

ROCKWELL AUTOMATION INC

Form 10-Q

August 07, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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

For the Quarterly Period Ended June 30, 2013

Commission file number 1-12383

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Rockwell Automation, Inc.

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction  
of incorporation or organization)

25-1797617

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

1201 South Second Street,

Milwaukee, Wisconsin

(Address of principal executive offices)

+1 (414) 382-2000

Registrant's telephone number, including area code

53204

(Zip Code)

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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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 ☒

138,669,309 shares of registrant's Common Stock, \$1.00 par value, were outstanding on June 30, 2013.

Table of Contents

ROCKWELL AUTOMATION, INC.

INDEX

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Condensed Consolidated Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheet</u>	<u>3</u>
<u>Condensed Consolidated Statement of Operations</u>	<u>4</u>
<u>Condensed Consolidated Statement of Comprehensive Income</u>	<u>5</u>
<u>Condensed Consolidated Statement of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>19</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
<u>Item 4. Controls and Procedures</u>	<u>36</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>37</u>
<u>Item 1A. Risk Factors</u>	<u>37</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>38</u>
<u>Item 6. Exhibits</u>	<u>39</u>
<u>Signatures</u>	<u>40</u>

## PART I. FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## ROCKWELL AUTOMATION, INC.

## CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

(in millions)

	June 30, 2013	September 30, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$1,024.7	\$903.9
Short-term investments	372.3	350.0
Receivables	1,155.1	1,187.3
Inventories	619.0	619.0
Deferred income taxes	192.1	208.6
Other current assets	121.9	118.7
Total current assets	3,485.1	3,387.5
Property, net of accumulated depreciation of \$1,218.0 and \$1,211.5, respectively	581.4	587.1
Goodwill	1,010.7	948.8
Other intangible assets, net	208.7	209.5
Deferred income taxes	324.7	351.1
Other assets	160.7	152.5
Total	\$5,771.3	\$5,636.5
<b>LIABILITIES AND SHAREOWNERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$220.0	\$157.0
Accounts payable	499.3	547.6
Compensation and benefits	187.2	246.4
Advance payments from customers and deferred revenue	225.1	204.1
Customer returns, rebates and incentives	177.8	168.7
Other current liabilities	242.9	207.8
Total current liabilities	1,552.3	1,531.6
Long-term debt	905.1	905.0
Retirement benefits	1,086.6	1,105.8
Other liabilities	219.5	242.4
Commitments and contingent liabilities (Note 11)		
Shareowners' equity:		
Common stock (shares issued: 181.4)	181.4	181.4
Additional paid-in capital	1,441.5	1,416.7
Retained earnings	4,118.5	3,858.8
Accumulated other comprehensive loss	(1,187.7)	(1,225.3)
Common stock in treasury, at cost (shares held: June 30, 2013, 42.7; September 30, 2012, 41.6)	(2,545.9)	(2,379.9)
Total shareowners' equity	2,007.8	1,851.7
Total	\$5,771.3	\$5,636.5

See Notes to Condensed Consolidated Financial Statements.

3

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Table of Contents

ROCKWELL AUTOMATION, INC.

## CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(in millions, except per share amounts)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Sales				
Products and solutions	\$1,466.2	\$1,414.5	\$4,163.9	\$4,154.7
Services	158.0	145.9	472.3	440.7
	1,624.2	1,560.4	4,636.2	4,595.4
Cost of sales				
Products and solutions	(859.6	) (823.9	) (2,428.6	) (2,416.2
Services	(111.7	) (105.0	) (331.0	) (310.7
	(971.3	) (928.9	) (2,759.6	) (2,726.9
Gross profit	652.9	631.5	1,876.6	1,868.5
Selling, general and administrative expenses	(383.7	) (369.8	) (1,134.0	) (1,105.3
Other income (expense)	3.5	(1.7	) 5.1	(7.0
Interest expense	(15.3	) (15.2	) (46.0	) (45.2
Income before income taxes	257.4	244.8	701.7	711.0
Income tax provision	(53.7	) (54.1	) (160.7	) (169.2
Net income	\$203.7	\$190.7	\$541.0	\$541.8
Earnings per share:				
Basic	\$1.46	\$1.34	\$3.88	\$3.81
Diluted	\$1.45	\$1.33	\$3.83	\$3.76
Cash dividends per share	\$1.04	\$0.895	\$1.98	\$1.745
Weighted average outstanding shares:				
Basic	138.9	141.7	139.4	142.0
Diluted	140.4	143.5	141.1	144.0

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

ROCKWELL AUTOMATION, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(in millions)

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income	\$203.7	\$190.7	\$541.0	\$541.8
Other comprehensive income (loss), net of tax:				
Pension and other postretirement benefit plan adjustments	21.7	13.5	65.4	40.6
Currency translation adjustments	(11.9)	) (89.1	) (31.6	) (90.0
Net unrealized gains (losses) on cash flow hedges	(0.4)	) 11.0	3.8	4.2
Other comprehensive income (loss)	9.4	(64.6	) 37.6	(45.2
Comprehensive income	\$213.1	\$126.1	\$578.6	\$496.6

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 June 30,	
	2013	2012
Continuing operations:		
Operating activities:		
Net income	\$541.0	\$541.8
Adjustments to arrive at cash provided by operating activities:		
Depreciation	85.1	76.7
Amortization of intangible assets	24.0	26.2
Share-based compensation expense	31.3	32.8
Retirement benefit expense	127.8	78.6
Pension trust contributions	(29.9)	(328.5)
Net loss on disposition of property and investments	0.3	0.5
Income tax benefit from the exercise of stock options	2.0	0.7
Excess income tax benefit from share-based compensation	(22.6)	(17.3)
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:		
Receivables	5.3	(114.1)
Inventories	(9.7)	(9.3)
Accounts payable	(38.9)	44.7
Advance payments from customers and deferred revenue	26.0	42.6
Compensation and benefits	(55.5)	(128.7)
Income taxes	20.0	79.6
Other assets and liabilities	(42.4)	2.3
Cash provided by operating activities	663.8	328.6
Investing activities:		
Capital expenditures	(86.9)	(94.9)
Acquisition of businesses, net of cash acquired	(84.8)	(16.2)
Purchases of short-term investments	(284.6)	(400.0)
Proceeds from maturities of short-term investments	262.5	50.0
Proceeds from sale of property and investments	0.3	2.4
Other investing activities	(4.1)	—
Cash used for investing activities	(197.6)	(458.7)
Financing activities:		
Net issuance of short-term debt	63.0	270.0
Cash dividends	(203.9)	(181.5)
Purchases of treasury stock	(319.3)	(168.3)
Proceeds from the exercise of stock options	115.8	44.4
Excess income tax benefit from share-based compensation	22.6	17.3
Other financing activities	(1.8)	(0.3)
Cash used for financing activities	(323.6)	(18.4)

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Effect of exchange rate changes on cash	(14.8	) (34.1	)
Cash provided by (used for) continuing operations	127.8	(182.6	)
Discontinued operations:			
Cash used for discontinued operating activities	(7.0	) (0.7	)
Cash used for discontinued operations	(7.0	) (0.7	)
Increase (decrease) in cash and cash equivalents	120.8	(183.3	)
Cash and cash equivalents at beginning of period	903.9	988.9	
Cash and cash equivalents at end of period	\$1,024.7	\$805.6	
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, 2012. The results of operations for the three and nine month periods ended June 30, 2013 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 \$24.2 million at June 30, 2013 and \$28.0 million at September 30, 2012. In addition, receivables are stated net of an allowance for certain customer returns, rebates and incentives of \$7.6 million at June 30, 2013 and \$7.9 million at September 30, 2012.

## Earnings Per Share

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$203.7	\$190.7	\$541.0	\$541.8
Less: Allocation to participating securities	(0.3)	(0.3)	(0.8)	(1.0)
Net income available to common shareowners	\$203.4	\$190.4	\$540.2	\$540.8
Basic weighted average outstanding shares	138.9	141.7	139.4	142.0
Effect of dilutive securities				
Stock options	1.4	1.6	1.5	1.7
Performance shares	0.1	0.2	0.2	0.3
Diluted weighted average outstanding shares	140.4	143.5	141.1	144.0
Earnings per share:				
Basic	\$1.46	\$1.34	\$3.88	\$3.81
Diluted	\$1.45	\$1.33	\$3.83	\$3.76

For the three and nine months ended June 30, 2013, share-based compensation awards for 1.1 million and 1.5 million shares, respectively, were excluded from the diluted EPS calculation because they were antidilutive. For the three and nine months ended June 30, 2012, share-based compensation awards for 2.3 million and 2.1 million shares, respectively, were excluded from the diluted EPS calculation because they were antidilutive.

## ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(Unaudited)

## 1. Basis of Presentation and Accounting Policies (continued)

## Recent Accounting Pronouncements

In March 2013, the FASB issued new guidance related to the release of cumulative translation adjustment related to an entity's investment in a foreign entity. The guidance clarifies that the guidance in Subtopic 830-30, Foreign Currency Matters - Translation of Financial Statements, applies to the release of cumulative translation adjustment into net income when a reporting entity either sells a part or all of its investment in a foreign entity or ceases to have a controlling financial interest in a subsidiary or group of assets that constitute a business within a foreign entity. This guidance is effective for us prospectively for reporting periods beginning October 1, 2014. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In February 2013, the FASB issued new accounting guidance, which requires companies to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income and the respective line items of net income affected by the reclassification, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, companies are required to cross-reference to other disclosures that provide additional detail on those amounts. This guidance is effective for us prospectively for reporting periods beginning October 1, 2013. Other than enhanced disclosures, the adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

## 2. Share-Based Compensation

We recognized \$10.1 million and \$31.3 million of pre-tax share-based compensation expense during the three and nine months ended June 30, 2013, respectively. We recognized \$10.5 million and \$32.8 million of pre-tax share-based compensation expense during the three and nine months ended June 30, 2012, respectively. Our annual grant of share-based compensation takes place during the first quarter of each fiscal year. The number of shares granted to 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,			
	2013		2012	
	Grants	Wtd. Avg. Share Fair Value	Grants	Wtd. Avg. Share Fair Value
Stock options	1,084	\$25.17	1,383	\$23.51
Performance shares	79	98.15	93	101.57
Restricted stock and restricted stock units	65	80.17	84	73.73
Unrestricted stock	11	76.65	12	61.97

Table of Contents

ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(Unaudited)

## 3. Acquisitions

In October 2012, we acquired certain assets of the medium voltage drives business of Harbin Jiuzhou Electric Co., Ltd. (Harbin) located in Harbin, China. The acquisition strengthened our presence in the Asia-Pacific motor control market by adding significant capabilities in design, engineering and manufacturing of medium voltage drive products. The purchase price of the acquisition was \$84.8 million. We recorded goodwill of \$71.1 million attributable to the assembled workforce with the technical expertise in designing, engineering, and manufacturing medium voltage drive products and served market expansion. We assigned the full amount of goodwill to our Control Products & Solutions segment. None of the goodwill recorded is expected to be deductible for tax purposes.

The fair values and weighted average useful lives that have been assigned to the acquired identifiable intangible assets of this acquisition are (in millions, except useful lives):

	Fair Value	Wtd. Avg. Useful Life
Customer relationships	\$7.1	10 years
Technology	3.0	5 years
Other intangible assets	1.0	5 years

In March 2012, we acquired certain assets and assumed certain liabilities of SoftSwitching Technologies Corporation (SoftSwitching), an industrial power quality detection and protection systems provider in the United States. The fair value and weighted average useful life that have been assigned to the acquired technology intangible assets of this acquisition are \$3.2 million and 10 years, respectively. We recorded no goodwill associated with this acquisition.

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. We purchased the remaining minority shares for \$10.9 million in December 2011.

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, 2013	September 30, 2012
Finished goods	\$253.4	\$262.5
Work in process	163.9	149.5
Raw materials, parts and supplies	201.7	207.0
Inventories	\$619.0	\$619.0

Table of Contents

ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(Unaudited)

## 5. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended June 30, 2013 are (in millions):

	Architecture & Software	Control Products & Solutions	Total
Balance as of September 30, 2012	\$387.7	\$561.1	\$948.8
Acquisition of businesses	—	71.1	71.1
Translation	(3.1)	(6.1)	(9.2)
Balance as of June 30, 2013	\$384.6	\$626.1	\$1,010.7

Other intangible assets consist of (in millions):

	June 30, 2013 Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:			
Computer software products	\$138.8	\$71.1	\$67.7
Customer relationships	76.7	35.4	41.3
Technology	91.0	55.1	35.9
Trademarks	30.7	14.9	15.8
Other	22.2	17.9	4.3
Total amortized intangible assets	359.4	194.4	165.0
Intangible assets not subject to amortization	43.7	—	43.7
Total	\$403.1	\$194.4	\$208.7
	September 30, 2012 Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:			
Computer software products	\$123.4	\$61.2	\$62.2
Customer relationships	72.6	30.7	41.9
Technology	88.9	50.9	38.0
Trademarks	32.1	12.9	19.2
Other	21.4	16.9	4.5
Total amortized intangible assets	338.4	172.6	165.8
Intangible assets not subject to amortization	43.7	—	43.7
Total	\$382.1	\$172.6	\$209.5

The Allen-Bradley® trademark has an indefinite life, and therefore is not subject to amortization.

Estimated amortization expense is \$32.6 million in 2013, \$34.2 million in 2014, \$28.5 million in 2015, \$24.9 million in 2016 and \$20.9 million in 2017.

We performed the annual evaluation of our goodwill and indefinite life intangible assets for impairment as required by accounting principles generally accepted in the United States (U.S. GAAP) during the second quarter of 2013 and concluded these assets are not impaired. We did not identify any impairment indicators during the third quarter of 2013 that would require further impairment analysis.

Table of Contents

ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(Unaudited)

## 6. Short-term Debt

Our short-term debt obligations are comprised of commercial paper borrowings. Commercial paper borrowings outstanding were \$220.0 million at June 30, 2013 and \$157.0 million at September 30, 2012. At June 30, 2013, the weighted average interest rate and maturity period of the commercial paper outstanding were 0.18 percent and fifteen days, respectively. At September 30, 2012, the weighted average interest rate and maturity period of the commercial paper outstanding were 0.27 percent and six days, respectively.

## 7. Other Current Liabilities

Other current liabilities consist of (in millions):

	June 30, 2013	September 30, 2012
Unrealized losses on foreign exchange contracts	\$8.6	\$21.5
Product warranty obligations	35.5	37.8
Taxes other than income taxes	38.1	37.1
Accrued interest	15.0	15.6
Dividends payable	72.1	—
Income taxes payable	11.0	14.7
Other	62.6	81.1
Other current liabilities	\$242.9	\$207.8

## 8. 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 installation. 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, 2013 and 2012 are (in millions):

	Nine Months Ended June 30,	
	2013	2012
Balance at beginning of period	\$37.8	\$38.5
Accruals for warranties issued during the current period	23.6	27.2
Adjustments to pre-existing warranties	(0.6	) 0.6
Settlements of warranty claims	(25.3	) (24.2
Balance at end of period	\$35.5	\$42.1

Table of Contents

ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(Unaudited)

## 9. 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 a valuation model based on inputs including forward and spot prices for currency and interest rate curves. We did not change our valuation techniques during the nine months ended June 30, 2013. The notional values of our forward exchange contracts outstanding at June 30, 2013 were \$902.6 million, of which \$575.5 million were designated as cash flow hedges. Currency pairs (buy/sell) comprising the most significant contract notional values were United States dollar (USD)/euro, USD/Canadian dollar, Swiss franc/euro, Singapore dollar/USD, USD/Brazilian real, Mexican peso/USD, Swiss franc/USD, and Swiss franc/Canadian dollar.

We also use foreign currency denominated debt obligations to hedge portions of our net investments in non-U.S. 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, 2013 we had \$13.9 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):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value (Level 2)	
		June 30, 2013	September 30, 2012
Forward exchange contracts	Other current assets	\$ 11.7	\$ 8.7
Forward exchange contracts	Other assets	0.9	1.3
Forward exchange contracts	Other current liabilities	(6.0)	(8.4)
Forward exchange contracts	Other liabilities	(0.9)	(1.5)
Total		\$ 5.7	\$ 0.1

  

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value (Level 2)	
		June 30, 2013	September 30, 2012
Forward exchange contracts	Other current assets	\$ 6.1	\$ 2.3
Forward exchange contracts	Other assets	1.8	0.1

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Forward exchange contracts	Other current liabilities	(2.6	) (13.1	)
Total		\$5.3	\$(10.7	)

12

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## ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(Unaudited)

## 9. Derivative Instruments and Fair Value Measurement (continued)

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Forward exchange contracts (cash flow hedges)	\$2.0	\$18.6	\$9.4	\$9.9
Foreign currency denominated debt (net investment hedges)	0.3	0.4	0.8	0.1
Total	\$2.3	\$19.0	\$10.2	\$10.0

Approximately \$5.7 million (\$3.6 million net of tax) of net unrealized gains on cash flow hedges as of June 30, 2013 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) gains on the hedged items during the periods presented, was:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Sales	\$1.0	\$(0.4)	\$1.5	\$(0.6)
Cost of sales	1.6	1.4	1.8	3.9
Total	\$2.6	\$1.0	\$3.3	\$3.3

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 June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Other income (expense)	\$6.7	\$1.5	\$3.1	\$(14.8)
Cost of sales	—	0.1	—	0.1
Total	\$6.7	\$1.6	\$3.1	\$(14.7)



## ROCKWELL AUTOMATION, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

## 9. Derivative Instruments and Fair Value Measurement (continued)

We also hold financial instruments consisting of cash, short-term investments, short-term debt and long-term debt. The fair values of our cash, short-term investments and short-term debt approximate their carrying amounts as reported in our Condensed Consolidated Balance Sheet due to the short-term nature of these instruments. We base the fair value of long-term debt upon quoted market prices for the same or similar issues. The following table presents the carrying amounts and estimated fair values of financial instruments not measured at fair value in the Condensed Consolidated Balance Sheet (in millions):

	June 30, 2013				
	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$1,024.7	\$1,024.7	\$919.2	\$105.5	\$—
Short-term investments	372.3	372.3	—	372.3	—
Short-term debt	220.0	220.0	—	220.0	—
Long-term debt	905.1	1,090.9	—	1,090.9	—

  

	September 30, 2012				
	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$903.9	\$903.9	\$779.4	\$124.5	\$—
Short-term investments	350.0	350.0	—	350.0	—
Short-term debt	157.0	157.0	—	157.0	—
Long-term debt	905.0	1,187.9	—	1,187.9	—

Table of Contents

ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(Unaudited)

## 10. Retirement Benefits

The components of net periodic benefit cost are (in millions):

	Pension Benefits		Nine Months Ended	
	Three Months Ended		June 30,	
	2013	2012	2013	2012
Service cost	\$22.9	\$17.8	\$69.0	\$53.8
Interest cost	40.0	41.7	120.2	125.6
Expected return on plan assets	(56.5)	(56.8)	(169.7)	(171.0)
Amortization:				
Prior service credit	(0.6)	(0.6)	(1.9)	(1.8)
Net actuarial loss	36.1	23.6	108.5	71.0
Net periodic benefit cost	\$41.9	\$25.7	\$126.1	\$77.6
	Other Postretirement Benefits		Nine Months Ended	
	Three Months Ended		June 30,	
	2013	2012	2013	2012
Service cost	\$0.6	\$0.6	\$1.8	\$1.7
Interest cost	1.6	1.8	4.7	5.4
Amortization:				
Prior service credit	(2.7)	(2.6)	(8.1)	(7.9)
Net actuarial loss	1.1	0.6	3.3	1.8
Net periodic benefit cost	\$0.6	\$0.4	\$1.7	\$1.0

In October 2011, we made a voluntary contribution of \$300 million to our U.S. qualified pension plan trust.

Table of Contents

ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(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 effect on our business, financial condition or results of operations.

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 effect on our financial condition or results of operations. 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 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.

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. As of June 30, 2013, we were not aware of any material indemnification claims that were probable or reasonably possible of an unfavorable outcome. Historically, claims that have been made under the indemnification agreements have not had a material impact on our operating results, financial position or cash flows; however, to the extent that valid indemnification claims arise in the future, future payments by us could be significant and could have a material adverse effect on our results of operations or cash flows in a particular period.

Table of Contents

ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)  
(Unaudited)

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 was 20.9 percent and 22.9 percent in the three and nine months ended June 30, 2013, respectively, compared to 22.1 percent and 23.8 percent in the three and nine months ended June 30, 2012, respectively. The effective tax rate was lower than the U.S. statutory rate of 35 percent in each period primarily because we benefited from lower non-U.S. tax rates. We recognized net discrete tax benefits of \$10.0 million and \$6.0 million in the three months ended June 30, 2013 and 2012, respectively, primarily related to the favorable resolution of tax matters in various global jurisdictions. We recognized net discrete tax benefits of \$14.5 million in the nine months ended June 30, 2013, primarily related to the favorable resolution of tax matters in various global jurisdictions and the retroactive extension of the U.S. federal research and development tax credit. We recognized net discrete tax benefits of \$4.6 million in the nine months ended June 30, 2012, primarily related to the favorable resolution of tax matters in various global jurisdictions.

The amount of gross unrecognized tax benefits was \$64.5 million and \$70.3 million at June 30, 2013 and September 30, 2012, respectively, of which the entire amount would reduce our effective tax rate if recognized. Accrued interest and penalties related to unrecognized tax benefits were \$17.2 million and \$20.1 million at June 30, 2013 and September 30, 2012, respectively. We recognize interest and penalties related to unrecognized tax benefits in the income tax provision.

If the unrecognized tax benefits were recognized, the net impact on our income tax provision, including the recognition of interest and penalties and offsetting tax assets, would be \$31.3 million as of June 30, 2013.

There was no material change in the amount of unrecognized tax benefits in the nine months ended June 30, 2013. We believe it is reasonably possible that the amount of gross unrecognized tax benefits could be reduced by up to \$9.3 million in the next 12 months as a result of the resolution of tax matters in various global jurisdictions and the lapses of statutes of limitations.

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 2010 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 (continued)  
(Unaudited)

## 13. Business Segment Information

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Sales				
Architecture & Software	\$671.0	\$663.8	\$1,967.7	\$1,979.1
Control Products & Solutions	953.2	896.6	2,668.5	2,616.3
Total	\$1,624.2	\$1,560.4	\$4,636.2	\$4,595.4
Segment operating earnings				
Architecture & Software	\$188.6	\$185.2	\$541.7	\$545.0
Control Products & Solutions	129.2	106.9	337.3	315.5
Total	317.8	292.1	879.0	860.5
Purchase accounting depreciation and amortization	(4.6	) (5.0	) (14.8	) (14.9
General corporate – net	(20.9	) (18.3	) (57.5	) (63.0
Non-operating pension costs <sup>1</sup>	(19.6	) (8.8	) (59.0	) (26.4
Interest expense	(15.3	) (15.2	) (46.0	) (45.2
Income before income taxes	\$257.4	\$244.8	\$701.7	\$711.0

<sup>1</sup>Beginning in fiscal 2013, we redefined segment operating earnings to exclude non-operating pension costs.

Non-operating pension costs were reclassified to a separate line item within the above table for all periods presented.

These costs were previously included in the operating earnings of each segment and in general corporate-net.

Non-operating pension costs consist of defined benefit plan interest cost, expected return on plan assets, amortization of actuarial gains and losses and the impacts of any plan curtailments or settlements. These components of net periodic benefit cost primarily relate to changes in pension assets and liabilities that are a result of market performance; we consider these costs to be unrelated to the operating performance of our business. We continue to include service cost and amortization of prior service cost in the business segment that incurred the expense as these components of net periodic benefit cost represent the operating cost of providing pension benefits to our employees. Among other considerations, we evaluate performance and allocate resources based upon segment operating earnings before income taxes, interest expense, costs related to corporate offices, non-operating pension costs, certain nonrecurring corporate initiatives, gains and losses from the disposition of businesses and purchase accounting depreciation and amortization. Depending on the product, intersegment sales within a single legal entity are 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.

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, 2013, and the related condensed consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended June 30, 2013 and 2012, and of cash flows for the nine-month periods ended June 30, 2013 and 2012. 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, 2012, and the related consolidated statements of operations, cash flows, shareowners' equity, and comprehensive income for the year then ended (not presented herein); and in our report dated November 19, 2012, 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, 2012 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 7, 2013

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;
- the 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 products, services and solutions and pricing pressures, and our ability to provide high quality products, services and solutions;
- a disruption of our operations and supply chain due to natural disasters, acts of war, strikes, terrorism, social unrest or other causes;
- our ability to protect confidential information and enforce our intellectual property rights;
- 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, including liabilities related to the safety and security of the products, services and solutions we sell or to alleged intellectual property infringements;
- our ability to manage and mitigate the risks associated with our solutions business;
- a disruption of our distribution channels;
- the availability and price of components and materials;
- the successful integration and management of acquired businesses;
- the 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, 2012 for more information.

Non-GAAP Measures

The following discussion includes organic sales, total segment operating earnings and margin, Adjusted Income, Adjusted EPS, Adjusted Effective Tax Rate 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 Results of Operations for a reconciliation of income before income taxes to total segment operating earnings and margin and a discussion of why we believe these non-GAAP measures are useful to investors. See Results of Operations for a reconciliation of income from continuing operations, diluted EPS from continuing operations and effective tax rate to Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate and a discussion of why we believe these non-GAAP measures are 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, services and solutions 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;
- investments in basic materials production capacity, which may be related to commodity pricing levels;
- our customers' needs for faster time to market, lower total cost of ownership, improved asset utilization and optimization, and enterprise risk management;
- 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; and
- the spending patterns of our customers due to their annual budgeting processes and their working schedules.

Long-term Strategy

Our vision of being the most valued global provider of innovative industrial automation and information products, services and solutions is supported by 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 competitive differentiation;
- diversify our revenue streams by broadening our portfolio of products, services and solutions, expanding our global presence and serving a wider range of customer applications;
- grow market share by gaining new customers and by capturing a larger share of existing 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, enhancing our domain expertise or continuing our geographic diversification;
- deploy human and financial resources to strengthen our technology leadership and our intellectual capital business model;
- continuously improve quality and customer experience; and
- drive annual cost productivity.

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, return on invested capital in excess of 20 percent, free cash flow equal to about 100 percent of net income and 60 percent of our revenue outside the U.S, including 30 percent of revenue from emerging markets.

Table of Contents

## ROCKWELL AUTOMATION, INC.

## U. S. Industrial Economic Trends

In the third quarter of 2013, sales to U.S. customers accounted for 50 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 changes in 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 indicator 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 indicator 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 2011. Stability in both the recently reported and forecasted macroeconomic indicators supports our expectation that market conditions in the U.S. will remain stable through the remainder of our fiscal year.

	Industrial Production Index	PMI	Industrial Equipment Spending (in billions)	Capacity Utilization (percent)
Fiscal 2013				
Quarter ended:				
June 2013	98.9	50.9	199.8	77.8
March 2013	98.7	51.3	200.1	78.0
December 2012	97.7	50.2	199.6	77.5
Fiscal 2012				
Quarter ended:				
September 2012	97.1	51.6	195.9	77.4
June 2012	97.0	50.2	195.5	77.7
March 2012	96.3	53.3	190.1	77.6
December 2011	95.1	52.9	196.5	77.1
Fiscal 2011				
Quarter ended:				
September 2011	94.0	53.2	187.1	76.7

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

Table of Contents

ROCKWELL AUTOMATION, INC.

Non-U.S. Economic Trends

In the third quarter of 2013, sales to non-U.S. customers accounted for 50 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) and Industrial Production Index as indicators of the growth opportunities in each region where we do business. Outside the U.S., we expect stable underlying market conditions. Europe continues in recession with flat conditions currently. In Asia, China's investment levels remain weak due to a combination of credit conditions, weakening exports and overcapacity, and India's economy remains weak. In Latin America, Mexico's industrial production growth rates have been stable for several months while Brazil's near-term growth has slackened on weak exports and a declining PMI. We still expect that emerging markets will be the fastest growing automation markets over the long term.

Table of Contents

ROCKWELL AUTOMATION, INC.

Summary of Results of Operations

Sales in the third quarter of 2013 increased 4 percent compared to the third quarter of 2012 with growth in all regions, except for Asia Pacific. Sales increased 7 percent sequentially compared to the second quarter of 2012, with growth in all regions and across both segments. We realized strong margin conversion on 4 percent sales growth, primarily due to volume leverage and continued productivity.

We continued to execute our key initiatives:

Sales related to our process initiative increased approximately 2 percent year over year in the third quarter of 2013.

Logix sales in the third quarter of 2013 increased 3 percent year over year, slightly outperforming the Architecture & Software segment as a whole.

Sales in emerging markets increased 6 percent year over year and 5 percent organically. Acquisitions contributed 1 percent to the sales growth. Strong growth in Latin America was partially offset by declines in Asia-Pacific with the exception of China. Emerging markets represented 22 percent of total company sales in the third quarter of 2013.

The effective tax rate in the third quarter of 2013 was 20.9 percent compared to 22.1 percent in the third quarter of 2012. The Adjusted Effective Tax Rate in the third quarter of 2013 was 22.0 percent compared to 22.6 percent in the third quarter of 2012. We recognized net discrete tax benefits of \$10.0 million and \$6.0 million in the third quarter of 2013 and 2012, respectively, primarily related to the favorable resolution of tax matters in various global jurisdictions.

Table of Contents

## ROCKWELL AUTOMATION, INC.

The following table reflects our sales and operating results for the three and nine months ended June 30, 2013 and 2012 (in millions, except per share amounts):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Sales				
Architecture & Software	\$671.0	\$663.8	\$1,967.7	\$1,979.1
Control Products & Solutions	953.2	896.6	2,668.5	2,616.3
Total sales (a)	\$1,624.2	\$1,560.4	\$4,636.2	\$4,595.4
Segment operating earnings <sup>1</sup>				
Architecture & Software	\$188.6	\$185.2	\$541.7	\$545.0
Control Products & Solutions	129.2	106.9	337.3	315.5
Total segment operating earnings <sup>2</sup> (b)	317.8	292.1	879.0	860.5
Purchase accounting depreciation and amortization	(4.6 )	(5.0 )	(14.8 )	(14.9 )
General corporate — net	(20.9 )	(18.3 )	(57.5 )	(63.0 )
Non-operating pension costs <sup>3</sup>	(19.6 )	(8.8 )	(59.0 )	(26.4 )
Interest expense	(15.3 )	(15.2 )	(46.0 )	(45.2 )
Income before income taxes (c)	257.4	244.8	701.7	711.0
Income tax provision	(53.7 )	(54.1 )	(160.7 )	(169.2 )
Net income	\$203.7	\$190.7	\$541.0	\$541.8
Diluted EPS	\$1.45	\$1.33	\$3.83	\$3.76
Adjusted EPS	\$1.54	\$1.37	\$4.09	\$3.87
Diluted weighted average outstanding shares	140.4	143.5	141.1	144.0
Total segment operating margin <sup>2</sup> (b/a)	19.6	% 18.7	% 19.0	% 18.7
Pre-tax margin (c/a)	15.8	% 15.7	% 15.1	% 15.5

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

Total segment operating earnings and total segment operating margin are non-GAAP financial measures. We believe that these measures are useful to investors as measures of operating performance. We use these measures to monitor and evaluate the profitability of our operating segments. Our measures of total segment operating earnings and total segment operating margin may be different from measures used by other companies.

Beginning in fiscal 2013, we redefined segment operating earnings to exclude non-operating pension costs.

Non-operating pension costs were reclassified to a separate line item within the above table for all periods presented. These costs were previously included in segment operating earnings and in general corporate-net. We continue to include service cost and amortization of prior service cost in the business segment that incurred the expense as these costs represent the operating cost of providing pension benefits to our employees.

Table of Contents

## ROCKWELL AUTOMATION, INC.

Purchase accounting depreciation and amortization and non-operating pension costs are not allocated to our operating segments because these costs are excluded from our measurement of segment's operating performance for internal purposes. The following table reflects purchase accounting depreciation and amortization and non-operating pension costs that are attributable to each of our segments for the three and nine months ended June 30, 2013 and 2012 (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Purchase accounting depreciation and amortization				
Architecture & Software	\$0.9	\$1.2	\$3.0	\$3.7
Control Products & Solutions	3.5	3.5	11.0	10.4
Non-operating pension costs				
Architecture & Software	6.9	2.9	20.7	8.7
Control Products & Solutions	11.7	5.2	35.1	15.7

The increases in non-operating pension costs in both segments in the three and nine months ended June 30, 2013 were primarily due to the decrease in our U.S. discount rate from 5.20 percent in 2012 to 4.15 percent in 2013.

Table of Contents

ROCKWELL AUTOMATION, INC.

## Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate Reconciliation

Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate are non-GAAP earnings measures that exclude non-operating pension costs and their related income tax effects. We define non-operating pension costs as defined benefit plan interest cost, expected return on plan assets, amortization of actuarial gains and losses and the impact of any plan curtailments or settlements. These components of net periodic benefit cost primarily relate to changes in pension assets and liabilities that are a result of market performance; we consider these costs to be unrelated to the operating performance of our business. We believe that Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate provide useful information to our investors about our operating performance and allow management and investors to compare our operating performance period over period. Our measures of Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate may be different from measures used by other companies. These non-GAAP measures should not be considered a substitute for income from continuing operations, diluted EPS and effective tax rate.

The following is a reconciliation of income from continuing operations, diluted EPS from continuing operations, and effective tax rate to Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate for the three and nine months ended June 30, 2013 and 2012 (in millions, except per share amounts):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Income from continuing operations	\$203.7	\$190.7	\$541.0	\$541.8
Non-operating pension costs	19.6	8.8	59.0	26.4
Tax effect of non-operating pension costs	(7.2 )	(3.1 )	(21.5 )	(9.4 )
Adjusted Income	\$216.1	\$196.4	\$578.5	\$558.8
 Diluted EPS from continuing operations	 \$1.45	 \$1.33	 \$3.83	 \$3.76
Non-operating pension costs per diluted share, before tax	0.14	0.06	0.42	0.18
Tax effect of non-operating pension costs per diluted share	(0.05 )	(0.02 )	(0.16 )	(0.07 )
Adjusted EPS	\$1.54	\$1.37	\$4.09	\$3.87
 Effective tax rate	 20.9 %	 22.1 %	 22.9 %	 23.8 %
Tax effect of non-operating pension costs	1.1 %	0.5 %	1.1 %	0.4 %
Adjusted Effective Tax Rate	22.0 %	22.6 %	24.0 %	24.2 %



Table of Contents

## ROCKWELL AUTOMATION, INC.

## Three and Nine Months Ended June 30, 2013 Compared to Three and Nine Months Ended June 30, 2012

	Three Months Ended June 30,			Nine Months Ended June 30,		
(in millions, except per share amounts)	2013	2012	Change	2013	2012	Change
Sales	\$1,624.2	\$1,560.4	\$63.8	\$4,636.2	\$4,595.4	\$40.8
Income before income taxes	257.4	244.8	12.6	701.7	711.0	(9.3)
Diluted EPS	1.45	1.33	0.12	3.83	3.76	0.07
Adjusted EPS	1.54	1.37	0.17	4.09	3.87	0.22

Sales

Our sales increased 4 percent and 1 percent in the three and nine months ended June 30, 2013, respectively, compared to the three and nine months ended June 30, 2012. Sales in our solutions and services businesses increased 6 percent and 2 percent in the three and nine months ended June 30, 2013, respectively, compared to the three and nine months ended June 30, 2012. Product sales increased 3 percent in the three months ended June 30, 2013 and were flat in the nine months ended June 30, 2013 compared to the three and nine months ended June 30, 2012, respectively. Pricing contributed less than 1 percentage point to growth during both periods.

The tables below present our sales, attributed to the geographic regions based upon country of destination, for the three and nine months ended June 30, 2013 and the change from the same period a year ago (in millions, except percentages):

	Three Months Ended June 30, 2013	Change vs. Three Months Ended June 30, 2012	Change in Organic Sales vs. Three Months Ended June 30, 2012
United States	\$807.7	4	% 4
Canada	131.5	8	% 10
Europe, Middle East and Africa	318.6	4	% 3
Asia-Pacific	223.1	(7)	)% (8
Latin America	143.3	21	% 23
Total Sales	\$1,624.2	4	% 4

	Nine Months Ended June 30, 2013	Change vs. Nine Months Ended June 30, 2012	Change in Organic Sales vs. Nine Months Ended June 30, 2012
United States	\$2,345.7	4	% 4
Canada	354.6	3	% 3
Europe, Middle East and Africa	931.8	(3)	)% (1
Asia-Pacific	608.8	(11)	)% (12
Latin America	395.3	9	% 12
Total Sales	\$4,636.2	1	% 1

Sales growth in the United States and Canada in the three and nine months ended June 30, 2013 was solid, with particular strength in the oil and gas industry.

EMEA's sales increased 4 percent in the quarter despite the continued recession in Western Europe, but declined year to date.

•

Asia-Pacific experienced sales declines in the three and nine months ended June 30, 2013 due to weak market conditions. China showed a significant improvement from prior quarter and experienced 5 percent organic sales growth in the quarter. China's sales growth in the quarter was 11 percent as acquisitions and currency translation contributed 4 percent and 2 percent, respectively, to the sales growth. All other countries in Asia-Pacific experienced sales declines in the three and nine months ended June 30, 2013, with the exception of Japan.

• Latin America continued as the highest growth region in the three and nine months ended June 30, 2013, with particularly strong growth in Brazil and Mexico, primarily driven by oil and gas, auto and consumer industries.

Table of Contents

## ROCKWELL AUTOMATION, INC.

## Three and Nine Months Ended June 30, 2013 Compared to Three and Nine Months Ended June 30, 2012

## General Corporate - Net

General corporate - net expenses were \$20.9 million and \$57.5 million in the three and nine months ended June 30, 2013, respectively, compared to \$18.3 million and \$63.0 million in the three and nine months ended June 30, 2012, respectively. We recognized a \$6.9 million charge related to two legacy environmental sites in the nine months ended June 30, 2012.

## Income before Income Taxes

Income before income taxes increased 5 percent year over year in the three months ended June 30, 2013, primarily due to an increase in segment operating earnings, partially offset by higher non-operating pension costs. Income before income taxes decreased 1 percent year over year in the nine months ended June 30, 2013, primarily due to higher non-operating pension costs, partially offset by an increase in segment operating earnings and lower general corporate-net expenses. Total segment operating earnings increased 9 percent year over year in the three months ended June 30, 2013, primarily due to volume leverage and continued productivity performance. Total segment operating earnings increased 2 percent year over year in the nine months ended June 30, 2013, primarily due to productivity, partially offset by higher operating pension costs.

## Income Taxes

The effective tax rate in the three months ended June 30, 2013 was 20.9 percent compared to 22.1 percent in the three months ended June 30, 2012. Our Adjusted Effective Tax Rate in the three months ended June 30, 2013 was 22.0 percent compared to 22.6 percent in the three months ended June 30, 2012. We recognized net discrete tax benefits of \$10.0 million and \$6.0 million in the three months ended June 30, 2013 and 2012, respectively, primarily related to the favorable resolution of tax matters in various global jurisdictions.

The effective tax rate in the nine months ended June 30, 2013 was 22.9 percent compared to 23.8 percent in the nine months ended June 30, 2012. Our Adjusted Effective Tax Rate in the nine months ended June 30, 2013 was 24.0 percent compared to 24.2 percent in the nine months ended June 30, 2012. We recognized net discrete tax benefits of \$14.5 million in the nine months ended June 30, 2013, primarily related to the favorable resolution of tax matters in various global jurisdictions and the retroactive extension of the U.S. federal research and development tax credit. We recognized net discrete tax benefits of \$4.6 million in the nine months ended June 30, 2012, primarily related to the favorable resolution of tax matters in various global jurisdictions.

## Architecture &amp; Software

(in millions, except percentages)	Three Months Ended June 30,			Nine Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Sales	\$671.0	\$663.8	\$7.2	\$1,967.7	\$1,979.1	\$(11.4 )
Segment operating earnings	188.6	185.2	3.4	541.7	545.0	(3.3 )
Segment operating margin	28.1	% 27.9	% 0.2	pts 27.5	% 27.5	% — pts
Sales						

Architecture & Software year-over-year sales increased 1 percent in the three months ended June 30, 2013.

Year-over-year organic sales also increased 1 percent in the quarter as currency had a negligible impact. All regions, except for Asia Pacific, grew at a rate above the segment average rate of increase, with EMEA and Latin America being the best performing regions for the segment, in the three months ended June 30, 2013.

Architecture & Software year-over-year sales declined 1 percent in the nine months ended June 30, 2013.

Year-over-year organic sales were flat in the nine months ended June 30, 2013 as currency translation reduced sales by 1 percentage point. The United States was the best performing region for the segment in the nine months ended June 30, 2013. The balance of the regions reported low to negative sales growth, with significant declines in Asia-Pacific, in the nine months ended June 30, 2013.

Logix sales increased 3 percent and 2 percent year over year in the three and nine months ended June 30, 2013, respectively.

Table of Contents

## ROCKWELL AUTOMATION, INC.

Three and Nine Months Ended June 30, 2013 Compared to Three and Nine Months Ended June 30, 2012

## Operating Margin

Architecture & Software year-over-year segment operating earnings were up 2 percent in the three months ended June 30, 2013, but declined 1 percent in the nine months ended June 30, 2013. Segment operating margin was 28.1 percent and 27.5 percent in the three and nine months ended June 30, 2013, respectively, compared to 27.9 percent and 27.5 percent a year ago.

## Control Products &amp; Solutions

(in millions, except percentages)	Three Months Ended June 30,			Nine Months Ended June 30,			
	2013	2012	Change	2013	2012	Change	
Sales	\$953.2	\$896.6	\$56.6	\$2,668.5	\$2,616.3	\$52.2	
Segment operating earnings	129.2	106.9	22.3	337.3	315.5	21.8	
Segment operating margin	13.6	% 11.9	% 1.7	pts 12.6	% 12.1	% 0.5	pts
Sales							

Control Products & Solutions year-over-year sales increased 6 percent and 2 percent in the three and nine months ended June 30, 2013, respectively. Acquisitions and currency translation had a negligible impact in both periods. Latin America was the best performing region for the segment in the three and nine months ended June 30, 2013. The United States and Canada experienced solid sales growth in both periods. The balance of the regions reported low to negative growth in the three and nine months ended June 30, 2013.

## Operating Margin

Control Products & Solutions year-over-year segment operating earnings were up 21 percent and 7 percent in the three and nine months ended June 30, 2013, respectively. Segment operating margin increased to 13.6 percent and 12.6 percent in the three and nine months ended June 30, 2013, respectively, from 11.9 percent and 12.1 percent a year ago, primarily due to volume leverage and productivity.

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 June 30,	
	2013	2012
Cash provided by (used for):		
Operating activities	\$663.8	\$328.6
Investing activities	(197.6 )	(458.7 )
Financing activities	(323.6 )	(18.4 )
Effect of exchange rate changes on cash	(14.8 )	(34.1 )
Cash provided by (used for) continuing operations	\$127.8	\$(182.6 )

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

Cash provided by continuing operating activities	\$663.8	\$328.6
Capital expenditures of continuing operations	(86.9 )	(94.9 )
Excess income tax benefit from share-based compensation	22.6	17.3

Free cash flow	\$599.5	\$251.0
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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. U.S. GAAP requires the excess income tax benefit from share-based compensation to be reported 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 differ from definitions used by other companies. Cash provided by operating activities was \$663.8 million for the nine months ended June 30, 2013 compared to \$328.6 million for the nine months ended June 30, 2012. Free cash flow was a source of \$599.5 million for the nine months ended June 30, 2013 compared to a source of \$251.0 million for the nine months ended June 30, 2012. The increase in the cash flow provided by operating activities and the increase in free cash flow are primarily due to a \$300 million discretionary pre-tax contribution to our U.S. qualified pension trust, partially offset by a related tax benefit, made in the nine months ended June 30, 2012 and lower incentive compensation payments in the nine months ended June 30, 2013.

We repurchased approximately 3.8 million shares of our common stock under our share repurchase program in the first nine months of 2013. The total cost of these shares was \$318.0 million, of which \$6.3 million was recorded in accounts payable at June 30, 2013 related to 75,000 shares that did not settle until July 2013. We also paid \$7.6 million in the first quarter of 2013 for unsettled share repurchases outstanding at September 30, 2012. We repurchased approximately 2.3 million shares of our common stock in the first nine months of 2012. The total cost of these shares was \$169.5 million, of which \$2.9 million was recorded in accounts payable at June 30, 2012 related to 45,000 shares that did not settle until July 2012. We also paid \$1.7 million in the first quarter of 2012 for unsettled share repurchases outstanding at September 30, 2011. Our decision to repurchase additional stock in the remainder of 2013 will depend on business conditions, free cash flow generation, other cash requirements and stock price. At June 30, 2013, we had

approximately \$618.6 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 retirement plans, acquisitions of businesses, dividends to shareowners, repurchases of common stock and repayments of debt. We expect capital expenditures in 2013 to be about \$150 million. We expect to fund future uses of cash with a combination of existing cash balances and short-term investments, 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)

Given our extensive international operations, significant amounts of our cash, cash equivalents and short-term investments (funds) are held by non-U.S. subsidiaries where our undistributed earnings are permanently reinvested. Generally, these funds would be subject to U.S. tax if repatriated. The percentage of such non-U.S. funds can vary from quarter to quarter with an average of approximately 90 percent over the past eight quarters. As of June 30, 2013, approximately 90 percent of our funds were held in such non-U.S. subsidiaries. We have not encountered and do not expect to encounter any difficulty meeting the liquidity requirements of our domestic and international operations. 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, 2013, commercial paper borrowings outstanding were \$220.0 million, with a weighted average interest rate of 0.18 percent. At September 30, 2012, commercial paper borrowings outstanding were \$157.0 million, with a weighted average interest rate of 0.27 percent. Our debt-to-total-capital ratio was 35.9 percent at June 30, 2013 and 36.4 percent at September 30, 2012.

On May 22, 2013, we replaced our former four-year \$750.0 million unsecured revolving credit facility expiring in March 2015 with a new five-year \$750.0 million unsecured revolving credit facility expiring in May 2018. We can increase the aggregate amount of this credit facility by up to \$250.0 million, subject to the consent of the banks in the credit facility. We did not incur early termination penalties in connection with the termination of the former credit facility. We have not borrowed against these credit facilities at June 30, 2013 or September 30, 2012. Borrowings under these credit facilities bear interest based on short-term money market rates in effect during the period 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, 2013 and September 30, 2012. Separate short-term unsecured credit facilities of approximately \$120.1 million at June 30, 2013 were available to non-U.S. subsidiaries.

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 short-term credit ratings set forth in the table below. 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.

The following is a summary of our credit ratings as of June 30, 2013:

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

Our ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of our credit ratings 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 and short-term investments. 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 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 usually 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, 2012. We believe that at June 30, 2013, there has been no material change to this information.

Table of Contents

## ROCKWELL AUTOMATION, INC.

## 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 and operating segment 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 and operating segment performance. We determine the effect of changes in currency exchange rates by translating the respective period's sales using the same currency exchange rates that were in effect during the prior year. When we acquire businesses, we exclude sales in the current period for which there are no comparable sales in the 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, 2013						Three Months Ended June 30, 2012
	Sales	Effect of Changes in Currency	Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Sales	Sales
United States	\$807.7	\$0.2	\$807.9	\$—	\$807.9	\$775.1
Canada	131.5	1.8	133.3	—	133.3	121.5
Europe, Middle East and Africa	318.6	(1.7)	316.9	—	316.9	306.9
Asia-Pacific	223.1	0.7	223.8	(4.3)	219.5	238.8
Latin America	143.3	2.0	145.3	—	145.3	118.1
Total Company Sales	\$1,624.2	\$3.0	\$1,627.2	\$(4.3)	\$1,622.9	\$1,560.4
Nine Months Ended June 30, 2013						Nine Months Ended June 30, 2012
	Sales	Effect of Changes in Currency	Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Sales	Sales
United States	\$2,345.7	\$(0.9)	\$2,344.8	\$(2.1)	\$2,342.7	\$2,250.4
Canada	354.6	(0.4)	354.2	—	354.2	343.0
Europe, Middle East and Africa	931.8	11.3	943.1	—	943.1	956.1
Asia-Pacific	608.8	(0.2)	608.6	(6.6)	602.0	683.7
Latin America	395.3	10.0	405.3	—	405.3	362.2

Total Company Sales	\$4,636.2	\$19.8	\$4,656.0	\$(8.7	)	\$4,647.3	\$4,595.4
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Table of Contents

## ROCKWELL AUTOMATION, INC.

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

	Three Months Ended June 30, 2013					Three Months Ended June 30, 2012
	Sales	Effect of Changes in Currency	Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Sales	Sales
Architecture & Software	\$671.0	\$0.8	\$671.8	\$—	\$671.8	\$663.8
Control Products & Solutions	953.2	2.2	955.4	(4.3)	951.1	896.6
Total Company Sales	\$1,624.2	\$3.0	\$1,627.2	\$(4.3)	\$1,622.9	\$1,560.4
	Nine Months Ended June 30, 2013					Nine Months Ended June 30, 2012
	Sales	Effect of Changes in Currency	Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Sales	Sales
Architecture & Software	\$1,967.7	\$10.1	\$1,977.8	\$—	\$1,977.8	\$1,979.1
Control Products & Solutions	2,668.5	9.7	2,678.2	(8.7)	2,669.5	2,616.3
Total Company Sales	\$4,636.2	\$19.8	\$4,656.0	\$(8.7)	\$4,647.3	\$4,595.4

Table of Contents

ROCKWELL AUTOMATION, INC.

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, 2012. We believe that at June 30, 2013, there has been no material change to this information.

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, 2012. We believe that at June 30, 2013, 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, 2012. We believe that at June 30, 2013, 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: As previously disclosed, we are in the process of developing and directing the implementation of common global process standards and an enterprise-wide information technology system across our affiliates with an objective of improving internal control, our ability to monitor our global operations, and our management of global operations. This process, which was initiated by Rockwell Automation, Inc., the U.S. parent company of our consolidated group, continued during the third quarter of 2013, focusing on EMEA and Asia Pacific and involved processes such as order management, finance, human resources, logistics, operations, engineering and procurement. As a result of this parent company directive, our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) was enhanced.

There have not been any other changes in our internal control over financial reporting 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.

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, 2012. We believe that at June 30, 2013, there has been no material change to this information.

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, 2012. We believe that at June 30, 2013 there has been no material change to this information.

Table of Contents

## ROCKWELL AUTOMATION, INC.

## 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, 2013:

Period	Total Number of Shares Purchased	Average Price Paid Per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approx. Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
April 1 - 30, 2013	523,000	\$85.50	523,000	\$678,266,029
May 1 - 31, 2013	304,468	87.75	304,468	651,550,480
June 1 - 30, 2013	386,400	85.18	386,400	618,638,766
Total	1,213,868	85.96	1,213,868	

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

On June 7, 2012, the Board of Directors authorized us to expend up to \$1.0 billion to repurchase shares of our common stock. Our repurchase program allows management to repurchase shares at its discretion. However,

(2) during quarterly “quiet periods,” defined as the period of time from quarter-end until two business days following the furnishing of our quarterly earnings results to 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 | — | By-Laws of the Company, as amended and restated effective June 6, 2013, filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated June 7, 2013, are hereby incorporated by reference.  |
| Exhibit 10.2 | — | \$750,000,000 Five-Year Credit Agreement dated as of May 22, 2013 among the Company, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and The Bank of New York Mellon, BMO Harris Bank N.A., Citibank, N.A., Deutsche Bank Securities Inc., The Northern Trust Company, PNC Bank, National Association, U.S. Bank National Association and Wells Fargo Bank, National Association, as Documentation Agents, filed as Exhibit 99 to the Company's Current Report on Form 8-K dated May 28, 2013, is hereby incorporated by reference. |
| Exhibit 10.3 | — | Summary of Non-Employee Director Compensation and Benefits effective as of October 1, 2013.   |
| 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.   |

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 7, 2013

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

Date: August 7, 2013

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

INDEX TO EXHIBITS

Exhibit No. Exhibit

10.3	Summary of Non-Employee Director Compensation and Benefits effective as of October 1, 2013.
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.