

ROCKWELL AUTOMATION INC

Form 10-Q

February 08, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended December 31, 2011

Commission file number 1-12383

Rockwell Automation, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction)

25-1797617
(I.R.S. Employer)

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of incorporation or organization)

Identification No.)

1201 South Second Street,

Milwaukee, Wisconsin
(Address of principal executive offices)

(414) 382-2000

53204
(Zip Code)

Registrant's telephone number, including area code

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

142,394,050 shares of registrant's Common Stock, \$1.00 par value, were outstanding on December 31, 2011.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****ROCKWELL AUTOMATION, INC.****CONDENSED CONSOLIDATED BALANCE SHEET****(Unaudited)****(in millions)**

	September 30, December 31, 2011	September 30, September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 884.0	\$ 988.9
Short-term investments	150.0	
Receivables	1,044.8	1,063.4
Inventories	677.3	641.7
Deferred income taxes	202.3	199.6
Other current assets	155.6	181.5
Total current assets	3,114.0	3,075.1
Property, net of accumulated depreciation of \$1,158.2 and \$1,159.1, respectively	559.1	561.4
Goodwill	942.1	952.6
Other intangible assets, net	212.8	218.0
Deferred income taxes	307.0	336.2
Prepaid pension	7.7	4.3
Other assets	136.4	137.3
Total	\$ 5,279.1	\$ 5,284.9

LIABILITIES AND SHAREOWNERS EQUITY

Current liabilities:		
Short-term debt	\$ 350.0	\$
Accounts payable	447.1	455.1
Compensation and benefits	158.0	319.6
Advance payments from customers and deferred revenue	215.3	189.0
Customer returns, rebates and incentives	147.1	154.0
Other current liabilities	195.3	212.2
Total current liabilities	1,512.8	1,329.9
Long-term debt	905.0	905.0
Retirement benefits	763.6	1,059.3
Other liabilities	242.9	242.7
Commitments and contingent liabilities (Note 12)		

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Shareowners' equity:

Common stock (shares issued: 181.4)	181.4	181.4
Additional paid-in capital	1,386.3	1,381.4
Retained earnings	3,495.5	3,382.8
Accumulated other comprehensive loss	(1,027.9)	(992.9)
Common stock in treasury, at cost (shares held: December 31, 2011, 39.0; September 30, 2011, 39.5)	(2,180.5)	(2,204.7)
Total shareowners' equity	1,854.8	1,748.0
Total	\$ 5,279.1	\$ 5,284.9

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, Three Months Ended December 31, 2011	September 30, Three Months Ended December 31, 2010
Sales		
Products and solutions	\$ 1,325.5	\$ 1,235.7
Services	148.4	130.1
	1,473.9	1,365.8
Cost of sales		
Products and solutions	(752.8)	(733.3)
Services	(102.4)	(88.6)
	(855.2)	(821.9)
Gross profit	618.7	543.9
Selling, general and administrative expenses	(362.4)	(347.0)
Other income	1.6	4.6
Interest expense	(15.0)	(14.8)
Income before income taxes	242.9	186.7
Income tax provision	(59.6)	(36.6)
Net income	\$ 183.3	\$ 150.1
Earnings per share:		
Basic	\$ 1.29	\$ 1.06
Diluted	\$ 1.27	1.04
Cash dividends per share	\$ 0.425	\$ 0.35
Weighted average outstanding shares:		
Basic	141.8	141.8
Diluted	143.9	144.5

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, Three Months Ended December 31, 2011	September 30, Three Months Ended December 31, 2010
Continuing operations:		
Operating activities:		
Net income	\$ 183.3	\$ 150.1
Adjustments to arrive at cash provided by operating activities:		
Depreciation	23.9	22.8
Amortization of intangible assets	8.7	9.1
Share-based compensation expense	11.4	9.1
Retirement benefit expense	26.2	25.2
Pension trust contributions	(309.2)	(7.8)
Net loss (gain) on disposition of property and investments	0.1	(3.5)
Income tax benefit from the exercise of stock options		0.6
Excess income tax benefit from share-based compensation	(9.8)	(12.1)
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:		
Receivables	1.5	(92.9)
Inventories	(45.1)	(6.7)
Accounts payable	3.1	(16.0)
Compensation and benefits	(150.8)	(141.6)
Income taxes	57.0	49.5
Other assets and liabilities	10.7	26.8
Cash (used for) provided by operating activities	(189.0)	12.6
Investing activities:		
Capital expenditures	(31.6)	(20.3)
Acquisition of businesses, net of cash acquired	(10.9)	
Purchases of short-term investments	(150.0)	
Proceeds from sale of property and investments	1.8	4.1
Cash used for investing activities	(190.7)	(16.2)
Financing activities:		
Net issuance of short-term debt	350.0	
Cash dividends	(60.3)	(49.7)
Purchases of treasury stock	(9.7)	(43.6)
Proceeds from the exercise of stock options	5.2	43.6
Excess income tax benefit from share-based compensation	9.8	12.1
Other financing activities	(0.1)	(0.1)
Cash provided by (used for) financing activities	294.9	(37.7)

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Effect of exchange rate changes on cash	(19.9)	(2.6)
Cash used for continuing operations	(104.7)	(43.9)
Discontinued operations:		
Cash used for discontinued operating activities	(0.2)	(0.2)
Cash used for discontinued operations	(0.2)	(0.2)
Decrease in cash and cash equivalents	(104.9)	(44.1)
Cash and cash equivalents at beginning of period	988.9	813.4
Cash and cash equivalents at end of period	\$ 884.0	\$ 769.3

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, 2011. The results of operations for the three month period ended December 31, 2011 are not necessarily indicative of the results for the full year. All date references to years and quarters herein refer to our fiscal year and fiscal quarter unless otherwise stated.

Receivables

Receivables are stated net of allowances for doubtful accounts of \$28.5 million at December 31, 2011 and \$26.1 million at September 30, 2011. In addition, receivables are stated net of an allowance for certain customer returns, rebates and incentives of \$9.5 million at December 31, 2011 and \$8.0 million at September 30, 2011.

Short-term Investments

Short-term investments include time deposits and certificates of deposit with original maturities of more than three months but no more than one year at the time of purchase. These investments are stated at cost, which approximates fair value.

Earnings Per Share

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

	September 30, Three Months Ended December 31, 2011	September 30, Three Months Ended December 31, 2010
Net income	\$ 183.3	\$ 150.1
Less: Allocation to participating securities	(0.4)	(0.3)
Net income available to common shareowners	\$ 182.9	\$ 149.8
Basic weighted average outstanding shares	141.8	141.8
Effect of dilutive securities		
Stock options	1.7	2.3
Performance shares	0.4	0.4
Diluted weighted average outstanding shares	143.9	144.5
Earnings per share:		
Basic	\$ 1.29	\$ 1.06
Diluted	\$ 1.27	\$ 1.04

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For the three months ended December 31, 2011, share-based compensation awards for 2.4 million shares were excluded from the diluted EPS calculation because they were antidilutive. For the three months ended December 31, 2010, share-based compensation awards for 3.0 million shares were excluded from the diluted EPS calculation because they were antidilutive.

Table of Contents**ROCKWELL AUTOMATION, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****2. Share-Based Compensation**

We recognized \$11.4 million and \$9.1 million of pre-tax share-based compensation expense during the three months ended December 31, 2011 and 2010, respectively. Our annual grant of share-based compensation takes place during the first quarter of each fiscal year. The number of shares granted to employees and non-employee directors and the weighted average fair value per share during the periods presented were (in thousands except per share amounts):

	September 30, 2011	September 30, Three months ended December 31, 2011	September 30, 2010	September 30, Three months ended December 31, 2010
	Grants	Wtd. Avg. Share Fair Value	Grants	Wtd. Avg. Share Fair Value
Stock options	1,378	\$ 23.50	1,708	\$ 21.28
Performance shares	93	101.57	77	87.00
Restricted stock and restricted stock units	80	73.83	46	69.19
Unrestricted stock	9	54.55	7	61.81

3. 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. With respect to the remaining minority shares, the terms of this acquisition included mirroring put and call options for a fixed price in December 2011. Accordingly, we recorded the Lektronix share purchase as an acquisition of all outstanding equity interests with a corresponding liability of \$10.9 million related to the put/call option as of the acquisition date. We exercised the option and paid for the remaining minority shares during the quarter ended December 31, 2011.

4. Inventories

Inventories consist of (in millions):

	September 30, December 31, 2011	September 30, September 30, 2011
Finished goods	\$ 276.2	\$ 265.0
Work in process	156.4	139.4
Raw materials, parts and supplies	244.7	237.3
Inventories	\$ 677.3	\$ 641.7

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We report inventories net of the allowance for excess and obsolete inventory of \$49.0 million at December 31, 2011 and \$46.3 million at September 30, 2011.

Table of Contents**ROCKWELL AUTOMATION, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****5. Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill for the three months ended December 31, 2011 are (in millions):

	September 30, Architecture & Software	September 30, Control Products & Solutions	September 30, Total
Balance as of September 30, 2011	\$ 386.7	\$ 565.9	\$ 952.6
Translation and other	(1.4)	(9.1)	(10.5)
Balance as of December 31, 2011	\$ 385.3	\$ 556.8	\$ 942.1

Other intangible assets consist of (in millions):

	September 30, Carrying Amount	September 30, December 31, 2011 Accumulated Amortization	September 30, Net
Amortized intangible assets:			
Computer software products	\$ 105.6	\$ 49.2	\$ 56.4
Customer relationships	71.4	24.7	46.7
Technology	85.0	45.6	39.4
Trademarks	31.1	9.9	21.2
Other	21.3	15.9	5.4
Total amortized intangible assets	314.4	145.3	169.1
Intangible assets not subject to amortization	43.7		43.7
Total	\$ 358.1	\$ 145.3	\$ 212.8

September 30,	September 30,	September 30,
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	Carrying Amount	September 30, 2011 Accumulated Amortization	Net
Amortized intangible assets:			
Computer software products	\$ 101.2	\$ 45.3	\$ 55.9
Customer relationships	72.4	23.2	49.2
Technology	85.1	44.0	41.1
Trademarks	31.2	9.0	22.2
Other	21.6	15.7	5.9
Total amortized intangible assets	311.5	137.2	174.3
Intangible assets not subject to amortization	43.7		43.7
Total	\$ 355.2	\$ 137.2	\$ 218.0

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

Estimated amortization expense is \$36.0 million in 2012, \$32.3 million in 2013, \$27.0 million in 2014, \$21.4 million in 2015 and \$16.8 million in 2016.

We perform 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 each year.

Table of Contents**ROCKWELL AUTOMATION, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****6. Short-term Debt**

Our short-term debt obligations are comprised of commercial paper borrowings. Commercial paper borrowings outstanding were \$350.0 million at December 31, 2011. At December 31, 2011 the weighted average interest rate and maturity period of the commercial paper outstanding were 0.33 percent and 10 days, respectively. At September 30, 2011, we had no commercial paper borrowings outstanding.

7. Other Current Liabilities

Other current liabilities consist of (in millions):

	September 30, December 31, 2011	September 30, September 30, 2011
Unrealized losses on foreign exchange contracts	\$ 11.8	\$ 6.3
Product warranty obligations	44.1	38.5
Taxes other than income taxes	29.5	40.0
Accrued interest	15.0	15.6
Income taxes payable	26.6	31.0
Other	68.3	80.8
Other current liabilities	\$ 195.3	\$ 212.2

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 from installation to a customer. We also record a liability for specific warranty matters when they become probable and reasonably estimable. Our product warranty obligations are included in other current liabilities in the Condensed Consolidated Balance Sheet.

Changes in the product warranty obligations for the three months ended December 31, 2011 and 2010 are (in millions):

September 30, Three Months Ended December 31, 2011	September 30, 2010
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Balance at beginning of period	\$	38.5	\$	37.3
Accruals for warranties issued during the current period		9.6		10.0
Adjustments to pre-existing warranties		3.1		(1.8)
Settlements of warranty claims		(7.1)		(8.5)
Balance at end of period	\$	44.1	\$	37.0

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ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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 an internally developed 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 three months ended December 31, 2011. The notional values of our forward exchange contracts outstanding at December 31, 2011 were \$860.9 million, of which \$661.3 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/USD, Swiss franc/Canadian dollar and USD/Singapore 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 December 31, 2011 we had \$14.1 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.

Table of Contents**ROCKWELL AUTOMATION, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****9. Derivative Instruments and Fair Value Measurement (Continued)**

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

	September 30,	September 30,	September 30,
	Balance Sheet Location	Fair Value (Level 2) December 31, 2011	September 30, 2011
Derivatives Designated as Hedging Instruments			
Forward exchange contracts	Other current assets	\$ 13.9	\$ 15.9
Forward exchange contracts	Other assets	1.6	1.6
Forward exchange contracts	Other current liabilities	(9.2)	(5.9)
Forward exchange contracts	Other liabilities	(1.0)	(1.4)
Total		\$ 5.3	\$ 10.2

	September 30,	September 30,	September 30,
	Balance Sheet Location	Fair Value (Level 2) December 31, 2011	September 30, 2011
Derivatives Not Designated as Hedging Instruments			
Forward exchange contracts	Other current assets	\$ 8.3	\$ 12.1
Forward exchange contracts	Other current liabilities	(2.6)	(0.4)
Total		\$ 5.7	\$ 11.7

The pre-tax amount of (losses) gains recorded in other comprehensive 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):

	September 30, Three Months Ended December 31, 2011	September 30, Three Months Ended December 31, 2010
Forward exchange contracts (cash flow hedges)	\$ (1.9)	\$ 5.4
Foreign currency denominated debt (net investment hedges)		0.1

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Total	\$	(1.9)	\$	5.5
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Approximately \$4.7 million (\$2.9 million net of tax) of net unrealized gains on cash flow hedges as of December 31, 2011 will be reclassified into earnings during the next 12 months. We expect that these net unrealized gains will be offset when the hedged items are recognized in earnings.

The pre-tax amount of (losses) gains 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 gains (losses) on the hedged items during the periods presented, was:

	September 30, Three Months Ended December 31,		September 30, Three Months Ended December 31,	
	2011		2010	
Sales	\$	(0.2)	\$	(0.3)
Cost of sales		2.7		(0.6)
Total	\$	2.5	\$	(0.9)

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

Table of Contents**ROCKWELL AUTOMATION, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****9. Derivative Instruments and Fair Value Measurement (Continued)**

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

	September 30, Three Months Ended December 31, 2011	September 30, Three Months Ended September 30, 2010
Other income	\$ (6.0)	\$ (2.4)

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

	September 30, December 31, 2011	September 30, September 30, 2011	September 30, September 30, 2011	September 30, September 30, 2011
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$ 905.0	\$ 1,123.2	\$ 905.0	\$ 1,125.4

10. Retirement Benefits

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

	September 30, Pension Benefits Three Months Ended December 31, 2011	September 30, Pension Benefits Three Months Ended September 30, 2010
Service cost	\$ 17.9	\$ 17.4
Interest cost	41.9	40.7
Expected return on plan assets	(57.0)	(50.7)
Amortization:		
Prior service credit	(0.6)	(0.5)

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Net actuarial loss		23.7		15.9
Net periodic benefit cost	\$	25.9	\$	22.8

		September 30, Other Postretirement Benefits Three Months Ended December 31, 2011		September 30, 2010
Service cost	\$	0.5	\$	0.9
Interest cost		1.8		2.5
Amortization:				
Prior service credit		(2.6)		(2.6)
Net actuarial loss		0.6		1.6
Net periodic benefit cost	\$	0.3	\$	2.4

In the three months ended December 31, 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****(Unaudited)****11. Comprehensive Income**

Comprehensive income consists of (in millions):

	September 30, Three Months Ended December 31, 2011	September 30, 2010
Net income	\$ 183.3	\$ 150.1
Other comprehensive (loss) income:		
Unrecognized pension and postretirement benefit plan liabilities	13.5	7.6
Currency translation adjustments	(45.8)	(0.1)
Net unrealized (losses) gains on cash flow hedges	(2.7)	4.0
Other		(0.3)
Other comprehensive (loss) income	(35.0)	11.2
Comprehensive income	\$ 148.3	\$ 161.3

12. Commitments and Contingent Liabilities

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

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

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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.

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ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

12. Commitments and Contingent Liabilities (Continued)

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

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

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

In connection with the sale of our Dodge mechanical and Reliance Electric motors and motor repair services businesses, we agreed to indemnify 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, the divestiture of businesses and the licensing of intellectual property. Due to the number of agreements containing such provisions, we are unable to estimate the maximum potential future payments.

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ROCKWELL AUTOMATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

13. Income Taxes

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

The effective tax rate for the quarter ended December 31, 2011 was 24.5 percent. The effective rate was lower than the U.S. statutory rate of 35 percent because we benefited from lower non-U.S. tax rates.

The amount of gross unrecognized tax benefits was \$75.7 million (\$30.8 million net of offsetting tax benefits) at December 31, 2011 and \$75.1 million (\$30.2 million net of offsetting tax benefits) at September 30, 2011. These unrecognized tax benefits would reduce our effective tax rate if recognized. Offsetting tax benefits primarily consist of tax receivables and deposits that were recorded in other assets and a foreign tax credit item that was recorded in deferred income taxes.

There was no material change in the amount of unrecognized tax benefits in the first three months of 2012. We believe it is reasonably possible that the amount of unrecognized tax benefits could be reduced by up to \$9.3 million and the amount of offsetting tax benefits could be reduced by up to \$0.9 million during the next 12 months as a result of the resolution of worldwide tax matters and the lapses of statutes of limitations.

We recognize interest and penalties related to tax matters in tax expense. Accrued interest and penalties were \$18.9 million and \$16.9 million at December 31, 2011 and at September 30, 2011, respectively.

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

Table of Contents**ROCKWELL AUTOMATION, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****14. Business Segment Information**

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

	September 30, Three Months Ended December 31, 2011	September 30, Three Months Ended December 31, 2010
Sales		
Architecture & Software	\$ 650.5	\$ 613.9
Control Products & Solutions	823.4	751.9
Total	\$ 1,473.9	\$ 1,365.8
Segment operating earnings		
Architecture & Software	\$ 186.3	\$ 153.1
Control Products & Solutions	97.5	68.9
Total	283.8	222.0
Purchase accounting depreciation and amortization	(5.0)	(4.8)
General corporate net	(20.9)	(15.7)
Interest expense	(15.0)	(14.8)
Income tax provision	(59.6)	(36.6)
Net income	\$ 183.3	\$ 150.1

Among other considerations, we evaluate performance and allocate resources based upon segment operating earnings before income taxes, interest expense, costs related to corporate offices, certain nonrecurring corporate initiatives, gains and losses from the disposition of businesses and incremental acquisition related expenses resulting from purchase accounting adjustments such as intangible asset amortization, depreciation, inventory and purchased research and development charges. Depending on the product, intersegment sales 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.

In the United States, Canada and certain other countries, we sell primarily through independent distributors in conjunction with our direct sales force. In the remaining countries, we sell through a combination of our direct sales force and to a lesser extent, through independent distributors. Sales to our largest distributor in the three months ended December 31, 2011 and 2010 were approximately 10 percent of our total sales.

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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 December 31, 2011, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended December 31, 2011 and 2010. These condensed consolidated interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Rockwell Automation, Inc. and subsidiaries as of September 30, 2011, and the related consolidated statements of operations, cash flows, shareowners' equity, and comprehensive income (loss) for the year then ended (not presented herein); and in our report dated November 14, 2011, 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, 2011 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

February 8, 2012

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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, or 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 product and pricing pressures;

a disruption of our operations due to natural disasters, acts of war, strikes, terrorism or other causes;

intellectual property infringement claims by others and the ability to protect our intellectual property;

our ability to successfully address claims by taxing authorities in the various jurisdictions where we do business;

our ability to attract and retain qualified personnel;

our ability to manage costs related to employee retirement and health care benefits;

the uncertainties of litigation;

a disruption of our distribution channels;

the availability and price of components and materials;

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, 2011 for more information.

Non-GAAP Measures

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

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ROCKWELL AUTOMATION, INC.

Overview

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

investments in manufacturing, including upgrades, modifications, and expansions of existing facilities or production lines, and the creation of new facilities or production lines;

our customers' needs for productivity and cost reduction, sustainable production (cleaner, safer and more energy efficient), quality assurance and overall global competitiveness;

industry factors that include our customers' new product introductions, demand for our customers' products or services, and the regulatory and competitive environments in which our customers operate;

levels of global industrial production and capacity utilization;

regional factors that include local political, social, regulatory and economic circumstances;

the seasonal spending patterns of our customers due to their annual budgeting processes and their working schedules; and

investments in basic materials production capacity, partly in response to higher commodity pricing.

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 technology and customer-facing differentiation;

diversify our revenue streams by increasing our capabilities in new applications, broadening our solutions and service capabilities, advancing our global presence and serving a wider range of industries;

grow market share by gaining new customers and by capturing a larger share of our Original Equipment Manufacturer machine builders (OEMs) and end user customers' spending;

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enhance our market access by building our channel capability and partner network;

make acquisitions that serve as catalysts to organic growth by adding complementary technology, expanding our served market, increasing our domain expertise or continuing our geographic diversification;

deploy human and financial resources to strengthen our technology leadership and our intellectual capital business model; and

continuously improve quality and customer experience, drive 3-4 percent annual cost productivity, and optimize end-to-end business processes.

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

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

In the first quarter of 2012, sales to U.S. customers accounted for 49 percent of our total sales. The various indicators we use to gauge the direction and momentum of our served U.S. markets include:

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

The Manufacturing Purchasing Managers Index (PMI), published by the Institute for Supply Management (ISM), which is an indication of the current and near-term state of manufacturing activity in the U.S. According to the ISM, a PMI measure above 50 indicates that the U.S. manufacturing economy is generally expanding while a measure below 50 indicates that it is generally contracting.

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

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

The table below depicts the trends in these indicators since the quarter ended September 2010. Industrial production and capacity utilization have steadily increased and the PMI has remained above 50, indicating expansion of manufacturing activity. These indicators are among the factors that lead us to be cautiously optimistic about a continued recovery with slow, uneven growth.

	September 30, Industrial Production Index	September 30, PMI	September 30, Industrial Equipment Spending (in billions)	September 30, Capacity Utilization (percent)
Fiscal 2012				
Quarter ended:				
December 2011	95.1	53.9	\$ 211.0	78.0
Fiscal 2011				
Quarter ended:				
September 2011	94.4	51.6	201.2	77.6
June 2011	92.9	55.3	186.5	76.7
March 2011	92.8	61.2	185.0	76.8
December 2010	91.7	58.5	178.0	76.1
Fiscal 2010				
Quarter ended:				
September 2010	91.0	55.3	172.9	75.5

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

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ROCKWELL AUTOMATION, INC.

Non-U.S. Regional Trends

In the first quarter of 2012, sales to non-U.S. customers accounted for 51 percent of our total sales. These customers include both indigenous companies and multinational companies with expanding global presence. In addition to the global factors previously mentioned, international demand, particularly in emerging markets, has historically been driven by the strength of the industrial economy in each region, investments in infrastructure and expanding consumer markets.

We use changes in Gross Domestic Product (GDP) as one indicator of the growth opportunities in each region where we do business. Underlying macroeconomic growth in emerging markets moderated during fiscal 2011 into fiscal 2012. However, we still expect that emerging markets in Asia will be the fastest growing automation markets over the long term. In Europe, sovereign debt concerns have put downward pressure on industrial growth and forecasts for that region have been deteriorating. While these trends indicate slower growth than recently experienced, overall macroeconomic trends and forecasts make us cautiously optimistic that the global recovery will continue throughout fiscal 2012.

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

Sales in the first quarter of 2012 increased 8 percent compared to the first quarter of 2011. We continued to execute our key initiatives, which contributed to our positive performance:

Sales related to our process initiative grew 22 percent as compared to the first quarter of 2011.

Logix sales increased 10 percent year over year.

Sales in emerging markets increased only 3 percent as compared to the first quarter of 2011 partially due to a strong quarter a year ago, the timing of sales in our solutions businesses, and fiscal tightening impacting underlying demand, particularly in the emerging markets of Asia-Pacific. Emerging markets represented 21 percent of total company sales in the quarter.

Sales to our OEM customers, including sales of safety components and safety systems, grew at a rate above the company average. The improvements in gross margin and operating margin were primarily due to volume leverage. Price and lower performance-based compensation expense also made a positive contribution. These positive factors were partially offset by increased spending to support growth.

General corporate expenses in the prior year were net of a \$3.8 million gain resulting from the sale of an investment.

Our effective tax rate during the quarter was 24.5 percent compared to 19.6 percent a year ago. The 2011 first quarter effective tax rate included benefits of \$3.5 million related to the retroactive extension of the U.S. federal research tax credit.

The following table reflects our sales and operating results for the three months ended December 31, 2011 and 2010 (in millions, except per share amounts):

	September 30, Three Months Ended December 31, 2011	September 30, 2010
Sales		
Architecture & Software	\$ 650.5	\$ 613.9
Control Products & Solutions	823.4	751.9
Total	\$ 1,473.9	\$ 1,365.8
Segment operating earnings (a)		
Architecture & Software	\$ 186.3	\$ 153.1
Control Products & Solutions	97.5	68.9
Purchase accounting depreciation and amortization	(5.0)	(4.8)
General corporate net	(20.9)	(15.7)
Interest expense	(15.0)	(14.8)

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Income before income taxes		242.9		186.7
Income tax provision		(59.6)		(36.6)
Net income		\$ 183.3	\$	150.1
Diluted earnings per share		\$ 1.27	\$	1.04
Diluted weighted average outstanding shares		143.9		144.5

(a) See Note 14 in the Condensed Consolidated Financial Statements for the definition of segment operating earnings.

Table of Contents**ROCKWELL AUTOMATION, INC.****2012 First Quarter Compared to 2011 First Quarter (Continued)**

(in millions, except per share amounts)	September 30, 2012	September 30, 2011	September 30, Change
Sales	\$ 1,473.9	\$ 1,365.8	\$ 108.1
Income before income taxes	242.9	186.7	56.2
Diluted earnings per share	1.27	1.04	0.23

Sales

Our sales increased \$108.1 million, or 8 percent, from \$1,365.8 million in the first quarter of 2011 to \$1,473.9 million in the first quarter of 2012. Organic sales also increased 8 percent as acquisitions contributed 1 percentage point to the increase and currency translation reduced sales by 1 percentage point. Pricing contributed approximately 1 percentage point to growth during the period. Product sales grew 6 percent year over year, while sales in our solutions and services businesses increased 12 percent year over year.

The table below presents our sales, attributed to the geographic regions based upon country of destination, for the quarter ended December 31, 2011 and the change from the quarter ended December 31, 2010 (in millions, except percentages):

	September 30, Three Months Ended Dec. 31, 2011	September 30, Change vs. Three Months Ended Dec. 31, 2010	September 30, Change in Organic Sales vs. Three Months Ended Dec. 31, 2010 ¹
United States	\$ 717.6	8%	8%
Canada	105.2	10%	11%
Europe, Middle East and Africa	315.0	11%	9%
Asia-Pacific	213.2	1%	0%
Latin America	122.9	8%	14%
Total Sales	\$ 1,473.9	8%	8%

Organic sales growth in the United States was led by heavy industries and transportation.

Organic sales growth in Canada and Latin America was driven primarily by mining and oil and gas industries.

Europe's strong organic sales growth was driven primarily by heavy industries.

Flat organic sales in Asia-Pacific resulted from weakness in emerging markets as inflation concerns and liquidity issues dampened investment.

Income before Income Taxes

Income before income taxes increased 30 percent from \$186.7 million in the first quarter of 2011 to \$242.9 million in the first quarter of 2012. Gross margin increased to 42.0 percent from 39.8 percent a year ago. Increased volume contributed to the significant year-over-year income and gross margin improvements along with price and lower performance-based compensation, which each increased segment operating margin by approximately one percentage point. These positive factors were partially offset by increased spending to support growth.

General corporate expenses were \$20.9 million in the first quarter of 2012 compared to \$15.7 million in the first quarter of 2011. The increase was primarily due to a sale of an investment that resulted in a \$3.8 million gain in the first quarter of 2011.

¹ Organic sales is a non-GAAP measure. See Supplemental Sales Information for information on this non-GAAP measure.

Table of Contents**ROCKWELL AUTOMATION, INC.****2012 First Quarter Compared to 2011 First Quarter (Continued)***Income Taxes*

The effective tax rate for the first quarter of 2012 was 24.5 percent compared to 19.6 percent in the first quarter of 2011. During the first quarter of 2011, we recognized discrete tax benefits of \$3.5 million related to the retroactive extensive of the U.S. federal research tax credit.

Architecture & Software

(in millions, except percentages)	September 30, 2012	September 30, 2011	September 30, Change
Sales	\$ 650.5	\$ 613.9	\$ 36.6
Segment operating earnings	186.3	153.1	33.2
Segment operating margin	28.6%	24.9%	3.7pts

Sales

Architecture & Software sales increased 6 percent to \$650.5 million in the first quarter of 2012 compared to \$613.9 million in the first quarter of 2011. Organic sales increased 7 percent as currency translation had a negative effect of 1 percentage point. United States, Canada and Asia-Pacific year-over-year sales increases were greater than the segment average rate of increase. Year-over-year sales increases in EMEA and Latin America were less than the segment average rate of increase. Logix sales increased 10 percent in the first quarter of 2012 compared to the first quarter of 2011.

Operating Margin

Architecture & Software segment operating earnings were \$186.3 million in the first quarter of 2012, up 22 percent from \$153.1 million in the same quarter of 2011. Operating margin increased 3.7 points to 28.6 percent in the first quarter of 2012 as compared to the first quarter of 2011. The increase was primarily due to volume leverage. Price, currency and lower performance-based compensation expense also made a positive contribution. These positive factors were partially offset by increased spending to support growth.

Control Products & Solutions

(in millions, except percentages)	September 30, 2012	September 30, 2011	September 30, Change
Sales	\$ 823.4	\$ 751.9	\$ 71.5
Segment operating earnings	97.5	68.9	28.6
Segment operating margin	11.8%	9.2%	2.6pts

Sales

Control Products & Solutions sales were \$823.4 million in the first quarter of 2012, up 10 percent from \$751.9 million in the first quarter of 2011. Organic sales increased 9 percent and acquisitions contributed 2 percentage points to the increase offset by a negative effect from currency translation of 1 percentage point. The segment's solutions and services businesses grew by 12 percent year over year, while the segment's product businesses grew at a rate similar to our Architecture & Software segment. Canada, EMEA and Latin America reported above average year-over-year overall segment growth. Year-over-year sales increases to customers in the United States and Asia-Pacific were less than the

segment average rate of increase.

Operating Margin

Control Products & Solutions segment operating earnings were \$97.5 million in the first quarter of 2012, up 42 percent from \$68.9 million in the same quarter of 2011. Operating margin increased by 2.6 points to 11.8 percent in the first quarter of 2012 as compared to 9.2 percent the first quarter of 2011. The increase was primarily due to volume leverage. Price and lower performance-based compensation expense also made a positive contribution. These positive factors were partially offset by increased spending to support growth.

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):

	September 30, Three Months Ended December 31, 2011	September 30, 2010
Cash (used for) provided by:		
Operating activities	\$ (189.0)	\$ 12.6
Investing activities	(190.7)	(16.2)
Financing activities	294.9	(37.7)
Effect of exchange rate changes on cash	(19.9)	(2.6)
Cash used for continuing operations	\$ (104.7)	\$ (43.9)

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

Cash (used for) provided by continuing operating activities	\$ (189.0)	\$ 12.6
Capital expenditures	(31.6)	(20.3)
Excess income tax benefit from share-based compensation	9.8	12.1
Free cash flow	\$ (210.8)	\$ 4.4

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

Free cash flow was a use of \$210.8 million for the first quarter of 2012 compared to a source of \$4.4 million for the first quarter of 2011. This decrease in free cash flow is primarily due to a \$300 million discretionary pre-tax contribution to our U.S. qualified pension trust, partially offset by improvements in current year earnings. Additionally, in the prior year there were working capital increases largely attributable to significant increases in receivables.

We purchased \$150 million of short-term investments in the first quarter of 2012.

We repurchased approximately 122,000 shares of our common stock in the first quarter of 2012. The total cost of these shares was \$8.0 million. We also paid \$1.7 million in the first quarter of 2012 for unsettled share repurchases outstanding at September 30, 2011. We repurchased approximately 707,000 shares of our common stock in the first quarter of 2011. The total cost of these shares was \$48.9 million, of which \$6.5 million was recorded in accounts payable at December 31, 2010 and was related to shares that did not settle until January 2011. We also paid

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\$1.2 million in the first quarter of 2011 for unsettled share repurchases outstanding at September 30, 2010. Our decision to repurchase stock in the remainder of 2012 will depend on business conditions, free cash flow generation, other cash requirements and stock price. At December 31, 2011, we had approximately \$194.0 million remaining for stock repurchases under our existing board authorization. See Part II, Item 2, Unregistered Sales of Equity Securities and Use of Proceeds, for additional information regarding share repurchases.

We expect future uses of cash to include working capital requirements, capital expenditures, additional contributions to our pension plans, acquisitions of businesses, dividends to shareowners, repurchases of common stock and repayments of debt. We expect capital expenditures in 2012 to be about \$140 million. We expect to fund these future uses of cash with a combination of existing cash balances, cash generated by operating activities, commercial paper borrowings or a new issuance of debt or other securities.

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

Given our extensive international operations, a significant amount of our cash, cash equivalents and short-term investments are held in foreign subsidiaries where our undistributed earnings are permanently reinvested. We have not and do not expect to encounter any difficulty meeting the liquidity requirements of our global 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 December 31, 2011, commercial paper borrowings outstanding were \$350.0 million, with a weighted average interest rate of 0.33 percent. We had no commercial paper borrowings outstanding during the year ended September 30, 2011. Our debt-to-total-capital ratio was 40.4 percent at December 31, 2011 and 34.1 percent at September 30, 2011.

At December 31, 2011 and September 30, 2011, our total current borrowing capacity under our unsecured revolving credit facility, which expires in March 2015, was \$750.0 million. We have not drawn down under this credit facility at December 31, 2011 or September 30, 2011. Borrowings under this credit facility bear interest based on short-term money market rates in effect during the period the borrowings are outstanding. The terms of this credit facility 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 this credit facility at December 31, 2011 and September 30, 2011. Separate short-term unsecured credit facilities of approximately \$125.3 million at December 31, 2011 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 December 31, 2011:

Credit Rating Agency	September 30, Short-Term Rating	September 30, Long-Term Rating	September 30, 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 rating and market conditions. We have not experienced any difficulty in accessing the commercial paper market to date. If our access to the commercial paper market is adversely affected due to a change in market conditions or otherwise, we would expect to rely on a combination of available cash and our unsecured committed credit facility to provide short-term funding. In such event, the cost of borrowings under our unsecured committed credit facility could be higher than the cost of commercial paper borrowings.

We regularly monitor the third-party depository institutions that hold our cash and cash equivalents 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 sales and intercompany transactions denominated in foreign currencies forecasted to occur within the next two years and to offset transaction gains or losses associated with some of our assets and liabilities that are denominated in currencies other than their functional currencies resulting from intercompany

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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, 2011. We believe that at December 31, 2011, 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 performance from the activities of our businesses without the effect of changes in currency exchange rates and acquisitions. We use organic sales as one measure to monitor and evaluate our regional performance. We determine the effect of changes in currency exchange rates by translating the respective period's sales using the same currency exchange rates that were in effect during the prior year. We determine the effect of acquisitions by excluding sales in the current period for which there are no sales in the comparable prior period. Organic sales growth is calculated by comparing organic sales to reported sales in the prior year. We attribute sales to the geographic regions based on the country of destination.

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

	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
							Three Months Ended December 31, 2010
	Three Months Ended December 31, 2011						
	Sales	Effect of Changes in Currency	Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Sales	Sales	
United States	\$ 717.6	\$ 0.3	\$ 717.9	\$ (0.5)	\$ 717.4	\$ 661.5	
Canada	105.2	0.7	105.9		105.9	95.6	
Europe, Middle East and Africa	315.0	4.3	319.3	(11.6)	307.7	283.2	
Asia-Pacific	213.2	(1.0)	212.2	(0.1)	212.1	212.0	
Latin America	122.9	7.0	129.9		129.9	113.5	
Total Company Sales	\$ 1,473.9	\$ 11.3	\$ 1,485.2	\$ (12.2)	\$ 1,473.0	\$ 1,365.8	

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

	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
						Three Months Ended December 31, 2010
	Three Months Ended December 31, 2011					2010
Sales	Effect of Changes in Currency	Sales Excluding Effect of	Effect of Acquisitions	Organic Sales	Sales	Sales

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	Changes in Currency										
Architecture & Software	\$	650.5	\$	4.6	\$	655.1	\$	655.1	\$	613.9	
Control Products & Solutions		823.4		6.7		830.1	(12.2)	817.9		751.9	
Total Company Sales	\$	1,473.9	\$	11.3	\$	1,485.2	(12.2)	\$	1,473.0	\$	1,365.8

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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, 2011. We believe that at December 31, 2011, 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, 2011. We believe that at December 31, 2011, there has been no material change to this information.

Recent Accounting Pronouncements

None.

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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, 2011. We believe that at December 31, 2011, there has been no material change to this information.

Item 4. *Controls and Procedures*

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

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

As previously disclosed, we are in the process of developing and implementing common global process standards and an enterprise-wide information technology system. Additional implementations will occur at most locations of our company over a multi-year period, with additional phases scheduled throughout fiscal 2012-2014.

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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, 2011. We believe that at December 31, 2011, 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, 2011. We believe that at December 31, 2011 there has been no material change to this information.

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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 December 31, 2011:

Period	September 30, Total Number of Shares Purchased	September 30, Average Price Paid Per Share ⁽¹⁾	September 30, Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	September 30, Maximum Approx. Dollar Value of shares that may yet be Purchased Under the Plans or Programs ⁽²⁾
October 1 31, 2011	36,266	\$ 56.26	36,266	\$ 199,953,003
November 1 30, 2011	86,091	69.23	86,091	193,992,750
December 1 31, 2011				193,992,750
Total	122,357	65.39	122,357	

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

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

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ROCKWELL AUTOMATION, INC.

Item 6. Exhibits

(a) Exhibits:

Exhibit 10.1*	Form of Stock Option Agreement under the Company's 2008 Long-Term Incentives Plan, as amended, for options granted to executive officers of the Company after November 30, 2011.
Exhibit 10.2*	Form of Restricted Stock Agreement under the Company's 2008 Long-Term Incentives Plan, as amended, for shares of restricted stock awarded to executive officers of the Company after November 30, 2011.
Exhibit 10.3*	Form of Performance Share Agreement under the Company's 2008 Long-Term Incentives Plan, as amended, for performance shares awarded to executive officers of the Company after November 30, 2011.
Exhibit 15	Letter of Deloitte & Touche LLP regarding Unaudited Financial Information.
Exhibit 31.1	Certification of Periodic Report by the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
Exhibit 31.2	Certification of Periodic Report by the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
Exhibit 32.1	Certification of Periodic Report by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Periodic Report by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101	Interactive Data Files.

* Management contract or compensatory plan or arrangement.

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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: February 8, 2012

By /s/ THEODORE D. CRANDALL
Theodore D. Crandall

Senior Vice President and

Chief Financial Officer

(Principal Financial Officer)

Date: February 8, 2012

By /s/ DAVID M. DORGAN
David M. Dorgan

Vice President and Controller

(Principal Accounting Officer)

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INDEX TO EXHIBITS

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10.3*	Form of Performance Share Agreement under the Company's 2008 Long-Term Incentives Plan, as amended, for performance shares awarded to executive officers of the Company after November 30, 2011.
15	Letter of Deloitte & Touche LLP regarding Unaudited Financial Information.
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