ROCKWELL AUTOMATION INC
Form 10-K
November 21, 2008

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, 2008. 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:

(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 þ 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 þ

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

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. þ

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

Large Accelerated Filer þ Accelerated Filer ¨ Non-accelerated Filer ¨ Smaller reporting company ¨

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

The aggregate market value of registrant s voting stock held by non-affiliates of registrant on March 31, 2008 was approximately $8.4 billion.

141,500,213 shares of registrant s Common Stock, par value $1 per share, were outstanding on October 31, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the Annual Meeting of Shareowners of registrant to be held on February 4, 2009 is incorporated by reference into Part III hereof.

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 , expect , project , plan , anticipate , will , intend anc expressions may identify forward-looking statements. Actual results may differ materially from those projected as a result of certain risks and uncertainties, many of which are beyond our control, including but not limited to:

- economic and political changes in global markets where we compete, such as currency exchange rates, inflation rates, interest rates, recession, policies of foreign governments and other external factors we cannot control, and U.S. and local laws affecting our activities abroad and compliance therewith;
- successful development of advanced technologies and demand for and market acceptance of new and existing products;
- general global and regional economic, business or industry conditions, including levels of capital spending in industrial markets;
- the availability, effectiveness and security of our information technology systems;
- competitive product and pricing pressures;
- disruption of our operations due to natural disasters, acts of war, strikes, terrorism, or other causes;
- intellectual property infringement claims by others and the ability to protect our intellectual property;
- our ability to successfully address claims by taxing authorities in the various jurisdictions where we do business;
- our ability to attract and retain qualified personnel;
- the uncertainties of litigation;
- disruption of our North American distribution channel;
- the availability and price of components and materials;
- successful execution of our cost productivity, restructuring and globalization initiatives;
- our ability to execute strategic actions, including acquisitions and integration of acquired businesses; and

other risks and uncertainties, including but not limited to those detailed from time to time in our Securities and Exchange Commission filings.

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

Item 1. ***Business***

General

Rockwell Automation, Inc. (the Company or Rockwell Automation) is a leading global provider of industrial automation power, control and information solutions that help manufacturers achieve a competitive advantage for their businesses. Our products and services are designed to meet our customers needs to reduce total cost of ownership, maximize asset utilization, improve time to market and reduce manufacturing business risk.

The Company was incorporated in Delaware in 1996 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 reorganization, the former Rockwell International Corporation (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. RIC was incorporated in 1928.

In March 2006, we sold the assets of our ElectroCraft Engineered Solutions (ElectroCraft) business. Accordingly, we reflect the results of ElectroCraft as a discontinued operation for all periods presented.

In September 2006, we sold our 50 percent interest in Rockwell Scientific Company LLC (RSC). More information regarding the sale of our interest in RSC is contained in Note 2 in the Financial Statements.

On January 31, 2007, we divested our Dodge mechanical and Reliance Electric motors and motor repair services businesses. These were the principal businesses of our former Power Systems operating segment. We sold these businesses to Baldor Electric Company (Baldor) for $1.8 billion, comprised of $1.75 billion in cash and approximately 1.6 million shares of Baldor common stock. During 2007, we reported an after-tax gain on the sale of $868.2 million ($5.39 per diluted share). The results of operations and gain on sale of these businesses are reported in income from discontinued operations in the Financial Statements for all periods presented.

As used herein, the terms we , us , our , the Company or Rockwell Automation include subsidiaries and predecessors unless the context indi 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 4, 2009 (the 2009 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. In 2008, our total sales were $5.7 billion. Financial information with respect to our operating segments, including their contributions to sales and operating earnings for each of the three years in the period ended September 30, 2008, is contained under the caption **Results of Operations** in MD&A, and in Note 18 in the Financial Statements.

Our Architecture & Software operating segment is headquartered in Mayfield Heights, Ohio, and our Control Products & Solutions operating segment is headquartered in Milwaukee, Wisconsin. Both operating segments have operations in North America, Europe, Middle East and Africa, Asia Pacific and Latin America.

Architecture & Software

Our Architecture & Software operating segment recorded sales of $2.4 billion (42 percent of our total sales) in 2008. The Architecture & Software segment contains all of the elements of our integrated control and information architecture capable of controlling the customer s plant floor and connecting with their manufacturing enterprise. Architecture & Software has a broad portfolio of products, including:

Control platforms that perform multiple control disciplines and monitoring of applications, including discrete, batch, continuous process, drives control, motion control and machine safety control. Our platform products include programmable logic controllers, electronic operator interface devices, electronic input/output devices, communication and networking products, industrial computers and condition based monitoring systems. The information-enabled Logix controllers provide integrated multi-discipline control that is modular and scaleable.

Software products that include configuration and visualization software used to operate and supervise control platforms, advanced process control software and manufacturing execution software (MES) that addresses information needs between the factory floor and a customer s enterprise business system. Examples of MES applications are production scheduling, asset management, tracking, genealogy and manufacturing business intelligence.

Other Architecture & Software products, including rotary and linear motion control products, sensors and machine safety components.

The major competitors of our Architecture & Software operating segment include Siemens AG, Mitsubishi Corp., ABB Ltd, Honeywell International Inc., Schneider Electric SA and Emerson Electric Co.

Architecture & Software s products are marketed primarily under the Allen-Bradley®, Rockwell Software® and FactoryTalk® brand names. Major markets served include food and beverage, automotive, oil and gas, metals and mining, and home, health and beauty.

Control Products & Solutions

Our Control Products & Solutions operating segment recorded 2008 sales of $3.3 billion (58 percent of our total sales). The Control Products & Solutions segment combines a comprehensive portfolio of intelligent motor control and industrial control products with the customer support and application knowledge necessary to implement an automation or information solution on the plant floor. This comprehensive portfolio includes:

Low voltage and medium voltage electro-mechanical and electronic motor starters, motor and circuit protection devices, AC/DC variable frequency drives, contactors, push buttons, signaling devices, termination and protection devices, relays and timers and condition sensors.

Value-added packaged solutions, including configured drives, motor control centers and custom engineered panels for OEM and end-user applications.

Automation and information solutions, including custom-engineered hardware and software systems for discrete, process, motion, drives and manufacturing information applications.

Services designed to help maximize a customer s automation investment and provide total life-cycle support, including multi-vendor customer technical support and repair, asset management, training and predictive and preventative maintenance.

The major competitors of our Control Products & Solutions operating segment include Siemens AG, ABB Ltd, Schneider Electric SA, Honeywell International Inc. and Emerson Electric Co.

Control Products & Solutions products are marketed primarily under the Allen Bradley® and ICS Triplex brand names. Major markets served include food and beverage, oil and gas, metals and mining, automotive, and pulp and paper.

Geographic Information

In 2008, sales to customers in the United States accounted for 50 percent of our total sales. Our principal markets outside of the United States are in Canada, the United Kingdom, Italy, China, Brazil and Germany. See Item 1A. ***Risk Factors*** for a discussion of risks associated with our operations outside of the United States. Sales and property information by major geographic area for each of the past three years is contained in Note 18 in the Financial Statements.

Competition

Depending on the product or service involved, our competitors range from large diversified businesses that sell products outside of industrial automation, to smaller companies specializing in niche products and services. Factors that influence our competitive position are our broad product portfolio and scope of solutions, technology leadership, knowledge of customer applications, large installed base, established distribution network, quality of products and services, price and global presence.

Distribution

In the United States and Canada, we sell our products primarily through independent distributors that typically do not carry products that compete with Allen-Bradley® products. We sell large systems and service offerings principally through a direct sales force, though opportunities are sometimes identified through distributors. Outside the United States and Canada, we sell products through a combination of direct sales and sales through distributors. Sales to our largest distributor in 2008, 2007 and 2006 were between 9 and 10 percent of our total sales.

Research and Development

Our research and development spending for the years ended September 30, 2008, 2007 and 2006 was $191.3 million, $166.9 million, and $148.5 million, respectively. Customer-sponsored research and development was not significant in 2008, 2007 or 2006.

Employees

At September 30, 2008 we had approximately 21,000 employees. Approximately 9,800 were employed in the United States, and, of these employees, about three percent were represented by various local or national unions.

Raw Materials and Supplies

We purchase many items of equipment, components and materials used to produce our products from others. The raw materials essential to the conduct of each of our business segments generally are available at competitive prices. Although 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.

Backlog

Our total order backlog at September 30 was (in millions):

	2008	**2007**
Architecture & Software	$ 161.2	$ 119.0
Control Products & Solutions	872.6	796.7
	$ 1,033.8	$ 915.7

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 for shipment beyond 2009 were approximately $97.2 million as of September 30, 2008.

Environmental Protection Requirements

Information about the effect of compliance with environmental protection requirements and resolution of environmental claims is contained in Note 17 in the Financial Statements. See also Item 3. ***Legal Proceedings***.

Patents, Licenses and Trademarks

We own or license numerous patents and patent applications related to our products and operations. 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. 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. 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® is important to each of our business segments. In addition, we own other important trademarks that we use, such as Allen-Bradley®, A®B and ICS Triplex™ for our control products and systems for industrial automation, and Rockwell Software® and FactoryTalk® for our software products.

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.

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Available Information

We maintain an Internet site at http://www.rockwellautomation.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and 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 report to shareowners and Section 16 reports on Forms 3, 4 and 5, are available free of charge on this site as soon as reasonably practicable after we file or furnish these reports with the Securities and Exchange Commission (SEC). All reports we file with the SEC are also available free of charge via EDGAR through the SEC s website at http://www.sec.gov. Our Guidelines on Corporate Governance and charters for our Board Committees are also available at our Internet site. These Guidelines and charters are also available in print to any shareowner upon request. The information contained on and linked from our Internet site is not incorporated by reference into this Annual Report on Form 10-K.

The certifications of our Chief Executive Officer and Chief Financial Officer required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are included as Exhibits to this Annual Report on Form 10-K and were included as Exhibits to each of our Quarterly Reports on Form 10-Q filed during 2008. Our Chief Executive Officer certified to the New York Stock Exchange (NYSE) on March 6, 2008 pursuant to Section 303A.12 of the NYSE s listing standards, that he was not aware of any violation by the Company of the NYSE s corporate governance listing standards as of that date.

Item 1A. ***Risk Factors***

Our business, financial condition, operating results and cash flows can be impacted by numerous factors, many of which are beyond our control, including those set forth below and elsewhere in this Annual Report on Form 10-K. These and other risks and uncertainties could cause our results to vary materially from recent results or from our anticipated future results.

We generate a substantial portion of our revenues from international sales and are subject to the risks of doing business outside of the United States.

Approximately 50 percent of our revenues in 2008 were outside of the U.S. Future growth rates and success of our business depend in large part on continued growth in our non-U.S. sales. Numerous risks and uncertainties affect our non-U.S. operations. These risks and uncertainties include political and economic instability, changes in local governmental laws, regulations and policies, including those related to tariffs, investments, taxation, trade controls, employment regulations and repatriation of earnings, and enforcement of contract and intellectual property rights. International transactions may also involve increased financial and legal risks due to differing legal systems and customs, including risks of non-compliance with U.S. and local laws affecting our activities abroad. In addition, we are affected by changes in foreign currency exchange rates, inflation rates and interest rates. While these factors and their impacts are difficult to predict, any one or more of them could adversely affect our business, financial condition or operating results.

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

Our success depends in part on our ability to anticipate and offer products that appeal to the changing needs and preferences of our customers in the various markets we serve. Developing new 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, demand for our products could decline and our operating results would be adversely affected.

Adverse changes in global or regional economic, business or industry conditions and volatility and disruption of the capital and credit markets may result in a decrease in our revenues and profitability.

Demand for our products is sensitive to changes in levels of global or regional industrial production and the financial performance of major industries that we serve, including, without limitation, food and beverage, home and personal care, life sciences, oil and gas, mining, aggregates, cement, metals, water/wastewater, forest products and transportation. As economic activity slows or credit markets tighten, companies tend to reduce their levels of capital spending, which could result in decreased demand for our products and negatively affect our business.

We intend to fund our future uses of cash, which may include repayments of short-term loans, repurchases of common stock, dividends to shareowners, capital expenditures, acquisitions of businesses and additional contributions to our pension plans, with a combination of existing cash balances, cash generated by operating activities, commercial paper borrowings or a new issuance of debt or issuance of other securities. Our ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of our credit rating and market conditions. If our access to the commercial paper market is adversely affected due to a change in market conditions or otherwise, our cost of borrowings may increase and our operating results may be adversely affected.

A global recession and continued worldwide credit constraints could adversely affect us.

Recent global economic events, including concerns over the tightening of credit markets and failures or material business deterioration of financial institutions and other entities, have resulted in a heightened concern regarding a potential global recession. If these conditions continue or worsen, we could experience potential declines in revenues, profitability and cash flow due to reduced orders, payment delays, supply chain disruptions or other factors caused by economic challenges faced by our customers, prospective customers and suppliers.

Information technology infrastructure failures could significantly affect our business.

We depend heavily on our information technology (IT) infrastructure in order to achieve our business objectives. If we experience a problem that impairs this infrastructure, such as a computer virus, a problem with the functioning of an important IT application, or an intentional disruption of our IT systems, the resulting disruptions could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on our business in the ordinary course. Any such events could cause us to lose customers or revenue and could require us to incur significant expense to eliminate these problems and address related security concerns.

We are implementing a global Enterprise Resource Planning (ERP) system that will redesign and deploy new processes, organization structures and a common information system over a period of several years. Significant roll-outs of the system occurred at several of our U.S. locations and certain locations in Mexico in 2007 and 2008, and are scheduled to continue at additional locations in 2009 and beyond. As we implement the ERP system, the new system may not perform as expected. This could have an adverse effect on our business.

There are inherent risks in our growing solutions businesses.

Risks inherent in the sale of systems and solutions include assuming greater responsibility for project completion and success, defining and controlling contract scope, efficiently executing projects, and managing the efficiency and quality of our subcontractors. Our inability to control, manage, and mitigate these risks could adversely affect our results of operations.

The global industrial automation power, control and information products and services industry is highly competitive.

We face strong competition in all of our market segments in several significant respects, including product performance, quality, developing integrated systems and applications that address the business challenges faced by our customers, pricing and customer service. The relative importance of these factors differs across the markets and product areas that we serve. We seek to maintain acceptable pricing levels by continually developing advanced technologies for new products and product enhancements and offering complete solutions for our customers business problems. If we fail to keep pace with technological changes or provide high quality products and services, we may experience price erosion and lower revenues 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.

A disruption to our distribution channel could have an adverse effect on our operating results.

In the United States and Canada, approximately 85 percent of our sales are through a limited number of third party distributors. While we maintain the right to appoint new distributors, any unplanned disruption to the existing channel could adversely affect our revenues and profitability. A disruption could be caused by the sale of a distributor to a competitor, financial instability of the distributor, or other events.

Potential liabilities and costs from litigation (including asbestos claims) could adversely affect our business.

Various lawsuits, claims and proceedings have been or may be asserted against us relating to the conduct of our business, including those pertaining to product liability, safety and health, employment and contract matters. 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. The uncertainties of litigation (including asbestos claims) and the uncertainties related to the collection of insurance coverage make it difficult to predict the ultimate resolution.

The inability to secure and maintain rights to intellectual property could harm our business and our customers.

We own the rights to many patents, trademarks, brand names and trade names that are important to our business. The loss of patents or licenses used in principal portions of our business may have an adverse effect on our results of operations. Expenses related to enforcing our intellectual property rights could be significant. In addition, others may assert intellectual property infringement claims against us or our customers. We regularly 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 costs to defend claims could have an adverse effect on our business.

We rely on third party suppliers for the purchase of raw materials, including commodities, which creates certain risks and uncertainties that may adversely affect our business.

Our manufacturing processes require that we buy a high volume of equipment, components and raw materials, including commodities such as copper, aluminum and steel, from third party suppliers. Our reliance on these suppliers involves certain risks, including:

- poor quality can adversely affect the reliability and reputation of our products;
- the cost of these purchases may change due to inflation, exchange rates, commodity market volatility or other factors;
- we may not be able recover any increase in costs for these purchases through price increases to our customers; and
- a shortage of components, commodities or other materials could adversely affect our manufacturing efficiencies and delivery capabilities, which could reduce sales and profitability.

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 or delivery delays of single-source components or products could adversely affect our ability to ship the related product in desired quantities and 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 alternative sources of supply are available, qualifying the alternate suppliers and establishing reliable supplies could cost more or could result in delays and a loss of revenues.

Potential liabilities and costs for environmental remediation could adversely affect our business.

Our operations, both in the United States and abroad, are subject to regulation by various environmental regulatory authorities concerned with the impact of the environment on human health, the limitation and control of emissions and discharges into the air, ground and waters, the quality of air and bodies of water, and the handling, use and disposal of specified substances. Environmental laws and regulations can be complex and may change. Our financial responsibility for the cleanup or other remediation of 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 must successfully defend any claims from taxing authorities related to our current and divested businesses to avoid an adverse effect on our tax expense and financial position.

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those taxing jurisdictions. Due to the subjectivity of tax laws between those jurisdictions as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from taxing authorities related to these differences could have an adverse impact on our operating results and financial position. In connection with the divestiture of certain businesses in prior years, we retained tax liabilities and the rights to tax refunds for periods before the divestitures. As a result, from time to time, we may be required to make payments related to tax matters associated with those divested businesses.

Our competitiveness depends on successfully executing on our globalization and cost productivity initiatives.

Our globalization strategy includes localization of our products and services to be near our customers and identified growth opportunities. Localization of our products and services includes expanding our capabilities, including supply chain and sourcing activities, product design, manufacturing, engineering, marketing and sales and support. These activities expose us to risks, including those related to political and economic uncertainties, transportation delays, labor market disruptions, and challenges to protect our intellectual property. In addition, we continue with our initiative to invest in actions to reduce our cost structure. The failure to achieve our objectives on these initiatives could have an adverse effect on our operating results.

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

Natural disasters, acts or threats of war or terrorism, international conflicts, and the actions taken by the United States and other governments in response to such events could cause damage to or disrupt our business operations, our suppliers or our customers, and could create political or economic instability, any of which could have an adverse effect on our business. Although it is not possible to predict such events or their consequences, these events could decrease demand for our products, make it difficult or impossible for us to deliver products, or disrupt our supply chain.

Our business success depends on attracting and retaining qualified personnel.

Our success depends in part on the efforts and abilities of our senior management team and key employees. Their skills, experience and industry contacts significantly benefit our operations and administration. The failure to attract and retain members of our senior management team and key employees could have a negative effect on our operating results.

Risks associated with acquisitions could have an adverse effect on us.

We have acquired, and will continue to acquire, businesses in an effort to enhance shareowner value. Acquisitions involve risks and uncertainties, including:

- difficulties in integrating the acquired business, retaining the acquired business customers, and achieving the expected benefits of the acquisition, such as revenue increases, cost savings and increases in geographic or product presence, in the desired time frames;

loss of key employees of the acquired business;

difficulties implementing and maintaining consistent standards, controls, procedures, policies and information systems; and

diversion of management s attention from other business concerns.

Future acquisitions could cause us to incur debt, dilution, contingent liabilities, increased interest expense, restructuring charges and amortization expenses related to intangible assets.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

At September 30, 2008, we operated 59 plants. Manufacturing space occupied approximately 5.0 million square feet, of which 54 percent was in North America. Our Architecture & Software segment occupied approximately 0.8 million square feet, our Control Products & Solutions segment occupied approximately 3.0 million square feet and the remaining approximately 1.2 million square feet of manufacturing space was shared by our operating segments. We also had 282 sales and administrative offices and a total of 30 warehouses, service centers and other facilities. The aggregate floor space of our facilities was approximately 10.9 million square feet. Of this floor space, we owned approximately 22 percent and leased approximately 78 percent. At September 30, 2008, approximately 205,000 square feet of floor space was not in use, mostly in owned facilities.

In November 2005, we sold and leased back 8 properties in North America comprising approximately 1.6 million square feet. See Note 17 in the Financial Statements for more information.

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.

Item 3. ***Legal Proceedings*****.**

Rocky Flats Plant**.** RIC operated the Rocky Flats Plant (the Plant), Golden, Colorado, from 1975 through December 1989 for the Department of Energy (DOE). Incident to Boeing s acquisition of RIC in 1996, we agreed to indemnify RIC and Boeing for any liability arising out of RIC s activities at the Plant to the extent such liability is not assumed or indemnified by the U.S. government.

On January 30, 1990, a class action was filed in the United States District Court for the District of Colorado against RIC and another former operator of the Plant. The action alleges the improper production, handling and disposal of radioactive and other hazardous substances, constituting, among other things, violations of various environmental, health and safety laws and regulations, and misrepresentation and concealment of the facts relating thereto. On October 8, 1993, the court certified separate medical monitoring and property value classes. Effective August 1, 1996, the DOE assumed control of the defense of the contractor defendants, including RIC, in the action and has either reimbursed or paid directly the costs of RIC s defense. On February 14, 2006, a jury empanelled to try certain of the class action plaintiffs property damage claims found the contractor defendants liable for trespass and nuisance, and awarded $176 million in compensatory damages and $200 million in punitive damages against the two defendants. The jury also found RIC to be 10% responsible for the trespass and 70% responsible for the nuisance. On June 2, 2008, the district court entered judgment against RIC in the amount of $598 million, including prejudgment interest. RIC has appealed the judgment, at the direction of the DOE. Execution of the judgment is currently stayed. By letter dated June 5, 2008, the DOE confirmed its obligation to indemnify RIC for any judgment or settlement arising out of this action and attorney s fees and other costs associated with this action, and acknowledged that the ultimate financial responsibility for this action lies with the U.S. government. Accordingly, we do not believe that the action will have a material adverse effect on our financial condition.

On November 13, 1990, RIC was served with another civil action brought against it in the same court by James Stone, claiming to act in the name of the United States, alleging violations of the U.S. False Claims Act in connection with its operation of the Plant. On April 1, 1999 a jury awarded approximately $1.4 million in damages. On May 18, 1999, the court entered judgment against RIC for approximately $4.2 million, trebling the jury s award as required by the False Claims Act, and imposing a civil penalty of $15,000. We have paid this judgment to the U.S. government. One claim remains pending in the Stone action. We intend to move to dismiss that claim for lack of subject matter jurisdiction. We believe that RIC is entitled under applicable law and its contract with the DOE to be indemnified for all costs and any liability associated with this action. However, as described below, the Civilian Board of Contract Appeals has denied RIC s claim seeking reimbursement of certain of those costs.

On May 4, 2005, RIC filed a claim with the DOE, seeking recovery of $11.3 million in unreimbursed costs incurred in defense of the Stone suit. On September 30, 2005, the DOE Contracting Officer denied that claim and demanded repayment of $4 million in previously reimbursed Stone defense costs. On November 10, 2005, RIC appealed both aspects of the Contracting Officer s decision regarding Stone defense costs to the Civilian Board of Contract Appeals (Board). On July 9, 2007, the Board ruled that the DOE is entitled to be repaid the previously reimbursed Stone defense costs and that RIC cannot recover its unreimbursed costs, to the extent that those costs were incurred defending the three false claims for which RIC was found liable. The Board is currently considering RIC s motion to determine whether RIC may recover or must repay to the DOE costs incurred in defending the false claims and common law claims for which RIC was not found liable. If the Board rules that RIC must reimburse the DOE, the portion of the amount demanded by the DOE ($4 million plus interest) will be determined in further proceedings.

McGregor, Texas NWIRP Facility Environmental Claim. RIC operated the Naval Weapons Industrial Reserve Plant (NWIRP) in McGregor, Texas from 1958 through 1978 for the United States Navy. Incident to Boeing s acquisition of RIC in 1996, we agreed to indemnify RIC and Boeing for any liability arising out of RIC s activities at the NWIRP to the extent such liability is not assumed or indemnified by the U.S. government.

On December 3, 2007, the United States Department of Justice (DOJ) notified RIC that the United States Navy was seeking to recover environmental cleanup costs incurred at the NWIRP. The DOJ now asserts that it has incurred more than $50 million (excluding interest, attorneys fees and other indirect costs) in environmental cleanup costs at the NWIRP, and it believes that it may have a potential cause of action against RIC and other former contractors at the NWIRP for recovery of those costs. Along with the initial notification, the DOJ also proposed a tolling agreement so that the parties could discuss settlement. RIC and several other former contractors have entered into the tolling agreement with the DOJ. To date, no lawsuit has been filed and only one settlement discussion has taken place. Moreover, we believe that RIC has several meritorious defenses to the DOJ s claim. At this time, RIC has indicated that it cannot estimate its potential exposure in this matter, if any, but it intends to continue discussion with the DOJ.

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

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

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

Foreign Corrupt Practices Act. As a result of an internal review, we determined during the fourth quarter of 2006 that actions by a small number of employees at certain of our operations in one jurisdiction may have violated the U.S. Foreign Corrupt Practices Act (FCPA) or other applicable laws. We and some of our distributors do business in this jurisdiction with government owned enterprises or government owned enterprises that are evolving to commercial businesses. These actions involved payments for non-business travel expenses and certain other business arrangements involving potentially improper payment mechanisms for legitimate business expenses. Special outside counsel has been engaged to investigate the actions and report to the Audit Committee. Their review is ongoing.

We voluntarily disclosed these actions to the DOJ and the SEC beginning in September 2006. We have implemented thorough remedial measures, and are cooperating on these issues with the DOJ and SEC. We have agreed to update the DOJ and SEC periodically regarding any further developments as the investigation continues.

If violations of the FCPA occurred, we may be subject to consequences that could include fines, penalties, other costs and business-related impacts. We could also face similar consequences from local authorities. We do not believe the consequences of this investigation, the remediation or any related penalties or business related impacts will have a material adverse effect on our business, results of operations or financial condition.

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

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during the fourth quarter of 2008.

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 5, 2008 are:

Name, Office and Position, and Principal Occupations and Employment	Age
Keith D. Nosbusch Chairman of the Board since February 2005 and President and Chief Executive Officer since February 2004; Senior Vice President and President, Rockwell Automation Control Systems prior thereto	57
Sujeet Chand Senior Vice President and Chief Technology Officer since September 2005; Vice President and Chief Technical Officer prior thereto	50
John D. Cohn Senior Vice President, Strategic Development and Communications	54
Kent G. Coppins Vice President and General Tax Counsel	55
Theodore D. Crandall Senior Vice President and Chief Financial Officer since October 2007; Interim Chief Financial Officer from April 2007 to October 2007; Senior Vice President since February 2004; Senior Vice President, Control Products & Solutions (formerly Components and Packaged Applications Group) prior thereto	53
David M. Dorgan Vice President and Controller	44
Steven A. Eisenbrown Senior Vice President since February 2004; Senior Vice President, Architecture & Software (formerly Automation Control and Information Group) prior thereto	55
Steven W. Etzel Vice President and Treasurer since November 2007; Assistant Treasurer from November 2006 to November 2007; Director, Finance from January 2006 to November 2006; Vice President, Risk Management and Financial Planning prior thereto	48
Douglas M. Hagerman Senior Vice President, General Counsel and Secretary since May 2004; Litigation partner and Co-Chair of the Securities Litigation, Enforcement and Regulation Practice Group at Foley & Lardner LLP (law firm) prior thereto	47
John P. McDermott Senior Vice President since February 2004; Senior Vice President, Global Sales and Marketing (formerly Global Sales and Solutions) prior thereto	50
John M. Miller Vice President and Chief Intellectual Property Counsel since October 2004; Associate Intellectual Property Counsel prior thereto	41
Rondi Rohr-Dralle Vice President, Investor Relations and Corporate Development	52
Robert A. Ruff Senior Vice President since February 2004; Senior Vice President, Americas Sales prior thereto	60
Susan J. Schmitt Senior Vice President, Human Resources since July 2007; Director, Human Resources United Kingdom and European Functions, Kellogg Company (producer of cereal and convenience foods) from August 2006 to July 2007; Vice President, Human Resources, U.S. Morning Foods division of Kellogg Company prior thereto	45
A. Lawrence Stuever Vice President and General Auditor	56
Martin Thomas Senior Vice President, Operations and Engineering Services since February 2007; Vice President, Operations and Engineering Services from November 2005 to February 2007; President, General Electric s Trailer Fleet Services and Modular Space businesses (leasing for modular space and tractor trailers) prior thereto	50

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.

PART II

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

Our common stock is listed on the New York Stock Exchange and trades under the symbol ROK. On October 31, 2008 there were 28,484 shareowners of record of our common stock.

The following table sets forth the high and low sales price of our common stock on the New York Stock Exchange-Composite Transactions reporting system during each quarter of our fiscal years ended September 30, 2008 and 2007:

	2008		2007	
Fiscal Quarters	**High**	**Low**	**High**	**Low**
First	$ 73.86	$ 64.85	$ 66.02	$ 57.26
Second	69.72	50.00	65.31	56.73
Third	61.49	42.75	70.71	57.30
Fourth	49.92	32.83	75.60	64.28

We declare and pay dividends at the sole discretion of our Board of Directors. During each of 2008 and 2007, we declared and paid aggregate cash dividends of $1.16 ($0.29 per quarter) per common share.

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, 2008:

Period	Total Number of Shares Purchased	Average Price Paid Per Share(1)	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(2)
July 1 31, 2008	1,401,760	$ 42.80	1,401,760	$ 714,649,848
August 1 31, 2008	195,800	47.18	195,800	705,411,815
September 1 30, 2008	855,700	39.99	855,700	671,188,181
Total	2,453,260	42.17	2,453,260	

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

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

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 consolidated statement of operations data for each of the following five years ended September 30, the related consolidated balance sheet data and other data have been derived from our audited consolidated financial statements.

	Year Ended September 30,				
	2008(a)	**2007(b)**	**2006(c)**	**2005**	**2004**
	(in millions, except per share data)				
Consolidated Statement of Operations Data:					
Sales	$ 5,697.8	$ 5,003.9	$ 4,556.4	$ 4,111.5	$ 3,644.0
Interest expense	68.2	63.4	56.6	45.8	41.7
Income from continuing operations before accounting change	577.6	569.3	529.3	447.7	316.1
Earnings per share from continuing operations before accounting change:					