur within the next two years and to offset transaction gains or losses associated with some of our assets and liabilities that are denominated in currencies other than their functional currencies resulting from intercompany loans and other transactions with third parties denominated in foreign currencies. Our foreign currency forward exchange contracts are denominated in currencies of major industrial countries. We diversify our foreign currency forward exchange contracts among counterparties to minimize exposure to any one of these entities.

Information with respect to our contractual cash obligations is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2010. We believe that at June 30, 2011, there has been no material change to this information.





**Table of Contents****ROCKWELL AUTOMATION, INC.****Environmental**

Information with respect to the effect on us and our manufacturing operations of compliance with environmental protection requirements and resolution of environmental claims is contained in Note 17 of the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2010. We believe that at June 30, 2011, there has been no material change to this information.

**Supplemental Sales Information**

We translate sales of subsidiaries operating outside of the United States using exchange rates effective during the respective period. Therefore, changes in currency exchange rates affect our reported sales. Sales by businesses we acquired also affect our reported sales. We believe that organic sales, defined as sales excluding the effects of changes in currency exchange rates and acquisitions, which is a non-GAAP financial measure, provides useful information to investors because it reflects regional performance from the activities of our businesses without the effect of changes in currency exchange rates and acquisitions. We use organic sales as one measure to monitor and evaluate our regional performance. We determine the effect of changes in currency exchange rates by translating the respective period sales using the same currency exchange rates that were in effect during the prior year. We determine the effect of acquisitions by excluding sales in the current period for which there are no sales in the comparable prior period. Organic sales growth is calculated by comparing organic sales to reported sales in the prior year. We attribute sales to the geographic regions based on the country of destination.

The following is a reconciliation of our reported sales to organic sales (in millions):

|                                | Three Months Ended June 30, 2011 |                               |                                     |                        |                   | Three Months Ended June 30, 2010 |
|--------------------------------|----------------------------------|-------------------------------|-------------------------------------|------------------------|-------------------|----------------------------------|
|                                | Sales                            | Effect of Changes in Currency | Sales Excluding Changes in Currency | Effect of Acquisitions | Organic Sales     | Sales                            |
| United States                  | \$ 732.9                         | \$ (1.5)                      | \$ 731.4                            | \$ (0.2)               | \$ 731.2          | \$ 658.7                         |
| Canada                         | 101.7                            | (6.2)                         | 95.5                                |                        | 95.5              | 88.2                             |
| Europe, Middle East and Africa | 327.1                            | (35.6)                        | 291.5                               | (4.9)                  | 286.6             | 240.3                            |
| Asia-Pacific                   | 228.6                            | (16.9)                        | 211.7                               | (0.1)                  | 211.6             | 186.1                            |
| Latin America                  | 125.9                            | (11.6)                        | 114.3                               |                        | 114.3             | 94.8                             |
| <b>Total Company Sales</b>     | <b>\$ 1,516.2</b>                | <b>\$ (71.8)</b>              | <b>\$ 1,444.4</b>                   | <b>\$ (5.2)</b>        | <b>\$ 1,439.2</b> | <b>\$ 1,268.1</b>                |
|                                | Nine Months Ended June 30, 2011  |                               |                                     |                        |                   | Nine Months Ended June 30, 2010  |
|                                | Sales                            | Effect of                     | Sales Excluding                     |                        |                   |                                  |

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|                                   | Sales      | Changes<br>in<br>Currency | Changes in<br>Currency | Effect of<br>Acquisitions | Organic<br>Sales | Sales      |
|-----------------------------------|------------|---------------------------|------------------------|---------------------------|------------------|------------|
| United States                     | \$ 2,117.8 | \$ (4.8)                  | \$ 2,113.0             | \$ (0.2)                  | \$ 2,112.8       | \$ 1,778.3 |
| Canada                            | 292.0      | (15.4)                    | 276.6                  |                           | 276.6            | 239.2      |
| Europe, Middle East and<br>Africa | 924.1      | (15.8)                    | 908.3                  | (4.9)                     | 903.4            | 714.6      |
| Asia-Pacific                      | 650.2      | (35.4)                    | 614.8                  | (0.1)                     | 614.7            | 512.3      |
| Latin America                     | 362.0      | (22.8)                    | 339.2                  |                           | 339.2            | 255.7      |
| <br>                              |            |                           |                        |                           |                  |            |
| Total Company Sales               | \$ 4,346.1 | \$ (94.2)                 | \$ 4,251.9             | \$ (5.2)                  | \$ 4,246.7       | \$ 3,500.1 |

**Table of Contents****ROCKWELL AUTOMATION, INC.****Supplemental Sales Information (Continued)**

The following is a reconciliation of our reported sales by operating segment to organic sales (in millions):

|                              | Three Months Ended June 30, 2011 |                               |                               |                        |                   | Three Months Ended June 30, 2010 |
|------------------------------|----------------------------------|-------------------------------|-------------------------------|------------------------|-------------------|----------------------------------|
|                              | Sales                            | Effect of Changes in Currency | Excluding Changes in Currency | Effect of Acquisitions | Organic Sales     | Sales                            |
| Architecture & Software      | \$ 672.9                         | \$ (34.1)                     | \$ 638.8                      | \$                     | \$ 638.8          | \$ 553.9                         |
| Control Products & Solutions | 843.3                            | (37.7)                        | 805.6                         | (5.2)                  | 800.4             | 714.2                            |
| <b>Total Company Sales</b>   | <b>\$ 1,516.2</b>                | <b>\$ (71.8)</b>              | <b>\$ 1,444.4</b>             | <b>\$ (5.2)</b>        | <b>\$ 1,439.2</b> | <b>\$ 1,268.1</b>                |

|                              | Nine Months Ended June 30, 2011 |                               |                               |                        |                   | Nine Months Ended June 30, 2010 |
|------------------------------|---------------------------------|-------------------------------|-------------------------------|------------------------|-------------------|---------------------------------|
|                              | Sales                           | Effect of Changes in Currency | Excluding Changes in Currency | Effect of Acquisitions | Organic Sales     | Sales                           |
| Architecture & Software      | \$ 1,911.0                      | \$ (39.1)                     | \$ 1,871.9                    | \$                     | \$ 1,871.9        | \$ 1,539.1                      |
| Control Products & Solutions | 2,435.1                         | (55.1)                        | 2,380.0                       | (5.2)                  | 2,374.8           | 1,961.0                         |
| <b>Total Company Sales</b>   | <b>\$ 4,346.1</b>               | <b>\$ (94.2)</b>              | <b>\$ 4,251.9</b>             | <b>\$ (5.2)</b>        | <b>\$ 4,246.7</b> | <b>\$ 3,500.1</b>               |

**Critical Accounting Policies and Estimates**

We have prepared the Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Condensed Consolidated Financial Statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Information with respect to our critical accounting policies that we believe could have the most significant effect on our reported results or require subjective or complex judgments by management is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2010. We believe that at June 30, 2011, there has been no material change to this information.

**Recent Accounting Pronouncements**

See Note 1 in the Condensed Consolidated Financial Statements regarding recent accounting pronouncements.



**Table of Contents**

**ROCKWELL AUTOMATION, INC.**

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

Information with respect to our exposure to interest rate risk and foreign currency risk is contained in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2010. We believe that at June 30, 2011, there has been no material change to this information.

**Item 4. *Controls and Procedures***

*Disclosure Controls and Procedures:* We, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the fiscal quarter covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the fiscal quarter covered by this report, our disclosure controls and procedures were effective.

*Internal Control Over Financial Reporting:* There has not been any change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

As previously disclosed, we are in the process of developing and implementing common global process standards and an enterprise-wide information technology system. Additional implementations will occur at most locations of our company over a multi-year period, with additional phases scheduled throughout fiscal 2011-2014.

**Table of Contents****ROCKWELL AUTOMATION, INC.****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Information with respect to our legal proceedings is contained in Item 3, Legal Proceedings, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, as updated by the information contained in Item 1, Legal Proceedings, of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011. We believe that at June 30, 2011, there has been no material change to this information, except that the following replaces the second paragraph under the section entitled *McGregor, Texas NWIRP Facility Environmental Claim* :

On December 3, 2007, the United States Department of Justice (DOJ) notified Rockwell International Corporation (RIC) that the United States Navy was seeking to recover environmental cleanup costs incurred at the Naval Weapons Industrial Reserve Plant (NWIRP). The DOJ asserted that it has incurred more than \$50 million (excluding interest, attorneys' fees and other indirect costs) in environmental cleanup costs at the NWIRP, and it believes that it may have a potential cause of action against RIC and other former contractors at the NWIRP for recovery of those costs. In June 2011, RIC and one other former contractor at the NWIRP reached a settlement with the DOJ and the United States Navy to resolve all claims in exchange for payment of \$14 million. RIC will be responsible for half of the settlement amount. The parties are currently negotiating the terms of a Consent Decree that will be filed in the U.S. District Court for the Western District of Texas. We anticipate that the Consent Decree will be finalized and filed within the next quarter, thereby completely resolving this claim.

**Item 1A. Risk Factors**

Information about our most significant risk factors is contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2010. We believe that at June 30, 2011 there has been no material change to this information.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.***Share Repurchases*

The table below sets forth information with respect to purchases made by or on behalf of us of shares of our common stock during the three months ended June 30, 2011:

| Period             | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price Paid<br>Per<br>Share <sup>(1)</sup> | Total Number<br>of Shares<br>Purchased as<br>Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Maximum<br>Approx.<br>Dollar Value<br>of Shares<br>that may yet<br>be Purchased<br>Under the Plans or<br>Programs <sup>(2)</sup> |
|--------------------|-------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| April 1 - 30, 2011 | 280,000                                   | \$ 91.51                                             | 280,000                                                                                               | \$ 368,292,151                                                                                                                   |
| May 1 - 31, 2011   | 916,743                                   | 83.73                                                | 916,743                                                                                               | 291,536,017                                                                                                                      |
| June 1 - 30, 2011  | 150,800                                   | 78.86                                                | 150,800                                                                                               | 279,644,025                                                                                                                      |
| Total              | 1,347,543                                 |                                                      | 1,347,543                                                                                             |                                                                                                                                  |

(1) Average price paid per share includes brokerage commissions.

(2)

On November 7, 2007, our Board of Directors approved a \$1.0 billion share repurchase program. Our repurchase program allows management to repurchase shares at its discretion. However, during quarter-end quiet periods, defined as the period of time from quarter-end until two days following the filing of our quarterly earnings results with the SEC on Form 8-K, shares are repurchased at our broker's discretion pursuant to a share repurchase plan subject to price and volume parameters.

**Table of Contents**

**ROCKWELL AUTOMATION, INC.**

**Item 6. Exhibits**

(a) Exhibits:

|               |                                                                                                                                                                                      |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit 10.1* | Description of relocation and expatriate package for Robert A. Ruff, contained in the Company's Current Report on Form 8-K dated April 8, 2011, is hereby incorporated by reference. |
| Exhibit 12    | Computation of Ratio of Earnings to Fixed Charges for the Nine Months Ended June 30, 2011.                                                                                           |
| Exhibit 15    | Letter of Deloitte & Touche LLP regarding Unaudited Financial Information.                                                                                                           |
| Exhibit 31.1  | Certification of Periodic Report by the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.                                                   |
| Exhibit 31.2  | Certification of Periodic Report by the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.                                                   |
| Exhibit 32.1  | Certification of Periodic Report by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                           |
| Exhibit 32.2  | Certification of Periodic Report by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                           |
| Exhibit 101   | Interactive Data Files.                                                                                                                                                              |

\* Management contract or compensatory plan or arrangement.



**Table of Contents**

**ROCKWELL AUTOMATION, INC.  
SIGNATURES**

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

**ROCKWELL AUTOMATION, INC.**  
(Registrant)

Date: August 4, 2011

By /s/ Theodore D. Crandall  
Theodore D. Crandall  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 4, 2011

By /s/ David M. Dorgan  
David M. Dorgan  
Vice President and Controller  
(Principal Accounting Officer)

**Table of Contents**

**INDEX TO EXHIBITS**

| Exhibit No. | Exhibit                                                                                                                            |
|-------------|------------------------------------------------------------------------------------------------------------------------------------|
| 12          | Computation of Ratio of Earnings to Fixed Charges for the Nine Months Ended June 30, 2011.                                         |
| 15          | Letter of Deloitte & Touche LLP regarding Unaudited Financial Information.                                                         |
| 31.1        | Certification of Periodic Report by the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934. |
| 31.2        | Certification of Periodic Report by the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934. |
| 32.1        | Certification of Periodic Report by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.         |
| 32.2        | Certification of Periodic Report by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.         |
| 101         | Interactive Data Files.                                                                                                            |