

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended September 30, 1994

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

Exact name of registrant as specified in its charter

New Jersey
State of incorporation
No.

13-5156640
I.R.S. Employer Identification

Woodcliff Lake, New Jersey
Address of principal executive offices

07675
Zip Code

(201) 573-0123

Telephone number of principal executive offices

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

The number of shares of common stock outstanding as of October 31, 1994 was

INGERSOLL-RAND COMPANY
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PART I. FINANCIAL INFORMATION
INGERSOLL-RAND COMPANY
CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)

	ASSETS	
	SEPTEMBER 30,	DECEMBER
31,	1994	1993
Current assets:		
Cash and cash equivalents	\$ 237,521	\$
227,993		
Marketable securities	4,634	
6,172		
Accounts and notes receivable, net of allowance for doubtful accounts	891,431	
797,525		
Inventories	692,222	
713,690		
Prepaid expenses and deferred taxes	173,006	
156,780		
Total current assets	1,998,814	
1,902,160		
Investments and advances:		
Dresser-Rand Company	86,972	
112,630		
Partially-owned equity companies	164,169	
158,645		
	251,141	
271,275		
Property, plant and equipment, at cost	1,824,637	
1,665,428		
Less - accumulated depreciation	878,702	
790,284		
Net property, plant and equipment	945,935	
875,144		
Intangible assets, net	127,683	
105,855		
Deferred income taxes	79,537	
90,913		
Other assets	136,867	
129,985		
Total assets	\$3,539,977	
\$3,375,332		

	LIABILITIES AND EQUITY	
Current liabilities:		
Loans payable	\$ 181,738	\$
206,939		
Accounts payable and accruals	887,075	
817,385		
Total current liabilities	1,068,813	
1,024,324		
Long-term debt	319,513	
314,136		
Postemployment liabilities	511,702	
515,787		
Ingersoll-Dresser Pump Company minority interest	153,711	
146,331		
Other liabilities	25,085	
24,929		
Shareowners' equity:		
Common stock	218,321	
217,879		
Other shareowners' equity	1,242,832	
1,131,946		
Total shareowners' equity	1,461,153	
1,349,825		
Total liabilities and equity	\$3,539,977	
\$3,375,332		

See accompanying notes to condensed consolidated financial statements.

INGERSOLL-RAND COMPANY
CONDENSED CONSOLIDATED INCOME STATEMENT
(in thousands except per share figures)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1994	1993	1994	1993
NET SALES	\$1,113,670	\$973,524	\$3,267,786	\$2,932,402
Cost of goods sold	840,171	736,244	2,482,071	2,217,102
Administrative, selling and service engineering expenses	184,534	172,775	544,857	531,301
Restructure of operations charge	--	--	--	5,000
Operating income	88,965	64,505	240,858	178,999
Interest expense	11,279	12,744	34,884	40,289
Other income (expense), net	(5,876)	(5,691)	(9,313)	(8,620)
Dresser-Rand income	5,400	9,400	15,400	21,400
Ingersoll-Dresser Pump Company minority interest	(1,023)	(491)	(2,675)	(1,878)
Earnings before income taxes	76,187	54,979	209,386	149,612
Provision for income taxes	27,808	19,793	76,426	53,861
Earnings for the period before the effect of accounting change	48,379	35,186	132,960	95,751
Effect of accounting change (Net of income tax benefit):				
- Postemployment benefits	--	--	--	(21,000)
Net earnings	\$ 48,379	\$ 35,186	\$ 132,960	\$ 74,751
Average number of common shares outstanding	105,483	105,106	105,447	104,911
Net earnings per common share before the effect of accounting change	\$ 0.46	\$ 0.33	\$ 1.26	\$ 0.91
Effect of accounting change:				
- Postemployment benefits	--	--	--	(0.20)
Net earnings per common share	\$ 0.46	\$ 0.33	\$ 1.26	\$ 0.71
Dividends per common share	\$0.185	\$0.175	\$0.535	\$0.525

See accompanying notes to condensed consolidated financial statements.

INGERSOLL-RAND COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	1994	1993
Cash flows from operating activities:		
Net earnings	\$ 132,960	\$ 74,751
Adjustments to arrive at net cash provided by operating activities:		
Effect of accounting change	--	21,000
Depreciation and amortization	98,551	95,143
Equity earnings/losses, net of dividends (29,722)	(22,295)	
Restructure of operations	--	5,000
Gain on sale of investment (1,402)	--	
Deferred income taxes	13,235	1,009
Minority interest in earnings	2,662	2,847
Other noncash items	(7,245)	1,212
Changes in other assets and liabilities, net (106,861)	(18,385)	
Net cash provided by operating activities	199,483	62,977
Cash flows from investing activities:		
Capital expenditures (83,551)	(109,353)	
Proceeds from sales of property, plant and equipment	4,858	4,154
Proceeds from business dispositions	2,250	45,995
Acquisitions, net of cash (42,479)	(36,507)	
Decrease in marketable securities	2,404	3,270
Cash invested in and advances from equity companies	35,939	51,441
Other (7,181)	--	
Net cash used in investing activities (28,351)	(100,409)	
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings (11,053)	38,536	
Proceeds from long-term debt	2,330	101,586
Payments of long-term debt (72,576)	(82,951)	
Net change in debt	(42,085)	17,957
Dividends paid (55,070)	(56,424)	
Other	2,952	12,741
Net cash used in financing activities (24,372)	(95,557)	
Effect of exchange rate changes on cash and cash equivalents (5,562)	6,011	
Net increase in cash and cash equivalents	9,528	4,692
Cash and cash equivalents - beginning of period	227,993	216,832
Cash and cash equivalents - end of period	\$ 237,521	\$ 221,524

See accompanying notes to condensed consolidated financial statements.

INGERSOLL-RAND COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - In the opinion of management, the accompanying condensed

consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated unaudited financial position and results of operations for the three and nine months ended September 30, 1994 and 1993.

Note 2 - Inventories of appropriate domestically manufactured

standard products are valued on the last-in, first-out (LIFO) method and all other inventories are valued using the first-in, first-out (FIFO) method. The composition of inventories for the balance sheets presented was as follows (in thousands):

	September 30,	December
31,	1994	1993
Raw materials and supplies	\$ 129,724	\$
121,083		
Work-in-process	292,113	
295,829		
Finished goods	442,721	
462,677		
	864,558	
879,589		
Less - LIFO reserve	172,336	
165,899		
Total	\$ 692,222	\$
713,690		

Work-in-process inventories are stated after deducting customer progress payments of \$27,782,000 at September 30, 1994 and \$14,395,000 at December 31, 1993.

Note 3 - The company's investment in the Dresser-Rand partnership at

September 30, 1994 and December 31, 1993 was \$151,017,000 and \$133,867,000, respectively. The company owed Dresser-Rand \$64,045,000 at September 30, 1994 and \$21,237,000 at December 31, 1993.

The summarized financial position of Dresser-Rand was as follows (in thousands):

	September 30,	December
31,	1994	1993
Current assets	\$ 437,982	\$
489,122		
Property, plant and equipment, net	198,036	
220,604		
Other assets and investments	16,837	
18,531		
	652,855	
728,257		
Deduct:		
Current liabilities	302,441	
321,629		
Noncurrent liabilities	190,776	
188,211		
	493,217	
509,840		
Net partners' equity and advances	\$ 159,638	\$
218,417		

INGERSOLL-RAND COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Note 3 - Continued:

Net sales of Dresser-Rand were \$832.0 million for the nine months ended September 30, 1994 and \$830.7 million for the nine months ended September 30, 1993; and gross profit was \$143.2 million and \$170.3 million, respectively. Dresser-Rand's net income for the nine months ended September 30, 1994 was \$31.5 million and \$43.9 million for the nine months ended September 30, 1993.

Note 4 - In February 1993, the company issued \$100 million of notes

at 6 7/8% per annum, which are not redeemable prior to maturity in 2003. The proceeds from these notes were used to redeem \$68 million of the company's outstanding 8.05% Debentures Due 2004 and for general corporate purposes.

Note 5 - On July 20, 1993, the company sold substantially all of its

underground coal-mining machinery assets to Long-Airtox Company. In connection with this sale, the company recorded a \$5 million restructure of operations charge, during the 1993 second quarter.

Note 6 - Effective August 1, 1993, the company acquired the

Kunsebeck, Germany, needle and cylindrical bearing business of FAG Kugelfischer Georg Schafer AG of Schweinfurt, Germany.

Note 7 - On April 11, 1994, the company acquired full ownership of

the ball bearing joint venture with GMN Georg Mueller of America, Inc. The company previously owned 50% of the joint venture.

Note 8 - On June 30, 1994, the company acquired Montabert S.A., a

French manufacturer of hydraulic rock-breaking and drilling equipment, for a cash payment and the assumption of certain liabilities. The company paid approximately \$18 million in connection with this acquisition.

Note 9 - Effective August 4, 1994, the company acquired the Ecoair

air compressor product line from MAN Gutenofnungshutte AG (MAN GHH) of Oberhausen, Germany for approximately \$10.6 million. The company also entered a 50/50 joint venture, GHH-RAND Schraubenkompressoren GmbH & Co. KG (GHH-RAND), with MAN GHH to manufacture airends. The company invested approximately \$17.6 million in GHH-RAND.

INGERSOLL-RAND COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net sales for the third quarter of 1994 totalled \$1.1 billion, 14.4 percent higher than the amount reported for last year's third quarter. Operating income for the third quarter totalled \$89.0 million, which represents a 37.9 percent increase over the \$64.5 million reported for the three months ended September 30, 1993. The operations of Ingersoll-Dresser Pump Company (IDP) generated approximately \$3.2 million of operating income during the third quarter of the year, versus operating at close to break-even levels during the third quarter of 1993, on essentially the same level of sales for both periods.

The company reported net earnings of \$48.4 million, or 46 cents per common share, for the third quarter of 1994 versus \$35.2 million, or 33 cents per common share, for the three months ended September 30, 1993. Overall, international markets continued to strengthen and improved on a quarter to quarter basis. Domestic markets, principally our construction, air compressor, door hardware and automotive related products, grew at a stronger rate during the third quarter of 1994 when compared to the comparable quarter in the prior year. These improved business conditions, coupled with the benefits derived from cost-containment programs, are responsible for the third quarter improvement over the comparable 1993 period.

Partial liquidations of LIFO (last-in, first-out) inventories benefitted the third quarter cost of goods sold by \$1.6 million (approximately \$1.0 million after tax or one cent per share). Partial liquidations during the 1993 third quarter benefitted costs by \$600,000 (approximately \$400,000 after tax). Net losses from foreign exchange activities for the third quarter of 1994 totalled \$1.5 million, or two cents per common share, versus net losses of \$3.8 million, or four cents per common share, for the comparable 1993 quarter.

For the first nine months of 1994, net sales amounted to \$3.3 billion, which was 11.4 percent higher than last year's nine month total. Operating income for the first three quarters of 1994 totalled \$240.9 million, which represents a 30.9 percent increase over the \$184.0 million reported for the comparable 1993 period, before considering last year's \$5 million restructure of operations charge. During the first nine months of the year, IDP contributed over \$8.0 million of operating income to the company's consolidated results versus approximately \$5.0 million for the first three quarters of 1993, on a three percent lower level of sales in 1994 versus the 1993 period.

INGERSOLL-RAND COMPANY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

(continued)

The company reported net earnings of \$133.0 million, or \$1.26 per common share, for the first nine months of 1994. Net earnings for the first three quarters of 1993, before the effect of the retroactive adoption of an accounting change, totalled \$95.8 million, or 91 cents per common share. The 1993 accounting change related to the company's adoption, effective January 1, 1993, of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits". The 1993 adoption of this statement resulted in a one-time after-tax charge of \$21.0 million or 20 cents per share. After considering this charge, the company reported net earnings of \$74.8 million, or 71 cents per share, for the nine months ended September 30, 1993.

Partial liquidations of LIFO (last-in, first-out) inventories during the first nine months of 1994 and 1993 benefitted cost of goods sold by \$1.6 million and \$4.6 million, respectively. Foreign exchange losses for the first nine months of 1994 decreased net earnings by \$4.4 million, or five cents per share, which compares to net losses of \$6.1 million, or six cents per share, for the comparable 1993 period.

The ratio of cost of goods sold to sales for the third quarter of 1994 reflects a minor improvement over the comparable ratio for 1993's third quarter principally due to improvements in IDP's international cost ratio during the current quarter when compared to last year. However, the ratio of cost of goods sold to sales for the first nine months of 1994 reflects a slight deterioration from the comparable period in 1993, principally due to the effects of general inflation on the costs of material and on salary and employee benefits during the year. The ratios of administrative, selling and service engineering expenses to sales for both the third quarter and first nine months of the year reflected a marked improvement over the comparable periods in 1993 due to the combined effect of last year's restructuring activity at Ingersoll-Dresser Pump Company and the continued effect of the company's efforts from cost-containment programs.

The restructure of operations charge during the second quarter of 1993 relates to the company's decision to sell its underground coal-mining operations, which was completed in July 1993. The operating income generated by this unit, during the past few years, was essentially at the break-even level.

INGERSOLL-RAND COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Other income (expense), net, aggregated \$5.9 million of net expense for the three months ended September 30, 1994, which approximated last year's third quarter total. For the first nine months of 1994, other income (expense), net, totalled \$9.3 million which represents an increase of \$700,000 of net expense over the amount reported for the three quarters ended September 30, 1993. Reductions in losses from foreign exchange activities in both the quarter and nine month periods were offset by lower earnings from partially-owned equity companies and an increase in expenses of a miscellaneous nature.

The company's pretax profits for its 49 percent interest in Dresser-Rand Company (another partnership between Dresser Industries and the company) totalled \$5.4 million for the third quarter of the year and \$15.4 million for the first nine months of 1994. This compares to income of \$9.4 million for the third quarter of 1993 and \$21.4 million for the first three quarters of 1993.

The Ingersoll-Dresser Pump Company's minority interest represents Dresser's interest in the operating results of IDP. During the third quarter of 1994, the minority interest charge totalled \$1.0 million, which indicated that IDP generated net income at the partnership level of approximately \$2.1 million. For the first nine months of 1994, the minority interest charge totalled \$2.7 million, which indicated that IDP generated approximately \$5.5 million of net income at the partnership level for the first three quarters of the year. For the third quarter and first nine months of 1993, the minority interest charge for IDP was \$0.5 million and \$1.9 million, respectively.

Interest expense for the third quarter and first nine months of 1994 was below the amounts reported in the comparable periods of 1993 by \$1.5 million and \$5.4 million, respectively. The reduction is principally attributed to lower outstanding debt and lower interest rates.

The company's effective tax rates for both the third quarter and first nine months of 1994 and 1993 were 36.5 percent and 36.0 percent, respectively. The company's effective tax rate differs from the statutory rate of 35 percent mainly due to state income taxes and some foreign earnings being taxed at higher rates. The effective tax rate for the full year of 1993 was 35.5 percent.

INGERSOLL-RAND COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

The consolidated results for both the third quarter and first nine months of the year benefitted from the combination of business improvements in most of the company's domestic markets (including auto, housing, construction and general industrial) and a continued emphasis on cost-containment programs throughout the company. International business has reflected increases during the first nine months of 1994 when compared to the comparable periods in 1993 but not at the rates at which the company's domestic business has improved. Incoming orders for the third quarter of the year totalled \$1,133.1 million and represents an increase of 16.2 percent over the 1993 third quarter total of \$975.2 million. IDP was the only operation within the company which failed to report meaningful increases in third quarter bookings levels when compared to the comparable quarter of 1993. The company's backlog of orders at September 30, 1994, believed by it to be firm, was approximately \$1,056 million, which reflects an increase of \$134 million over the December 31, 1993 balance. The company estimates that approximately 90 percent of the backlog will be shipped during the next twelve months.

Liquidity and Capital Resources

The company's financial position at September 30, 1994 did not change materially from December 31, 1993. In the first nine months of 1994, working capital increased by approximately \$52.2 million to \$930.0 million at September 30, 1994 from December 31, 1993's balance of \$877.8 million. The current ratio at September 30, 1994 was 1.9 to 1, which equalled the December 31, 1993 ratio.

The company's cash, cash equivalents and marketable securities increased by only \$8.0 million during the first nine months of 1994 to \$242.2 million from \$234.2 million at December 31, 1993. However, it should be noted that while this was a modest increase, there were many significant cash inflows and outflows. Cash flows from operating activities totalled \$189.5 million, investing activities used \$90.4 million and financing activities used \$95.6 million. Exchange rate changes for the first nine months of 1994 totalled \$6.0 million.

Receivables totalled \$891.4 million at September 30, 1994, which represents a \$93.9 million increase from the amount reported at December 31, 1993. This increase is the net effect of a strong selling period towards the end of the third quarter combined with \$20.1 million from acquisitions which is offset by aggressive collection efforts and a \$18.1 million effect of foreign currency translation during the first nine months of 1994.

INGERSOLL-RAND COMPANY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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RESULTS OF OPERATIONS**

(continued)

Inventories totalled \$692.2 million at September 30, 1994, approximately \$21.5 million lower than the December 31, 1993 level. This decrease is the net effect of increased sales activity, and an aggressive company program to reduce inventory, which were offset by a \$24.6 million increase from acquisitions and a \$17.7 million increase due to exchange rates on the international inventories.

Long-term debt, including current maturities, at the end of the first nine months of the year, totalled \$322.7 million. During the quarter, the company repaid the last installment of \$75.0 million on its 8 3/8% Notes Due 1994. Acquisitions increased long-term debt by approximately \$7.0 million. The remaining change was due to increases in foreign long-term debt and translation.

The company's September 30, 1994 debt-to-capital ratio was 26/74, which reflects an increase over the 28/72 ratio at December 31, 1993.

During the first nine months of 1994, foreign currency adjustments resulted in a net increase of approximately \$27.5 million in shareowners' equity, caused by the weakening of the U.S. dollar against other currencies. Currency changes in Japan, Germany, France, the United Kingdom and Italy accounted for approximately 85 percent of this change. The translation of accounts receivable and inventories were the principal balance sheet items affected by the currency fluctuations since year-end.

Environmental Matters

Environmental matters at September 30, 1994 remain substantially unchanged from December 31, 1993. The company has been identified as a potentially responsible party in environmental proceedings brought under both the federal Superfund law and state remediation laws, involving 34 sites within the United States. For all sites, there are other potentially responsible parties and in most instances, the company's involvement is minimal. Although there is a possibility that a responsible party might have to bear more than its proportional share of site clean-up costs, if other responsible parties fail to make contributions, the company has not yet had, and to date there is no indication that it will have, to bear more than its proportional share of clean-up costs at any site. The company also is engaged in site investigations and remedial activities to address environmental cleanup from past operations at current and former manufacturing facilities. Although uncertainties regarding environmental technology, state and federal regulations and

INGERSOLL-RAND COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

individual site information make estimating the liability difficult, management believes that the total liability for the cost of environmental remediation will not have a material effect on the financial condition or the results of operations of the company. It should be noted that when the company estimates its liability for environmental matters, such estimates are based on current technologies and the company does not discount its liability or assume any insurance recoveries.

Acquisitions

On June 30, 1994, the company completed its acquisition of Montabert, S.A. (Montabert), a French manufacturer of hydraulic rock- breaking and drilling equipment. Montabert's consolidated net sales for 1993 were approximately \$75 million. Montabert's consolidated assets at December 31, 1993 totalled approximately \$60 million. The purchase included a cash payment from the company and the assumption of certain liabilities of Montabert. Montabert's results have been included in the consolidated financial statements of the company since its acquisition date.

Effective August 4, 1994, the company acquired the Ecoair air compressor product line from MAN Gutenofnungshutte AG (MAN GHH) of Oberhausen, Germany for approximately \$10.6 million. The company also entered a 50/50 joint venture, GHH-RAND Schraubenkompressoren GmbH & Co. KG, with MAN GHH to manufacture airends. The company invested approximately \$17.6 million in GHH-Rand.

Review of Business Segments

The Standard Machinery Segment reported sales of \$370.3 million during the third quarter of 1994, which represents a 21.9 percent increase over the \$303.7 million for the same quarter of last year. Operating income, totalled \$28.9 million, which represents a 52.9 percent improvement over the \$18.9 million of operating income for 1993's third quarter. For the first nine months of 1994, the segment's net sales totalled \$1,043.9 million, which was 13.3 percent above the \$921.0 million reported for the comparable 1993 period. The segment's operating income for the first nine months of 1994, totalled \$82.3 million and represents a 40.2 percent increase over the \$58.7 million of operating income reported for the first three quarters of 1993, before considering last year's \$5.0 million restructure of operations charge. The increase in sales and operating income for both the third quarter and first nine months of the year is attributed to stronger domestic and international markets for both construction and air compressor products. The 1993

INGERSOLL-RAND COMPANY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(continued)

restructure of operations charge of \$5.0 million relates to the company's decision to sell its underground coal-mining operations, which had basically operated at the break-even level during the past few years. This operation no longer fit into the company's long range strategic goals and it was disposed of on July 20, 1993.

Engineered Equipment Segment's sales for the third quarter of the year were \$208.8 million, which was five percent below 1993's third quarter total of \$219.7 million. Operating income for the three months ended September 30, 1994 totalled \$5.1 million, which is a slight improvement over the \$4.2 million reported for 1993's third quarter. For the first nine months of 1994, the segment reported sales of \$649.0 million which is 4.5 percent below 1993's total of \$679.3 million. Operating income for the first three quarters of 1994 was \$7.0 million, as compared to \$9.6 million for the comparable 1993 period. Third quarter sales for IDP were essentially equal to the amount reported for the three months ended September 30, 1993. Operating income for the period reflects an improvement over last year's third quarter primarily due to the benefit of lower costs which are the result of IDP's restructuring efforts. IDP's sales for the first nine months of 1994 were slightly below the amount reported for the first three quarters of 1993, but the operating income for the two periods reflected an improvement. Process Systems Group's sales for the third quarter of the year were over 20 percent below the amount reported for the three months ended September 30, 1993. The group generated a modest amount of operating income for the quarter; however, it was below the amount reported in 1993's comparable period. The group's sales for the first nine months of the year were over 10 percent below 1993's level, and the group reported an operating loss for the period as its business continues to be affected by the poor market conditions in the pulp and paper industry.

The Bearings, Locks and Tools Segment reported sales of \$534.6 million for the three months ended September 30, 1994, an 18.8 percent increase over last year's third quarter total of \$450.1 million. Operating income was \$63.4 million, an increase of 29.4 percent over the 1993 third quarter level of \$49.0 million. For the first nine months of 1994, the segment reported net sales of \$1,574.9 million, 18.2 percent above the \$1,332.1 million reported in the comparable period of 1993. Operating income for the first three quarters of 1994, totalled \$178.0 million, an increase of 27.9 percent over the \$139.2 million reported for the nine months ended September 30, 1993.

INGERSOLL-RAND COMPANY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(continued)

The Bearings and Components Group's sales in the third quarter of 1994 were more than 20 percent above the amount reported for the comparable 1993 quarter. The group's operating income improved at a large rate based on the continued strength of domestic automobile production.

Market penetration, a strong demand for door hardware products and a stable housing market produced higher sales and operating income for the Door Hardware Group during the third quarter of the year versus 1993's comparable quarter.

The Production Equipment Group's sales and operating income for the third quarter of 1994 were well above the amounts reported for the three months ended September 30, 1993. The group's results for the third quarter of 1994 were favorably affected by a large shipment from its Automated Production Systems Division, and generally stronger business conditions in both their domestic and international markets, when compared to last year's third quarter.

INGERSOLL-RAND COMPANY
COMPUTATIONS OF PRIMARY AND FULLY DILUTED EARNINGS PER SHARE
(in thousands except per share figures)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1994	1993	1994	1993
PRIMARY EARNINGS PER SHARE (NOTE 1):				
Earnings before effect of accounting change	\$ 48,379	\$ 35,186	\$132,960	\$ 95,751
Effect of accounting change:				
- Postemployment benefits	--	--	--	(21,000)
Net earnings applicable to common stock	\$ 48,379	\$ 35,186	\$132,960	\$ 74,751
Average number of common shares outstanding	105,483	105,106	105,447	104,911
PRIMARY EARNINGS PER SHARE:				
Earnings before effect of accounting change	\$0.46	\$0.33	\$1.26	\$ 0.91
Effect of accounting change:				
- Postemployment benefits	--	--	--	(0.20)
Primary earnings per share	\$0.46	\$0.33	\$1.26	\$ 0.71
FULLY DILUTED EARNINGS PER SHARE (NOTE 2):(*)				
Earnings before effect of accounting change	\$ 48,379	\$ 35,186	\$132,960	\$ 95,751
Effect of accounting change:				
- Postemployment benefits	--	--	--	(21,000)
Net earnings applicable to common stock	\$ 48,379	\$ 35,186	\$132,960	\$ 74,751
Adjusted shares:				
Average number of common shares outstanding	105,483	105,106	105,447	104,911
Number of common shares issuable assuming exercise under incentive stock plans	616	656	489	584
Average number of outstanding shares, as adjusted for fully diluted earnings per share calculations	106,099	105,762	105,936	105,495
FULLY DILUTED EARNINGS PER SHARE:				
Earnings before effect of accounting change	\$0.46	\$0.33	\$1.26	\$ 0.90
Effect of accounting change:				
- Postemployment benefits	--	--	--	(0.20)
Fully diluted earnings per share	\$0.46	\$0.33	\$1.26	\$ 0.70

(*) This calculation is presented in accordance with the Securities Exchange Act of 1934, although it is not required disclosure under APB Opinion No. 15.

See accompanying notes to computations of primary and fully diluted earnings per share.

INGERSOLL-RAND COMPANY
NOTES TO COMPUTATIONS OF PRIMARY AND FULLY DILUTED
EARNINGS PER SHARE

Note 1 - Shares issuable under outstanding stock plans, applying the

"Treasury Stock" method, have been excluded from the computation of primary earnings per share since such shares were less than 1% of common shares outstanding.

2 - Net earnings per share of common stock computed on a fully diluted basis are based on the average number of common shares outstanding during each year after adjustment for individual securities which may be dilutive. Securities entering into consideration in making this calculation are common shares issuable under employee stock plans. Employee stock options outstanding are included in the calculation of fully diluted earnings per share by applying the "Treasury Stock" method quarterly. Such calculations are made using the higher of the average month-end market prices or the market price at the end of the quarter, in order to reflect the maximum potential dilution.

ARTICLE 5
 THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE SEPTEMBER 30, 1994 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
 MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1994
PERIOD END	SEP 30 1994
CASH	237,521
SECURITIES	4,634
RECEIVABLES	914,343
ALLOWANCES	22,912
INVENTORY	692,222
CURRENT ASSETS	1,998,814
PP&E	1,824,637
DEPRECIATION	878,702
TOTAL ASSETS	3,539,977
CURRENT LIABILITIES	1,068,813
BONDS	319,513
COMMON	218,321
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	1,242,832
TOTAL LIABILITY ANDEQUITY	3,539,977
SALES	3,267,786
TOTAL REVENUES	3,267,786
CGS	2,482,071
TOTAL COSTS	2,482,071
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	34,884
INCOME PRETAX	209,386
INCOME TAX	76,426
INCOME CONTINUING	132,960
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	132,960
EPS PRIMARY	1.26
EPS DILUTED	1.26

End of Filing