ROCKWELL AUTOMATION INC
Form 10-Q
August 04, 2009

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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 June 30, 2009**
**Commission file number 1-12383**
**Rockwell Automation, Inc.**
(Exact name of registrant as specified in its charter)

| Delaware | 25-1797617 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 1201 South Second Street, Milwaukee, Wisconsin | 53204 |
| (Address of principal executive offices) | (Zip Code) |

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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 þ No o

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

Large Accelerated Filer þ Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company o

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

141,956,745 shares of registrant s Common Stock, $1.00 par value, were outstanding on June 30, 2009.

**ROCKWELL AUTOMATION, INC.**
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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, 2009 | September 30, 2008 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 580.5 | $ 582.2 |
| Receivables | 740.7 | 959.9 |
| Inventories | 460.3 | 575.5 |
| Deferred income taxes | 177.6 | 190.0 |
| Other current assets | 147.1 | 129.0 |
| Total current assets | 2,106.2 | 2,436.6 |
| Property, net | 525.8 | 553.8 |
| Goodwill | 905.6 | 915.0 |
| Other intangible assets, net | 231.6 | 250.8 |
| Deferred income taxes | 110.5 | 120.1 |
| Prepaid pension | 145.1 | 138.4 |
| Other assets | 139.2 | 178.9 |
| TOTAL | $ 4,164.0 | $ 4,593.6 |
| **LIABILITIES AND SHAREOWNERS EQUITY** | | |
| Current liabilities: | | |
| Short-term debt | $ | $ 100.1 |
| Accounts payable | 287.6 | 437.3 |
| Compensation and benefits | 146.5 | 210.0 |
| Income taxes payable | 20.2 | 39.4 |
| Other current liabilities | 502.1 | 516.3 |
| Total current liabilities | 956.4 | 1,303.1 |
| Long-term debt | 904.8 | 904.4 |
| Retirement benefits | 389.1 | 386.8 |
| Other liabilities | 306.2 | 310.5 |
| Commitments and contingent liabilities (Note 13) | | |

| | | |
|---|---|---|
| Shareowners equity: | | |
| Common stock (shares issued: 216.4) | 216.4 | 216.4 |
| Additional paid-in capital | 1,296.7 | 1,280.9 |
| Retained earnings | 4,498.1 | 4,486.1 |
| Accumulated other comprehensive loss | (403.5) | (319.0) |
| Common stock in treasury, at cost (shares held: June 30, 2009, 74.4; September 30, 2008, 73.2) | (4,000.2) | (3,975.6) |
| Total shareowners equity | 1,607.5 | 1,688.8 |
| TOTAL | $ 4,164.0 | $ 4,593.6 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Sales | | | | |
| Products and solutions | $ 906.0 | $ 1,335.7 | $ 2,925.4 | $ 3,817.3 |
| Services | 104.8 | 139.3 | 332.7 | 396.2 |
| | 1,010.8 | 1,475.0 | 3,258.1 | 4,213.5 |
| Cost of sales | | | | |
| Products and solutions | (570.7) | (771.3) | (1,819.6) | (2,188.0) |
| Services | (69.9) | (98.1) | (234.3) | (273.1) |
| | (640.6) | (869.4) | (2,053.9) | (2,461.1) |
| Gross profit | 370.2 | 605.6 | 1,204.2 | 1,752.4 |
| Selling, general and administrative expenses | (305.0) | (377.6) | (911.2) | (1,084.5) |
| Other income (expense) | 0.4 | 2.1 | (2.2) | 16.4 |
| Interest expense | (15.4) | (16.6) | (45.7) | (52.1) |
| Income from continuing operations before income taxes | 50.2 | 213.5 | 245.1 | 632.2 |
| Income tax provision | (17.4) | (60.9) | (56.1) | (180.2) |
| **Income from continuing operations** | 32.8 | 152.6 | 189.0 | 452.0 |
| Income from discontinued operations, net of tax | | | 2.8 | |
| **Net income** | $ 32.8 | $ 152.6 | $ 191.8 | $ 452.0 |
| **Basic earnings per share:** | | | | |
| Continuing operations | $ 0.23 | $ 1.04 | $ 1.33 | $ 3.07 |
| Discontinued operations | | | 0.02 | |
| Net income | $ 0.23 | $ 1.04 | $ 1.35 | $ 3.07 |

| | | | | |
|---|---|---|---|---|
| **Diluted earnings per share:** | | | | |
| Continuing operations | $ 0.23 | $ 1.03 | $ 1.33 | $ 3.03 |
| Discontinued operations | | | 0.02 | |
| Net income | $ 0.23 | $ 1.03 | $ 1.35 | $ 3.03 |
| **Cash dividends per share** | $ 0.58 | $ 0.58 | $ 1.16 | $ 1.16 |
| **Weighted average outstanding shares:** | | | | |
| Basic | 141.7 | 146.3 | 141.6 | 147.3 |
| Diluted | 142.4 | 148.1 | 142.2 | 149.3 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2009 | 2008 |
| **Continuing Operations:** | | |
| **Operating Activities:** | | |
| Net income | $ 191.8 | $ 452.0 |
| Income from discontinued operations | (2.8) | |
| Income from continuing operations | 189.0 | 452.0 |
| Adjustments to arrive at cash provided by operating activities: | | |
| Depreciation | 74.4 | 74.1 |
| Amortization of intangible assets | 24.4 | 26.8 |
| Share-based compensation expense | 20.0 | 24.6 |
| Retirement benefits expense | 36.4 | 33.5 |
| Pension trust contributions | (22.7) | (31.6) |
| Net loss (gain) on disposition of securities and property | 1.5 | (5.8) |
| Income tax benefit from the exercise of stock options | | 0.2 |
| Excess income tax benefit from share-based compensation | (1.3) | (3.9) |
| Changes in assets and liabilities, excluding effects of foreign currency adjustments: | | |
| Receivables | 196.5 | (21.7) |
| Inventories | 99.7 | (86.3) |
| Accounts payable | (123.8) | (42.0) |
| Compensation and benefits | (56.8) | (2.0) |
| Income taxes | (5.8) | (30.4) |
| Other assets and liabilities | (22.9) | (35.2) |
| **Cash Provided by Operating Activities** | 408.6 | 352.3 |
| **Investing Activities:** | | |
| Capital expenditures | (67.5) | (102.8) |
| Acquisition of businesses, net of cash acquired | (30.1) | (112.4) |
| Proceeds from sales of available for sale securities | | 36.3 |
| Proceeds from sale of property | 3.0 | 6.9 |
| Purchase of short-term investments | (8.4) | |
| Other investing activities | (4.1) | (2.9) |
| **Cash Used for Investing Activities** | (107.1) | (174.9) |
| **Financing Activities:** | | |
| Net (repayments) issuance of short-term debt | (100.0) | 160.9 |

| | | |
|---|---|---|
| Issuance of long-term debt | | 493.5 |
| Repayments of long-term debt | | (351.3) |
| Cash dividends | (123.3) | (128.4) |
| Purchases of treasury stock | (53.5) | (226.9) |
| Proceeds from the exercise of stock options | 7.4 | 12.2 |
| Excess income tax benefit from share-based compensation | 1.3 | 3.9 |
| Other financing activities | (3.0) | (0.3) |
| **Cash Used for Financing Activities** | (271.1) | (36.4) |
| Effect of exchange rate changes on cash | (31.6) | 46.8 |
| **Cash (Used for) Provided by Continuing Operations** | (1.2) | 187.8 |
| **Discontinued Operations:** | | |
| Cash Used for Discontinued Operating Activities | (0.5) | (6.1) |
| **Cash Used for Discontinued Operations** | (0.5) | (6.1) |
| **(Decrease) Increase in Cash and Cash Equivalents** | (1.7) | 181.7 |
| **Cash and Cash Equivalents at Beginning of Period** | 582.2 | 624.2 |
| **Cash and Cash Equivalents at End of Period** | $ 580.5 | $ 805.9 |

See Notes to Condensed Consolidated Financial Statements.

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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, consisting solely of adjustments of a normal recurring nature, necessary to present fairly the financial position, results of operations, and cash flows for the periods presented. These statements should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended September 30, 2008. The results of operations for the three- and nine-month periods ended June 30, 2009 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. We have evaluated subsequent events through the date and time of issuance of these financial statements on August 4, 2009.

*Revenue*

Product and solution revenues consist of industrial automation power, control, information and custom-engineered hardware and software products and systems. Service revenues include multi-vendor customer technical support and repair, asset management and optimization consulting and training.

*Cash and Cash Equivalents*

Cash and cash equivalents include time deposits and certificates of deposit with original maturities of three months or less at the time of purchase.

*Receivables*

Receivables are stated net of allowances for doubtful accounts of $18.5 million at June 30, 2009 and $17.4 million at September 30, 2008. In addition, receivables are stated net of an allowance for certain customer returns, rebates and incentives of $11.0 million at June 30, 2009 and $13.2 million at September 30, 2008.

*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 pretax 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. See Note 14 for further details regarding income taxes.

We account for uncertain tax positions in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). We determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. For tax positions that meet the more-likely-than-not recognition threshold, we determine the amount of benefit to recognize in the financial statements.

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

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

*Earnings Per Share*

We present basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the applicable period. Diluted EPS amounts are based upon the weighted average number of common and common equivalent shares outstanding during the applicable period. The difference between basic and diluted EPS is attributable to share-based compensation awards. We use the treasury stock method to calculate the effect of outstanding share-based compensation awards, which requires us to compute total employee proceeds as the sum of (a) the amount the employee must pay upon exercise of the award, (b) the amount of unearned share-based compensation costs attributed to future services and (c) the amount of tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of the award. Share-based compensation awards for which the total employee proceeds exceed the average market price over the applicable period have an antidilutive effect on EPS, and accordingly, we exclude them from the calculation of diluted EPS. For the three and nine months ended June 30, 2009, share-based compensation awards of 7.8 million and 8.3 million shares, respectively, were excluded from the diluted EPS calculation because they were antidilutive. For the three and nine months ended June 30, 2008, share-based compensation awards of 2.8 million and 2.5 million shares, respectively, were excluded from the diluted EPS calculation because they were antidilutive.

The following table reconciles basic weighted average outstanding shares to diluted weighted average outstanding shares (in millions):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Weighted average outstanding shares | | | | |
| Basic weighted average outstanding shares | 141.7 | 146.3 | 141.6 | 147.3 |
| Effect of dilutive securities | | | | |
| Stock options | 0.6 | 1.7 | 0.5 | 1.9 |
| Restricted stock | 0.1 | 0.1 | 0.1 | 0.1 |
| Diluted weighted average outstanding shares | 142.4 | 148.1 | 142.2 | 149.3 |

*Recent Accounting Pronouncements*

In April 2009, the FASB issued FASB Staff Position (FSP) No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1). FSP FAS 107-1 requires disclosures about the fair value of financial instruments in interim reporting periods, which had been required to be disclosed annually in the past. We adopted FSP FAS 107-1 in the third quarter of 2009. See Note 10 for the expanded disclosures presented in accordance with the requirements of FSP FAS 107-1.

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

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

In December 2008, the FASB issued FSP No. FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets* (FSP FAS 132(R)-1). FSP FAS 132(R)-1 expands disclosures about plan assets of a defined benefit pension or other postretirement plan. The expanded disclosures include how investment allocation decisions are made, major categories of plan assets, inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets, and significant concentrations of risk within plan assets. FSP FAS 132(R)-1 will become effective for us at the end of fiscal 2010. We do not believe FSP FAS 132(R)-1 will have a material effect on our financial statements; we will expand our relevant disclosures upon adoption.

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 specifies that unvested share-based awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for us in fiscal 2010, and may result in a reduction in earnings per share of $0.01 in certain periods.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142, *Goodwill and Other Intangible Assets,* and the period of expected cash flows used to measure the fair value of the asset under SFAS 141 (Revised 2007), *Business Combinations* (SFAS 141(R)), and other accounting principles generally accepted in the United States. FSP FAS 142-3 will become effective for us in fiscal 2010. We do not believe FSP FAS 142-3 will have a material effect on our financial statements and related disclosures.

On January 1, 2009, we adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 amends and expands the disclosures required by SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), so that they provide an enhanced understanding of how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments affect an entity s financial position, financial performance and cash flows; see Note 10 for the expanded disclosures presented in accordance with the requirements of SFAS 161.

In March 2008, the FASB ratified EITF Issue No. 08-3, *Accounting by Lessees for Maintenance Deposits Under Lease Arrangements* (EITF 08-3). EITF 08-3 requires that all nonrefundable maintenance deposits be accounted for as a deposit, and expensed or capitalized when underlying maintenance is performed. If it is determined that an amount on deposit is not probable of being used to fund future maintenance, it is to be recognized as expense at the time such determination is made. EITF 08-3 will become effective for us in fiscal 2010. We do not believe EITF 08-3 will have a material effect on our financial statements and related disclosures.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51* (SFAS 160). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that does not result in deconsolidation. SFAS 160 will become effective for us in fiscal 2010. We do not believe SFAS 160 will have a material effect on our financial statements and related disclosures.

On October 1, 2008, we adopted EITF Issue No. 06-11, *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11). EITF 06-11 specifies how companies should recognize the income tax benefit received on dividends that are (a) paid to employees holding equity-classified nonvested shares, equity-classified nonvested share units, or equity-classified outstanding share options and (b) charged to retained

earnings under SFAS 123(R), *Share-Based Payment*. EITF 06-11 did not have a material effect on our financial statements or related disclosures.

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

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

On October 1, 2008, we adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. We did not elect to measure any items under the fair value option allowed by SFAS 159 that were not already required to be measured at fair value. As such, the implementation of this standard did not have any impact on our financial statements and related disclosures.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. We adopted SFAS 157 for financial assets and liabilities effective October 1, 2008. SFAS 157 will become effective for our non-financial assets and liabilities in fiscal 2010. The adoption of SFAS 157 did not have a material effect on our financial statements for financial assets and liabilities; see Note 10 for the expanded disclosures presented in accordance with the requirements of SFAS 157. We do not believe the adoption of SFAS 157 for non-financial assets and liabilities will have a material effect on our financial statements.

SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS 158), became effective for us as of September 30, 2007. SFAS 158 requires us to recognize an asset or liability in our consolidated balance sheet reflecting the funded status of our pension and other postretirement benefit plans, with current-year changes in the funded status recognized in shareowners equity. SFAS 158 did not change the existing criteria for measurement of periodic benefit costs, plan assets or benefit obligations. Additionally, SFAS 158 will require us to measure the funded status on the date of our annual audited Consolidated Balance Sheet as of September 30, 2009. In doing so, we will record a reduction in retained earnings of approximately $12.4 million related to the change in our measurement date.

**2. Share-Based Compensation**

We recognized $7.7 million and $20.0 million in share-based compensation expense in income from continuing operations before income taxes during the three- and nine-months ended June 30, 2009, respectively. We recognized $8.7 million and $24.6 million in share-based compensation expense in income from continuing operations before income taxes during the three- and nine- months ended June 30, 2008, respectively.

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

| | Nine Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | Grants | Wtd. Avg. Share Fair Value | Grants | Wtd. Avg. Share Fair Value |
| Stock options | 2,802 | $ 7.75 | 1,578 | $ 17.58 |
| Performance shares | 192 | 31.82 | 121 | 70.32 |
| Restricted stock and restricted stock units | 92 | 29.38 | 71 | 66.67 |

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

**3. Acquisitions**

In January 2009, we acquired the assets and assumed certain liabilities of Xi an Hengsheng Science & Technology Company Limited (Hengsheng). Hengsheng delivers automation solutions to the electrical power and other heavy process industries in central and western China. In March 2009, we acquired a majority of the assets and assumed certain liabilities of the automation business of Rutter Hinz Inc. (Hinz). Hinz offers industrial control systems engineering and related support, with domain expertise in industrial automation, process control and power distribution, specifically for the oil and gas industry, as well as other resource-based industries. We recorded goodwill of $16.2 million, customer relationships of $2.8 million and other intangible assets of $2.9 million resulting from the preliminary purchase price allocations of Hengsheng and Hinz. We expect $5.6 million of the goodwill to be deductible for tax purposes.

In November 2007, our Architecture & Software segment acquired Pavilion Technologies, Inc. (Pavilion), a privately held company that engages in advanced process control, production optimization and environmental compliance solutions for process and hybrid industries. In May 2008, our Architecture & Software segment acquired CEDES Safety & Automation AG (CEDES) and Incuity Software, Inc. (Incuity). Swiss-based CEDES is a supplier of safety and measuring light curtains, as well as other safety and non-safety optoelectronics, control units and related accessories for industrial applications. Incuity is a supplier of Enterprise Manufacturing Intelligence (EMI) software, which provides real-time intelligence for business decision support to improve operations and reduce production waste by providing valuable management insight into a company s operations.

We recorded intangible assets of $43.1 million and goodwill of $69.3 million resulting from the final purchase price allocations of the Pavilion, CEDES and Incuity acquisitions. Intangible assets assigned include $34.0 million to technology (15-year weighted average useful life), $6.6 million to customer relationships (9-year weighted average useful life) and $2.5 million to other intangible assets (4-year weighted average useful life). None of the goodwill recorded is expected to be deductible for tax purposes.

We assigned the full amount of goodwill for Hengsheng and Hinz to our Control Products & Solutions segment and the full amount of goodwill for Pavilion, CEDES and Incuity to our Architecture & Software segment. 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 individual effects of these acquisitions are not material to our results of operations and financial position.

**4. Inventories**

Inventories consist of (in millions):

| | June 30, 2009 | September 30, 2008 |
|---|---|---|
| Finished goods | $ 171.2 | $ 237.0 |
| Work in process | 116.9 | 125.9 |
| Raw materials, parts, and supplies | 172.2 | 212.6 |
| Inventories | $ 460.3 | $ 575.5 |

We report inventories net of the allowance for excess and obsolete inventory of $49.4 million at June 30, 2009 and $39.7 million at September 30, 2008.

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

**5. Property**

Property consists of (in millions):

| | June 30, 2009 | September 30, 2008 |
|---|---|---|
| Land | $ 4.7 | $ 5.2 |
| Buildings and improvements | 279.0 | 273.6 |
| Machinery and equipment | 1,101.5 | 1,089.8 |
| Internal use software | 319.8 | 300.0 |
| Construction in progress | 26.1 | 46.8 |
| Total | 1,731.1 | 1,715.4 |
| Less accumulated depreciation | (1,205.3) | (1,161.6) |
| Property, net | $ 525.8 | $ 553.8 |

**6. Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill for the nine months ended June 30, 2009 are (in millions):

| | Architecture & Software | Control Products & Solutions | Total |
|---|---|---|---|
| Balance as of September 30, 2008 | $ 396.6 | $ 518.4 | $ 915.0 |
| Acquisition of businesses | | 16.2 | 16.2 |
| Translation and other | (10.3) | (15.3) | (25.6) |
| Balance as of June 30, 2009 | $ 386.3 | $ 519.3 | $ 905.6 |

Other intangible assets consist of (in millions):

| | Carrying Amount | June 30, 2009 Accumulated Amortization | Net |
|---|---|---|---|
| Amortized intangible assets: | | | |
| Computer software products | $ 136.6 | $ (89.9) | $ 46.7 |
| Customer relationships | 56.2 | (9.2) | 47.0 |
| Technology | 83.1 | (30.3) | 52.8 |
| Other | 34.8 | (17.4) | 17.4 |
| Total amortized intangible assets | 310.7 | (146.8) | 163.9 |
| Intangible assets not subject to amortization | 67.7 | | 67.7 |

| | | | |
|---|---|---|---|
| Total | $ 378.4 | $ (146.8) | $ 231.6 |

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

**6. Goodwill and Other Intangible Assets (Continued)**

| | September 30, 2008 | | |
|---|---|---|---|
| | Carrying Amount | Accumulated Amortization | Net |
| Amortized intangible assets: | | | |
| Computer software products | $ 126.6 | $ (77.9) | $ 48.7 |
| Customer relationships | 52.7 | (5.6) | 47.1 |
| Technology | 84.9 | (25.4) | 59.5 |
| Other | 50.8 | (26.0) | 24.8 |
| Total amortized intangible assets | 315.0 | (134.9) | 180.1 |
| Intangible assets not subject to amortization | 70.7 | | 70.7 |
| Total | $ 385.7 | $ (134.9) | $ 250.8 |

The Allen-Bradley® and ICS Triplex™ trademarks have been determined to have an indefinite life, and therefore are not subject to amortization.

Estimated amortization expense is $34.7 million in 2009, $29.0 million in 2010, $25.9 million in 2011, $22.4 million in 2012 and $15.6 million in 2013.

We performed the annual evaluation of our goodwill and indefinite life intangible assets for impairment as required by SFAS No. 142, *Goodwill and Other Intangible Assets*, during the second quarter of 2009 and concluded that no impairments exist. We did not identify any impairment indicators during the third quarter of 2009 that would require a further impairment analysis.

**7. Other Current Liabilities**

Other current liabilities consist of (in millions):

| | June 30, 2009 | September 30, 2008 |
|---|---|---|
| Advance payments from customers and deferred revenue | $ 177.6 | $ 161.6 |
| Customer returns, rebates and incentives | 103.7 | 124.6 |
| Unrealized losses on foreign exchange contracts | 13.0 | 16.2 |
| Product warranty obligations | 28.5 | 33.5 |
| Taxes other than income taxes | 26.2 | 39.1 |
| Accrued interest | 15.0 | 15.6 |
| Dividends payable | 41.2 | |
| Restructuring and special items | 36.5 | 66.5 |
| Other | 60.4 | 59.2 |
| Other current liabilities | $ 502.1 | $ 516.3 |

**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 an end-user or OEM customer. We also record a liability for specific warranty matters when they become probable and reasonably estimable. Our product warranty obligations are included in other current liabilities in the Condensed Consolidated Balance Sheet.

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

**8. Product Warranty Obligations (Continued)**

Changes in the product warranty obligations for the nine months ended June 30, 2009 and 2008 are (in millions):

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2009 | 2008 |
| Balance at beginning of period | $ 33.5 | $ 34.9 |
| Warranties recorded at time of sale | 20.9 | 30.7 |
| Adjustments to pre-existing warranties | (0.5) | |
| Settlements of warranty claims | (25.4) | (31.2) |
| Balance at end of period | $ 28.5 | $ 34.4 |

**9. Long-term and Short-term Debt**

Long-term debt consists of (in millions):

| | June 30, 2009 | September 30, 2008 |
|---|---|---|
| 5.65% notes, payable in 2017 | $ 250.0 | $ 250.0 |
| 6.70% debentures, payable in 2028 | 250.0 | 250.0 |
| 6.25% debentures, payable in 2037 | 250.0 | 250.0 |
| 5.20% debentures, payable in 2098 | 200.0 | 200.0 |
| Unamortized discount and other | (45.2) | (45.6) |
| Long-term debt | $ 904.8 | $ 904.4 |

In December 2007, we issued an aggregate of $500 million principal amount of our 5.65% notes due 2017 and 6.25% debentures due 2037. The debt offering yielded approximately $493.5 million of proceeds, which were used to repay at maturity our 6.15% notes due January 15, 2008 and for general corporate purposes.

We issued an aggregate of $800 million principal amount of our 6.15% notes, 6.70% debentures and 5.20% debentures in January 1998. The debt offering yielded approximately $750.0 million of proceeds. We issued the 5.20% debentures at a discount, and the 6.15% notes and 6.70% debentures at par.

On March 16, 2009, we replaced our former five-year $600.0 million unsecured revolving credit facility with two new unsecured revolving credit facilities totaling $535.0 million. The new facilities have borrowing limits of $267.5 million each. One facility has a three-year term and the other facility has a 364-day term. Our 364-day credit facility includes a term-out option that allows us to borrow, on March 15, 2010, up to $267.5 million as a term loan for one year. We have not drawn down under any of these credit facilities at June 30, 2009 or September 30, 2008. Borrowings under these credit facilities bear interest based on short-term money market rates in effect during the period the borrowings are outstanding. The terms of these credit facilities contain covenants under which we would be in default if our debt-to-total-capital ratio was to exceed 60 percent. We were in compliance with all covenants under these credit facilities at June 30, 2009 and September 30, 2008. In addition to our two $267.5 million credit facilities, short-term unsecured credit facilities of approximately $164.2 million at June 30, 2009 were available to non-U.S. subsidiaries. There were no significant commitment fees or compensating balance requirements under any of our

credit facilities. Borrowings under our credit facilities during the three- and nine-months ended June 30, 2009 and 2008 were not significant.

Our short-term debt obligations consist primarily of commercial paper borrowings. At June 30, 2009, we had no commercial paper borrowings outstanding. Commercial paper borrowings outstanding were $100.0 million at September 30, 2008. The weighted average interest rate and maturity period of the commercial paper outstanding at September 30, 2008 were 2.25 percent and six days, respectively.

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

**10. 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 recognize all derivative financial instruments as either assets or liabilities at fair value in the Condensed Consolidated Balance Sheet. We report in other comprehensive loss the effective portion of the gain or loss on derivative financial instruments that we designate and that qualify as cash flow hedges. We reclassify these gains or losses into earnings in the same periods when the hedged transactions affect earnings. Gains and losses on derivative financial instruments for which we do not elect hedge accounting are recognized in the Condensed Consolidated Statement of Operations in each period, based upon the change in the fair value of the derivative financial instruments. It is our policy to execute such instruments with global financial institutions that we believe to be creditworthy and not to enter into derivative financial instruments for speculative purposes. We diversify our forward exchange contracts among counterparties to minimize exposure to any one of these entities. All forward exchange contracts are denominated in currencies of major industrial countries. The notional values of our forward exchange contracts outstanding at June 30, 2009 were $867.2 million, of which $411.2 million were designated as cash flow hedges. Contracts with the most significant notional values relate to transactions denominated in the British pound sterling, United States dollar, Euro and Canadian dollar.

We adopted SFAS 157 for our financial assets and liabilities effective October 1, 2008. SFAS 157 will become effective for our non-financial assets and liabilities in fiscal 2010. SFAS 157 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. SFAS 157 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.

We value our forward exchange contracts using a market approach, as described by SFAS 157. We use an internally developed valuation model based on inputs including forward and spot prices for currency and interest rate curves. We have not changed our valuation techniques during the nine months ended June 30, 2009.

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

| | | Fair Value (Level 2) | |
|---|---|---|---|
| Derivatives Designated as Hedging Instruments | Balance Sheet Location | June 30, 2009 | September 30, 2008 |
| Forward exchange contracts | Other current assets | $ 3.5 | $ 1.0 |

| | | | |
|---|---|---|---|
| Forward exchange contracts | Other assets | 0.3 | 0.2 |
| Forward exchange contracts | Other current liabilities | (6.6) | (15.3) |
| Forward exchange contracts | Other liabilities | (3.2) | (6.2) |
| Total | | $ (6.0) | $ (20.3) |

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

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

| | | Fair Value (Level 2) | |
|---|---|---|---|
| Derivatives Not Designated as Hedging Instruments | Balance Sheet Location | June 30, 2009 | September 30, 2008 |
| Forward exchange contracts | Other current assets | $ 16.5 | $ 5.1 |
| Forward exchange contracts | Other assets | 8.6 | 4.9 |
| Forward exchange contracts | Other current liabilities | (6.4) | (0.9) |
| Forward exchange contracts | Other liabilities | (4.7) | (2.2) |
| Total | | $ 14.0 | $ 6.9 |

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

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Forward exchange contracts | $ (8.7) | $ 1.0 | $ 17.0 | $ (31.1) |

Approximately $4.1 million ($2.6 million net of tax) of net unrealized losses on cash flow hedges as of June 30, 2009 will be reclassified into earnings during the next 12 months. We expect that these net unrealized losses 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 gains and losses on the hedged items during the periods presented was:

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Sales | $ 1.7 | $ 0.1 | $ 5.4 | $ 0.1 |
| Cost of sales | (1.4) | (9.4) | (1.2) | (19.0) |
| Total | $ 0.3 | $ (9.3) | $ 4.2 | $ (18.9) |

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

The pre-tax amount of (losses) gains 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 |
|---|---|---|

| | June 30, | | June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Other (expense) income | $ (9.6) | $ (3.1) | $ 7.8 | $ 5.6 |
| Cost of sales | | | (0.1) | (0.1) |
| Total | $ (9.6) | $ (3.1) | $ 7.7 | $ 5.5 |

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

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

We also hold financial instruments consisting of cash, accounts receivable, accounts payable, short-term debt and long-term debt. The carrying value of our cash, 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):

| | June 30, 2009 | | September 30, 2008 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-term debt | $ (904.8) | $ (931.7) | $ (904.4) | $ (883.0) |

**11. Retirement Benefits**

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

| | Pension Benefits | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Service cost | $ 14.9 | $ 14.5 | $ 42.5 | $ 43.4 |
| Interest cost | 40.4 | 37.6 | 117.0 | 112.4 |
| Expected return on plan assets | (49.8) | (48.6) | (144.7) | (145.3) |
| Amortization: | | | | |
| Prior service cost | (1.1) | (1.1) | (3.4) | (3.4) |
| Net transition obligation | 0.1 | 0.1 | 0.3 | 0.3 |
| Net actuarial loss | 4.4 | 4.8 | 12.7 | 14.5 |
| Net periodic benefit cost | $ 8.9 | $ 7.3 | $ 24.4 | $ 21.9 |

| | Other Postretirement Benefits | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Service cost | $ 1.0 | $ 1.0 | $ 2.8 | $ 2.9 |
| Interest cost | 3.4 | 3.4 | 10.0 | 10.3 |
| Amortization: | | | | |
| Prior service cost | (2.7) | (3.7) | (7.9) | (11.0) |
| Net actuarial loss | 2.4 | 3.2 | 7.1 | 9.4 |
| Net periodic benefit cost | $ 4.1 | $ 3.9 | $ 12.0 | $ 11.6 |

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

**12. Comprehensive Income**

Comprehensive income consists of (in millions):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Net income | $ 32.8 | $ 152.6 | $ 191.8 | $ 452.0 |
| Other comprehensive income (loss): | | | | |
| Unrecognized pension and postretirement benefit plan liabilities | 1.4 | 1.6 | 4.2 | 4.8 |
| Currency translation adjustments | 64.4 | (12.9) | (96.7) | 95.3 |
| Unrealized (losses) gains on cash flow hedges, net of tax | (5.7) | 6.3 | 7.8 | (7.7) |
| Other | 0.1 | | 0.2 | (2.1) |
| Other comprehensive income (loss) | 60.2 | (5.0) | (84.5) | 90.3 |
| Comprehensive income | $ 93.0 | $ 147.6 | $ 107.3 | $ 542.3 |

**13. 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 thousands of 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 and Kemper Insurance, 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 administers the Kemper buyout funds and has entered into a cost share agreement to pay the substantial majority of future defense and indemnity costs for Allen-Bradley asbestos claims once the Kemper buy-out funds are depleted. We believe that these arrangements 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.

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

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

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 divestiture of our former aerospace and defense businesses (the A&D Business) to The Boeing Company (Boeing), we agreed to indemnify Boeing for certain matters related to operations of the A&D Business for periods prior to the divestiture. In connection with the spin-offs of our former automotive component systems business, semiconductor systems business and Rockwell Collins avionics and communications business, the spun-off companies have agreed to indemnify us for substantially all contingent liabilities related to the respective businesses, including environmental and intellectual property matters.

In connection with the sale of our Dodge mechanical and Reliance Electric motors and motor repair services businesses, we agreed to indemnify the purchaser, Baldor Electric Company (Baldor), for costs and damages related to certain legal, legacy environmental and asbestos matters of these businesses, including certain damages pertaining to the Foreign Corrupt Practices Act, 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.

**14. Income Taxes**

The effective tax rate for the nine months ended June 30, 2009 was 22.9 percent. During the first nine months of 2009, we recognized discrete tax benefits totaling $11.1 million related to the resolution of a contractual tax obligation and the retroactive extension of the U.S. federal research tax credit, partially offset by discrete tax expenses consisting primarily of a dividend related to the planned disposal of a non-U.S. subsidiary of $4.5 million.

The amount of unrecognized tax benefits was $125.6 million ($75.0 million net of $50.6 million of indirect tax benefits) at June 30, 2009 and $125.8 million ($76.6 million net of $49.2 million of indirect tax benefits) at September 30, 2008. The amount of unrecognized tax benefits that would reduce our effective tax rate if recognized was $83.9 million ($41.6 million net of $42.3 million of indirect tax benefits) at June 30, 2009 and $84.1 million ($43.2 million net of $40.9 million of indirect tax benefits) at September 30, 2008. The balance of $41.7 million ($33.4 million net of $8.3 million of indirect tax benefits) at June 30, 2009 and September 30, 2008 was attributable to discontinued operations and would not impact the effective tax rate for continuing operations if recognized.

We believe it is reasonably possible that the amount of unrecognized tax benefits could be reduced by up to $37.5 million and the amount of indirect tax benefits could be increased by up to $0.7 million during the next 12 months as a result of the resolution of worldwide tax matters and the lapses of statutes of limitations. There was no material change of the amount of unrecognized tax benefits in the first nine months of 2009.

We recognize interest and penalties related to unrecognized tax benefits in tax expense. Accrued interest and penalties were $27.2 million and $2.1 million at June 30, 2009 and $24.0 million and $2.0 million at September 30, 2008, respectively.

We conduct business globally and are routinely audited by the various tax jurisdictions in which we operate. Our U.S. federal tax returns for 2007 and 2008, Wisconsin tax returns for 2003 through 2008, and tax returns for other major states and countries for 1998 through 2008 remain subject to examinations by taxing authorities.

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

**15. Restructuring Charges and Special Items**

During 2009, we recorded restructuring charges of $27.3 million related to actions designed to better align our cost structure with current economic conditions. The majority of the charges relate to severance benefits recognized pursuant to SFAS No. 112, *Employers Accounting for Postemployment Benefits An Amendment of FASB Statements No. 5 and 43*. In the Condensed Consolidated Statement of Operations for the nine months ended June 30, 2009, we recorded $5.3 million of the restructuring charges in cost of sales, and we recorded $22.0 million in selling, general and administrative expenses. We expect total cash expenditures associated with these actions to be approximately $26.4 million. We paid $10.4 million related to these actions during the nine months ended June 30, 2009. Accruals remaining under these restructuring actions after currency translation and other items are $17.9 million at June 30, 2009.

In the fourth quarter of 2008, we recorded special items of $50.7 million related to restructuring actions designed to better align resources with growth opportunities and to reduce costs as a result of current and anticipated market conditions. During 2007, we recorded special items of $43.5 million related to various restructuring actions designed to execute on our cost productivity initiatives and to advance our globalization strategy. We paid $41.2 million related to the 2008 and 2007 restructuring actions during the nine months ended June 30, 2009 and $12.8 million during the nine months ended June 30, 2008. Accruals remaining under these restructuring actions after currency translation and other items are $18.6 million at June 30, 2009.

**16. 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, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Sales | | | | |
| Architecture & Software | $ 399.5 | $ 625.7 | $ 1,299.4 | $ 1,802.6 |
| Control Products & Solutions | 611.3 | 849.3 | 1,958.7 | 2,410.9 |
| Total | $ 1,010.8 | $ 1,475.0 | $ 3,258.1 | $ 4,213.5 |
| Segment Operating Earnings | | | | |
| Architecture & Software | $ 43.3 | $ 154.7 | $ 186.1 | $ 443.1 |
| Control Products & Solutions | 43.0 | 103.6 | 164.0 | 313.0 |
| Total | 86.3 | 258.3 | 350.1 | 756.1 |
| Purchase accounting depreciation and amortization | (4.4) | (6.3) | (14.2) | (19.1) |
| General corporate net | (16.3) | (21.9) | (49.1) | (52.7) |
| Interest expense | (15.4) | (16.6) | (45.7) | (52.1) |
| Special items | | | 4.0 | |
| Income tax provision | (17.4) | (60.9) | (56.1) | (180.2) |
| Income from continuing operations | $ 32.8 | $ 152.6 | $ 189.0 | $ 452.0 |

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

**16. Segment Information (Continued)**

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

In the United States and Canada, we sell our products primarily through independent distributors. We sell large systems and service offerings principally through a direct sales force, though opportunities are sometimes identified through distributors. Outside the United States and Canada, we sell products through a combination of direct sales and sales through distributors. Sales to our largest distributor in the third quarter and first nine months of 2009 were approximately 9 percent of our total sales, compared to approximately 9 and 10 percent in the third quarter and first nine months of 2008, respectively.

**17. Discontinued Operations**

In the nine months ended June 30, 2009, we recorded a benefit of $4.5 million ($2.8 million net of tax) related to a change in estimate for legal contingencies associated with RIC s operation of the Rocky Flats facility for the U.S. Department of Energy.

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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 June 30, 2009, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended June 30, 2009 and 2008, and cash flows for the nine-month periods ended June 30, 2009 and 2008. 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, 2008, and the related consolidated statements of operations, cash flows, shareowners equity and comprehensive income for the year then ended (not presented herein); and in our report dated November 17, 2008, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to the adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on October 1, 2008 and Financial Accounting Standard No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans An Amendment of FASB Statements No. 87, 88, 106, and 132R,* on September 30, 2007. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of September 30, 2008 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP
Milwaukee, Wisconsin
August 4, 2009

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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 and other similar expressions may identify forward-looking st 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:

- economic changes in global markets where we compete, such as currency exchange rates, inflation rates, recession, interest rates and the volatility and disruption of the capital and credit markets for us, our customers and our suppliers;
- laws, regulations and governmental policies affecting our activities in the countries where we do business;
- successful development of advanced technologies and demand for and market acceptance of new and existing products;
- general global and regional economic, business or industry conditions, including levels of capital spending in industrial markets;
- the availability, effectiveness and security of our information technology systems;
- competitive product and pricing pressures;
- disruption of our operations due to natural disasters, acts of war, strikes, terrorism or other causes;
- intellectual property infringement claims by others and the ability to protect our intellectual property;
- our ability to successfully address claims by taxing authorities in the various jurisdictions where we do business;
- our ability to attract and retain qualified personnel;
- the uncertainties of litigation;
- disruption of our distribution channels;
- the availability and price of components and materials;
- successful execution of our cost productivity, restructuring 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 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, 2008 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 capacity, including upgrades, modifications and expansions of existing manufacturing facilities, and the creation of new manufacturing facilities;
- our customers needs for greater productivity, sustainable production (cleaner, safer and more energy efficient), cost reduction, quality assurance and overall global competitiveness;
- industry factors that include our customers new product introductions, trends in the actual and forecasted demand for our customers products or services, and the regulatory and competitive environments in which our customers operate;
- levels of global industrial production and capacity utilization;
- regional factors that include local political, social, regulatory and economic circumstances; and
- the seasonal spending patterns of our customers due to their annual budgeting processes and their working schedules.

***Long-term Strategy***

Our long-term growth and performance strategy carefully balances sustained organic growth and profitability. This strategy seeks to:

- deploy human and financial resources to strengthen our technology leadership and allow us to capture a larger share of our customers spending and continue to transform our business model into one that is based less on tangible assets and more on intellectual capital;
- enhance our market access by increasing our solutions and service capabilities, advancing our global presence and delivering our products and solutions to a wider range of industries;
- expand our served market by increasing our ability to meet our customers needs in the areas of process control, safety and information software;
- look for potential acquisitions that serve as catalysts to organic growth, add complementary technology, expand our served market, increase our domain expertise or continue our geographic diversification; and
- foster a robust productivity culture.

As we execute our long-term growth and performance strategy, we seek to provide value for our shareowners through revenue and earnings growth, free cash flow generation and superior returns over the long term.

*Technological Advancement and Domain Expertise*

We seek a technology leadership position in all facets of plant-wide control. We believe our core technologies are the foundation for long-term sustainable growth at a multiple of global Gross Domestic Product (GDP) growth.

Our customers face increasingly complex and volatile customer demand patterns, which are driving the need for flexible manufacturing. Our investments in new technology and domain expertise have expanded our served market beyond discrete control into process, safety and information. Our value proposition is to help our customers gain the benefits of faster time to market, lower total cost of ownership, better asset utilization and reduced business risks.

We believe that process automation is the largest growth opportunity for our company. Our Logix architecture enables us to compete effectively with traditional Distributed Control Systems (DCS) control solutions for many process applications. Our Logix architecture can integrate information across the plant floor to the enterprise systems and the external supply chain. Our Logix architecture continues to be an important differentiator and the anchor of our comprehensive automation offerings.

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**ROCKWELL AUTOMATION, INC.**

We have one of the most comprehensive safety offerings in the industry, as our portfolio contains both machine and process safety products. We see significant potential in the growing safety market. We successfully integrated safety into the Logix platform with our launch of GuardLogix® safety controllers. Our safety products are designed to bring a dual benefit to our customers: a safe environment for their employees and productivity in their operations.

Through internal investment and acquisitions, we have expanded our capability in the area of plant-wide information. This opportunity involves optimizing processes and assets while integrating between the plant floor, enterprise business system and the supply chain.

Our broad power and motor control offering is one of our core competencies. Many of our motor control products are intelligent, configurable and manageable. These products enhance the availability, efficiency and safe operation of our customers critical plant assets.

We augment our product portfolio with solutions and service offerings. We have expanded our repeatable solutions, which enables us to gain efficiency, drive innovation and improve the global deployment of our solutions to our customers. The combination of our leading technologies, such as integrated architecture, with the industry-specific domain expertise of our people enables us to solve many of our customers manufacturing challenges.

*Global Expansion and Enhanced Market Access*

As the manufacturing world continues to globalize, we must be able to meet our customers needs in emerging markets. We expect to continue to add delivery resources and expand our sales force in emerging markets over the long term. We currently have more than half of our employees outside the U.S., and achieved our goal of about 50 percent of our revenues outside of the U.S. during 2008.

As we expand in markets with considerable growth potential and shift our global footprint, we expect to continue to broaden the portfolio of products, services and solutions that we provide to our customers in these regions. We have made significant investments to globalize our manufacturing and customer facing resources in order to be closer to our customers throughout the world. The emerging markets of Asia Pacific, including China and India, Latin America and eastern Europe have the potential to exceed global GDP rates, due to higher levels of infrastructure investment and the growing role of consumer spending in these markets. We believe that increased demand for consumer products in these markets will lead to manufacturing investment and provide us with additional growth opportunities in the future.

Original Equipment Manufacturers (OEMs) represent another growth opportunity. The OEM market is large and we have an opportunity to increase market share with OEMs, particularly outside of North America. To remain competitive, OEMs need to continually improve their costs and machine performance and reduce their time to market. Our modular and scaleable Logix offering combined with motion and safety can assist OEMs in addressing these business needs.

*Industry Views*

We apply our knowledge of manufacturing applications to help customers solve their business challenges. We serve customers in a wide range of industries, including consumer, resource-based and transportation.

Our consumer industry customers are engaged in the food and beverage, home and personal care and life sciences industries. These customers needs include global expansion, incremental capacity from existing facilities, an increasingly flexible manufacturing environment and regulatory compliance. In addition, these customers operate in an environment where product innovation and time to market are critical factors.

We serve customers in resource-based industries, including oil and gas, mining, aggregates, cement, metals, water/wastewater and forest products. Companies in these industries typically invest in capacity and productivity when commodity prices are high and global demand for basic materials is increasing.

In the transportation industry, factors such as geographic expansion, investment in new model introductions and more flexible manufacturing technologies influence customers purchasing decisions regarding our products, services and solutions.

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**ROCKWELL AUTOMATION, INC.**

Demand for our products, services and solutions across all industries benefits from the outsourcing and sustainability needs of our customers. Customers increasingly desire to outsource engineering services to achieve a more flexible cost base. Our manufacturing application knowledge enables us to serve these customers globally. The sustainability needs of our customers include energy efficiency and better environmental and safety results. Higher energy prices have historically caused customers across all industries to invest in more energy-efficient manufacturing processes and technologies, such as intelligent motor controls and energy-efficient solutions and services. In addition, environmental and safety objectives often spur customers to invest to ensure compliance and implement sustainable business practices.

*Productivity*

Productivity and continuous improvement are important components of our culture. We have programs in place that drive ongoing process improvement, functional streamlining, material cost savings and manufacturing productivity. We are in the process of developing and implementing common global processes and an enterprise-wide information system. These are designed to result in improved profitability that can be used to fund investment in growth and technology and to offset inflation and dilution from acquisitions. Our ongoing productivity initiatives target both cost and improved asset utilization. Charges for workforce reductions and facility rationalization may be required in order to execute our productivity programs.

***Acquisitions***

In March 2009, we bought a majority of the assets and assumed certain liabilities of the automation business of Rutter Hinz Inc., which is expected to accelerate our business growth in Canada, in the oil and gas and other resource-based industries.

In January 2009, we bought the assets and assumed certain liabilities of Xi an Hengsheng Science & Technology Limited. This acquisition also advances our globalization strategy and strengthens our ability to deliver project management and engineering solutions primarily to our customers in China.

During 2008 we acquired CEDES Safety & Automation AG (CEDES), Incuity Software, Inc. (Incuity) and Pavilion Technologies, Inc. (Pavilion).

With our acquisition of CEDES, we have expanded our comprehensive machine safety component portfolio. CEDES is a supplier of safety and measuring light curtains, a leading product offering in the machine safety market.

Incuity positions us for continued growth in the information solutions market. Incuity s enterprise manufacturing intelligence offerings, which we have named FactoryTalk® VantagePoint, enable us to accelerate specific aspects of our plant-wide information strategy and extend the capabilities of our integrated architecture.

We believe that Pavilion s expertise in advanced process control, production optimization and environmental compliance solutions, paired with our Logix architecture, positions us to help our customers create a more agile, efficient and productive environment. It also benefits, in particular, our process growth initiative.

We believe the acquired companies will help us expand our market share and deliver value to our customers.

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**ROCKWELL AUTOMATION, INC.**

***U.S. Industrial Economic Trends***

In the third quarter of 2009, sales to U.S. customers accounted for 51 percent of our total sales. The various indicators we use to gauge the direction and momentum of our U.S. served markets include:

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 the level of capital 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.

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 2002.

As key economic indicators and projections weakened, we saw a significant deceleration in customer demand. While there are some signs that economic and market conditions may have stabilized, key economic indicators have been at historically low levels. The table below depicts the trends in these indicators since September 2007. U.S. Industrial Equipment Spending declined slightly in fiscal 2008 and declined sharply in fiscal 2009. Capacity Utilization significantly declined since September 2007, with a more significant decrease in fiscal 2009, due to a pronounced reduction in overall demand for manufactured goods. The PMI remained near 50 during the first three quarters of fiscal 2008. The PMI has been significantly below 50 for the last four quarters, which indicates expected future weakness in the U.S. manufacturing sector. However, the increase in the PMI in June 2009 compared to March 2009 and December 2008 shows signs of possible stabilization. The Industrial Production Index has declined significantly over the last five quarters. We continue to operate in a period of uncertainty with respect to the U.S. economy.

| | Industrial Equipment Spending (in billions) | Capacity Utilization (percent) | PMI | Industrial Production Index |
|---|---|---|---|---|
| Fiscal 2009 | | | | |
| Quarter ended: | | | | |
| June 2009 | $ 151.3 | 68.4 | 44.8 | 96.0 |
| March 2009 | 157.8 | 70.4 | 36.3 | 99.0 |
| December 2008 | 187.9 | 74.2 | 32.9 | 104.4 |
| | | | | |
| Fiscal 2008 | | | | |
| Quarter ended: | | | | |
| September 2008 | 194.8 | 76.9 | 43.4 | 108.1 |
| June 2008 | 197.3 | 78.9 | 49.5 | 110.7 |
| March 2008 | 195.3 | 80.1 | 49.0 | 112.0 |
| December 2007 | 192.9 | 80.4 | 49.1 | 112.0 |
| | | | | |
| Fiscal 2007 | | | | |
| Quarter ended: | | | | |
| September 2007 | 199.0 | 80.7 | 50.5 | 111.7 |

*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 2009, sales to non-U.S. customers accounted for 49 percent of our total sales. Outside the U.S., demand for our products and services is principally driven by the strength of the industrial economy in each region and by our customers ability and propensity to invest in their manufacturing assets. These customers include both multinational companies with expanding global presence and indigenous companies. Demand has historically been driven, in part, by:

- investments in infrastructure in developing economies;
- investments in basic materials production capacity in response to higher end-product pricing; and
- expanding consumer markets.

We use changes in global GDP as one indicator of the growth opportunities in each region where we do business. GDP either declined or grew slowly in all regions during fiscal 2009, contributing to reduced customer demand. We have observed the most significant effects of the GDP deceleration in the developed economies of Canada, Western Europe and Asia Pacific, all of which are experiencing year-over-year GDP declines. We also saw GDP declines in Latin America, which began in the second fiscal quarter of 2009. Growth in China accelerated in the third quarter of 2009, and both China and India exceeded the global average. Markets in all regions remain uncertain.

***Revenue by Geographic Region***

The table below presents our sales for the quarter ended June 30, 2009 by geographic region and the change in sales from the quarter ended June 30, 2008 (in millions, except percentages):

| | Three Months Ended June 30, 2009(1) | Change vs. Three Months Ended June 30, 2008 | Change in Organic Sales vs. Three Months Ended June 30, 2008(2) |
|---|---|---|---|
| United States | $ 518.2 | (29%) | (29%) |
| Canada | 60.3 | (42%) | (41%) |
| Europe, Middle East and Africa | 219.3 | (35%) | (26%) |
| Asia-Pacific | 144.7 | (24%) | (16%) |
| Latin America | 68.3 | (38%) | (25%) |
| Total Sales | $ 1,010.8 | (31%) | (27%) |

The table below presents our sales for the nine months ended June 30, 2009 by geographic region and the change in sales from the nine months ended June 30, 2008 (in millions, except percentages):

| | Nine Months Ended June 30, 2009(1) | Change vs. Nine Months Ended June 30, 2008 | Change in Organic Sales vs. Nine Months Ended June 30, 2008(2) |
|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| United States | $ | 1,697.7 | (20%) | (19%) |
| Canada | | 188.6 | (36%) | (26%) |
| Europe, Middle East and Africa | | 712.5 | (27%) | (17%) |
| Asia-Pacific | | 420.3 | (19%) | (9%) |
| Latin America | | 239.0 | (20%) | (2%) |
| Total Sales | $ | 3,258.1 | (23%) | (17%) |

(1) We attribute sales to the geographic regions based upon country of destination.

(2) Organic sales is a non-GAAP measure. See **Supplemental Information** for information on this non-GAAP measure.

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**ROCKWELL AUTOMATION, INC.**

***Summary of Results of Operations***

Our 2009 third quarter revenue declined significantly in all regions compared to the third quarter of 2008, which reflects that we are still in the midst of a serious global recession. We saw a sequential revenue decline in our solutions businesses, but flat sequential revenue in our products businesses. Revenue grew sequentially in the Asia-Pacific region, with particular strength in our products businesses.

Our 2009 third quarter segment operating margins decreased significantly compared to the third quarter of 2008, but increased sequentially due to favorable mix and the execution of our cost savings initiatives. We delivered another strong cash flow quarter, primarily by reducing capital expenditures and tightly controlling working capital, particularly inventory.

In this difficult business environment, we remain focused on cost control and cash management while continuing to invest in our core technologies. As markets recover, we believe we will benefit from the combination of our talented and dedicated employees and partners, differentiated technology, increasingly diverse revenue base and strong balance sheet.

The following tables reflect the sales and operating results for the three and nine months ended June 30, 2009 and 2008 (in millions, except per share amounts):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Sales | | | | |
| Architecture & Software | $ 399.5 | $ 625.7 | $ 1,299.4 | $ 1,802.6 |
| Control Products & Solutions | 611.3 | 849.3 | 1,958.7 | 2,410.9 |
| Total | $ 1,010.8 | $ 1,475.0 | $ 3,258.1 | $ 4,213.5 |
| Segment Operating Earnings | | | | |
| Architecture & Software | $ 43.3 | $ 154.7 | $ 186.1 | $ 443.1 |
| Control Products & Solutions | 43.0 | 103.6 | 164.0 | 313.0 |
| Purchase accounting depreciation and amortization | (4.4) | (6.3) | (14.2) | (19.1) |
| General corporate net | (16.3) | (21.9) | (49.1) | (52.7) |
| Interest expense | (15.4) | (16.6) | (45.7) | (52.1) |
| Special items | | | 4.0 | |
| Income tax provision | (17.4) | (60.9) | (56.1) | (180.2) |
| Income from continuing operations | 32.8 | 152.6 | 189.0 | 452.0 |
| Discontinued operations, net of tax | | | 2.8 | |
| Net income | $ 32.8 | $ 152.6 | $ 191.8 | $ 452.0 |
| Diluted earnings per share: | | | | |
| Continuing operations | $ 0.23 | $ 1.03 | $ 1.33 | $ 3.03 |
| Discontinued operations | | | 0.02 | |

| | | | | |
|---|---|---|---|---|
| Net income | $ 0.23 | $ 1.03 | $ 1.35 | $ 3.03 |
| Diluted weighted average outstanding shares | 142.4 | 148.1 | 142.2 | 149.3 |

See Note 16 in the Condensed Consolidated Financial Statements for the definition of segment operating earnings.

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**ROCKWELL AUTOMATION, INC.**

***2009 Third Quarter Compared to 2008 Third Quarter***

| (in millions, except per share amounts) | 2009 | 2008 | Change |
|---|---|---|---|
| Sales | $ 1,010.8 | $ 1,475.0 | $ (464.2) |
| Income from continuing operations | 32.8 | 152.6 | (119.8) |
| Diluted earnings per share from continuing operations | 0.23 | 1.03 | (0.80) |

*Sales*

Sales decreased 31 percent in the third quarter of 2009 compared to the third quarter of 2008. The effects of currency translation contributed 5 percentage points to the decrease offset by growth from acquisitions of 1 percentage point. We experienced a significant decline in customer demand during the quarter due to weak economic conditions in all regions and most industries. Organic sales to customers in the United States declined 29 percent and Europe, Middle East and Africa (EMEA) organic sales declined 26 percent compared to the third quarter of 2008. Canada organic sales declined 41 percent as compared to the third quarter of 2008, resulting from continued weakness in all industrial sectors. Organic sales in Asia-Pacific declined by 16 percent compared to the third quarter of 2008, and exporting countries in the Asia-Pacific region remained particularly weak. Organic sales in Latin America declined by 25 percent as compared to the third quarter of 2008, which is this region s first quarter of year-over-year decline in this down cycle.

In the third quarter of 2009, we experienced a decline in our year-over-year sales related to our process initiative; however, the decline was lower than our average rate of decline. Sales declined in the transportation, metals and, to a lesser extent, consumer product industries. Sales to OEM customers were at about our average rate of decline.

*Purchase Accounting Depreciation and Amortization*

Purchase accounting depreciation and amortization was $4.4 million in the third quarter of 2009 compared to $6.3 million in the same period in the prior year. The decrease was primarily due to completed amortization of certain intangible assets and currency translation.

*General Corporate-Net*

General corporate expenses were $16.3 million in the third quarter of 2009 compared to $21.9 million in the third quarter of 2008. The decrease was primarily due to cost reductions, currency effects and the resolution of certain legal matters.

*Interest Expense*

Interest expense was $15.4 million in the third quarter of 2009 compared to $16.6 million in the third quarter of 2008. The decrease was due to lower interest rates and lower short-term debt balances.

*Income Taxes*

The effective tax rate for the third quarter of 2009 was 34.7 percent compared to 28.5 percent in the third quarter of 2008. The 2009 rate was primarily higher than 2008 because we recognized a $4.5 million discrete tax expense on a dividend related to the planned disposal of a non-U.S. subsidiary.

*Income from Continuing Operations*

Income from continuing operations decreased to $32.8 million in the third quarter of 2009, compared to $152.6 million in the third quarter of 2008. The decrease is primarily due to lower volume and a higher effective tax rate, partially offset by cost reductions and lower corporate expenses.

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**ROCKWELL AUTOMATION, INC.**

***2009 Third Quarter Compared to 2008 Third Quarter (Continued)***

*Architecture & Software*

| (in millions, except percentages) | 2009 | 2008 | Change |
|---|---|---|---|
| Sales | $ 399.5 | $ 625.7 | $ (226.2) |
| Segment operating earnings | 43.3 | 154.7 | (111.4) |
| Segment operating margin | 10.8% | 24.7% | (13.9) pts |

*Sales*

Architecture & Software sales decreased 36 percent in the third quarter of 2009 compared to the third quarter of 2008. The effects of currency translation contributed approximately 5 percentage points to the decrease. Logix sales declined 25 percent in the third quarter of 2009 compared to the third quarter of 2008. The decline in sales of our legacy processor products was greater than the segment s average rate of decline.

*Operating Margin*

Architecture & Software segment operating margin decreased by 13.9 points to 10.8 percent in the third quarter of 2009 compared to the third quarter of 2008. The decline was primarily due to a sharp decline in organic sales, partially offset by cost reductions.

*Control Products & Solutions*

| (in millions, except percentages) | 2009 | 2008 | Change |
|---|---|---|---|
| Sales | $ 611.3 | $ 849.3 | $ (238.0) |
| Segment operating earnings | 43.0 | 103.6 | (60.6) |
| Segment operating margin | 7.0% | 12.2% | (5.2) pts |

*Sales*

Control Products & Solutions sales decreased 28 percent in the third quarter of 2009 compared to the third quarter of 2008. The effects of currency translation contributed 5 percentage points to the decrease, offset by growth from acquisitions of 1 percentage point. Our solutions and services businesses declined at a lower rate than the segment s average rate of decline, while sales by our products businesses of this segment declined at about the same rate of decline as our Architecture & Software segment.

*Operating Margin*

Control Products & Solutions segment operating margin decreased by 5.2 points to 7.0 percent in the third quarter of 2009 compared to the third quarter of 2008. The decrease was primarily due to lower volume, the unfavorable impact of currency exchange rates and restructuring charges, partially offset by cost reductions.

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**ROCKWELL AUTOMATION, INC.**

***Nine Months Ended June 30, 2009 Compared to Nine Months Ended June 30, 2008***

| (in millions, except per share amounts) | 2009 | 2008 | Change |
|---|---|---|---|
| Sales | $ 3,258.1 | $ 4,213.5 | $ (955.4) |
| Income from continuing operations | 189.0 | 452.0 | (263.0) |
| Diluted earnings per share from continuing operations | 1.33 | 3.03 | (1.70) |

*Sales*

Sales decreased 23 percent in the first nine months of 2009 compared to the first nine months of 2008. The effects of currency translation contributed 6 percentage points to the decrease. We experienced a significant decline in customer demand during the first nine months of 2009 due to deteriorating economic, financial and credit market conditions in most regions and industries. Sales to customers in the United States declined 19 percent organically as compared to the first nine months of 2008, as plant shutdowns occurred and production slowed across many industries. The Canadian organic sales decline of 26 percent was driven by weakness in all industrial sectors, including transportation and general manufacturing. Sales to customers in EMEA declined 17 percent organically. EMEA weakness occurred in all industries as well as to OEM customers, due to a large number of plant shutdowns and production slowdowns. Organic sales in Asia-Pacific declined by 9 percent compared to the first nine months of 2008. Exporting countries of Asia-Pacific contributed most to the decline in the region. Organic sales in Latin America declined by 2 percent as compared to the first nine months of 2008. The Latin America region benefited from demand in resource-based industries during the first two quarters of the year, but experienced sales declines in the third quarter.

In the first nine months of 2009, we experienced a year-over-year decline in process sales; however, the decline was lower than our average rate of decline. Sales declined in the transportation, metals and, to a lesser extent, consumer product industries. Sales to OEM customers were about at our average rate of decline.

*Purchase Accounting Depreciation and Amortization*

Purchase accounting depreciation and amortization was $14.2 million in the first nine months of 2009 compared to $19.1 million in the same period in the prior year. The decrease was primarily due to completed amortization of certain intangible assets and currency translation.

*General Corporate Net*

General corporate expenses were $49.1 million in the first nine months of 2009 compared to $52.7 million in the first nine months of 2008. The decrease was primarily due to cost reductions, currency effects and the resolution of certain legal matters, partially offset by a gain recognized in the first nine months of 2008 in connection with the divestiture of Power Systems.

*Interest Expense*

Interest expense was $45.7 million in the first nine months of 2009 compared to $52.1 million in the first nine months of 2008. The decrease was due to lower interest rates and lower short-term debt balances.

*Special items*

Special items of $4.0 million in the first nine months of 2009 include the reversal of a portion of restructuring accruals established in prior years.

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**ROCKWELL AUTOMATION, INC.**

***Nine Months Ended June 30, 2009 Compared to Nine Months Ended June 30, 2008*** **(Continued)**

*Income Taxes*

The effective tax rate for the first nine months of 2009 was 22.9 percent compared to 28.5 percent in the first nine months of 2008. The effective tax rate was lower than the U.S. statutory tax rate of 35 percent because we benefited from lower non-U.S. tax rates and our use of foreign tax credits. The 2009 rate was lower than 2008 because we benefited from a lower proportionate share of income in higher tax rate jurisdictions as compared to 2008. We also recognized discrete tax benefits totaling $11.1 million related to the resolution of a contractual tax obligation and the retroactive extension of the U.S. federal research tax credit in the first nine months of 2009, partially offset by discrete tax expenses consisting primarily of a dividend related to the planned disposal of a non-U.S. subsidiary of $4.5 million.

*Income from Continuing Operations*

Income from continuing operations decreased 58 percent in the first nine months of 2009 to $189.0 million, compared to the first nine months of 2008. The decrease is primarily due to lower volume, but is also due to inflation, the unfavorable impact of currency exchange rates, unfavorable mix and restructuring charges, all partially offset by cost reductions, lower interest expense, lower corporate expenses and a lower effective tax rate.

*Architecture & Software*

| (in millions, except percentages) | 2009 | 2008 | Change |
|---|---|---|---|
| Sales | $ 1,299.4 | $ 1,802.6 | $ (503.2) |
| Segment operating earnings | 186.1 | 443.1 | (257.0) |
| Segment operating margin | 14.3% | 24.6% | (10.3) pts |

*Sales*

Architecture & Software sales decreased 28 percent in the first nine months of 2009 compared to the first nine months of 2008. Organic sales decreased 23 percent, as the effects of currency translation contributed approximately 5 percentage points to the decline. Logix sales declined 14 percent in the first nine months of 2009 compared to the first nine months of 2008. The decline in sales of our legacy processor products was greater than the segment s average rate of decline.

*Operating Margin*

Architecture & Software segment operating margin decreased by 10.3 points to 14.3 percent in the first nine months of 2009 compared to the first nine months of 2008. The decline was primarily due to a sharp decline in organic sales and restructuring charges, partially offset by cost reductions.

*Control Products & Solutions*

| (in millions, except percentages) | 2009 | 2008 | Change |
|---|---|---|---|
| Sales | $ 1,958.7 | $ 2,410.9 | $ (452.2) |
| Segment operating earnings | 164.0 | 313.0 | (149.0) |
| Segment operating margin | 8.4% | 13.0% | (4.6) pts |

*Sales*

Control Products & Solutions sales decreased 19 percent in the first nine months of 2009 compared to the first nine months of 2008. Organic sales decreased 13 percent as the effects of currency translation contributed 6 percentage points to the decrease. Declines in sales by our products businesses contributed primarily to this segment s year-over-year sales decline.

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**ROCKWELL AUTOMATION, INC.**

***Nine Months Ended June 30, 2009 Compared to Nine Months Ended June 30, 2008*** **(Continued)**

*Operating Margin*

Control Products & Solutions segment operating margin decreased by 4.6 points to 8.4 percent in the first nine months of 2009 compared to the first nine months of 2008. The decrease resulted primarily from lower volume, inflation, the unfavorable impact of currency exchange rates, unfavorable mix and restructuring charges, partially offset by cost reductions.

**Financial Condition**

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

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2009 | 2008 |
| Cash provided by (used for): | | |
| Operating activities | $ 408.6 | $ 352.3 |
| Investing activities | (107.1) | (174.9) |
| Financing activities | (271.1) | (36.4) |
| Effect of exchange rate changes on cash | (31.6) | 46.8 |
| Cash (used for) provided by continuing operations | $ (1.2) | $ 187.8 |

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

| | | |
|---|---|---|
| Cash provided by continuing operating activities | $ 408.6 | $ 352.3 |
| Capital expenditures of continuing operations | (67.5) | (102.8) |
| Tax payments related to gain on divestiture of Power Systems | | 7.7 |
| Excess income tax benefit from share-based compensation | 1.3 | 3.9 |
| Free cash flow | $ 342.4 | $ 261.1 |

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. We account for share-based compensation under SFAS 123(R), *Share-Based Payment*, which requires us to report the excess income tax benefit from share-based compensation 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.

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. Cash flows from the operating activities of our discontinued operations are reported in our statement of cash flows net of their separately calculated income tax effects. U.S. federal and state income taxes paid as a result of the gain on sale of the principal businesses of our former Power Systems operating segment have been classified within continuing operations consistent with the cash proceeds. These taxes paid in the nine months ended June 30, 2008 have been excluded from free cash flow to present free cash flow that is representative of the

performance of our continuing businesses.

Free cash flow was a source of $342.4 million for the nine months ended June 30, 2009 compared to a source of $261.1 million for the nine months ended June 30, 2008. This increase in free cash flow is primarily due to improvements in working capital, refunds related to a contractual tax matter and lower capital expenditures, partially offset by a decrease in current year earnings and payments related to restructuring actions.

In December 2007, we issued an aggregate of $500 million principal amount of our 5.65% notes due 2017 and 6.25% debentures due 2037. The debt offering yielded approximately $493.5 million of proceeds, which were used to repay at maturity our 6.15% notes due January 15, 2008 and for general corporate purposes.

Commercial paper is our principal source of short-term financing. At June 30, 2009, we had no commercial paper borrowings outstanding. At September 30, 2008, commercial paper borrowings outstanding were $100.0 million, with a weighted average interest rate of 2.25 percent.

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**ROCKWELL AUTOMATION, INC.**

**Financial Condition (Continued)**

We repurchased approximately 1.7 million shares of our common stock in the first nine months of 2009, all of which occurred in October 2008. The total cost of these shares was $50.0 million. This is compared to purchases of approximately 4.3 million shares at a cost of $251.7 million in the first nine months of 2008, of which 740,000 shares did not settle until July 2008. We also paid $3.5 million in the first nine months of 2009 and $7.5 million in the first nine months of 2008 for unsettled share purchases outstanding at September 30, 2008 and 2007, respectively. Our decision to repurchase additional stock in 2009 will depend on business conditions, stock price, free cash flow generation and other cash requirements. At June 30, 2009, we had approximately $621.2 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 repayments of short-term borrowings, dividends to shareowners, capital expenditures, acquisitions of businesses, repurchases of common stock and additional contributions to our pension plans. We expect capital expenditures in 2009 to be about $105 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.

We will determine the funded status of our pension plans as of September 30, 2009, when we adopt the measurement date provisions of SFAS 158. As a result of the declines in our pension plan asset values over the past year, our pension plans have become underfunded. The September 30, 2009 funded status will depend on a number of factors that are highly variable. Assuming discount rates consistent with our previous June 30, 2008 measurement date, we estimate the funded status of our pension plans to be a deficit of approximately $550 million at June 30, 2009. If this estimated deficit continues to exist at September 30, 2009, shareowners equity would be reduced, as we would record a corresponding increase in our accumulated other comprehensive loss, net of tax, of approximately $350 million. We do not expect this to affect our compliance with the covenants contained in our credit facilities. We currently expect to contribute approximately $31.2 million to our worldwide pension plans and $20.3 million to our postretirement benefit plans in 2009. Contributions to our pension plans beyond 2009 will depend on future investment performance of our pension plan assets, changes in discount rate assumptions and governmental regulations in effect at the time.

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. Our debt-to-total-capital ratio was 36.0 percent at June 30, 2009 and 37.3 percent at September 30, 2008.

On March 16, 2009 we replaced our former five-year $600.0 million unsecured revolving credit facility with two new unsecured revolving credit facilities totaling $535.0 million. Both new facilities have borrowing limits of $267.5 million each. One facility has a three-year term and the other facility has a 364-day term. Our 364-day credit facility includes a term-out option that allows us to borrow, on March 15, 2010, up to $267.5 million as a term loan for one year. We have not drawn down under any of these credit facilities at June 30, 2009 or September 30, 2008. Borrowings under these credit facilities bear interest based on short-term money market rates in effect during the period the borrowings are outstanding. The terms of these credit facilities contain covenants under which we would be in default if our debt-to-total-capital ratio was to exceed 60 percent. We were in compliance with all covenants under these credit facilities at June 30, 2009 and September 30, 2008. In addition to our two $267.5 million credit facilities, short-term unsecured credit facilities of approximately $164.2 million at June 30, 2009 were available to non-U.S. subsidiaries.

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**ROCKWELL AUTOMATION, INC.**

**Financial Condition (Continued)**

The following is a summary of our credit ratings as of June 30, 2009:

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

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

Our ability to access the commercial paper market, and the related costs of these borrowings, 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 had cash and cash equivalents of $580.5 million at June 30, 2009. We regularly monitor the third-party depository institutions that hold our cash and cash equivalents. Our emphasis is primarily on safety and liquidity of principal and secondarily on maximizing yield on those funds. We diversify our cash and cash equivalents among counterparties to minimize exposure to any one of these entities.

We enter into contracts to hedge certain third-party sales and intercompany transactions denominated in foreign currencies forecasted to occur within the next two years and to offset transaction gains or losses associated with some of our assets and liabilities that are denominated in currencies other than their functional currencies resulting from intercompany loans and other transactions with third parties denominated in foreign currencies. The fair value of our foreign currency forward exchange contracts is a net asset of $8.0 million at June 30, 2009. Our foreign currency forward exchange contracts are denominated in currencies of major industrial countries. We diversify our foreign currency forward exchange contracts among counterparties to minimize exposure to any one of these entities.

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.

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, 2008. We believe that at June 30, 2009, 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, 2008. We believe that at June 30, 2009, 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 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):

| | Three Months Ended June 30, 2009 | | | | | Three Months Ended June 30, 2008 |
|---|---|---|---|---|---|---|
| | Sales | Effect of Changes in Currency | Sales Excluding Changes in Currency | Effect of Acquisitions | Organic Sales | Sales |
| United States | $ 518.2 | $ 3.0 | $ 521.2 | $ (1.3) | $ 519.9 | $ 731.7 |
| Canada | 60.3 | 8.0 | 68.3 | (6.9) | 61.4 | 104.5 |
| Europe, Middle East and Africa | 219.3 | 32.2 | 251.5 | (0.5) | 251.0 | 338.4 |
| Asia-Pacific | 144.7 | 15.2 | 159.9 | (0.1) | 159.8 | 189.5 |
| Latin America | 68.3 | 14.8 | 83.1 | | 83.1 | 110.9 |
| Total Company Sales | $ 1,010.8 | $ 73.2 | $ 1,084.0 | $ (8.8) | $ 1,075.2 | $ 1,475.0 |

| | Nine Months Ended June 30, 2009 | | | | | Nine Months Ended June 30, 2008 |
|---|---|---|---|---|---|---|
| | Sales | Effect of Changes in Currency | Sales Excluding Changes in Currency | Effect of Acquisitions | Organic Sales | Sales |
| United States | $ 1,697.7 | $ 13.5 | $ 1,711.2 | $ (4.1) | $ 1,707.1 | $ 2,120.1 |
| Canada | 188.6 | 38.8 | 227.4 | (6.9) | 220.5 | 296.6 |
| | 712.5 | 102.3 | 814.8 | (3.9) | 810.9 | 980.8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Europe, Middle East and Africa | | | | | | |
| Asia-Pacific | 420.3 | 51.5 | 471.8 | (0.2) | 471.6 | 518.4 |
| Latin America | 239.0 | 51.2 | 290.2 | | 290.2 | 297.6 |
| Total Company Sales | $ 3,258.1 | $ 257.3 | $ 3,515.4 | $ (15.1) | $ 3,500.3 | $ 4,213.5 |

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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 Months Ended June 30, 2009 | | | | | Three Months Ended June 30, 2008 |
|---|---|---|---|---|---|---|
| | Sales | Effect of Changes in Currency | Sales Excluding Changes in Currency | Effect of Acquisitions | Organic Sales | Sales |
| Architecture & Software | $ 399.5 | $ 29.2 | $ 428.7 | $ (0.6) | $ 428.1 | $ 625.7 |
| Control Products & Solutions | 611.3 | 44.0 | 655.3 | (8.2) | 647.1 | 849.3 |
| Total Company Sales | $ 1,010.8 | $ 73.2 | $ 1,084.0 | $ (8.8) | $ 1,075.2 | $ 1,475.0 |

| | Nine Months Ended June 30, 2009 | | | | | Nine Months Ended June 30, 2008 |
|---|---|---|---|---|---|---|
| | Sales | Effect of Changes in Currency | Sales Excluding Changes in Currency | Effect of Acquisitions | Organic Sales | Sales |
| Architecture & Software | $ 1,299.4 | $ 101.4 | $ 1,400.8 | $ (6.9) | $ 1,393.9 | $ 1,802.6 |
| Control Products & Solutions | 1,958.7 | 155.9 | 2,114.6 | (8.2) | 2,106.4 | 2,410.9 |
| Total Company Sales | $ 3,258.1 | $ 257.3 | $ 3,515.4 | $ (15.1) | $ 3,500.3 | $ 4,213.5 |

**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, 2008. We believe that at June 30, 2009, there has been no material change to this information.

**Recent Accounting Pronouncements**

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

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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, 2008. We believe that at June 30, 2009, 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. In the third quarter of 2009, we deployed the distributor order management functionality of the system to additional distributors in the United States. 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 and in connection with the implementation of the new processes and functionality. Additional implementations will occur at most locations of our company over a multi-year period, with additional phases scheduled throughout fiscal 2009-2013.

There has been no other change in our internal control over financial reporting during the quarter ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1.** ***Legal Proceedings***

Information about 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, 2008 and has been updated by the information contained in Item 1, Legal Proceedings, of our Quarterly Reports on Form 10-Q for the quarters ended December 31, 2008 and March 31, 2009. We believe that at June 30, 2009, there has been no material change to this information, except with regard to the Civilian Board of Contract Appeals proceeding discussed in the fourth paragraph under the section entitled Rocky Flats Plant (which was updated in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2008), which is supplemented as follows: DOE has appealed the Board s previous ruling in that proceeding, and RIC has cross-appealed.

**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, 2008. We believe that at June 30, 2009 there has been no material change to this information.

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

*Share Repurchases*

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. We repurchased no shares under this program during the three months ended June 30, 2009. The dollar value of shares remaining under the repurchase program as of June 30, 2009 was $621,188,198.

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**ROCKWELL AUTOMATION, INC.**

**Item 6.** ***Exhibits***

(a) Exhibits:

| | |
|---|---|
| Exhibit 12 | Computation of Ratio of Earnings to Fixed Charges for the Nine Months Ended June 30, 2009. |
| 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. |

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**ROCKWELL AUTOMATION, INC.**
**SIGNATURES**

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

ROCKWELL AUTOMATION, INC.
(Registrant)

Date: August 4, 2009

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

Date: August 4, 2009

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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|---|---|
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| 101 | Interactive Data Files. |