Ingersoll-Rand Announces Fourth Quarter 2001 Diluted EPS of 55 Cents; Full Year 2001 Diluted EPS of $2.06

Company Posts Strong Full Year Free Cash Flow of $505 Million

Hamilton, Bermuda, January 24, 2002 - Ingersoll-Rand Company Limited (NYSE:IR), a leading diversified industrial enterprise, today announced fourth-quarter 2001 net earnings of $93.4 million or diluted earnings per share (DEPS) of $0.55, excluding charges related to restructuring and productivity investments ("restructuring"), and the effect of the company's reincorporation in Bermuda. Reported net earnings for the fourth quarter were $100.1 million or DEPS of $0.59.

Included in the fourth-quarter reported earnings of $0.59 DEPS were one-time, non-cash tax benefits of $0.32 DEPS triggered by IR's reincorporation, which were substantially offset by restructuring of $0.28 DEPS.

Fourth-quarter 2001 net revenues were $2,556.5 million, a 4.0% increase compared to 2000. Excluding acquisitions, revenues increased by 1%, due to the improved performance of Dresser-Rand (D-R). End-market demand remained soft in the quarter as most businesses experienced volume declines, with the exception of D-R. The company addressed the declining demand with steep production cuts and temporary factory shutdowns, which impacted operating margins but brought inventories in line at both the factory and distributor levels and contributed to significant cash flow generation.

Full-year Results Reported net earnings for the full year were $246.2 million, or DEPS of $1.48. Included in the full year reported earnings were restructuring charges of $0.90, which were partially offset by one-time, non-cash tax benefits of $0.32 DEPS triggered by IR’s reincorporation in Bermuda. Adjusted net earnings for the full year 2001 were $342.6 million, or DEPS of $2.06, excluding restructuring, and the effect of the reincorporation.

Full-year 2001 net revenues were $9,682.0 million, a 1% increase compared to 2000. Excluding acquisitions, revenues declined by 8%, primarily due to decreased year-over-year North American revenues.

The company continued to be a strong cash generator with full-year free cash flow of $505 million before restructuring, compared to $513 million in 2000. For the four years ended in 2001, the company has generated more than $2 billion of free cash flow before restructuring. The company finished the year with working capital below 8% of revenues, exceeding its 10% target.

Charges for Restructuring

During 2001, IR substantially completed a restructuring program, which was initiated in 2000 to reduce costs and accelerate productivity initiatives throughout the company. Including the integration of the Hussmann acquisition, the program has resulted in the closure of 20 plants and a workforce reduction of more than 5,000 employees.

In response to continued weakness in its major end markets, IR initiated a second round of restructuring in the fourth quarter of 2001. This new program is focused on reducing general and administrative expense and is expected to cost $150 million. The company recorded $40 million in charges related to this new restructuring in the fourth quarter.

Charges for restructuring for full-year 2001 totaled $216.9 million, including fourth-quarter charges totaling $62.8 million. These charges include accrued restructuring costs and period costs which are recorded as incurred.

Change in Incorporation

On December 31, 2001, Ingersoll-Rand changed its place of incorporation from New Jersey to Bermuda and became Ingersoll-Rand Company Limited. As a result of this action, the company expects to realize annual incremental tax savings of approximately $40 to $60 million beginning in 2002.

Fourth-quarter Business Review

During the fourth quarter of 2001 Ingersoll-Rand revised its organizational and segment reporting structure to reflect the company's long-term strategy. The Infrastructure Sector now includes the results of Club Car. The former Industrial Productivity Sector has been renamed Industrial Solutions and includes three business segments: Air and Productivity Solutions, Engineered Solutions (formerly Bearings and Components), and Dresser-Rand. Independent Power has been renamed Energy

Systems and is reported in the Air and Productivity Solutions segment. The Climate Control and Security and Safety sectors were not changed.

Fourth-quarter and full-year operating margins were reduced by approximately 50 and 40 basis points, respectively, due to the reclassification of certain costs as a reduction of revenues related to the implementation of a new accounting standard on payments to resellers. All periods have been reported on a comparable basis.

The business sector review excludes the impact of charges for restructuring.

The Climate Control Sector provides solutions to transport, preserve, store and display temperature sensitive products and includes the market leading brands of Thermo King and Hussmann.

Revenues for the sector increased by 8%, compared to the fourth quarter of 2000. Excluding acquisitions, revenues declined by 1%. Operating margins decreased from 10.7% of revenues to 2.7% due to a significant decline in highly profitable truck trailer volume, significant price pressure in the container business, and 2001 acquisitions.

A 50% annual decline in the North American truck and trailer market, and continued weak truck and trailer results in Europe caused transport refrigeration revenues to decrease by 13% compared to 2000. Demand for new equipment continues to be impeded by high levels of used truck and trailer equipment.

Stationary refrigeration revenues in the fourth quarter increased compared to last year, due to Taylor Industries and National Refrigeration Services (NRS), which were acquired in the first half of 2001. The installation and service business continues to expand as revenues increased by 4%, excluding Taylor and NRS. Both acquisitions have been rapidly integrated into the existing Hussmann business to create a complete U.S. service network. The company currently has large multi-store pilot programs in process providing comprehensive service to several major retail chains.

The Industrial Solutions Sector is composed of a diverse group of businesses focused on providing solutions to enhance customers' industrial efficiency. Sector revenues increased by 5.6%, as the continued weakness in the worldwide industrial economy was more than offset by increased activity in oil and gas related markets at Dresser-Rand. Operating margins declined to 9.1% of revenues, compared to 15.0% in the fourth quarter of 2000.

Air and Productivity Solutions provides equipment and services for compressed air systems, tools, fluid power products and the company's Energy Systems business (formerly Independent Power), which produces PowerWorks® microturbines. Total revenues declined by 12% to $322.0 million due primarily to declining U.S. industrial activity and an 18% decline in complete units. The aftermarket business continued to produce positive results with strong growth of 15% in service revenues. The parts business was stable in the quarter. Fourth-quarter margins declined to 3.1%, compared to 15.0% for 2000, due to lower unit volumes and increased spending in developing the PowerWorks® microturbine.

The company has completed the initial manufacturing run of 60 commercial grade 70 kilowatt microturbines and has begun shipments to customers. Beginning in the second quarter, the company will begin shipment of grid-independent 70 kilowatt microturbines. A 250 kilowatt microturbine targeted for industrial plants is under development and is slated for second half 2002 delivery.

In addition, the company began shipment of the world's most energy efficient variable speed air compressor in the quarter. The Nirvana® compressor is 25% more efficient than competitive offerings and is directed at industrial customers.

Engineered Solutions (formerly Bearings and Components) provides motion control applications to both the automotive OEM and industrial aftermarkets. Fourth-quarter revenues were flat compared to last year as a 4% increase in automotive revenues offset lower results from industrial markets. Operating earnings for the fourth quarter include a $25 million benefit resulting from reimbursement payments from U.S. Customs for antidumping claims under the Continuing Dumping and Subsidiary Offset Act (CDSOA) related to IR's bearings business. An additional $25 million of benefits related to claims from prior years are included in other income. Operating margins were 14.6% of revenues compared to 16.8% in 2000, reflecting the benefits of the U.S. Customs payments, which were offset by declining earnings in the automotive business. The automotive business experienced significant operating inefficiencies as a result of OEM schedule changes in the quarter. Dresser-Rand is a leader in energy conversion technology and is positioned to deliver complete package solutions to the oil, gas, chemical and petrochemical industries. Dresser-Rand's fourth-quarter revenues increased by 41% to $310.2 million and earnings increased by 14% to $31.9 million, reflecting the volume increase. Fourth-quarter margins declined to 10.3% compared to 12.8% in 2000. Both revenues and margins in fourth-quarter 2001 were impacted by certain large project components, which are purchased by D-R on behalf of customers and passed through at low margins. D-R's end markets continue to improve compared to last year, and the backlog increased by $120 million compared to 2000.

The Infrastructure Sector includes Bobcat® compact equipment and Ingersoll-Rand® road pavers, compactors, portable-power products, drilling equipment, and Club Car® golf cars and utility vehicles. Total sector revenues declined by 1% to $610.7 million and operating margins were 5.2% of revenues compared to 13.9% in 2000. Demand from the national rental customers declined significantly. Margins were negatively impacted by volume declines, cuts in production, and increased competitive

pressures. Operating margins were under pressure due to aggressive pricing and terms offered by competitors.

The Security and Safety Sector includes architectural hardware products and electronic access-control technologies. Fourth-quarter revenues increased by 3% to $365.5 million and operating margins remained strong at 17.1% of revenues, compared to a record 22.0% in 2000. Declining activity levels in commercial markets were offset by higher residential security and electronic solutions revenues. Margins were adversely affected by increased development spending in the electronic security solutions business and the acceleration of product and market-related growth initiatives during the quarter. E-bolt™, the industry's first electronic locking system for multi-family housing, began shipping to customers in the fourth quarter.

Comparisons of Other Quarterly Income Statement Items Interest expense for the quarter of $61.3 million was $11.1 million below the 2000 fourth quarter due to lower year-over-year debt levels and a decline in interest rates. Other income / (expense) totaled $0.1 million of net expense for the fourth quarter, compared to $22.3 million of net expense in last year's fourth quarter. Fourth-quarter 2001 net expense includes $25 million in benefits from reimbursement payments from U.S. Customs for antidumping claims for years prior to 2001. The income related to these reimbursements was partially offset by one-time costs related to settlements of contract disputes. The company’s fourth quarter provision for taxes was a credit of $54.7 million, reflecting non-cash tax benefits of $59.8 million realized in connection with the company’s reincorporation in Bermuda and additional tax benefits of approximately $5.0 million realized through IR’s Foreign Sales Corporation and other ongoing tax planning initiatives.

2002 Outlook

"The first quarter of 2002 is a continuation of 2001,” said Herbert L. Henkel, chairman, president and chief executive officer. “North American auto and light truck production is expected to again decline and the North American market for trailers will remain at very low levels. Industrial production is not expected to recover in the near future. In this difficult environment we are continuing to focus on permanent reductions in our internal cost structure while making strategic business investments to generate future growth."

The company expects revenues for full-year 2002 to decline by 1% to 3%, compared to 2001. Operating margins will begin to recover as restructuring is completed. Full-year results will include $40 to $60 million of tax savings from reincorporation. Additionally, the new goodwill accounting standard is expected to add approximately $0.70 to DEPS. Based on the current economic environment, diluted earnings per share for 2002 is expected to be in the range of $3.00 to $3.25, including the new goodwill accounting and excluding restructuring. Free cash flow in 2002 is expected to once again exceed $500 million, before restructuring. The company intends to further reduce its debt in 2002 while pursuing bolt-on acquisitions.

First-quarter 2002 earnings per share from continuing operations are expected to be 55 to 65 cents, including the new goodwill accounting and excluding restructuring. The first quarter will continue to be adversely affected by the same sluggish market fundamentals the company experienced in the third and fourth quarters of 2001. Additionally, Hussmann and Dresser-Rand results are usually seasonally lower in the first half of the year. A gradual improvement in the North American economy, coupled with tax and restructuring benefits, is expected to generate favorable year-over-year earnings comparisons in the second half of 2002.

IR is a leading innovation and solutions provider for the major global markets of Security and Safety, Climate Control, Industrial Solutions and Infrastructure. The company’s diverse product portfolio encompasses such leading industrial and commercial brands as Schlage locks and security solutions; Thermo King transport temperature control equipment; Hussmann commercial and retail refrigeration equipment; Bobcat compact equipment; Club Car golf cars and utility vehicles; Torrington bearings and components; PowerWorks microturbines; and Ingersoll-Rand industrial and construction equipment. In addition, IR offers products and services under many more premium brands for customers in industrial and commercial markets. Further information on IR can be found on the company’s web site at www.irco.com.

This news release includes “forward-looking statements” that involve risks and uncertainties. Political, economic, climatic, currency, tax, regulatory, technological, competitive and other factors could cause actual results to differ materially from those anticipated in the forward-looking statements. Additional information regarding these risk factors and uncertainties is detailed from time to time in the company’s SEC filings, including but not limited to its report on Form 10-Q for the three months ended September 30, 2001.

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