

INGERSOLL RAND CO LTD  
Form 10-Q  
May 10, 2007

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

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2007**

or

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 1-985**

**INGERSOLL-RAND COMPANY LIMITED**

*(Exact name of registrant as specified in its charter)*

**Bermuda**  
*(State or other jurisdiction of  
incorporation or organization)*

**75-2993910**  
*(I.R.S. Employer  
Identification No.)*

**Clarendon House**  
**2 Church Street**  
**Hamilton HM 11, Bermuda**  
*(Address of principal executive offices)*

**(441) 295-2838**  
*(Registrant's telephone number, including area code)*

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The number of Class A common shares outstanding as of May 8, 2007 was 301,626,886.



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**Part I - FINANCIAL INFORMATION****Item 1 - Financial Statements**

**INGERSOLL-RAND COMPANY LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**(Unaudited)**

<i>In millions, except per share amounts</i>	Three months ended March 31,	
	2007	2006
Net revenues	\$ 2,668.1	\$ 2,523.2
Cost of goods sold	1,953.0	1,851.2
Selling and administrative expenses	415.2	354.7
Operating income	299.9	317.3
Interest expense	(35.6)	(35.3)
Other income (expense), net	(3.3)	3.9
Earnings before income taxes	261.0	285.9
Provision for income taxes	44.5	41.5
Earnings from continuing operations	216.5	244.4
Discontinued operations, net of tax	1.0	8.8
Net earnings	\$ 217.5	\$ 253.2
<b>Basic earnings per common share:</b>		
Continuing operations	\$ 0.71	\$ 0.74
Discontinued operations	-	0.03
Net earnings	\$ 0.71	\$ 0.77
<b>Diluted earnings per common share:</b>		
Continuing operations	\$ 0.70	\$ 0.73
Discontinued operations	-	0.03
Net earnings	\$ 0.70	\$ 0.76
Dividends per common share	\$ 0.18	\$ 0.16

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**INGERSOLL-RAND COMPANY LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(Unaudited)

<i>In millions</i>	March 31, 2007	December 31, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 304.6	\$ 355.8
Marketable securities	0.6	0.7
Accounts and notes receivable, less allowance of \$14.0 in 2007 and \$15.6 in 2006	1,860.6	1,847.3
Inventories	1,249.5	1,178.5
Prepaid expenses and deferred income taxes	534.3	396.0
Assets held for sale	628.8	601.9
<b>Total current assets</b>	<b>4,578.4</b>	<b>4,380.2</b>
Property, plant and equipment, net	1,149.5	1,131.3
Goodwill	4,534.5	4,505.9
Intangible assets, net	731.5	735.3
Other assets	1,417.1	1,393.2
<b>Total assets</b>	<b>\$ 12,411.0</b>	<b>\$ 12,145.9</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 922.7	\$ 989.3
Accrued compensation and benefits	292.0	364.9
Accrued expenses and other current liabilities	951.4	1,061.1
Loans payable and current maturities of long-term debt	1,186.8	1,079.4
Liabilities held for sale	198.3	187.3
<b>Total current liabilities</b>	<b>3,551.2</b>	<b>3,682.0</b>
Long-term debt	903.0	905.2
Postemployment and other benefit liabilities	1,393.5	1,390.0
Other noncurrent liabilities	1,177.2	763.9
<b>Total liabilities</b>	<b>7,024.9</b>	<b>6,741.1</b>
Shareholders' equity:		
Class A common shares	305.3	306.8
Retained earnings	5,397.0	5,456.1
Accumulated other comprehensive income (loss)	(316.2)	(358.1)
<b>Total shareholders' equity</b>	<b>5,386.1</b>	<b>5,404.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 12,411.0</b>	<b>\$ 12,145.9</b>

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**INGERSOLL-RAND COMPANY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

<i>In millions</i>	Three months ended March 31,	
	2007	2006
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 217.5	\$ 253.2
Loss (income) from discontinued operations, net of tax	(1.0)	(8.8)
Adjustments to arrive at net cash provided by (used in) operating activities:		
Depreciation and amortization	43.6	46.2
Stock settled share-based compensation	11.9	8.2
Changes in other assets and liabilities, net	(112.5)	(154.3)
Other, net	(105.6)	(105.8)
Net cash provided by (used in) continuing operating activities	53.9	38.7
Net cash provided by (used in) discontinued operating activities	(8.1)	(10.9)
<b>Cash flows from investing activities:</b>		
Capital expenditures	(47.0)	(36.0)
Proceeds from sale of property, plant and equipment	2.2	1.9
Acquisitions, net of cash acquired	(7.8)	(26.8)
Proceeds from sales and maturities of marketable securities	0.1	109.9
Other, net	(0.1)	(0.6)
Net cash provided by (used in) continuing investing activities	(52.6)	48.4
Net cash provided by (used in) discontinued investing activities	(4.7)	(2.3)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	104.1	(9.0)
Proceeds from long-term debt	-	0.8
Payments of long-term debt	(1.9)	(5.5)
Net change in debt	102.2	(13.7)
Dividends paid	(55.3)	(52.3)
Proceeds from exercise of stock options	44.7	45.7
Repurchase of common shares by subsidiary	(133.6)	(163.5)
Net cash provided by (used in) continuing financing activities	(42.0)	(183.8)
Net cash provided by (used in) discontinued financing activities	-	-
Effect of exchange rate changes on cash and cash equivalents	2.3	6.9
Net increase (decrease) in cash and cash equivalents	(51.2)	(103.0)
Cash and cash equivalents - beginning of period	355.8	876.0
Cash and cash equivalents - end of period	\$ 304.6	\$ 773.0

*See accompanying Notes to Condensed Consolidated Financial Statements.*

**INGERSOLL-RAND COMPANY LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1 - Basis of Presentation**

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, which include normal recurring adjustments, necessary to present fairly the consolidated unaudited financial position at March 31, 2007, and results of operations and cash flows for the three months ended March 31, 2007 and 2006.

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Ingersoll-Rand Company Limited (the Company or IR-Limited) Annual Report on Form 10-K for the year ended December 31, 2006.

As a result of the divestiture of the Road Development business unit, the Company realigned its operating and reporting segments to better reflect its market focus. The former Compact Vehicle Technologies segment and the Construction Technologies segment, excluding the Road Development business, were aggregated into one segment - Compact Equipment Technologies. Prior year results have been reclassified to conform to this change.

**Note 2 - Divestitures and Discontinued Operations**

The components of discontinued operations for the three months ended March 31, were as follows:

<i>In millions</i>	2007		2006	
Road Development, net of tax	\$	16.5	\$	17.9
Other discontinued operations, net of tax		(15.5)		(9.1)
Total discontinued operations, net of tax	\$	1.0	\$	8.8

*Road Development Divestiture*

On February 27, 2007, the Company agreed to sell its Road Development business unit to AB Volvo (publ) for cash proceeds of approximately \$1.3 billion. The sale was completed on April 30, 2007, in all countries except for India, which closed on May 4, 2007. The sale is expected to generate net cash proceeds of approximately \$1.05 billion.

The Road Development business unit manufactures and sells asphalt paving equipment, compaction equipment, milling machines, and construction-related material handling equipment. The Company has accounted for the Road Development business unit as discontinued operations and has classified the assets and liabilities sold to AB Volvo as held for sale for all periods presented in accordance with Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".



Net revenues and after-tax earnings of the Road Development business unit for the three months ended March 31, were as follows:

<i>In millions</i>	2007	2006
Net revenues	\$ 167.7	\$ 187.8
After-tax earnings	16.5	17.9

Assets and liabilities recorded as held for sale on the condensed consolidated balance sheet were as follows:

<i>In millions</i>	March 31, 2007	December 31, 2006
<b>Assets</b>		
Current assets	\$ 351.9	\$ 317.6
Property, plant and equipment, net	138.6	145.0
Goodwill and other intangible assets, net	99.8	99.8
Other assets and deferred income taxes	38.5	39.5
Assets held for sale	\$ 628.8	\$ 601.9
<b>Liabilities</b>		
Current liabilities	\$ 124.5	\$ 118.9
Non-current liabilities	73.8	68.4
Liabilities held for sale	\$ 198.3	\$ 187.3

#### *Other Discontinued Operations*

The Company also has other retained costs for discontinued operations that mainly include costs related to postretirement benefits and product and legal costs (mostly asbestos-related) from previously sold businesses. The components of other discontinued operations for the three months ended March 31, were as follows:

<i>In millions</i>	2007	2006
Retained (costs) income, net of tax	\$ (15.6)	\$ (9.3)
Net gain on disposals, net of tax	0.1	0.2
Total other discontinued operations, net of tax	\$ (15.5)	\$ (9.1)

#### **Note 3 - Inventories**

Inventories are stated at the lower of cost or market. Most U.S. manufactured inventories, excluding the Climate Control Technologies segment, are valued on the last-in, first-out (LIFO) method. All other inventories are valued using the first-in, first-out (FIFO) method. The composition of inventories was as follows:

<i>In millions</i>	March 31, 2007	December 31, 2006
Raw materials and supplies	\$ 463.0	\$ 480.5
Work-in-process	222.2	208.2