## ROCKWELL AUTOMATION INC

Form 10-Q
August 02, 2012

## UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2012
Commission file number 1-12383
Rockwell Automation, Inc.
(Exact name of registrant as specified in its charter)

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)
53204
(414) 382-2000

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 x 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 x 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 x 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 x
141,148,269 shares of registrant's Common Stock, \$1.00 par value, were outstanding on June 30, 2012.
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## PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

## ROCKWELL AUTOMATION, INC.

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)
(in millions)

|  | June 30, <br> 2012 | September 30, <br> 2011 |
| :--- | :--- | :--- |
| ASSETS |  |  |
| Current assets: | $\$ 805.6$ | $\$ 988.9$ |
| Cash and cash equivalents | 350.0 | - |
| Short-term investments | $1,139.1$ | $1,063.4$ |
| Receivables | 634.8 | 641.7 |
| Inventories | 196.3 | 199.6 |
| Deferred income taxes | 135.8 | 181.5 |
| Other current assets | $3,261.6$ | $3,075.1$ |
| Total current assets | 563.9 | 561.4 |
| Property, net of accumulated depreciation of \$1,191.4 and \$1,159.1, respectively | 933.8 | 952.6 |
| Goodwill | 209.9 | 218.0 |
| Other intangible assets, net | 259.0 | 336.2 |
| Deferred income taxes | 6.1 | 4.3 |
| Prepaid pension | 148.1 | 137.3 |
| Other assets | $\$ 5.382 .4$ | $\$ 5.284 .9$ |
| Total |  |  |

LIABILITIES AND SHAREOWNERS' EQUITY
Current liabilities:
Short-term debt
Accounts payable
\$270.0 \$—
Compensation and benefits
$486.3 \quad 455.1$
Advale paye 189.0
$\begin{array}{lll}\text { Advance payments from customers and deferred revenue } & 226.0 & 189.0\end{array}$
$\begin{array}{lll}\text { Customer returns, rebates and incentives } & 159.3 & 154.0\end{array}$
Other current liabilities $246.8 \quad 212.2$
$\begin{array}{lll}\text { Total current liabilities } & \text { 1,5529.9 }\end{array}$
Long-term debt
905.0
905.0

Retirement benefits 751.5
1,059.3
Other liabilities
247.0
242.7

Commitments and contingent liabilities (Note 12)
Shareowners' equity:
Common stock (shares issued: 181.4)
181.4

Additional paid-in capital
1,405.8
181.4

Retained earnings
Accumulated other comprehensive loss
3,665.2 3,382.8
(1,038.1 ) (992.9 )

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Common stock in treasury, at cost (shares held: June 30, 2012, 40.2; September 30, 2011, 39.5)

| Total shareowners' equity | $1,922.5$ | $1,748.0$ |
| :--- | :--- | :--- |
| Total | $\$ 5,382.4$ | $\$ 5,284.9$ |

See Notes to Condensed Consolidated Financial Statements.
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ROCKWELL AUTOMATION, INC.

## CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <br> (Unaudited) <br> (in millions, except per share amounts)



See Notes to Condensed Consolidated Financial Statements.

## Table of Contents <br> ROCKWELL AUTOMATION, INC.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <br> (Unaudited) <br> (in millions)

Nine Months Ended June 30, 20122011

Continuing operations:
Operating activities:

| Net income | $\$ 541.8 \quad \$ 496.0$ |
| :--- | :--- | :--- |

Income from discontinued operations $\quad-\quad(0.7)$

Income from continuing operations
Adjustments to arrive at cash provided by operating activities:
Depreciation
$541.8 \quad 495.3$

Amortization of intangible assets
$76.7 \quad 70.4$
Share-based compensation expense
$26.2 \quad 26.2$
Retirement benefit expense
$32.8 \quad 29.3$
Pension trust contributions
Net loss (gain) on disposition of property and investments
Income tax benefit from the exercise of stock options
Excess income tax benefit from share-based compensation
$78.6 \quad 75.6$

Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:
Receivables
(114.1 ) (153.3 )

Inventories
(9.3 ) (68.5 )

Accounts payable
Advance payments from customers and deferred revenue
Compensation and benefits
Income taxes
Other assets and liabilities
$44.7 \quad 37.0$

Cash provided by operating activities
$42.6 \quad 10.5$
(128.7 ) (73.7 )
$79.6 \quad 67.5$

Investing activities:
Capital expenditures
(94.9 ) (76.0 )

Acquisition of businesses, net of cash acquired
Purchases of short-term investments
Proceeds from maturities of short-term investments
Proceeds from sale of property and investments
$2.3 \quad 6.2$

Cash used for investing activities
(16.2 ) (45.9 )
(400.0 ) -
50.0 -
$2.4 \quad 4.3$

Financing activities:
Net issuance of short-term debt
$\left.\begin{array}{lll}270.0 & - & \\ (181.5 & ) & (150.3 \\ (168.3 & ) & (222.7 \\ 44.4 & 170.8 & \\ 17.3 & 37.8 & \\ (0.3 & ) & (0.3\end{array}\right)$

Cash dividends
Purchases of treasury stock
Proceeds from the exercise of stock options
Excess income tax benefit from share-based compensation
(458.7 ) (117.6 )

Other financing activities
$\left.\begin{array}{lcl}\text { Cash used for financing activities } & (18.4 & )(164.7\end{array}\right)$

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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 and nine month periods ended June 30, 2012 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.
Revenue Recognition
Product and solution sales consist of industrial automation power, control and information hardware and software products and custom-engineered systems. Service sales include multi-vendor customer technical support and repair, asset management and optimization consulting and training. All service revenue recorded in our results of operations is included in our Control Product \& Solutions segment.

For approximately 85 percent of our consolidated sales, we record sales when all of the following have occurred: an agreement of sale exists; pricing is fixed or determinable; collection is reasonably assured; and product has been delivered and acceptance has occurred, as may be required according to contract terms, or services have been rendered. Within this category, we will at times enter into arrangements that involve the delivery of multiple products and/or the performance of services, such as installation and commissioning. The timing of delivery, though varied based upon the nature of the undelivered component, is generally short-term in nature. For these arrangements, revenue is allocated to each deliverable based on that element's relative selling price, provided the delivered element has value to customers on a standalone basis and, if the arrangement includes a general right of return, delivery or performance of the undelivered items is probable and substantially in our control. Relative selling price is obtained from sources such as vendor-specific objective evidence ("VSOE"), which is based on the separate selling price for that or a similar item, or from third-party evidence such as how competitors have priced similar items. If such evidence is not available, we use our best estimate of the selling price, which includes various internal factors such as our pricing strategy and market factors.
We recognize substantially all of the remainder of our sales as construction-type contracts using either the percentage-of-completion or completed contract method of accounting. We record sales relating to these contracts using the percentage-of-completion method when we determine that progress toward completion is reasonably and reliably estimable; we use the completed contract method for all others. Under the percentage-of-completion method, we recognize sales and gross profit as work is performed using the relationship between actual costs incurred and total estimated costs at completion. Under the percentage-of-completion method, we adjust sales and gross profit for revisions of estimated total contract costs or revenue in the period the change is identified. We record estimated losses on contracts when they are identified.
We use contracts and customer purchase orders to determine the existence of an agreement of sale. We use shipping documents and customer acceptance, when applicable, to verify delivery. We assess whether the selling price is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. We assess collectibility based on the creditworthiness of the customer as determined by credit evaluations and analysis, as well as the customer's payment history.

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Shipping and handling costs billed to customers are included in sales and the related costs are included in cost of sales in the Condensed Consolidated Statement of Operations.
Receivables
Receivables are stated net of allowances for doubtful accounts of $\$ 27.2$ million at June 30, 2012 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 $\$ 8.1$ million at June 30, 2012 and $\$ 8.0$ million at September 30, 2011.

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## Table of Contents <br> ROCKWELL AUTOMATION, INC.

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

## 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):

Income from continuing operations
Less: Allocation to participating securities
Income from continuing operations available to common shareowners
Income from discontinued operations
Less: Allocation to participating securities
Income from discontinued operations available to common
shareowners
Net income
Less: Allocation to participating securities

| Three Months EndedJune 30, |  | Nine Months Ended |  |
| :---: | :---: | :---: | :---: |
|  |  | June 30, |  |
| 2012 | 2011 | 2012 | 2011 |
| \$ 190.7 | \$178.8 | \$541.8 | \$495.3 |
| (0.3 | ) (0.3 ) | (1.0 | ) (1.0 |
| \$ 190.4 | \$ 178.5 | \$540.8 | \$494.3 |
| \$- | \$0.7 | \$- | \$0.7 |
| - | - | - | - |
| \$- | \$0.7 | \$- | \$0.7 |

Net income available to common shareowners
Basic weighted average outstanding shares
Effect of dilutive securities
Stock options 1.6
Performance shares
Diluted weighted average outstanding shares
$\left.\begin{array}{lllll}\$ 190.7 & \$ 179.5 & \$ 541.8 & \$ 496.0 \\ (0.3 & ) & (0.3 & (1.0 & ) \\ \$ 190.4 & \$ 179.2 & \$ 540.8 & \$ 495.0\end{array}\right)$

Basic earnings per share:
Continuing operations
Discontinued operations
Net income
Diluted earnings per share:
Continuing operations
Discontinued operations
Net income

| $\$ 1.34$ | $\$ 1.24$ | $\$ 3.81$ | $\$ 3.46$ |
| :--- | :--- | :--- | :--- |
| - | 0.01 | - | 0.01 |
| $\$ 1.34$ | $\$ 1.25$ | $\$ 3.81$ | $\$ 3.47$ |
|  |  |  |  |
| $\$ 1.33$ | $\$ 1.22$ | $\$ 3.76$ | $\$ 3.40$ |
| - | 0.01 | - | - |
| $\$ 1.33$ | $\$ 1.23$ | $\$ 3.76$ | $\$ 3.40$ |

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

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ROCKWELL AUTOMATION, INC.

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

## 2. Share-Based Compensation

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. We recognized $\$ 10.1$ million and $\$ 29.3$ million of pre-tax share-based compensation expense during the three and nine months ended June 30, 2011, respectively.
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,
20122011

|  |  | Wtd. Avg. | Wrants | Whare <br> Shat. Avg. |
| :--- | :--- | :--- | :--- | :--- |
|  |  | Grants | Share <br> Shair Value |  |
| Fair Value |  |  |  |  |

3. Acquisitions

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. We recorded no goodwill associated with this acquisition.
In April 2011, we acquired certain assets and assumed certain liabilities of Hiprom (Pty) Ltd and its affiliates (Hiprom), a process control and automation systems integrator for the mining and mineral processing industry in South Africa. In May 2011, we purchased a majority stake in the equity of Lektronix Limited and its affiliate (Lektronix), an independent industrial automation repairs and service provider in Europe and Asia. We purchased the remaining minority shares for $\$ 10.9$ million in December 2011. The aggregate purchase price of the Hiprom and Lektronix acquisitions was $\$ 58.8$ million.
We recorded goodwill of $\$ 34.0$ million attributable to intangible assets that do not meet the criteria for separate recognition, including an assembled workforce with industry-wide technical expertise and customer service capabilities. We assigned the full amount of goodwill for Hiprom and Lektronix to our Control Products \& Solutions segment. None of the goodwill recorded is expected to be deductible for tax purposes.
The fair values and weighted average useful lives that have been assigned to the acquired identifiable intangible assets of these acquisitions are (in millions, except useful lives):

|  | 2012 |  | 2011 |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
|  | Fair Value | Wtd. Avg. | Fair Value | Wtd. Avg. |
| Useful Life |  |  |  |  |

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.
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ROCKWELL AUTOMATION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)
4. Inventories

Inventories consist of (in millions):

|  | June 30, | September 30, |
| :--- | :--- | :--- |
| Finished goods | 2012 | 2011 |
| Work in process | $\$ 263.0$ | $\$ 265.0$ |
| Raw materials, parts and supplies | 155.9 | 139.4 |
| Inventories | 215.9 | 237.3 |

We report inventories net of the allowance for excess and obsolete inventory of $\$ 51.6$ million at June 30, 2012 and $\$ 46.3$ million at September 30, 2011.
5. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended June 30, 2012 are (in millions):

Balance as of September 30, 2011
Translation and other
Balance as of June 30, 2012
Other intangible assets consist of (in millions):

Amortized intangible assets:
Computer software products
Customer relationships
Technology
Trademarks
Other
Total amortized intangible assets
Intangible assets not subject to amortization
Total

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 | $\$ 355.2$ | $\$ 137.2$ | $\$ 218.0$ |

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## Table of Contents <br> ROCKWELL AUTOMATION, INC.

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

## 5. Goodwill and Other Intangible Assets (continued)

The Allen-Bradley ${ }^{\circledR}$ 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 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 2012 and concluded these assets are not impaired. We did not identify any impairment indicators during the third quarter of 2012 that would require further impairment analysis.

## 6. Short-term Debt

Our short-term debt obligations are comprised of commercial paper borrowings. Commercial paper borrowings outstanding were $\$ 270.0$ million at June 30, 2012. At June 30, 2012 the weighted average interest rate and maturity period of the commercial paper outstanding were 0.28 percent and 9 days, respectively. At September 30, 2011, we had no commercial paper borrowings outstanding.

## 7. Other Current Liabilities

Other current liabilities consist of (in millions):

|  | June 30, | September 30, |
| :--- | :--- | :--- |
|  | 2012 | 2011 |
| Unrealized losses on foreign exchange contracts | $\$ 14.9$ | $\$ 6.3$ |
| Product warranty obligations | 42.1 | 38.5 |
| Taxes other than income taxes | 37.7 | 40.0 |
| Accrued interest | 15.0 | 15.6 |
| Dividends payable | 66.3 | - |
| Income taxes payable | 3.8 | 31.0 |
| Other | 67.0 | 80.8 |
| Other current liabilities | $\$ 246.8$ | $\$ 212.2$ |

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 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, 2012 and 2011 are (in millions):

Balance at beginning of period
\$38.5 \$37.3
Accruals for warranties issued during the current period 27.2
Adjustments to pre-existing warranties $\quad 0.6$
Settlements of warranty claims (24.2 ) (24.2
Balance at end of period $\quad \$ 42.1 \quad \$ 37.4$

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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, 2012. The notional values of our forward exchange contracts outstanding at June 30, 2012 were $\$ 1,006.2$ million, of which $\$ 624.7$ 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, Singapore dollar/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, 2012 we had $\$ 14.0$ 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. Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar Level 2: 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

Forward exchange contracts
Forward exchange contracts
Forward exchange contracts
Forward exchange contracts
Total

Derivatives Not Designated as Hedging Instruments
Forward exchange contracts
Forward exchange contracts

|  | Fair Value (Level 2) |  |  |
| :--- | :--- | :--- | :--- |
| Balance Sheet Location | June 30, | September 30, |  |
| Other current assets | 2012 | 2011 |  |
| Other assets | $\$ 18.1$ | $\$ 15.9$ |  |
| Other current liabilities | 4.4 | 1.6 |  |
| Other liabilities | $(7.7$ | $(5.9$ | $)$ |
|  | $(0.9$ | $)(1.4$ |  |
|  | $\$ 13.9$ | $\$ 10.2$ |  |

Balance Sheet Location
Other current assets
Other current liabilities

Fair Value (Level 2)
June 30, September 30, 20122011 $\$ 5.0 \quad \$ 12.1$ (7.2 ) (0.4

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Total
\$(2.2 ) \$11.7
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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 (losses) recorded in other comprehensive (loss) income 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 <br> June 30, |  | Nine Months Ended <br> June 30, |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
|  | 2012 | 2011 | 2012 | 2011 | $\$(3.5$ |
| Forward exchange contracts (cash flow hedges) | $\$ 18.6$ | $\$ 5.3$ | $\$ 9.9$ | $(0.5$ | ) |
| Foreign currency denominated debt (net investment |  |  |  |  |  |
| hedges) | 0.4 | - | 0.1 | $\$(4.0$ |  |
| Total | $\$ 19.0$ | $\$ 5.3$ | $\$ 10.0$ |  |  |

Approximately $\$ 10.4$ million ( $\$ 6.5$ million net of tax) of net unrealized gains on cash flow hedges as of June 30, 2012 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 |  |  | Nine Months Ended |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2012 |  | 2011 |  | 2012 |  | 2011 |
| Sales | \$(0.4 | ) | \$0.2 |  | \$(0.6 | ) | \$- |
| Cost of sales | 1.4 |  | (2.3 |  | 3.9 |  | (3.4 |
| Total | \$ 1.0 |  | \$(2.1 |  | \$3.3 |  | \$(3.4 |

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 | Nine Months Ended <br> June 30, |  |  |
| :--- | :--- | :--- | :--- | :--- |
|  | June 30, |  | 2012 | 2011 |
| Other (expense) income | 2012 | 2011 | $\$(14.8$ | $)$ |
| Cost of sales | $\$ 1.5$ | $\$ 6.6$ | 0.1 .5 |  |
| Total | 0.1 | $(0.2$ | $(0.2$ |  |

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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, 2012 |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
|  |  | Fair Value |  |  |  |
|  | Carrying | Total | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | $\$ 805.6$ | $\$ 805.6$ | $\$ 690.3$ | $\$ 115.3$ | $\$-$ |
| Short-term investments | 350.0 | 350.0 | - | 350.0 | - |
| Short-term debt | 270.0 | 270.0 | - | 270.0 | - |
| Long-term debt | 905.0 | $1,223.4$ | - | $1,223.4$ | - |
|  |  |  |  |  | September 30, 2011 |
|  |  |  |  | Carrying | Fair |
|  |  |  |  | Amount | Value |
|  |  |  |  |  | $\$ 05.0$ |

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

## 10. Retirement Benefits

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


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

Comprehensive income consists of (in millions):

Net income
Other comprehensive (loss) income:
Pension and other postretirement benefit plan adjustments
Currency translation adjustments
Net unrealized gains on cash flow hedges
Other
Other comprehensive (loss) income
Comprehensive income

| Three Months Ended June 30, |  | Nine Months Ended June 30, |  |  |
| :---: | :---: | :---: | :---: | :---: |
| 2012 | 2011 | 2012 |  | 2011 |
| \$190.7 | \$179.5 | \$541.8 |  | \$496.0 |
| 13.5 | 9.4 | 40.6 |  | 27.6 |
| (89.1 | ) 48.2 | (90.0 | ) | 105.8 |
| 11.0 | 4.6 | 4.2 |  | - |
| - | - | - |  | (0.3 |
| (64.6 | ) 62.2 | (45.2 | ) | 133.1 |
| \$ 126.1 | \$241.7 | \$496.6 |  | \$629.1 |

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ROCKWELL AUTOMATION, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

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

The uncertainties of asbestos claim litigation make it difficult to predict accurately the ultimate outcome of asbestos claims. That uncertainty is increased by the possibility of adverse rulings or new legislation affecting asbestos claim litigation or the settlement process. Subject to these uncertainties and based on our experience defending asbestos claims, we do not believe these lawsuits will have a material adverse effect on our financial condition.
We have, from time to time, divested certain of our businesses. In connection with these divestitures, certain lawsuits, claims and proceedings may be instituted or asserted against us related to the period that we owned the businesses, either because we agreed to retain certain liabilities related to these periods or because such liabilities fall upon us by operation of law. In some instances, the divested business has assumed the liabilities; however, it is possible that we might be responsible to satisfy those liabilities if the divested business is unable to do so.
In connection with the spin-offs of our former automotive component systems business, semiconductor systems business and Rockwell Collins avionics and communications business, the spun-off companies have agreed to indemnify us for substantially all contingent liabilities related to the respective businesses, including environmental and intellectual property matters.

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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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## Table of Contents <br> ROCKWELL AUTOMATION, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) (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 nine months ended June 30, 2012 was 23.8 percent. The effective rate was lower than the U.S. statutory rate of 35 percent primarily because we benefited from lower non-U.S. tax rates.

The amount of gross unrecognized tax benefits was $\$ 75.1$ million ( $\$ 30.2$ million net of offsetting tax benefits) at June 30, 2012 and September 30, 2011. These unrecognized tax benefits would reduce our effective tax rate if recognized. Offsetting tax benefits primarily consist of tax receivables 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 nine months of 2012. We believe it is reasonably possible that the amount of unrecognized tax benefits could be reduced by up to $\$ 8.8$ 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 $\$ 20.7$ million and $\$ 16.9$ million at June 30, 2012 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 <br> ROCKWELL AUTOMATION, INC.

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

## 14. 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, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Sales |  |  |  |  |  |  |
| Architecture \& Software | \$663.8 | \$672.9 |  | \$1,979.1 |  | \$ 1,911.0 |
| Control Products \& Solutions | 896.6 | 843.3 |  | 2,616.3 |  | 2,435.1 |
| Total | \$1,560.4 | \$ 1,516.2 |  | \$4,595.4 |  | \$4,346.1 |
| Segment operating earnings |  |  |  |  |  |  |
| Architecture \& Software | \$182.3 | \$ 175.9 |  | \$536.3 |  | \$481.2 |
| Control Products \& Solutions | 101.7 | 87.4 |  | 299.8 |  | 248.3 |
| Total | 284.0 | 263.3 |  | 836.1 |  | 729.5 |
| Purchase accounting depreciation and amortization | (5.0 | ) $(5.1$ | ) | (14.9 |  | (14.6 |
| General corporate - net | (19.0 | ) (22.3 | ) | (65.0 |  | (58.5 |
| Interest expense | (15.2 | ) (14.7 | , | (45.2 |  | (44.9 |
| Income tax provision | (54.1 | ) (42.4 | ) | (169.2 | ) | (116.2 |
| Income from continuing operations | \$190.7 | \$ 178.8 |  | \$541.8 |  | \$495.3 |

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 and nine months ended June 30, 2012 and 2011 were approximately 10 percent of our total sales.
15. Discontinued Operations

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

## 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, 2012, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended June 30, 2012 and 2011, and cash flows for the nine-month periods ended June 30, 2012 and 2011. 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
August 2, 2012

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## Table of Contents <br> 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 statemen 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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## 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;
devels 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;
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 <br> ROCKWELL AUTOMATION, INC.

## U. S. Industrial Economic Trends

In the third quarter of 2012, 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
 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 2010. Industrial production and capacity utilization have steadily increased. The PMI has remained above 50 for the preceding seven quarters but dropped below 50 in the third quarter of fiscal 2012. These indicators are among the factors that lead us to anticipate a period of slower industrial growth.
Industrial
Production PMI
Index

Fiscal 2012
Quarter ended:

| Industrial | Capacity |
| :--- | :--- |
| Equipment | Utilization <br> Spending <br> (in billions) |
| (percent) |  |

June 2012
March 2012
December 2011
97.2

Fiscal 2011
Quarter ended:
September 2011
June 2011
March 2011
December 2010
96.7
95.3
49.7
53.4
53.1
$\begin{array}{lll}94.2 & 52.5 & 187.0\end{array}$
\$198.9
78.8
190.7
78.7
$196.6 \quad 77.9$

Fiscal 2010
Quarter ended:
September 2010
$91.1 \quad 56.4$
156.5
74.8

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 third quarter of 2012, 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) as one indicator of the growth opportunities in each region where we do business. In the third quarter of fiscal 2012, worldwide GDP growth has slowed, and in some regions GDP has declined, indicating a global economic slowdown. In Europe, sovereign debt concerns have put downward pressure on industrial growth, and forecasts for Western Europe indicate a mild recessionary environment. In Asia, China experienced its slowest GDP growth since early 2009. In Latin America, Brazil's GDP growth has slowed considerably. However, we still expect that emerging markets will be the fastest growing automation markets over the long term.

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ROCKWELL AUTOMATION, INC.

## Summary of Results of Operations

Sales in the third quarter of 2012 increased 3 percent compared to the third quarter of 2011. Organic sales increased 7 percent and currency translation reduced sales by 4 percentage points in the quarter. We continued to execute our key initiatives, which contributed to our positive performance:

Sales related to our process initiative grew 15 percent in the third quarter of 2012 as compared to the third quarter of 2011.

Logix organic sales in the third quarter of 2012 increased 3 percent year over year.
Sales in emerging markets increased 3 percent in the third quarter of 2012 as compared to the third quarter of 2011. Organic sales in emerging markets increased 10 percent, acquisitions contributed 1 percentage point to the increase and currency translation reduced sales by 8 percentage points in the quarter. Emerging markets represented 21 percent of total company sales in the third quarter of 2012.
The year-over-year improvements in operating earnings and margin in the third quarter of 2012 were primarily due to volume leverage, partially offset by increased spending to support growth and unfavorable sales mix. We also benefited from lower incentive compensation expense, including year-to-date adjustments related to reduced expectations for full-year sales and earnings.
Our effective tax rate during the third quarter of 2012 was 22.1 percent compared to 19.2 percent in the third quarter of 2011. We recognized net discrete tax benefits of $\$ 6.0$ million and $\$ 12.1$ million during the third quarter of 2012 and 2011, respectively, primarily related to the favorable resolution of worldwide tax matters.

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ROCKWELL AUTOMATION, INC.

The following table reflects our sales and operating results for the three and nine months ended June 30, 2012 and 2011 (in millions, except per share amounts):

|  | Three Months Ended June 30, |  |  |  | Nine Months Ended June 30, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Sales |  |  |  |  |  |  |  |  |
| Architecture \& Software | \$663.8 |  | \$672.9 |  | \$1,979.1 |  | \$1,911.0 |  |
| Control Products \& Solutions | 896.6 |  | 843.3 |  | 2,616.3 |  | 2,435.1 |  |
| Total sales (a) | \$1,560.4 |  | \$1,516.2 |  | \$4,595.4 |  | \$4,346.1 |  |
| Segment operating earnings ${ }^{1}$ |  |  |  |  |  |  |  |  |
| Architecture \& Software | \$182.3 |  | \$175.9 |  | \$536.3 |  | \$481.2 |  |
| Control Products \& Solutions | 101.7 |  | 87.4 |  | 299.8 |  | 248.3 |  |
| Total segment operating earnings ${ }^{2}$ (b) | 284.0 |  | 263.3 |  | 836.1 |  | 729.5 |  |
| Purchase accounting depreciation and amortization | (5.0 | ) | (5.1 | ) | (14.9 | ) | (14.6 | ) |
| General corporate - net | (19.0 | ) | (22.3 | ) | (65.0 | ) | (58.5 | ) |
| Interest expense | (15.2 | ) | (14.7 | ) | (45.2 | ) | (44.9 | ) |
| Income from continuing operations before income taxes | 244.8 |  | 221.2 |  | 711.0 |  | 611.5 |  |
| Income tax provision | (54.1 | ) | (42.4 | ) | (169.2 | ) | (116.2 | ) |
| Income from continuing operations | 190.7 |  | 178.8 |  | 541.8 |  | 495.3 |  |
| Income from discontinued operations ${ }^{3}$ | - |  | 0.7 |  | - |  | 0.7 |  |
| Net income | \$190.7 |  | \$ 179.5 |  | \$541.8 |  | \$496.0 |  |
| Diluted earnings per share: |  |  |  |  |  |  |  |  |
| Continuing operations | \$1.33 |  | \$ 1.22 |  | \$3.76 |  | \$3.40 |  |
| Discontinued operations | - |  | 0.01 |  | - |  | - |  |
| Net income | \$1.33 |  | \$1.23 |  | \$3.76 |  | \$3.40 |  |
| Diluted weighted average outstanding shares | 143.5 |  | 145.9 |  | 144.0 |  | 145.5 |  |
| Total segment operating margin ${ }^{2}(\mathrm{~b} / \mathrm{a})$ | 18.2 | \% | 17.4 | \% | 18.2 | \% | 16.8 | \% |

(1) See Note 14 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
(2) 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 measure of total segment operating earnings may be different from that used by other companies.
(3)

See Note 15 in the Condensed Consolidated Financial Statements for a description of items reported as discontinued operations.

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ROCKWELL AUTOMATION, INC.

## 2012 Compared to 2011

(comments refer to both the three and nine month periods unless otherwise stated)

| (in millions, except per share amounts) | Three Months Ended June 30, |  |  | Nine Months Ended June 30, |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2012 | 2011 | Change | 2012 | 2011 | Change |
| Sales | \$ 1,560.4 | \$1,516.2 | \$44.2 | \$4,595.4 | \$4,346.1 | \$249.3 |
| Income from continuing operations before income taxes | 244.8 | 221.2 | 23.6 | 711.0 | 611.5 | 99.5 |
| Diluted earnings per share from continuing operations | 1.33 | 1.22 | 0.11 | 3.76 | 3.40 | 0.36 |

## Sales

Our sales increased 3 and 6 percent in the three and nine months ended June 30, 2012, respectively, compared to the three and nine months ended June 30, 2011. Organic sales increased 7 percent year over year during each of the periods. Currency translation reduced sales by 4 and 2 percentage points in the three and nine months ended June 30, 2012, respectively. Acquisitions contributed 1 percentage point to the increase in the nine months ended June 30 , 2012. Organic sales in our solutions and services businesses grew approximately 16 and 12 percent in the three and nine months ended June 30, 2012, respectively; currency translation reduced sales by 6 and 2 percentage points, respectively, while acquisitions contributed 2 percentage points to growth in both periods. Product organic sales grew approximately 2 and 5 percent, while currency translation reduced sales by 4 and 2 percentage points, in the three and nine months ended June 30, 2012, respectively. Pricing contributed less than 1 percentage point to growth during the periods.

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ROCKWELL AUTOMATION, INC.

## 2012 Compared to 2011

(comments refer to both the three and nine month periods unless otherwise stated)
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, 2012 and the change from the same periods a year ago (in millions, except percentages):
\(\left.$$
\begin{array}{llllll} & & & \begin{array}{l}\text { Change in Organic } \\
\text { Change vs. }\end{array} & \begin{array}{l}\text { Sales vs. }\end{array}
$$ <br>

\& Three Months \& Three Months \& Three Months\end{array}\right]\)|  |  |  |  |
| :--- | :--- | :--- | :--- |
|  | Ended June 30, | Ended June 30, | Ended June 30, |
|  | 2012 | 2011 | 2011 |

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

Organic sales growth in the United States was led by heavy industries and transportation.
Organic sales growth in Canada was driven primarily by mining and oil and gas industries.
EMEA experienced strong double digit growth in its emerging markets.
Organic sales growth in Asia-Pacific was stronger in mature countries than in emerging Asia. Organic sales growth in China was 5 and 2 percent ${ }^{1}$ in the three and nine months ended June 30, 2012, respectively, which was below our expectations. Additionally, India reported sales declines.
Organic sales growth in Latin America was 5 and 8 percent in the three and nine months ended June 30, 2012, respectively, with year-over-year declines in Brazil, which is experiencing an economic slowdown that has led to delays in customer spending.

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ROCKWELL AUTOMATION, INC.

## 2012 Compared to 2011 - (Continued)

(comments refer to both the three and nine month periods unless otherwise stated)
Income before Income Taxes
Income before income taxes increased 11 and 16 percent in the three and nine months ended June 30, 2012, respectively. Total segment operating margin expanded 0.8 and 1.4 points year over year in the three and nine months ended June 30, 2012, respectively. The improvements in operating earnings and margin were primarily due to volume leverage, partially offset by increased spending to support growth and unfavorable sales mix. We also benefited from lower incentive compensation expense, including year-to-date adjustments related to reduced expectations for full-year sales and earnings.
In the nine months ended June 30, 2012, we recorded a $\$ 6.9$ million charge related to two legacy environmental sites, which contributed to the year-over-year increase in general corporate net expense during the period.

## Income Taxes

The effective tax rate for the third quarter of 2012 was 22.1 percent compared to 19.2 percent in the third quarter of 2011. We recognized net discrete tax benefits of $\$ 6.0$ million and $\$ 12.1$ million during the third quarter of 2012 and 2011, respectively, primarily related to the favorable resolution of worldwide tax matters.
The effective tax rate for the first nine months of 2012 was 23.8 percent compared to 19.0 percent in the first nine months of 2011. During the first nine months of 2012, we recognized net discrete tax benefits of $\$ 4.6$ million primarily related to the favorable resolution of worldwide tax matters. During the first nine months of 2011, we recognized net discrete tax benefits of $\$ 21.0$ million related to the favorable resolution of worldwide tax matters and the retroactive extension of the U.S. federal research tax credit.

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ROCKWELL AUTOMATION, INC.

## 2012 Compared to 2011 - (Continued)

(comments refer to both the three and nine month periods unless otherwise stated)
Architecture \& Software


## Sales

Architecture \& Software sales decreased 1 percent and increased 4 percent in the three and nine months ended June 30, 2012, respectively, compared to the three and nine months ended June 30, 2011. Year-over-year organic sales increased 3 and 6 percent, excluding the negative effect of currency translation of 4 and 2 percentage points in the three and nine months ended June 30, 2012, respectively. The United States and Asia-Pacific reported year-over-year organic sales growth above the segment average rate of increase in the three months ended June 30, 2012. In the nine months ended June 30, 2012, the United States and Canada reported year-over-year organic sales growth above the segment average rate of increase. Logix organic sales increased 3 and 8 percent, while currency translation reduced sales by 4 and 2 percentage points, in the three and nine months ended June 30, 2012, respectively.
Operating Margin
Architecture \& Software segment operating earnings were up 4 and 11 percent in the three and nine months ended June 30, 2012, respectively, compared to the three and nine months ended June 30, 2011. The increases in segment operating earnings and margin were primarily due to volume leverage, partially offset by increased spending to support growth. We also benefited from lower incentive compensation expense, including year-to-date adjustments related to reduced expectations for full-year sales and earnings.

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ROCKWELL AUTOMATION, INC.

2012 Compared to 2011 - (Continued)
(comments refer to both the three and nine month periods unless otherwise stated)
Control Products \& Solutions

|  | Three Months Ended | Nine Months Ended <br>  <br> June 30, |  |  |  |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| June 30, |  |  |  |  |  |  |  |  |  |

## Sales

Control Products \& Solutions year-over-year sales increased 6 and 7 percent in the three and nine months ended June 30, 2012, respectively. Organic sales increased 10 and 8 percent in the three and nine months ended June 30, 2012, respectively, compared to the three and nine months ended June 30, 2011. Acquisitions contributed 1 and 2 percentage points to the increases, offset by a negative effect from currency translation of 5 and 3 percentage points in the three and nine months ended June 30, 2012, respectively.
Canada reported strong double digit year-over-year organic sales growth for the segment in the three months ended June 30, 2012. All other regions experienced positive organic sales growth in the three months ended June 30, 2012 but at rates below the segment average rate of increase. In the nine months ended June 30, 2012, Canada, EMEA and Latin America reported year-over-year organic sales growth above the segment average rate of increase.
Operating Margin
Control Products \& Solutions segment operating earnings were up 16 and 21 percent in the three and nine months ended June 30, 2012, respectively. The increases in segment operating earnings and margin were primarily due to volume leverage, partially offset by increased spending to support growth and unfavorable sales mix. We also benefited from lower incentive compensation expense, including year-to-date adjustments related to reduced expectations for full-year sales and earnings.

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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):


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 source of $\$ 251.0$ million for the nine months ended June 30, 2012 compared to a source of $\$ 424.3$ million for the nine months ended June 30, 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 in the first quarter of 2012, partially offset by changes in working capital and higher earnings in the current year.
We purchased $\$ 400.0$ million of short-term investments in the nine months ended June 30, 2012, of which $\$ 50$ million matured during the same period.
We repurchased approximately 2.3 million shares of our common stock under our share repurchase program 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. We repurchased approximately 2.7 million shares of our common stock in the first nine months of 2011. The total cost of these shares was $\$ 221.5$ million. We also paid $\$ 1.2$ million in the first quarter of 2011 for unsettled share repurchases outstanding at September 30, 2010. Our decision to repurchase additional stock in the remainder of 2012 will depend on business conditions, free cash flow generation, other cash requirements and stock price. At June 30, 2012, we had approximately $\$ 32.5$ million remaining for stock repurchases under the November 7, $2007 \$ 1.0$ billion share

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repurchase authorization. On June 7, 2012, the Board of Directors authorized us to expend up to an additional $\$ 1.0$ billion to repurchase shares of our common stock. 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 $\$ 140.0$ 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.

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ROCKWELL AUTOMATION, INC.

## Financial Condition - (Continued)

Given our extensive international operations, a significant amount of our cash, cash equivalents and short-term investments ("funds") are held in 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 a range of approximately 70 percent to 90 percent over the past eight quarters. As of June 30, 2012, 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, 2012, commercial paper borrowings outstanding were $\$ 270.0$ million, with a weighted average interest rate of 0.28 percent. We had no commercial paper borrowings outstanding during the year ended September 30, 2011. Our debt-to-total-capital ratio was 37.9 percent at June 30, 2012 and 34.1 percent at September 30, 2011.
At June 30, 2012 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 June 30, 2012 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 June 30, 2012 and September 30, 2011. Separate short-term unsecured credit facilities of approximately $\$ 118.2$ million at June 30, 2012 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, 2012:

Credit Rating Agency
Standard \& Poor's
Moody's
Fitch Ratings

| Short-Term <br> Rating | Long-Term <br> Rating | Outlook |
| :--- | :--- | :--- |
| A-1 | A | Stable |
| P-2 | A3 | Stable |
| 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

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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, 2011. We believe that at June 30, 2012, there has been no material change to this information.

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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 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. 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):


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Total Company Sales
$\begin{array}{lllll}\$ 4,595.4 & \$ 97.6 & \$ 4,693.0 & \$(35.6 & )\end{array}$

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ROCKWELL AUTOMATION, INC.

Supplemental Sales Information - (Continued)
The following is a reconciliation of our reported sales by operating segment to organic sales (in millions):

|  |  |  |  | Three <br> Months |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
|  | Three Months Ended June 30, 2012 |  |  |  |  |
| Ended June |  |  |  |  |  |

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 June 30, 2012, 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 June 30, 2012, there has been no material change to this information.

Recent Accounting Pronouncements
None.
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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 June 30, 2012, 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 implementing common global process standards and an enterprise-wide information technology system. During the third quarter of 2012, we deployed new business processes and functionality of the system related to our order management, finance, services, logistics, manufacturing, engineering and procurement functions in certain locations in the U.S. and Asia-Pacific. In doing so, we modified and enhanced our internal controls over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) as a result of the implementation of the new processes and functionality. Additional implementations will occur at the remaining locations of our company over a multi-year period, with additional phases scheduled throughout fiscal 2012-2014.

There have not been any other changes 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.

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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 June 30, 2012, 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 June 30, 2012 there has been no material change to this information.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Share Repurchases
The table below sets forth information with respect to purchases made by or on behalf of us of shares of our common stock during the three months ended June 30, 2012:

| Period | Total <br> Number <br> of Shares <br> Purchased ${ }^{(1)}$ | Average Price Paid Per Share ${ }^{(2)}$ | Total Number | Maximum Approx. |
| :---: | :---: | :---: | :---: | :---: |
|  |  |  | of Shares Purchased as | Dollar Value |
|  |  |  | Part of Publicly | Yet Be Purchased |
|  |  |  | Announced | Under the Plans or |
|  |  |  | Plans or Programs | Programs ${ }^{(3)}$ |
| April 1-30, 2012 | 396,295 | \$78.01 | 396,295 | \$122,530,928 |
| May 1-31, 2012 | 782,428 | 75.58 | 779,918 | 63,587,557 |
| June 1-30, 2012 | 458,837 | 67.80 | 458,837 | 1,032,479,272 |
| Total | 1,637,560 | 73.99 | 1,635,050 |  |

All of the shares purchased during the quarter ended June 30, 2012 were acquired pursuant to the repurchase (1) program described in (3) below, except for 2,510 shares that were acquired in May 2012 in connection with a stock swap exercise of employee stock options.
(2) Average price paid per share includes brokerage commissions.

On November 7, 2007, our Board of Directors approved a $\$ 1.0$ billion share repurchase program. On June 7, 2012, the Board of Directors authorized us to expend up to an additional $\$ 1.0$ billion to repurchase shares of our common
(3) stock. Our repurchase program allows management to repurchase shares at its discretion. However, during quarterly "quiet periods," defined as the period of time from quarter-end until two business 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.

Item 4. Mine Safety Disclosures
Not applicable.

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ROCKWELL AUTOMATION, INC.

Item 6. Exhibits
(a) Exhibits:

Exhibit 10 - Summary of Non-Employee Director Compensation and Benefits effective as of October 1, 2012.
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
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 2, 2012

Date: August 2, 2012

By /s/ THEODORE D. CRANDALL
Theodore D. Crandall
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)
By /s/ DAVID M. DORGAN
David M. Dorgan
Vice President and Controller
(Principal Accounting Officer)

## INDEX TO EXHIBITS

Exhibit No. Exhibit
10 Summary of Non-Employee Director Compensation and Benefits effective as of October 1, 2012.
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.
Certification of Periodic Report by the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
Certification of Periodic Report by the Chief Executive Officer pursuant to Section 906 of the
32.1 Sarbanes-Oxley Act of 2002.

Certification of Periodic Report by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Interactive Data Files.


[^0]:    ${ }^{1}$ Organic sales growth in China excludes the favorable effect of currency translation of 3 percent.

