ROCKWELL AUTOMATION INC
Form 10-K
November 09, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2018
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 2nd Street

Milwaukee, Wisconsin	53204
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
+1 (414) 382-2000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller Reporting Company
	Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of registrant's voting stock held by non-affiliates of registrant on March 29, 2018 was approximately $21.7 billion.

120,684,079 shares of registrant's Common Stock, par value $1 per share, were outstanding on October 31, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the Annual Meeting of Shareowners of registrant to be held on February 5, 2019 is incorporated by reference into Part III hereof.

Table of Contents

Table of Contents

PART I

FORWARD-LOOKING STATEMENTS

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

- macroeconomic factors, including global and regional business conditions, the availability and cost of capital, commodity prices, the cyclical nature of our customers' capital spending, sovereign debt concerns and currency exchange rates;
- laws, regulations and governmental policies affecting our activities in the countries where we do business, including those related to tariffs, taxation, and trade controls;
- the successful development of advanced technologies and demand for and market acceptance of new and existing hardware and software products;
- the availability and price of components and materials;
- the successful execution of our cost productivity initiatives;
- the availability, effectiveness and security of our information technology systems;
- competitive hardware and software products, solutions and services and pricing pressures, and our ability to provide high quality products, solutions and services;
- disruptions to our distribution channels or the failure of distributors to develop and maintain capabilities to sell our products;
- a disruption of our business due to natural disasters, pandemics, acts of war, strikes, terrorism, social unrest or other causes;
- our ability to manage and mitigate the risk related to security vulnerabilities and breaches of our products, solutions and services;
- intellectual property infringement claims by others and the ability to protect our intellectual property;
- the uncertainty of claims by taxing authorities in the various jurisdictions where we do business;
- our ability to attract, develop, and retain qualified personnel;
- the uncertainties of litigation, including liabilities related to the safety and security of the hardware and software products, solutions and services we sell;
- our ability to manage and mitigate the risks associated with our solutions and services businesses;
- the successful integration and management of acquired businesses and technologies;
- risks associated with our investment in common stock of PTC Inc., including the potential for volatility in our reported quarterly earnings associated with changes in the market value of such stock;
- our ability to manage costs related to employee retirement and health care benefits; and
- other risks and uncertainties, including but not limited to those detailed from time to time in our Securities and Exchange Commission (SEC) filings.

These forward-looking statements reflect our beliefs as of the date of filing this report. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. See Item 1A. Risk Factors for more information.

Item 1. Business

General

Rockwell Automation, Inc. ("Rockwell Automation" or the "Company"), a leader in industrial automation and information, makes its customers more productive and the world more sustainable. Our hardware and software products, solutions and services are designed to meet our customers' needs to reduce total cost of ownership, maximize asset utilization, improve time to market and reduce enterprise business risk.

The Company continues the business founded as the Allen-Bradley Company in 1903. The privately-owned Allen-Bradley Company was a leading North American manufacturer of industrial automation equipment when the former Rockwell International Corporation (RIC) purchased it in 1985.

The Company was incorporated in Delaware in connection with a tax-free reorganization completed on December 6, 1996, pursuant to which we divested our former aerospace and defense businesses (the A&D Business) to The Boeing Company (Boeing). In the

Table of Contents

reorganization, RIC contributed all of its businesses, other than the A&D Business, to the Company and distributed all capital stock of the Company to RIC's shareowners. Boeing then acquired RIC.

As used herein, the terms "we", "us", "our", "Rockwell Automation" or the "Company" include subsidiaries and predecessors unless the context indicates otherwise. Information included in this Annual Report on Form 10-K refers to our continuing businesses unless otherwise indicated.

Whenever an Item of this Annual Report on Form 10-K refers to information in our Proxy Statement for our Annual Meeting of Shareowners to be held on February 5, 2019 (the Proxy Statement), or to information under specific captions in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), or in Item 8. Financial Statements and Supplementary Data (the Financial Statements), the information is incorporated in that Item by reference. All date references to years and quarters refer to our fiscal year and quarters unless otherwise stated.

Operating Segments

We have two operating segments: Architecture & Software and Control Products & Solutions. Both operating segments share a common sales organization and supply chain and conduct business globally. Major markets served by both segments consist of consumer industries, including food and beverage, home and personal care and life sciences; transportation, including automotive and tire; and heavy industries, including oil and gas, mining, metals, and chemicals.

Geographic Information

We do business in more than 80 countries around the world. The largest sales outside the United States on a country-of-destination basis are in China, Canada, Mexico, Italy, the United Kingdom, Germany, and Brazil. See Item 1A. Risk Factors for a discussion of risks associated with our global operations.

Competition

Our competitors range from large diversified corporations that may also have business interests outside of industrial automation to smaller companies that offer a limited portfolio of industrial automation products, solutions and services. Factors that influence our competitive position include the breadth of our product portfolio and scope of solutions, technology differentiation, domain expertise, installed base, distribution network, quality of hardware and software products, solutions and services, global presence and price. Major competitors include Siemens AG, ABB Ltd, Schneider Electric SA, Emerson Electric Co., Mitsubishi Electric Corp. and Honeywell International Inc.

Distribution

In most countries, we sell primarily through independent distributors in conjunction with our direct sales force. In other countries, we sell through a combination of our direct sales force and to a lesser extent, through independent distributors. Approximately 75 percent of our global sales are through independent distributors. Sales to our largest distributor in 2018, 2017 and 2016 were approximately 10 percent of our total sales.

Employees

At September 30, 2018, we had approximately 23,000 employees. Approximately 8,600 were employed in the United States.

Raw Materials

We purchase a wide range of equipment, components, finished products and materials used in our business. The raw materials essential to the manufacture of our products generally are available at competitive prices. We have a broad base of suppliers and subcontractors. We depend upon the ability of our suppliers and subcontractors to meet performance and quality specifications and delivery schedules. See Item 1A. Risk Factors for a discussion of risks associated with our reliance on third party suppliers.

Table of Contents

Backlog

Our total order backlog consists of (in millions):

	September 30,	
	2018	2017
Architecture & Software	$215.7	$205.1
Control Products & Solutions	1,196.3	1,091.6
	$1,412.0	$1,296.7

Backlog is not necessarily indicative of results of operations for future periods due to the short-cycle nature of most of our sales activities. Backlog orders scheduled beyond 2019 were approximately $232 million as of September 30, 2018.

Environmental Protection Requirements

Information about the effect of compliance with environmental protection requirements and resolution of environmental claims is contained in Note 15 in the Financial Statements. See Item 1A. Risk Factors for a discussion of risks associated with liabilities and costs related to environmental remediation.

Patents, Licenses and Trademarks

We own or license numerous patents and patent applications related to our hardware and software products and operations. While in the aggregate our patents and licenses are important in the operation of our business, we do not believe that loss or termination of any one of them would materially affect our business or financial condition. Various claims of patent infringement and requests for patent indemnification have been made to us. We believe that none of these claims or requests will have a material adverse effect on our financial condition. See Item 1A. Risk Factors for a discussion of risks associated with our intellectual property.

The Company’s name and its registered trademark “Rockwell Automation®” and other trademarks such as “Allen-Bradley®”, “A-B®” and “PlantPAx® Process Automation System™” are important to both of our business segments. In addition, we own other important trademarks that we use, such as “PowerFlex®” for our AC drives, and “Rockwell Software®” and “FactoryTalk®” for our software offerings.

Seasonality

Our business segments are not subject to significant seasonality. However, the calendarization of our results can vary and may be affected by the seasonal spending patterns of our customers due to their annual budgeting processes and their working schedules.

Available Information

We maintain a website at https://www.rockwellautomation.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act), as well as our annual reports to shareowners and Section 16 reports on Forms 3, 4 and 5, are available free of charge on this site through the “Investors” link as soon as reasonably practicable after we file or furnish these reports with the SEC. All reports we file with the SEC are also available free of charge via EDGAR through the SEC’s website at https://www.sec.gov. Our Guidelines on Corporate Governance and charters for our Board committees are also available on our website. The information contained on and linked from our website is not incorporated by reference into this Annual Report on Form 10-K.

Table of Contents

Item 1A. Risk Factors

In the ordinary course of our business, we face various strategic, operating, compliance and financial risks. These risks could have an impact on our business, financial condition, operating results and cash flows. Our most significant risks are set forth below and elsewhere in this Annual Report on Form 10-K.

Our Enterprise Risk Management (ERM) process seeks to identify and address significant risks. Our ERM process assesses, manages, and monitors risks consistent with the integrated risk framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We believe that risk-taking is an inherent aspect of the pursuit of our strategy. Our goal is to manage risks prudently rather than avoid risks. We can mitigate risks and their impact on the Company only to a limited extent.

A team of senior executives prioritizes identified risks and assigns an executive to address each major identified risk area and lead action plans to manage risks. Our Board of Directors provides oversight of the ERM process and reviews significant identified risks. The Audit Committee of the Board of Directors also reviews significant financial risk exposures and the steps management has taken to monitor and manage them. Our other Board committees also play a role in risk management, as set forth in their respective charters.

Our goal is to proactively manage risks in a structured approach in conjunction with strategic planning, with the intent to preserve and enhance shareowner value. However, the risks set forth below and elsewhere in this Annual Report on Form 10-K and other risks and uncertainties could adversely affect us and cause our results to vary materially from recent results or from our anticipated future results.

Adverse changes in business or industry conditions and volatility and disruption of the capital and credit markets may result in decreases in our sales and profitability.

We are subject to macroeconomic cycles and when recessions occur, we may experience reduced, canceled or delayed orders, payment delays or defaults, supply chain disruptions or other factors as a result of the economic challenges faced by our customers, prospective customers and suppliers.

Demand for our hardware and software products is sensitive to changes in levels of industrial production and the financial performance of major industries that we serve. As economic activity slows, credit markets tighten, or sovereign debt concerns arise, companies tend to reduce their levels of capital spending, which could result in decreased demand for our products.

Our ability to access the credit markets and the costs of borrowing are affected by the strength of our credit rating and current market conditions. If our access to credit, including the commercial paper market, is adversely affected by a change in market conditions or otherwise, our cost of borrowings may increase or our ability to fund operations may be reduced.

We sell to customers around the world and are subject to the risks of doing business in many countries.

We do business in more than 80 countries around the world. Approximately 45 percent of our sales in 2018 were to customers outside the U.S. In addition, many of our manufacturing operations, suppliers and employees are located in many places around the world. The future success of our business depends in large part on growth in our sales in non-U.S. markets. Our global operations are subject to numerous financial, legal and operating risks, such as political and economic instability; prevalence of corruption in certain countries; enforcement of contract and intellectual property rights; and compliance with existing and future laws, regulations and policies, including those related to exports, imports, tariffs, embargoes and other trade restrictions, investments, taxation, product content and performance, employment and repatriation of earnings. In addition, we are affected by changes in foreign currency exchange rates, inflation rates and interest rates. The occurrence or consequences of these risks may make it more difficult to operate our business and increase our costs, which could decrease our profitability and have an adverse effect on our financial condition.

An inability to respond to changes in customer preferences could result in decreased demand for our products.

Our success depends in part on our ability to anticipate and offer hardware and software products that appeal to the changing needs and preferences of our customers in the various markets we serve. Developing new hardware and software products requires high levels of innovation, and the development process is often lengthy and costly. If we are not able to anticipate, identify, develop and market products that respond to changes in customer preferences and emerging technological and broader industry trends, demand for our products could decline.

Table of Contents

We rely on suppliers to provide equipment, components and services.

Our business requires that we buy equipment, components and services including finished products, electronic components and commodities. Our reliance on suppliers involves certain risks, including:

- poor quality or an insecure supply chain, which could adversely affect the reliability and reputation of our hardware and software products;
- changes in the cost of these purchases due to inflation, exchange rate fluctuations, taxes, tariffs, embargoes and other trade restrictions, commodity market volatility or other factors that affect our suppliers;
- intellectual property risks such as challenges to ownership of rights or alleged infringement by suppliers; and
- shortages of components, commodities or other materials, which could adversely affect our manufacturing efficiencies and ability to make timely delivery of our products, solutions and services.

Any of these uncertainties could adversely affect our profitability and ability to compete. We also maintain several single-source supplier relationships, because either alternative sources are not available or the relationship is advantageous due to performance, quality, support, delivery, capacity, or price considerations. Unavailability of, or delivery delays for single-source components or products could adversely affect our ability to ship the related products in a timely manner. The effect of unavailability or delivery delays would be more severe if associated with our higher volume and more profitable products. Even where substitute sources of supply are available, qualifying alternative suppliers and establishing reliable supplies could cost more or result in delays and a loss of sales.

Failures or security breaches of our products, connected services, manufacturing environment, supply chain, or information technology systems could have an adverse effect on our business.

We rely heavily on information technology (IT) in our hardware and software products, solutions and services for customers, manufacturing environment, and in our enterprise IT infrastructure. Despite the implementation of security measures, our IT systems are vulnerable to unauthorized access by nation states, hackers, cyber-criminals, malicious insiders, and other actors who may engage in fraud, theft of confidential or proprietary information, or sabotage. These systems could be compromised by malware (including ransomware), cyber attacks, and other events, ranging from widespread, non-targeted, global cyber threats to targeted advanced persistent threats. Given that our hardware and software products and services are used in critical infrastructure, these threats could indicate increased risk for our products, services, manufacturing, and IT infrastructure. Recent global cyber attacks have been perpetuated by compromising software updates in widely-used software products, increasing the risk that vulnerabilities or malicious content could be inserted into our products. In some cases, malware attacks were spread throughout the supply chain, moving from one company to the next via authorized network connections.

Our hardware and software products, solutions, and services are used by our direct and indirect customers in applications that may be subject to information theft, tampering, or sabotage. Careless or malicious actors could cause a customer’s process to be disrupted or could cause equipment to operate in an improper manner that could result in harm to people or property. While we continue to improve the security attributes of our hardware and software products, solutions and services, we can reduce risk, not eliminate it. To a significant extent, the security of our customers’ systems depends on how those systems are designed, installed, protected, configured, updated and monitored, much of which are typically outside our control.

Our business uses IT resources on a dispersed, global basis for a wide variety of functions including development, engineering, manufacturing, sales, accounting, and human resources. Our vendors, partners, employees and customers have access to, and share, information across multiple locations via various digital technologies. In addition, we rely on partners and vendors for a wide range of outsourced activities, including cloud providers, are part of our internal IT infrastructure and our commercial offerings. Secure connectivity is important to these ongoing operations. Also, our partners and vendors frequently have access to our confidential information as well as confidential information about our customers, employees, and others. We design our security architecture to reduce the risk that a compromise of our partners’ infrastructure, for example a cloud platform, could lead to a compromise of our internal systems or customer networks, but this risk cannot be eliminated and vulnerabilities at third parties could result in unknown risk exposure to our business.

The current cyber threat environment indicates increased risk for all companies, including those in industrial automation and information. Like other global companies, we have experienced cyber threats and incidents, although none have been material or had a material adverse effect on our business or financial condition. Our information security efforts, under the leadership of our Chief Information Security Officer and Chief Product Security Officer, with the support of the entire management team, include major programs designed to address security governance, product security, identification and protection of critical assets, insider risk, third-party risk, and cyber defense operations. We believe these measures reduce, but cannot eliminate, the risk of an information security incident. Any significant security incidents could have an adverse impact on sales, harm our reputation and cause us to incur legal liability and increased costs to address such events and related security concerns.

There are inherent risks in our solutions and services businesses.

Risks inherent in the sale of solutions and services include assuming greater responsibility for successfully delivering projects that meet a particular customer specification, including defining and controlling contract scope, efficiently executing projects, and managing the performance and quality of our subcontractors and suppliers. If we are unable to manage and mitigate these risks, we could incur cost overruns, liabilities and other losses that would adversely affect our results of operations.

New legislative and regulatory actions could adversely affect our business.

Legislative and regulatory action may be taken in the various countries and other jurisdictions where we operate that may affect our business activities in these countries or may otherwise increase our costs to do business. For example, we are increasingly required to comply with various environmental and other material, product, certification and labeling laws and regulations. Our customers may also be required to comply with such legislative and regulatory requirements. These requirements could increase our costs and could potentially have an adverse effect on our ability to do business in certain jurisdictions. Changes in these requirements could impact demand for our hardware and software products, solutions and services. Compliance with increasing privacy regulation, such as the European Union's General Data Protection Regulation (GDPR), could increase our operating costs as part of our efforts to protect and safeguard our sensitive data and personal information. Failure to maintain information privacy could result in legal liability or reputational harm.

Our industry is highly competitive.

We face strong competition in all of our market segments in several significant respects. We compete based on breadth and scope of our hardware and software product portfolio and solution and service offerings, technology differentiation, the domain expertise of our employees and partners, product performance, quality of our hardware and software products, solutions and services, knowledge of integrated systems and applications that address our customers’ business challenges, pricing, delivery and customer service. The relative importance of these factors differs across the geographic markets and product areas that we serve and across our market segments. We seek to maintain acceptable pricing levels across and within geographic markets by continually developing advanced technologies for new hardware and software products and product enhancements and offering complete solutions for our customers’ business problems. In addition, we continue to drive productivity to reduce our cost structure. If we fail to achieve our objectives, to keep pace with technological changes, or to provide high quality hardware and software products, solutions and services, we may lose business or experience price erosion and correspondingly lower sales and margins. We expect the level of competition to remain high in the future, which could limit our ability to maintain or increase our market share or profitability.

We rely on our distribution channel for a substantial portion of our sales.

In the United States and Canada, a large percentage of our sales are through distributors. In certain other countries, the majority of our sales are also through a limited number of distributors. We depend on the capabilities and competencies of our distributors to sell our hardware and software products and services and deliver value to our customers. Disruptions to our existing distribution channel or the failure of distributors to maintain and develop the appropriate capabilities to sell our hardware and software products and services could adversely affect our sales. A disruption could result from the sale of a distributor to a competitor, financial instability of a distributor or other events.

We face the potential harms of natural disasters, pandemics, acts of war, terrorism, international conflicts or other disruptions to our operations.

Our business depends on the movement of people and goods around the world. Natural disasters, pandemics, acts or threats of war or terrorism, international conflicts, power outages, fires, explosions, equipment failures, sabotage, political instability and the actions taken by governments could cause damage to or disrupt our business operations, our suppliers or our customers, and could create economic instability. Disruptions to our IT infrastructure from system failures, shutdowns, power outages, telecommunication or utility failures, and other events, including disruptions at third party IT and other service providers, could also interfere with or disrupt our operations. Although it is not possible to predict such events or their consequences, these events could decrease demand for our hardware and software products, solutions or services, increase our costs, or make it difficult or impossible for us to deliver products, solutions or services.

Intellectual property infringement claims of others and the inability to protect our intellectual property rights could harm our business and our customers.

Others may assert intellectual property infringement claims against us or our customers. We frequently provide a limited intellectual property indemnity in connection with our terms and conditions of sale to our customers and in other types of contracts with third parties. Indemnification payments and legal expenses to defend claims could be costly.

In addition, we own the rights to many patents, trademarks, brand names and trade names that are important to our business. The inability to enforce our intellectual property rights may have an adverse effect on our results of operations. Expenses related to enforcing our intellectual property rights could be significant.

Claims from taxing authorities could have an adverse effect on our income tax expense and financial condition.

We conduct business in many countries, which requires us to interpret and comply with the income tax laws and rulings in each of those taxing jurisdictions. Due to the ambiguity of tax laws among those jurisdictions as well as the uncertainty of how underlying facts may be construed, our estimates of income tax liabilities may differ from actual payments or assessments. We must successfully defend any claims from taxing authorities to avoid an adverse effect on our operating results and financial condition.

Our business success depends on attracting, developing, and retaining highly qualified personnel.

Our success depends in part on the efforts and abilities of our management team and key employees. Their skills, experience and industry knowledge significantly benefit our operations and performance. Difficulty attracting, developing, and retaining members of our management team and key employees, including employees with the necessary technological expertise, could have a negative effect on our business, operating results and financial condition.

Potential liabilities and costs from litigation (including asbestos claims and environmental remediation) could reduce our profitability.

Various lawsuits, claims and proceedings have been or may be asserted against us relating to the conduct of our business, including those pertaining to the safety and security of the hardware and software products, solutions and services we sell, employment, contract matters, and environmental remediation.

We have been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos that was used in certain of our products many years ago. Our products may also be used in hazardous industrial activities, which could result in product liability claims. The uncertainties of litigation (including asbestos claims) and the uncertainties related to the collection of insurance proceeds make it difficult to predict the ultimate resolution.

Our operations are subject to various environmental regulations that are concerned with human health, the limitation and control of emissions and discharges into the air, ground, and water, the quality of air and bodies of water, and the handling, use and disposal of specified substances. Our financial responsibility to clean up contaminated property or for natural resource damages may extend to previously owned or used properties, waterways and properties owned by unrelated companies or individuals, as well as properties that we currently own and use, regardless of whether the contamination is attributable to prior owners. We have been named as a potentially responsible party at cleanup sites and may be so named in the future, and the costs associated with these current and future sites may be significant.

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 for satisfying those liabilities if the divested business is unable to do so.

Failure to identify, manage, complete, and integrate acquisitions and technology investments may adversely affect our business.

As part of our strategy, we may pursue acquisitions of or investment opportunities in businesses as well as the purchase of technology from third parties. In order to be successful with these transactions, we must identify attractive acquisition or investment opportunities, successfully complete the transaction, and manage post-closing matters, such as integration of the acquired business or technology. We may not be able to identify or complete beneficial acquisition or transaction opportunities given the intense competition for them. Even if we successfully identify and complete such transactions, we may not be able to successfully address risks and uncertainties inherent in such transactions, including:

- difficulties in integrating the purchased operations, technologies, products or services, retaining the acquired business' customers and achieving the expected benefits of the acquisition, such as sales increases, access to technologies, cost savings and increases in geographic or product presence, in the desired time frames;
- loss of key employees of the acquired business;
- legal and compliance issues;
- difficulties implementing and maintaining consistent standards, controls, procedures, policies and information systems; and
- diversion of management's attention from other business concerns.

Future acquisitions and technology investments could result in debt, dilution, liabilities, increased interest expense, restructuring charges, and impairment and amortization expenses related to intangible assets.

We own common stock in PTC Inc. and are exposed to the volatility, liquidity and other risks inherent in holding that stock.

We own common stock of PTC Inc. (PTC), a Nasdaq-listed company, that we acquired for an aggregate purchase price of approximately $1.0 billion. We present this investment on our Consolidated Balance Sheet at its fair value at the end of each reporting period, less a valuation adjustment pending registration of our shares of PTC common stock (Shares) under the Securities Act of 1933, as amended, which, per a registration rights agreement entered into with PTC, must occur no later than July 19, 2019. The fair value of the Shares is subject to fluctuation in the future due to the volatility of the stock market, changes in general economic conditions, and the performance of PTC. We will recognize all changes in the fair value of the Shares (whether realized or unrealized) as gains or losses in our Consolidated Statement of Operations. Accordingly, changes in the fair value of the Shares can materially impact the earnings we report, which introduces volatility in our earnings that is not associated with the results of our business operations. In particular, significant declines in the fair value of the Shares would produce significant declines in our reported earnings.

While there is an established trading market for shares of PTC common stock, there are limitations on our ability to dispose of some or all of the Shares should we wish to reduce our investment. Until approximately July 19, 2021, we are subject to contractual restrictions on our ability to transfer the Shares, subject to certain exceptions. In addition, we are subject to certain restrictions on our ability to transfer the Shares under the securities laws. Further, the reported value of our Shares does not necessarily reflect their lowest current market price. If we were forced to sell some or all the Shares in the market, there can be no assurance that we will be able to sell them at prices equivalent to the value of the Shares that we have reported on our Consolidated Balance Sheet, and we may be forced to sell them at significantly lower prices.

Finally, our equity position in PTC is a minority position which exposes us to further risk as we are not able to exert control over PTC.

Increasing employee benefit costs could have a negative effect on our operating results and financial condition.

One important aspect of attracting and retaining qualified personnel is continuing to offer competitive employee retirement and health care benefits. The expenses we record for our pension and other postretirement benefit plans depend on factors such as changes in market interest rates, the value of plan assets, mortality assumptions and healthcare trend rates. Significant unfavorable changes in these factors would increase our expenses. Expenses related to employer-funded healthcare benefits depend on laws and regulations, which could change, as well as healthcare cost inflation. An inability to control costs related to employee and retiree benefits could negatively impact our operating results and financial condition.

Table of Contents

Item 1B. Unresolved Staff Comments
None.

Item 2. Properties
We operate manufacturing facilities in the United States and multiple other countries. Manufacturing space occupied approximately 3.3 million square feet, of which 36 percent was in the United States and Canada. Our global headquarters are located in Milwaukee, Wisconsin in a facility that we own. We lease the remaining facilities noted below. Most of our facilities are shared by operations in both segments and may be used for multiple purposes such as administrative, manufacturing, warehousing and / or distribution.
The following table sets forth information regarding our headquarter locations as of September 30, 2018:

Location	Segment/Region
Milwaukee, Wisconsin, United States	Global Headquarters and Control Products & Solutions
Mayfield Heights, Ohio, United States	Architecture & Software
Cambridge, Canada	Canada
Capelle, Netherlands / Diegem, Belgium	Europe, Middle East and Africa
Hong Kong	Asia Pacific
Weston, Florida, United States	Latin America

The following table sets forth information regarding the manufacturing square footage of our principal locations as of September 30, 2018:

Location	Manufacturing Square Footage
Monterrey, Mexico	630,000
Aarau, Switzerland	284,000
Twinsburg, Ohio, United States	257,000
Mequon, Wisconsin, United States	240,000
Tecate, Mexico	221,000
Cambridge, Canada	216,000
Shanghai, China	176,000
Richland Center, Wisconsin, United States	166,000
Harbin, China	162,000
Katowice, Poland	138,000
Ladysmith, Wisconsin, United States	130,000
Jundiai, Brazil	115,000
Singapore	74,000

There are no major encumbrances (other than financing arrangements, which in the aggregate are not significant) on any of our plants or equipment. In our opinion, our properties have been well maintained, are in sound operating condition and contain all equipment and facilities necessary to operate at present levels.

Table of Contents

Item 3. Legal Proceedings

The information required by this Item is contained in Note 15 in the Financial Statements within the section entitled Other Matters.

Item 4. Mine Safety Disclosures

Not applicable.

Item 4A. Executive Officers of the Company

The name, age, office and position held with the Company and principal occupations and employment during the past five years of each of the executive officers of the Company as of November 1, 2018 are:

Name, Office and Position, and Principal Occupations and Employment	Age
Blake D. Moret — Chairman of the Board since January 1, 2018, and President and Chief Executive Officer since July 1, 2016; previously Senior Vice President	55
Sujeet Chand — Senior Vice President and Chief Technology Officer	60
Theodore D. Crandall — Senior Vice President since February 7, 2017; previously Senior Vice President and Chief Financial Officer	63
David M. Dorgan — Vice President and Controller	54
Steven W. Etzel — Vice President and Treasurer	58
Elik I. Fooks — Senior Vice President since March 16, 2017; previously Vice President and General Manager, Sensing, Safety, and Connectivity Business	67
Patrick P. Goris — Senior Vice President and Chief Financial Officer since February 7, 2017; previously Vice President, Finance, Architecture and Software and (from 2013-2015) Operations and Engineering Services, and (from July 2015) Vice President, Investor Relations	47
Rebecca W. House — Senior Vice President, General Counsel and Secretary since January 3, 2017; previously Assistant General Counsel, Operations and Compliance, and Assistant Secretary at Harley-Davidson, Inc. (motorcycle manufacturer)	45
Frank C. Kulaszewicz — Senior Vice President	54
Michael Laszkiewicz — Senior Vice President, Operations and Engineering Services since July 2, 2018; previously Vice President and General Manager, Power Control Business	58
John P. McDermott — Senior Vice President	60
John M. Miller — Vice President and Chief Intellectual Property Counsel	51
Robert B. Murphy — Senior Vice President, Connected Enterprise Consulting since July 2, 2018; previously Senior Vice President, Operations and Engineering Services (from May 2016 - July 2018) and Vice President, Manufacturing Operations	59
Christopher Nardecchia — Senior Vice President and Chief Information Officer since November 1, 2017; previously Vice President and Chief Information Officer, Global Operations and Supply Chain, Amgen, Inc. (biopharmaceutical company)	56
Francis S. Wlodarczyk — Senior Vice President since July 2, 2018; previously Vice President, Control and Visualization Business (from 2014 - 2018) and Director, Product Businesses, EMEA	53

There are no family relationships, as defined by applicable SEC rules, between any of the above executive officers and any other executive officer or director of the Company. No officer of the Company was selected pursuant to any arrangement or understanding between the officer and any person other than the Company. All executive officers are elected annually.

11

Table of Contents

PART II

Item 5. Market for the Company’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock, $1 par value, is listed on the New York Stock Exchange and trades under the symbol “ROK.” On October 31, 2018, there were 16,162 shareowners of record of our common stock.

Company Purchases

The table below sets forth information with respect to purchases made by or on behalf of us of shares of our common stock during the three months ended September 30, 2018:

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share[2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approx. Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[3]
July 1 – 31, 2018	613,830	$ 172.62	613,830	$ 398,070,077
August 1 – 31, 2018	781,516	175.85	780,961	260,734,522
September 1 – 30, 2018	807,276	188.69	807,276	1,108,405,220
Total	2,202,622	179.66	2,202,067	

(1) All of the shares purchased during the quarter ended September 30, 2018 were acquired pursuant to the repurchase programs described in (3) below, except for 555 shares that were acquired in August in connection with stock swap exercises of employee stock options.

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

(3) On January 15, 2018, the Board of Directors authorized us to expend $1.0 billion to repurchase shares of our common stock. On September 6, 2018, the Board of Directors authorized us to expend an additional $1.0 billion to repurchase shares of our common stock. Our repurchase programs allow us to repurchase shares at management's discretion or at our broker’s discretion pursuant to a share repurchase plan subject to price and volume parameters.

Table of Contents

Performance Graph

The following information is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, as amended (Exchange Act) or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing.

The following line graph compares the cumulative total shareowner return on our Common Stock against the cumulative total return of the S&P Composite-500 Stock Index and the S&P Electrical Components & Equipment (S&P Electrical C&E) Index for the period of five fiscal years from October 1, 2013 to September 30, 2018, assuming in each case a fixed investment of $100 at the respective closing prices on September 30, 2013 and reinvestment of all dividends.

The cumulative total returns on Rockwell Automation Common Stock and each index as of each September 30, 2013 through 2018 plotted in the above graph are as follows:

	2013	2014	2015	2016	2017	2018
Rockwell Automation*	$100.00	$104.76	$99.00	$122.54	$182.04	$195.23
S&P 500 Index	100.00	119.73	119.00	137.36	162.92	192.10
S&P Electrical Components & Equipment	100.00	99.35	82.47	102.01	122.54	141.96
Cash dividends per common share	1.98	2.32	2.60	2.90	3.04	3.51

* Includes the reinvestment of all dividends in our Common Stock.

Table of Contents

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data of our continuing operations. The data should be read in conjunction with MD&A and the Financial Statements. The selected financial data below has been derived from our audited consolidated financial statements.

	Year Ended September 30,				
	2018	2017	2016	2015	2014
	(in millions, except per share data)				
Consolidated Statement of Operations Data:					
Sales	$6,666.0	$6,311.3	$5,879.5	$6,307.9	$6,623.5
Interest expense	73.0	76.2	71.3	63.7	59.3
Net income(1)	535.5	825.7	729.7	827.6	826.8
Earnings per share:					
Basic	4.27	6.42	5.60	6.15	5.98
Diluted	4.21	6.35	5.56	6.09	5.91
Cash dividends per share	3.51	3.04	2.90	2.60	2.32
Consolidated Balance Sheet Data:					
(at end of period)					
Total assets	$6,262.0	$7,161.7	$7,101.2	$6,404.7	$6,224.3
Short-term debt and current portion of long-term debt	551.0	600.4	448.6	—	325.0
Long-term debt	1,225.2	1,243.4	1,516.3	1,500.9	900.4
Shareowners' equity	1,617.5	2,663.6	1,990.1	2,256.8	2,658.1
Other Data:					
Capital expenditures	$125.5	$141.7	$116.9	$122.9	$141.0
Depreciation	136.4	138.7	143.3	133.1	122.5
Intangible asset amortization	28.2	30.2	28.9	29.4	30.0

(1) During the fourth quarter of fiscal 2017, we sold a product distribution business within our Control Products & Solutions segment. This business held no intellectual property and included products sold outside of our core channel and under different brands. We sold this business for approximately $94 million and recorded a pre-tax gain of $60.8 million, which is included within Other income (expense) in the Consolidated Statement of Operations. During fiscal 2018, we recorded a gain of $90 million due to a change in fair value of our investment in PTC, which is included within Other income (expense) in the Consolidated Statement of Operations. During fiscal 2018, we recorded charges of $538.3 million associated with the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). Refer to Notes 8 and 14 in the Condensed Consolidated Financial Statements for further information regarding our investment in PTC and the effect of the Tax Act, respectively on our financial condition and results of operations.

Table of Contents

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Non-GAAP Measures

The following discussion includes organic sales, total segment operating earnings and margin, Adjusted Income, Adjusted EPS, Adjusted Effective Tax Rate and free cash flow, which are non-GAAP measures. See Supplemental Sales Information for a reconciliation of reported sales to organic sales and a discussion of why we believe this non-GAAP measure is useful to investors. See Results of Operations for a reconciliation of income before income taxes to total segment operating earnings and margin and a discussion of why we believe these non-GAAP measures are useful to investors. See Results of Operations for a reconciliation of income from continuing operations, diluted EPS from continuing operations and effective tax rate to Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate, respectively, and a discussion of why we believe these non-GAAP measures are useful to investors. See Financial Condition for a reconciliation of cash flows from operating activities to free cash flow and a discussion of why we believe this non-GAAP measure is useful to investors.

Overview

Rockwell Automation, Inc., a leader in industrial automation and information, makes its customers more productive and the world more sustainable. Overall demand for our hardware and software products, solutions and services is driven by:

- investments in manufacturing, including upgrades, modifications and expansions of existing facilities or production lines and new facilities or production lines;
- investments in basic materials production capacity, which may be related to commodity pricing levels;
- our customers’ needs for faster time to market, lower total cost of ownership, improved asset utilization and optimization, and enterprise risk management;
- our customers’ needs to continuously improve quality, safety and sustainability;
- industry factors that include our customers’ new product introductions, demand for our customers’ products or services and the regulatory and competitive environments in which our customers operate;
- levels of global industrial production and capacity utilization;
- regional factors that include local political, social, regulatory and economic circumstances; and
- the spending patterns of our customers due to their annual budgeting processes and their working schedules.

Long-term Strategy

Our strategy is to bring The Connected Enterprise to life. We integrate control and information across the enterprise to help industrial companies and their people be more productive. Our vision of being the most valued global provider of innovative industrial automation and information hardware and software products, solutions and services is supported by our growth and performance strategy, which seeks to:

- achieve organic sales growth in excess of the automation market by expanding our served market and strengthening our competitive differentiation;
- diversify our sales streams by broadening our portfolio of hardware and software products, solutions and services, expanding our global presence and serving a wider range of industries and applications;
- grow market share by gaining new customers and by capturing a larger share of existing customers’ spending;
- enhance our market access by building our channel capability and partner network;
- acquire companies that serve as catalysts to organic growth by adding complementary technology, expanding our served market, or enhancing our domain expertise or market access;
- deploy human and financial resources to strengthen our technology leadership and our intellectual capital business model;
- continuously improve quality and customer experience; and
- drive annual cost productivity.

By implementing the above strategy, we seek to achieve our long-term financial goals, including above-market organic sales growth, EPS growth above sales growth, return on invested capital in excess of 20 percent and free cash flow equal to about 100 percent of Adjusted Income. We expect acquisitions to add a percentage point or more per year to long-term sales growth.

Table of Contents

Our customers face the challenge of remaining globally cost competitive and automation can help them achieve their productivity and sustainability objectives. Our value proposition is to help our customers reduce time to market, lower total cost of ownership, improve asset utilization and manage enterprise risks.

Differentiation through Technology Innovation and Domain Expertise

We seek a technology leadership position in industrial automation. We believe that our three platforms - integrated architecture, intelligent motor control and solutions and services - provide the foundation for a long-term sustainable competitive advantage.

Our integrated control and information architecture, with Logix at its core, is an important differentiator. We are the only automation provider that can support discrete, process, batch, safety, motion and power control on the same hardware platform with the same software programming environment. Our integrated architecture is scalable with standard open communications protocols making it easier for customers to implement it more cost effectively. Our software portfolio, combined with the software made available as a result of our strategic alliance with PTC, is the most comprehensive and flexible information platform in the industry. Through the combination of this technology and our domain expertise we help customers to achieve additional productivity benefits, such as reduced unplanned downtime, improved energy efficiency, higher quality and increased throughput yield.

Intelligent motor control is one of our core competencies and an important aspect of an automation system. These products and solutions enhance the availability, efficiency and safe operation of our customers' critical and most energy-intensive plant assets. Our intelligent motor control offering can be integrated seamlessly with the Logix architecture.

Domain expertise refers to the industry and application knowledge required to deliver solutions and services that support customers through the entire life cycle of their automation investment. The combination of industry-specific domain expertise of our people with our innovative technologies enables us to help our customers solve their manufacturing and business challenges.

Global Expansion

As the manufacturing world continues to expand, we must be able to meet our customers' needs around the world. Approximately 60 percent of our employees and 45 percent of our sales are outside the U.S. We continue to expand our footprint in emerging markets.

As we expand in markets with considerable growth potential and shift our global footprint, we expect to continue to broaden the portfolio of hardware and software products, solutions and services that we provide to our customers in these regions. We have made significant investments to globalize our manufacturing, product development 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, Central and Eastern Europe and Africa are projected to be the fastest growing over the long term, due to higher levels of infrastructure investment and the growing middle-class population. 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.

Enhanced Market Access

Over the past decade, our investments in technology and globalization have enabled us to expand our addressed market to over $90 billion. Our process initiative has been the most important contributor to this expansion and remains our largest growth opportunity. Logix is the technology foundation that enabled us to become an industry leader for process applications. We complement that with a growing global network of engineers and partners to provide solutions to process customers.

Original Equipment Manufacturers (OEMs) represent another area of addressed market expansion and an important growth opportunity. To remain competitive, OEMs need to find the optimal balance of machine cost and performance while reducing their time to market. Our scalable integrated architecture and intelligent motor control offerings, along with design productivity tools and our motion and safety products, can assist OEMs in addressing these business needs.

We have developed a powerful network of channel partners, technology partners and commercial partners that act as amplifiers to our internal capabilities and enable us to serve our customers' needs around the world.

Table of Contents

Broad Range of Industries Served

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 products, heavy industries and transportation.

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

We serve customers in heavy industries, including oil and gas, mining, aggregates, cement, metals, energy, semiconductor, chemicals, pulp and paper and water/wastewater. Companies in resource-based industries typically invest in capacity expansion when commodity prices are relatively high and global demand for basic materials is increasing. In addition, there is ongoing investment in upgrades of aging automation systems and productivity.

In the transportation industry, factors such as geographic expansion, investment in new model introductions, including electric vehicles, and more flexible manufacturing technologies influence customers' automation investment decisions. Our sales in transportation are primarily to automotive and tire manufacturers.

All of these industries also generate maintenance repair order (MRO) and ongoing services revenue related to the installed base.

Outsourcing and Sustainability Trends

Demand for our hardware and software products, solutions and services 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.

We help our customers meet their sustainability needs pertaining to energy efficiency, environmental and safety goals. Customers across all industries are investing in more energy-efficient manufacturing processes and technologies, such as intelligent motor control, 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.

Acquisitions and Investments

Our acquisition and investment strategy focuses on hardware and software products, solutions and services that will be catalytic to the organic growth of our core offerings.

In 2018, we made several investments, including in PTC. PTC is the leader in the Industrial Internet of Things and augmented reality. Our investment in and alliance with PTC will accelerate growth for both companies and enable us to be the partner of choice for customers around the world who want to transform their physical operations with digital technology. The result will be an unmatched integrated information solution that will enable customers to achieve increased productivity, heightened plant efficiency, reduced operational risk and better system interoperability.

In November 2017, we acquired Odos Imaging Limited, a Scottish technology company that provides three-dimensional, time-of-flight sensing systems for industrial imaging applications. This acquisition enables us to expand our existing capabilities by bringing 3-D time-of-flight sensor technology to industrial applications.

In September 2016, we acquired Maverick Technologies, a leading systems integrator. This acquisition significantly enhances our expertise in key process and batch applications that help our customers realize greater productivity and improved global competitiveness through process control and information management solutions.

In September 2016, we acquired Automation Control Products, a premier provider in centralized thin client, remote desktop and server management software. This acquisition strengthens our ability to provide our customers with visual display and software solutions to manage information and streamline workflows for a more connected manufacturing environment.

In March 2016, we acquired MagneMotion Inc., a leading manufacturer of intelligent conveying systems. This acquisition continues our strategy to build a portfolio of smart manufacturing technologies by expanding our existing capabilities in independent cart technology.

We believe these acquisitions and investments will help us expand our served market and deliver value to our customers.

Table of Contents

Continuous Improvement

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. Our implementation of common global processes and an enterprise-wide business system is nearly complete. These are intended to improve profitability that can be used to fund investments in growth and to offset inflation. Our ongoing productivity initiatives target both cost reduction and improved asset utilization. Charges for workforce reductions and facility rationalization may be required in order to effectively execute our productivity programs.

Table of Contents

U. S. Industrial Economic Trends

In 2018, sales in the U.S. accounted for approximately 55 percent of our total sales. The various indicators we use to gauge the direction and momentum of our served U.S. markets include:

- The Industrial Production (IP) Index, published by the Federal Reserve, which measures the real output of manufacturing, mining, and electric and gas utilities. The IP Index is expressed as a percentage of real output in a base year, currently 2012. Historically there has been a meaningful correlation between the changes in the IP Index and the level of automation investment made by our U.S. customers in their manufacturing base.
- The Manufacturing Purchasing Managers' Index (PMI), published by the Institute for Supply Management (ISM), which indicates the current and near-term state of manufacturing activity in the U.S. According to the ISM, a PMI measure above 50 indicates that the U.S. manufacturing economy is generally expanding while a measure below 50 indicates that it is generally contracting.
- Industrial Equipment Spending, compiled by the Bureau of Economic Analysis, which 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), published by the Federal Reserve, which measures plant operating activity. Historically there has been a meaningful correlation between Capacity Utilization and levels of U.S. IP.

The table below depicts the trends in these indicators from fiscal 2016 to 2018. In the fourth quarter of fiscal 2018, all indicators, except PMI, improved compared to the prior quarter and the same quarter in the prior year. PMI decreased slightly compared to the prior quarter and the same quarter in the prior year, but continues to be significantly above 50.

	IP Index	PMI	Industrial Equipment Spending (in billions)	Capacity Utilization (percent)
Fiscal 2018 quarter ended:				
September 2018	108.2	59.8	250.6	78.0
June 2018	107.3	60.2	243.4	77.8
March 2018	105.9	59.3	243.9	77.2
December 2017	105.3	59.3	238.5	77.0
Fiscal 2017 quarter ended:				
September 2017	103.3	60.2	234.6	75.8
June 2017	103.7	56.7	230.1	76.2
March 2017	102.5	56.6	222.1	75.4
December 2016	102.2	54.3	218.1	75.3
Fiscal 2016 quarter ended:				
September 2016	102.0	51.4	215.3	75.2
June 2016	101.8	52.5	214.2	75.2
March 2016	102.3	51.2	212.2	75.7
December 2015	103.4	48.4	224.0	76.1

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

Table of Contents

Non-U.S. Economic Trends

In 2018, sales outside the U.S. accounted for approximately 45 percent of our total sales. These customers include both indigenous companies and multinational companies with expanding global presence. In addition to the global factors previously mentioned in the “Overview” section, international demand, particularly in emerging markets, has historically been driven by the strength of the industrial economy in each region, investments in infrastructure and expanding consumer markets. We use changes in the respective countries' gross domestic product and IP as indicators of the growth opportunities in each region where we do business.

Macroeconomic indicators remain favorable in most geographies, although IP and gross domestic product growth rates are projected to slow in 2019. In China, the impact of trade tensions is expected to be partially offset by government stimulus, and solid domestic and foreign demand in India is expected to help support continued manufacturing growth. In Europe, the economy is affected by slowing export growth driven by a strong Euro against emerging market currencies and increasing oil prices. Latin America is expected to continue to benefit from a strong U.S. economy. Growth rates in Canada are expected to be lower in 2019.

Table of Contents

Summary of Results of Operations

In 2018, sales were $6,666.0 million, an increase of 5.6 percent year over year. Organic sales increased 5.5 percent. Currency translation increased sales by 1.4 percentage points, and the prior year divestiture reduced sales growth by 1.3 percentage points. Growth was broad-based across industries, led by food and beverage, mining, life sciences, and semiconductor.

The following is a summary of our results related to key growth initiatives:

- Logix reported sales increased 8 percent year over year in 2018 compared to 2017. Organic sales increased 7 percent year over year, and currency translation increased sales by 1 percentage point.
- Process initiative reported sales and organic sales increased 10 percent year over year in 2018 compared to 2017.
- Sales in emerging countries increased 8 percent in 2018 compared to 2017. Organic sales in emerging countries increased 9 percent year over year. The prior year divestiture reduced sales in emerging countries by 1 percent.

Table of Contents

The following table reflects our sales and operating results (in millions, except per share amounts):

	Year Ended September 30,		
	2018	2017	2016
Sales			
Architecture & Software	$3,098.2	$2,899.3	$2,635.2
Control Products & Solutions	3,567.8	3,412.0	3,244.3
Total sales (a)	$6,666.0	$6,311.3	$5,879.5
Segment operating earnings[1]			
Architecture & Software	$901.3	$781.5	$695.0
Control Products & Solutions	541.3	451.6	493.7
Total segment operating earnings[2] (b)	1,442.6	1,233.1	1,188.7
Purchase accounting depreciation and amortization	(17.4)	(21.4)	(18.4)
General corporate — net	(75.6)	(76.3)	(79.7)
Non-operating pension costs	(24.6)	(82.6)	(76.2)
Costs related to unsolicited Emerson proposals	(11.2)	—	—
Gain on investments	123.7	—	—
Valuation adjustment pending registration of PTC Shares	(33.7)	—	—
Gain on sale of business[3]	—	60.8	—
Interest expense	(73.0)	(76.2)	(71.3)
Income before income taxes (c)	1,330.8	1,037.4	943.1
Income tax provision[4]	(795.3)	(211.7)	(213.4)
Net income	$535.5	$825.7	$729.7
Diluted EPS	$4.21	$6.35	$5.56
Adjusted EPS[5]	$8.11	$6.76	$5.93
Diluted weighted average outstanding shares	126.9	129.9	131.1
Total segment operating margin[2] (b/a)	21.6 %	19.5 %	20.2 %
Pre-tax margin (c/a)	20.0 %	16.4 %	16.0 %

(1) See Note 16 in the Financial Statements for the definition of segment operating earnings.

(2) Total segment operating earnings and total segment operating margin are non-GAAP financial measures. We exclude purchase accounting depreciation and amortization, general corporate – net, non-operating pension costs, costs related to the unsolicited Emerson proposals in the first quarter of fiscal 2018, gains and losses on investments, valuation adjustment pending registration of PTC Shares, gains and losses from the disposition of businesses, interest expense and income tax provision because we do not consider these costs to be directly related to the operating performance of our segments. We believe that these measures are useful to investors as measures of operating performance. We use these measures to monitor and evaluate the profitability of our operating segments. Our measures of total segment operating earnings and total segment operating margin may be different from measures used by other companies.

(3) During the fourth quarter of fiscal 2017, we sold a product distribution business within our Control Products & Solutions segment. This business held no intellectual property and included products sold outside of our core channel and under different brands. We sold this business for approximately $94 million and recorded a pre-tax gain of $60.8 million, which is included within Other income (expense) in the Consolidated Statement of Operations.

(4) During fiscal 2018, we recorded charges of $538.3 million associated with the enactment of the Tax Act. Refer to Note 14 in the Financial Statements for further information.

(5) Adjusted EPS is a non-GAAP earnings measure that excludes non-operating pension costs and their related income tax effects. See Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate Reconciliation for more information on this non-GAAP measure.

Table of Contents

Purchase accounting depreciation and amortization and non-operating pension costs are not allocated to our operating segments because these costs are excluded from our measurement of each segment's operating performance for internal purposes. If we were to allocate these costs, we would attribute them to each of our segments as follows (in millions):

	Year Ended September 30,		
	2018	2017	2016
Purchase accounting depreciation and amortization			
Architecture & Software	$6.3	$6.4	$3.9
Control Products & Solutions	10.1	14.0	13.5
Non-operating pension costs			
Architecture & Software	7.4	29.7	26.9
Control Products & Solutions	11.6	46.4	42.0

The decreases in non-operating pension costs in both segments in fiscal 2018 were primarily due to a $200 million voluntary contribution in fiscal 2017 and other actuarial adjustments. The increases in non-operating pension costs in both segments in fiscal 2017 were primarily due to the decrease in our U.S. discount rate from 4.55 percent for fiscal 2016 to 3.75 percent for fiscal 2017.

Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate Reconciliation

Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate are non-GAAP earnings measures that exclude non-operating pension costs, costs related to the unsolicited Emerson proposals in the first quarter of fiscal 2018, gains and losses on investments, and valuation adjustments pending registration of PTC Shares, including their respective tax effects, and the provisional effects of the Tax Act.

We believe that Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate provide useful information to our investors about our operating performance and allow management and investors to compare our operating performance period over period. Adjusted EPS is also used as a financial measure of performance for our annual incentive compensation. Our measures of Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate may be different from measures used by other companies. These non-GAAP measures should not be considered a substitute for income from continuing operations, diluted EPS and effective tax rate.

Non-operating pension costs include defined benefit plan interest cost, expected return on plan assets, amortization of actuarial gains and losses and the impact of any plan curtailments or settlements. These components of net periodic pension cost primarily relate to changes in pension assets and liabilities that are a result of market performance; we consider these and other excluded costs to be unrelated to the operating performance of our business.

The following are the components of operating and non-operating pension costs (in millions):

	Year Ended September 30,		
	2018	2017	2016
Service cost	$88.9	$97.0	$88.0
Amortization of prior service cost (credit)	0.6	(3.7)	(2.9)
Operating pension costs	89.5	93.3	85.1
Interest cost	155.3	151.6	169.5
Expected return on plan assets	(244.8)	(225.2)	(218.3)
Amortization of net actuarial loss	113.4	152.9	124.5

Special termination benefit	—	0.5	0.5
Settlements	0.7	2.8	—
Non-operating pension costs	24.6	82.6	76.2
Net periodic pension cost	$114.1	$175.9	$161.3

Table of Contents

The following are reconciliations of income from continuing operations, diluted EPS from continuing operations and effective tax rate to Adjusted Income, Adjusted EPS and Adjusted Effective Tax Rate, respectively (in millions, except per share amounts and percentages):

	Year Ended September 30,		
	2018	2017	2016
Income from continuing operations	$535.5	$825.7	$729.7
Non-operating pension costs	24.6	82.6	76.2
Tax effect of non-operating pension costs	(7.6)	(29.6)	(27.5)
Change in fair value of investments[1]	(90.0)	—	—
Tax effect of change in fair value of investments[1]	21.7	—	—
Costs related to unsolicited Emerson proposals	11.2	—	—
Tax effect of costs related to unsolicited Emerson proposals	(3.1)	—	—
Effect of deemed repatriation of foreign earnings due to the Tax Act[2]	395.8	—	—
Effect of net deferred tax asset revaluation due to the Tax Act[2]	104.4	—	—
Effect of withholding taxes on previously taxed foreign earnings due to the Tax Act[2]	38.1	—	—
Adjusted Income	$1,030.6	$878.7	$778.4
Diluted EPS from continuing operations	$4.21	$6.35	$5.56
Non-operating pension costs	0.19	0.64	0.58
Tax effect of non-operating pension costs	(0.06)	(0.23)	(0.21)
Change in fair value of investments[1]	(0.71)	—	—
Tax effect of change in fair value of investments[1]	0.17	—	—
Costs related to unsolicited Emerson proposals	0.09	—	—
Tax effect of costs related to unsolicited Emerson proposals	(0.02)	—	—
Effect of deemed repatriation of foreign earnings due to the Tax Act[2]	3.12	—	—
Effect of net deferred tax asset revaluation due to the Tax Act[2]	0.82	—	—
Effect of withholding taxes on previously taxed foreign earnings due to the Tax Act[2]	0.30	—	—
Adjusted EPS	$8.11	$6.76	$5.93
Effective tax rate	59.8 %	20.4 %	22.6 %
Tax effect of non-operating pension costs	0.3 %	1.1 %	1.0 %
Tax effect of costs related to unsolicited Emerson proposals	0.1 %	— %	— %
Tax effect of change in fair value of investments[1]	(0.4)%	— %	— %
Effect of deemed repatriation of foreign earnings due to the Tax Act[2]	(29.8)%	— %	— %
Effect of net deferred tax asset revaluation due to the Tax Act[2]	(7.9)%	— %	— %
Effect of withholding taxes on previously taxed foreign earnings due to the Tax Act[2]	(2.8)%	— %	— %
Adjusted Effective Tax Rate	19.3 %	21.5 %	23.6 %

[1]Includes gain on investments and valuation adjustment pending registration of PTC Shares and the related tax effects.
[2]The Tax Act may require further adjustments as additional guidance from the U.S. Department of Treasury is provided, the Company's assumptions change, or as further information and interpretations become available. Refer to Note 14 in the Financial Statements for further information.

Table of Contents

2018 Compared to 2017

(in millions, except per share amounts)	2018	2017	Change
Sales	$6,666.0	$6,311.3	$354.7
Income before income taxes	1,330.8	1,037.4	293.4
Diluted EPS	4.21	6.35	(2.14)
Adjusted EPS	8.11	6.76	1.35

Sales

Sales in fiscal 2018 increased 5.6 percent compared to 2017. Organic sales increased 5.5 percent. Currency translation increased sales by 1.4 percentage points, and the prior year divestiture reduced sales growth by 1.3 percentage points. Pricing contributed about half of one percentage point to growth.

The table below presents our sales, attributed to the geographic regions based upon country of destination, for the year ended September 30, 2018 and the percentage change from the same period a year ago:

(in millions, except percentages)	Year Ended September 30, 2018	Change vs. Year Ended September 30, 2017	Change in Organic Sales[(1)] vs. Year Ended September 30, 2017
United States	$ 3,602.6	4.2 %	5.7 %
Canada	361.5	5.3 %	8.9 %
Europe, Middle East and Africa	1,286.8	7.8 %	0.8 %
Asia Pacific	933.3	7.7 %	5.4 %
Latin America	481.8	7.2 %	14.3 %
Total sales	$ 6,666.0	5.6 %	5.5 %

(1) Organic sales are sales excluding the effect of changes in currency exchange rates, acquisitions and divestitures. See Supplemental Sales Information for information on this non-GAAP measure.

- Sales in the United States increased year over year, led by strength in heavy industries.
- Sales in Canada increased year over year, with growth led by the pulp and paper and consumer industries.
- EMEA sales increased year over year, led by consumer industries.
- Asia Pacific sales increased year over year, led by heavy industries.
- Sales in Latin America increased year over year, led by the food and beverage and mining industries.

General Corporate - Net

General corporate - net expenses were $75.6 million in fiscal 2018 compared to $76.3 million in fiscal 2017.

Income before Income Taxes

Income before income taxes increased 28 percent from $1,037.4 million in 2017 to $1,330.8 million in 2018, primarily due to PTC adjustments, higher sales, and lower restructuring charges, partially offset by the absence of the gain on the 2017 divestiture. Total segment operating earnings increased 17 percent year over year from $1,233.1 million in 2017 to $1,442.6 million in 2018, primarily due to higher sales.

Table of Contents

Income Taxes

On December 22, 2017, the Tax Act was enacted. The Tax Act significantly changes U.S. tax law by, among other things, lowering the statutory corporate income tax rate, implementing a modified territorial tax system, and imposing a one-time transition tax on accumulated earnings of foreign subsidiaries that were previously deferred from U.S. tax ("transition tax"). As a fiscal year taxpayer, certain provisions of the Tax Act impact us in fiscal year 2018, including the change in the federal statutory rate and the transition tax, while other provisions will be effective in fiscal year 2019, including the tax on global intangible low-tax income ("GILTI") of foreign subsidiaries, the deduction for foreign derived intangible income ("FDII"), and the elimination of the domestic manufacturing deduction.

The effective tax rate in 2018 was 59.8 percent compared to 20.4 percent in 2017. The increase in the effective tax rate was due to provisional expense related to the transition tax on deemed repatriation of foreign earnings ($395.8 million or 29.8 percent), withholding taxes on previously taxed foreign earnings ($38.1 million or 2.8 percent), and the revaluation of net deferred tax assets ($104.4 million or 7.9 percent).

The Adjusted Effective Tax Rate in 2018 was 19.3 percent compared to 21.5 percent in 2017. The decrease in the Adjusted Effective Tax Rate was primarily due to the lower U.S. statutory tax rate under the Tax Act partially offset by lower discrete tax items in the current year.

See Note 14 in the Financial Statements for a complete reconciliation of the United States statutory tax rate to the effective tax rate and more information on tax events in 2018 and 2017 affecting each year's respective tax rates.

Architecture & Software

(in millions, except percentages)	2018	2017	Change
Sales	$3,098.2	$2,899.3	$198.9
Segment operating earnings	901.3	781.5	119.8
Segment operating margin	29.1 %	27.0 %	2.1 pts

Sales

Architecture & Software sales increased 6.9 percent in 2018 compared to 2017. Organic sales increased 5.2 percent, and the effects of currency translation increased sales by 1.7 percentage points. All regions experienced reported and organic sales growth. The United States was the strongest performing region organically. Logix reported sales increased 8 percent in 2018 compared to 2017. Logix organic sales increased 7 percent, and the effects of currency translation increased sales by 1 percentage point.

Operating Margin

Architecture & Software segment operating earnings increased 15 percent. Operating margin was 29.1 percent in 2018 compared to 27.0 percent in 2017, primarily due to higher sales.

Control Products & Solutions

(in millions, except percentages)	2018	2017	Change
Sales	$3,567.8	$3,412.0	$155.8
Segment operating earnings	541.3	451.6	89.7
Segment operating margin	15.2 %	13.2 %	2.0 pts

Sales

Control Products & Solutions sales increased 4.6 percent in 2018 compared to 2017. Organic sales increased 5.7 percent, the effects of currency translation increased sales by 1.3 percentage points, and the prior year divestiture reduced sales by 2.4 percentage points. All regions experienced reported and organic sales growth, except for EMEA. The United States was the strongest performing region.

Product sales decreased 2 percent year over year. Product organic sales increased 2 percent, currency translation increased sales by approximately 1 percentage point, and the prior year divestitures reduced sales by approximately 5 percentage points.

Table of Contents

Sales in our solutions and services businesses increased approximately 10 percent year over year. Organic sales in our solutions and services businesses increased 9 percent during 2018, and currency translation contributed 1 percentage point to sales growth.

Operating Margin

Control Products & Solutions segment operating earnings increased 20 percent year over year. Segment operating margin was 15.2 percent in 2018 compared to 13.2 percent a year ago, primarily due to higher sales.

2017 Compared to 2016

(in millions, except per share amounts)	2017	2016	Change
Sales	$6,311.3	$5,879.5	$431.8
Income before income taxes	1,037.4	943.1	94.3
Diluted EPS	6.35	5.56	0.79
Adjusted EPS	6.76	5.93	0.83

Sales

Sales in fiscal 2017 increased 7.3 percent compared to 2016. Organic sales increased 6.1 percent. Currency translation reduced sales by 0.3 percentage points, and acquisitions contributed 1.5 percentage points to sales growth. Pricing contributed less than one percentage point to growth.

The table below presents our sales, attributed to the geographic regions based upon country of destination, for the year ended September 30, 2017 and the percentage change from the same period in the prior year:

(in millions, except percentages)	Year Ended September 30, 2017	Change vs. Year Ended September 30, 2016		Change in Organic Sales(1) vs. Year Ended September 30, 2016	
United States	$ 3,458.4	7.6	%	5.2	%
Canada	343.4	8.5	%	7.7	%
Europe, Middle East and Africa	1,193.7	4.1	%	3.8	%
Asia Pacific	866.4	13.3	%	13.9	%
Latin America	449.4	2.6	%	4.1	%
Total sales	$ 6,311.3	7.3	%	6.1	%

(1) Organic sales are sales excluding the effect of changes in currency exchange rates and acquisitions. See Supplemental Sales Information for information on this non-GAAP measure.

- Sales in the United States increased year over year, led by strength in the automotive and consumer industries.
- Sales in Canada increased year over year, led by the pulp and paper, consumer, and automotive industries.
- EMEA sales increased year over year, with growth in both emerging and developed countries.
- Asia Pacific sales increased year over year, with strong growth across the region, particularly within the semiconductor industry.
- Sales growth in Latin America was mixed with growth led by Mexico, partially offset by declines across the rest of the region.

General Corporate - Net

General corporate - net expenses were $76.3 million in fiscal 2017 compared to $79.7 million in fiscal 2016.

Income before Income Taxes

Income before income taxes increased 10 percent from $943.1 million in 2016 to $1,037.4 million in 2017, primarily due to the gain on sale of a business in the fourth quarter and an increase in segment operating earnings. Total segment operating earnings increased 4 percent year over year from $1,188.7 million in 2016 to $1,233.1 million in 2017, primarily due to higher sales, partially offset by higher incentive compensation and restructuring charges. In fiscal 2016, we did not incur expenses related to our primary annual incentive compensation plans, which are based on our company's performance. In fiscal 2017, we recorded approximately $115 million related to these plans.

Income Taxes

The effective tax rate in 2017 was 20.4 percent compared to 22.6 percent in 2016. The Adjusted Effective Tax Rate in 2017 was 21.5 percent compared to 23.6 percent in 2016. The decreases in the effective tax rate and the Adjusted Effective Tax Rate were primarily due to larger favorable discrete tax items in 2017.

See Note 14 in the Financial Statements for a complete reconciliation of the United States statutory tax rate to the effective tax rate and more information on tax events in 2017 and 2016 affecting each year's respective tax rates.

Architecture & Software

(in millions, except percentages)	2017		2016		Change	
Sales	$2,899.3		$2,635.2		$264.1	
Segment operating earnings	781.5		695.0		86.5	
Segment operating margin	27.0	%	26.4	%	0.6	pts

Sales

Architecture & Software sales increased 10.0 percent in 2017 compared to 2016. Organic sales increased 9.4 percent, the effects of currency translation reduced sales by 0.3 percentage points, and acquisitions contributed 0.9 percentage points to sales growth. Pricing contributed approximately one percentage point to sales growth during the year. All regions experienced reported and organic sales growth. The United States was the strongest performing region. Logix reported and organic sales increased 10 percent in 2017 compared to 2016.

Operating Margin

Architecture & Software segment operating earnings increased 12 percent. Operating margin was 27.0 percent in 2017 compared to 26.4 percent in 2016, primarily due to higher sales, partially offset by higher incentive compensation and restructuring charges.

Table of Contents

Control Products & Solutions

(in millions, except percentages)	2017	2016	Change
Sales	$3,412.0	$3,244.3	$167.7
Segment operating earnings	451.6	493.7	(42.1)
Segment operating margin	13.2 %	15.2 %	(2.0) pts

Sales

Control Products & Solutions sales increased 5.2 percent in 2017 compared to 2016. Organic sales increased 3.4 percent, the effect of currency translation reduced sales by 0.2 percentage points, and acquisitions contributed 2.0 percentage points to sales growth. Pricing did not have a significant impact on sales growth during the year. All regions experienced reported and organic sales growth. The United States and Asia Pacific were the strongest performing regions.

Sales in our solutions and services businesses increased 4 percent year over year. Organic sales in our solutions and services businesses increased 1 percent during 2017, and acquisitions contributed 3 percentage points to sales growth. Product sales increased 6 percent year over year. Product organic sales increased 7 percent year over year in 2017, and currency translation reduced sales by approximately 1 percentage point.

Operating Margin

Control Products & Solutions segment operating earnings decreased 9 percent year over year. Segment operating margin was 13.2 percent in 2017 compared to 15.2 percent a year ago, primarily due to higher incentive compensation and restructuring charges, partially offset by higher sales.

Table of Contents

Financial Condition

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

	Year Ended September 30,		
	2018	2017	2016
Cash provided by (used for):			
Operating activities	$1,300.0	$1,034.0	$947.3
Investing activities	(170.4)	(516.7)	(440.0)
Financing activities	(1,888.9)	(649.6)	(397.7)
Effect of exchange rate changes on cash	(32.8)	16.8	(10.5)
Cash (used for) provided by continuing operations	$(792.1)	$(115.5)	$99.1

The following table summarizes free cash flow, which is a non-GAAP financial measure (in millions):

	Year Ended September 30,		
	2018	2017	2016
Cash provided by continuing operating activities	$1,300.0	$1,034.0	$947.3
Capital expenditures	(125.5)	(141.7)	(116.9)
Excess income tax benefit from share-based compensation	—	—	3.3
Free cash flow	$1,174.5	$892.3	$833.7

Our definition of free cash flow takes into consideration capital investments required to maintain our businesses' operations and execute our strategy. Cash provided by continuing operating activities adds back non-cash depreciation expense to earnings but does not reflect a charge for necessary capital expenditures. Our definition of free cash flow excludes the operating cash flows and capital expenditures related to our discontinued operations, if any. Operating, investing and financing cash flows of our discontinued operations, if any, are presented separately in our statement of cash flows. In the first quarter of fiscal year 2017, we adopted a new share-based compensation accounting standard that requires the excess income tax benefit from share-based compensation to be classified as an operating, rather than as a financing, cash flow. In previous periods, we 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. Beginning in the first quarter of fiscal year 2017, no adjustment is necessary as this benefit is already included in 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 defined, as one measure to monitor and evaluate our performance, including as a financial measure for our annual incentive compensation. Our definition of free cash flow may differ from definitions used by other companies.

Cash provided by operating activities was $1,300.0 million for the year ended September 30, 2018 compared to $1,034.0 million for the year ended September 30, 2017. Free cash flow was $1,174.5 million for the year ended September 30, 2018 compared to $892.3 million for the year ended September 30, 2017. The year-over-year increases in cash provided by operating activities and free cash flow were primarily due to a voluntary contribution of $200.0 million to our U.S. qualified pension plan in 2017.

We repurchased approximately 8.3 million shares of our common stock under our share repurchase program in 2018 at a total cost of $1.5 billion. In 2017, we repurchased approximately 2.3 million shares of our common stock under our share repurchase program at a total cost of $336.6 million. At September 30, 2018, there were $18.3 million of outstanding common stock share repurchases recorded in accounts payable that did not settle until 2019. At September 30, 2017, there were no outstanding common stock share repurchases recorded in accounts payable that did not settle until 2018. Our decision to repurchase shares in 2019 will depend on business conditions, free cash flow generation, other cash requirements and stock price. On both January 15, 2018 and September 6, 2018, the Board of Directors authorized us to expend an additional $1.0 billion to repurchase shares of our common stock. At September 30, 2018, we had approximately $1,108.4 million remaining for share repurchases under our existing board authorizations. See Part II, Item 5. Market for the Company’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, for additional information regarding share repurchases.

Table of Contents

During fiscal 2018, we repatriated approximately $2.3 billion to the U.S. from our foreign subsidiaries. The repatriated funds were primarily used to repurchase shares of our common stock and fund the investment in PTC. The source of these funds was cash and cash equivalents and from the liquidation of short and long-term investments.

At September 30, 2018, substantially all of our cash, cash equivalents and investments (funds) were held by non-US subsidiaries. Due to the enactment of the Tax Act in the first quarter of fiscal 2018, our previously undistributed foreign earnings were subject to a transition tax of approximately $389.4 million. Accordingly, these funds will not be subject to further U.S. tax if repatriated. Refer to Note 14 in the Financial Statements for further information regarding the effect of the enactment of the Tax Act on our financial condition and results of operations.

We expect future uses of cash to include working capital requirements, capital expenditures, additional contributions to our retirement plans, acquisitions of businesses, dividends to shareowners, repurchases of common stock and repayments of debt. We expect capital expenditures in 2019 to be about $150 million. We expect to fund future uses of cash with a combination of existing cash balances and short-term investments, cash generated by operating activities, commercial paper borrowings or a new issuance of debt or other securities.

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 short-term debt obligations are primarily comprised of commercial paper borrowings. Commercial paper borrowings outstanding were $550.0 million at September 30, 2018, with a weighted average interest rate of 2.27 percent and weighted average maturity period of 26 days. Commercial paper borrowings outstanding were $350.0 million at September 30, 2017, with a weighted average interest rate of 1.26 percent and weighted average maturity period of 10 days.

At September 30, 2018 and 2017, our total current borrowing capacity under our unsecured revolving credit facility expiring in March 2020 was $1.0 billion. We can increase the aggregate amount of this credit facility by up to $350.0 million, subject to the consent of the banks in the credit facility. We have not borrowed against this credit facility during the years ended September 30, 2018 or 2017. In December 2016, we amended the financial covenant under this credit facility. The previous financial covenant, which limited our debt-to-total-capital ratio to 60 percent, was replaced with a minimum EBITDA-to-interest ratio of 3.0 to 1.0. The EBITDA-to-interest ratio is defined in the amendment as the ratio of consolidated EBITDA (as defined in the amendment) for the preceding four quarters to consolidated interest expense for the same period. We believe the new covenant provides us greater financial flexibility. Separate short-term unsecured credit facilities of approximately $156.0 million at September 30, 2018 were available to non-U.S. subsidiaries. Borrowings under our non-U.S. credit facilities at September 30, 2018 and September 30, 2017 were not significant. We were in compliance with all covenants under our credit facilities at September 30, 2018 and September 30, 2017. Additional information related to our credit facilities is included in Note 5 in the Financial Statements.

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

The following is a summary of our credit ratings as of September 30, 2018:

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

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

Table of Contents

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

We use foreign currency forward exchange contracts to manage certain foreign currency risks. We enter into these contracts to hedge our exposure to foreign currency exchange rate variability in the expected future cash flows associated with certain third-party and intercompany transactions denominated in foreign currencies forecasted to occur within the next two years. We also use these contracts to hedge portions of our net investments in certain non-U.S. subsidiaries against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. In addition, we use foreign currency forward exchange contracts that are not designated as hedges to offset transaction gains or losses associated with some of our assets and liabilities resulting from intercompany loans or other transactions with third parties that are denominated in currencies other than our entities' functional currencies. Our foreign currency forward exchange contracts are usually denominated in currencies of major industrial countries. We diversify our foreign currency forward exchange contracts among counterparties to minimize exposure to any one of these entities.

Cash dividends to shareowners were $440.8 million in 2018 ($3.51 per common share), $390.7 million in 2017 ($3.04 per common share) and $378.2 million in 2016 ($2.90 per common share). Our quarterly dividend rate as of September 30, 2018 is $0.92 per common share ($3.68 per common share annually), which is determined at the sole discretion of our Board of Directors.

A summary of our projected contractual cash obligations at September 30, 2018 is as follows (in millions):

	Payments by Period						
	Total	2019	2020	2021	2022	2023	Thereafter
Long-term debt and interest (a)	$2,654.7	$57.6	$354.0	$51.4	$51.4	$51.4	$ 2,088.9
Minimum operating lease payments	341.1	78.1	68.9	54.6	40.9	30.2	68.4
Postretirement benefits (b)	62.4	10.3	6.8	5.5	5.1	4.8	29.9
Pension funding contribution (c)	32.0	32.0	—	—	—	—	—
Purchase obligations (d)	151.4	61.6	46.2	38.7	1.2	1.0	2.7
Other long-term liabilities (e)	93.0	10.0	—	—	—	—	—
Transition tax (f)	389.4	31.1	31.1	31.2	31.2	31.2	233.6
Unrecognized tax benefits (g)	22.6	—	—	—	—	—	—
Total	$3,746.6	$280.7	$507.0	$181.4	$129.8	$118.6	$ 2,423.5

(a) The amounts for long-term debt assume that the respective debt instruments will be outstanding until their scheduled maturity dates. The amounts include interest but exclude the amounts to be paid or received under interest rate swap contracts, including the $24.0 million fair value adjustment recorded for the interest rate swap contracts at September 30, 2018 and the unamortized discount of $44.6 million at September 30, 2018. See Note 5 in the Financial Statements for more information regarding our long-term debt.

(b) Our postretirement benefit plans are unfunded and are subject to change. Amounts reported are estimates of future benefit payments, to the extent estimable.

(c) Amounts reported for pension funding contributions reflect current estimates of known commitments. Contributions to our pension plans beyond 2019 will depend on future investment performance of our pension plan assets, changes in discount rate assumptions and governmental regulations in effect at the time. Amounts subsequent to 2019 are excluded from the summary above, as we are unable to make a reasonably reliable estimate of these amounts. The minimum contribution for our U.S. pension plan as required by the Employee Retirement Income Security Act (ERISA) is currently zero. We may make additional contributions to this plan at the discretion of management.

(d) This item includes contractual commitments for capital expenditures, certain materials purchases and long-term obligations under agreements with various service providers.

Table of Contents

(e) Other long-term liabilities include environmental remediation costs, conditional asset retirement obligations and indemnification liabilities. Amounts subsequent to 2019 are excluded from the summary above, as we are unable to make a reasonably reliable estimate of when the liabilities will be paid.

(f) Under the Tax Act, the Company may elect to pay the transition tax interest-free over eight years, with 8% due in each of the first five years, 15% in year six, 20% in year seven, and 25% in year eight. See Note 14 in the Financial Statements for further discussion of the transition tax.

(g) Amount for unrecognized tax benefits includes accrued interest and penalties. We are unable to make a reasonably reliable estimate of when the liabilities for unrecognized tax benefits will be settled or paid.

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

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

	Year Ended September 30, 2018					Year Ended September 30, 2017		
	Sales	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales	Sales	Effect of Divestitures	Sales Excluding Divestitures
United States	$3,602.6	$(1.4)	$3,601.2	$—	$3,601.2	$3,458.4	$(50.8)	$3,407.6
Canada	361.5	(8.2)	353.3	—	353.3	343.4	(19.0)	324.4
Europe, Middle East and Africa	1,286.8	(83.7)	1,203.1	—	1,203.1	1,193.7	—	1,193.7
Asia Pacific	933.3	(19.8)	913.5	—	913.5	866.4	—	866.4
Latin America	481.8	22.9	504.7	—	504.7	449.4	(8.0)	441.4
Total Company Sales	$6,666.0	$(90.2)	$6,575.8	$—	$6,575.8	$6,311.3	$(77.8)	$6,233.5

	Year Ended September 30, 2017					Year Ended September 30, 2016		
	Sales	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales	Sales	Effect of Divestitures	Sales Excluding Divestitures
United States	$3,458.4	$0.5	$3,458.9	$(77.9)	$3,381.0	$3,213.4	$—	$3,213.4

Canada	343.4	(2.5)	340.9	(0.1)	340.8	316.4	—	316.4
Europe, Middle East and Africa	1,193.7	3.7	1,197.4	(6.8)	1,190.6	1,147.2	—	1,147.2
Asia Pacific	866.4	6.5	872.9	(2.4)	870.5	764.4	—	764.4
Latin America	449.4	6.9	456.3	(0.2)	456.1	438.1	—	438.1
Total Company Sales	$6,311.3	$ 15.1	$6,326.4	$ (87.4)	$6,239.0	$5,879.5	$ —	$ 5,879.5

33

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

	Year Ended September 30, 2018					Year Ended September 30, 2017		
	Sales	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales	Sales	Effect of Divestitures	Sales Excluding Divestitures
Architecture & Software	$3,098.2	$(47.5)	$3,050.7	$—	$3,050.7	$2,899.3	$—	$2,899.3
Control Products & Solutions	3,567.8	(42.7)	3,525.1	—	3,525.1	3,412.0	(77.8)	3,334.2
Total Company Sales	$6,666.0	$(90.2)	$6,575.8	$—	$6,575.8	$6,311.3	$(77.8)	$6,233.5

	Year Ended September 30, 2017					Year Ended September 30, 2016		
	Sales	Effect of Changes in Currency	Sales Excluding Changes in Currency	Effect of Acquisitions	Organic Sales	Sales	Effect of Divestitures	Sales Excluding Divestitures
Architecture & Software	$2,899.3	$7.1	$2,906.4	$(22.5)	$2,883.9	$2,635.2	$—	$2,635.2
Control Products & Solutions	3,412.0	8.0	3,420.0	(64.9)	3,355.1	3,244.3	—	3,244.3
Total Company Sales	$6,311.3	$15.1	$6,326.4	$(87.4)	$6,239.0	$5,879.5	$—	$5,879.5

Table of Contents

Critical Accounting Estimates

We believe the following accounting estimates are the most critical to the understanding of our financial statements as they could have the most significant effect on our reported results and require subjective or complex judgments by management. Accounting principles generally accepted in the United States require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. These estimates are based on our best judgment about current and future conditions, but actual results could differ from those estimates. Refer to Note 1 in the Financial Statements for information regarding our significant accounting policies.

Retirement Benefits — Pension

Pension costs and obligations are actuarially determined and are influenced by assumptions used to estimate these amounts, including the discount rate and the expected rate of return on plan assets. Changes in any of the assumptions and the amortization of differences between the assumptions and actual experience will affect the amount of pension expense in future periods.

Our global pension expense in 2018 was $114.1 million compared to $175.9 million in 2017. Approximately 79 percent of our 2018 global pension expense relates to our U.S. pension plan. The actuarial assumptions used to determine our 2018 U.S. pension expense included the following: discount rate of 3.90 percent (compared to 3.75 percent for 2017) and expected rate of return on plan assets of 7.50 percent (consistent with 2017).

For 2019 our U.S. discount rate will increase to 4.35 percent from 3.90 percent in 2018. The discount rate was set as of our September 30 measurement date and was determined by modeling a portfolio of bonds that match the expected cash flow of our benefit plans.

For 2019 our expected rate of return on U.S. plan assets will remain 7.50 percent. In estimating the expected return on plan assets, we considered actual returns on plan assets over the long term, adjusted for forward-looking considerations, such as inflation, interest rates, equity performance and the active management of the plan's invested assets. We also considered our current and expected mix of plan assets in setting this assumption. The financial markets produced positive returns in 2018. The plan's debt securities return was positive. The plan's equity securities return was above the expected return range in 2018, as U.S. and international equity returns were positive for the year. The actual return for our portfolio of U.S. plan assets was approximately 7.88 percent annualized for the 15 years ended September 30, 2018, and was approximately 7.46 percent annualized for the 20 years ended September 30, 2018.

The target allocations and ranges of long-term expected return for our major categories of U.S. plan assets are as follows:

Asset Category	Target Allocations	Expected Return
Equity securities	55%	9% - 10%
Debt securities	40%	4% - 6%
Other	5%	6% - 11%

The changes in our discount rate and return on plan assets have an inverse relationship with our net periodic benefit cost. The change in our discount rate also has an inverse relationship with our projected benefit obligation.

The following chart illustrates the estimated change in projected benefit obligation and annual net periodic benefit cost assuming a change of 25 basis points in the key assumptions for our U.S. pension plans (in millions):

	Pension Benefits	
	Change in Projected Benefit Obligation	Change in Net Periodic Benefit Cost(1)
Discount rate	$112.9	$ 11.9

Return on plan assets	—	6.6

[(1)] Change includes both operating and non-operating pension costs.

More information regarding pension benefits is contained in Note 12 in the Financial Statements.

Revenue Recognition — Customer Incentives

We offer various incentive programs that provide distributors and direct sale customers with cash rebates, account credits or additional hardware and software products, solutions and services based on meeting specified program criteria. Customer incentives are recognized as a reduction of sales if distributed in cash or customer account credits. Customer incentives are recognized in cost of sales for additional hardware and software products, solutions and services to be provided. We record accruals at the time of revenue recognition as a current liability within Customer returns, rebates and incentives in our Consolidated Balance Sheet or, where a right of setoff exists, as a reduction of Receivables.

Our primary incentive program provides distributors with cash rebates or account credits based on agreed amounts that vary depending on the customer to whom our distributor ultimately sells the product. A critical assumption used in estimating the accrual for this program is the time period from when revenue is recognized to when the rebate is processed. Our estimate is based primarily on historical experience. If the time period were to change by 10 percent, the effect would be an adjustment to the accrual of approximately $12.0 million.

More information regarding our revenue recognition and returns, rebates and incentives policies are contained in Note 1 in the Financial Statements.

Recent Accounting Pronouncements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk during the normal course of business from changes in foreign currency exchange rates and interest rates. We manage exposure to these risks through a combination of normal operating and financing activities as well as derivative financial instruments in the form of foreign currency forward exchange contracts. We sometimes use interest rate swap contracts to manage the balance of fixed and floating rate debt.

Foreign Currency Risk

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances of foreign subsidiaries, transaction gains and losses associated with intercompany loans with foreign subsidiaries and transactions denominated in currencies other than a location's functional currency. Our objective is to minimize our exposure to these risks through a combination of normal operating activities and the use of foreign currency forward exchange contracts. Contracts are usually denominated in currencies of major industrial countries. The fair value of our foreign currency forward exchange contracts is an asset of $22.0 million and a liability of $7.2 million at September 30, 2018. We enter into these contracts with major financial institutions that we believe to be creditworthy.

We do not enter into derivative financial instruments for speculative purposes. In 2018, the relative weakening of the U.S. dollar against foreign currencies had a favorable impact on our sales and results of operations. In 2017, the relative strengthening of the U.S. dollar against foreign currencies had an unfavorable impact on our sales and results of operations. While future changes in foreign currency exchange rates are difficult to predict, our sales and profitability may be adversely affected if the U.S. dollar strengthens relative to 2018 levels.

Certain of our locations have assets and liabilities denominated in currencies other than their functional currencies. We enter into foreign currency forward exchange contracts to offset the transaction gains or losses associated with some of these assets and liabilities. For such assets and liabilities without offsetting foreign currency forward exchange contracts, a 10 percent adverse change in the underlying foreign currency exchange rates would reduce our pre-tax income by approximately $21.0 million.

We record all derivatives on the balance sheet at fair value regardless of the purpose for holding them. The use of foreign currency forward exchange contracts allows us to manage transactional exposure to exchange rate fluctuations as the gains or losses incurred on these contracts will offset, in whole or in part, losses or gains on the underlying foreign currency exposure. Derivatives that are not designated as hedges for accounting purposes are adjusted to fair value through earnings. For derivatives that are hedges, depending on the nature of the hedge, changes in fair value are either offset by changes in the fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive loss until the hedged item is recognized in earnings. We recognize the ineffective portion of a derivative's change in fair value in earnings immediately. There was no impact on earnings due to ineffective hedges in 2018 or 2017. A hypothetical 10 percent adverse change in underlying foreign currency exchange rates associated with the hedged exposures and related contracts would not be significant to our financial condition or results of operations.

Interest Rate Risk

In addition to existing cash balances and cash provided by normal operating activities, we use a combination of short-term and long-term debt to finance operations. We are exposed to interest rate risk on certain of these debt obligations.

Our short-term debt obligations are primarily comprised of commercial paper borrowings. Commercial paper borrowings outstanding were $550.0 million at September 30, 2018, with a weighted average interest rate of 2.27 percent and weighted average maturity period of 26 days. Commercial paper borrowings outstanding were $350.0 million at September 30, 2017, with a weighted average interest rate of 1.26 percent and weighted average maturity period of 10 days. We have issued, and anticipate continuing to issue, additional short-term commercial paper obligations as needed. Changes in market interest rates on commercial paper borrowings affect our results of operations. A hypothetical 50 basis point increase in average market interest rates related to our short-term debt would not be significant to our results of operations or financial condition.

We had outstanding fixed rate long-term debt obligations with a carrying value of $1,225.2 million at September 30, 2018 and $1,243.4 million at September 30, 2017. The fair value of this debt was $1,391.3 million at September 30, 2018 and $1,452.6 million at September 30, 2017. The potential reduction in fair value on such fixed-rate debt obligations from a hypothetical 50 basis point increase in market interest rates would not be significant to our results of operations or financial condition. We currently have no plans to repurchase our outstanding fixed-rate instruments before their maturity and, therefore, fluctuations in market interest rates would not have an effect on our results of operations or shareowners' equity.

In February 2015, we entered into interest rate swap contracts, which we designated as fair value hedges. These interest rate swaps effectively converted the $600.0 million aggregate principal amount of our 2.050 percent notes payable in March 2020 (2020 Notes) and 2.875 percent notes payable in March 2025 (2025 Notes) to floating rate debt, each at a rate based on three-month LIBOR plus a fixed spread. The effective floating interest rates were 2.759 percent for the 2020 Notes and 3.169 percent for the 2025 Notes at September 30, 2018. The fair value of our interest rate swap contracts at September 30, 2018 was a net unrealized loss of $24.0 million. A hypothetical 50 basis point increase in average market interest rates related to our interest rate swaps would not be significant to our results of operations or financial condition.

Table of Contents

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEET
(in millions, except per share amounts)

	September 30, 2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$618.8	$1,410.9
Short-term investments	290.9	1,124.6
Receivables	1,190.1	1,135.5
Inventories	581.6	558.7
Other current assets	149.3	191.0
Total current assets	2,830.7	4,420.7
Property, net	576.8	583.9
Goodwill	1,075.5	1,077.7
Other intangible assets, net	215.2	238.0
Deferred income taxes	179.6	443.6
Long-term investments	1,288.0	325.7
Other assets	96.2	72.1
Total	$6,262.0	$7,161.7
LIABILITIES AND SHAREOWNERS’ EQUITY		
Current liabilities:		
Short-term debt	$551.0	$350.4
Current portion of long-term debt	—	250.0
Accounts payable	713.4	623.2
Compensation and benefits	289.4	272.6
Advance payments from customers and deferred revenue	249.9	240.6
Customer returns, rebates and incentives	206.6	188.8
Other current liabilities	226.6	220.2
Total current liabilities	2,236.9	2,145.8
Long-term debt	1,225.2	1,243.4
Retirement benefits	605.1	892.5
Other liabilities	577.3	216.4
Shareowners’ equity:		
Common stock ($1.00 par value, shares issued: 181.4)	181.4	181.4
Additional paid-in capital	1,681.4	1,638.0
Retained earnings	6,198.1	6,103.4
Accumulated other comprehensive loss	(941.9)	(1,179.2)
Common stock in treasury, at cost (shares held: 2018, 60.3; 2017, 53.0)	(5,501.5)	(4,080.0)
Total shareowners’ equity	1,617.5	2,663.6
Total	$6,262.0	$7,161.7

See Notes to Consolidated Financial Statements.

Table of Contents

CONSOLIDATED STATEMENT OF OPERATIONS
(in millions, except per share amounts)

	Year Ended September 30,		
	2018	2017	2016
Sales			
Products and solutions	$5,930.5	$5,628.9	$5,239.3
Services	735.5	682.4	640.2
	6,666.0	6,311.3	5,879.5
Cost of sales			
Products and solutions	(3,338.6)	(3,254.3)	(2,982.1)
Services	(455.2)	(432.8)	(421.9)
	(3,793.8)	(3,687.1)	(3,404.0)
Gross profit	2,872.2	2,624.2	2,475.5
Selling, general and administrative expenses	(1,599.0)	(1,591.5)	(1,467.4)
Other income (expense) (Note 13)	130.6	80.9	6.3
Interest expense	(73.0)	(76.2)	(71.3)
Income before income taxes	1,330.8	1,037.4	943.1
Income tax provision (Note 14)	(795.3)	(211.7)	(213.4)
Net income	$535.5	$825.7	$729.7
Earnings per share:			
Basic	$4.27	$6.42	$5.60
Diluted	$4.21	$6.35	$5.56
Weighted average outstanding shares:			
Basic	125.4	128.4	130.2
Diluted	126.9	129.9	131.1

See Notes to Consolidated Financial Statements.

Table of Contents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	Year Ended September 30,		
	2018	2017	2016
Net income	$535.5	$825.7	$729.7
Other comprehensive income (loss):			
Pension and other postretirement benefit plan adjustments (net of tax expense (benefit) of $87.2, $159.3, and ($73.7))			