



Ingersoll-Rand Reports Second-quarter Continuing Diluted EPS of 55 cents; Results in Line with Revised Expectations

Woodcliff Lake, N.J., July 19, 2001 - Ingersoll-Rand Company (NYSE:IR), a leading diversified industrial enterprise, today reported net earnings from continuing operations of \$91.0 million, excluding charges related to restructuring and productivity investments, or diluted earnings per share (DEPS) of 55 cents, for the second quarter ended June 30, 2001. These results were in line with the company's revised expectations and compare to 2000 second-quarter net earnings from continuing operations of \$177.7 million, or DEPS of \$1.09. Reported net earnings for the second quarter of 2001 were \$62.9 million, or DEPS of 38 cents.

Revenues from continuing operations were \$2.3 billion, an increase of 2% compared to the second quarter of 2000. Revenues decreased by 9% compared to last year, excluding the effects of a stronger dollar and Hussmann, which was acquired June 14, 2000. The decline was primarily due to lower North American revenues.

During the second quarter of 2001, IR continued its restructuring program to reduce costs and accelerate productivity initiatives throughout the company. After-tax charges for restructuring and productivity investments for the second quarter of 2001 totaled \$28.1 million, or DEPS of 17 cents, including \$1.5 million for Dresser-Rand, which is classified as assets held for sale. These charges include accrued restructuring costs, and period costs which are recorded as incurred.

The total pre-tax cost of this program, which began in the third quarter of 2000, will be approximately \$325 million and includes plant rationalizations, organizational realignments, and the consolidation of "back office" business processes. These investments, which will reduce company-wide headcount by approximately 8%, are expected to be substantially completed by year-end 2001.

Second-quarter Business Review

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

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.

A 30% growth in the bus air-conditioning and seagoing container businesses was more than offset by the significant decline in the North American truck and trailer market, continued weak truck and trailer results in Europe, and the unfavorable effects of currency. As a result, total Thermo King revenues decreased by 18% compared to 2000. A near-term recovery of the refrigerated transport market is impeded by high levels of used truck and trailer equipment.

Reduced capital spending by several major United States supermarket chains caused Hussmann revenues for the second quarter to fall short of expectations. Current backlog and bid activity indicates that sales will increase in the second half of the year, following the normal seasonal pattern.

Revenues for the sector increased by 53%, compared to the second quarter of 2000, as a result of the Hussmann acquisition. Operating margins decreased from 12.2% to 3.8% due to the inclusion of Hussmann results net of goodwill, a significant decline in highly profitable truck trailer volume, and the unfavorable effects of currency. The company continues to make progress in capturing projected synergies resulting from the combination of Hussmann and Thermo King.

Hussmann continued to develop its parts and service business with the acquisition of National Refrigeration Services (NRS) in May. NRS expands Hussmann's distribution and branch network to serve grocery chains in the southeastern United States. This is the second major service company acquisition related to the Hussmann business in 2001. These acquisitions have doubled the Hussmann installation, service and parts revenues to more than \$400 million annually.

The Industrial Productivity Sector is composed of a diverse group of businesses focused on providing solutions to enhance customers' industrial efficiency. The North American industrial economy continued to decline in the second quarter, which contributed to a decrease in sector revenues of approximately 11%. Operating margins declined to 8.3% of revenues, compared to 14.3% in 2000. Industrial Productivity consists of three businesses: Air Solutions, Bearings and Components, and Industrial Products.

Air Solutions provides equipment and services for compressed air systems. Declining U.S. industrial production resulted in decreased unit volume sales. Total revenues declined by 5% and operating margins were down substantially compared to the prior year's second quarter, primarily due to lower demand for larger compressors used in industrial applications. The aftermarket business continued to produce positive results with a 7% year-over-year growth in service revenues.

Bearings and Components provides motion-control technologies for OEM and aftermarket applications to both the automotive and industrial markets. Second quarter revenues declined by 14% due to lower volumes in the U.S. automotive and industrial equipment markets, and in the industrial bearings aftermarket. Operating margins were 10.1% of revenues.

Industrial Products includes Club Car® golf cars and utility vehicles; tools; fluid products equipment; and the company's independent power business. Revenues for the quarter declined by 10% compared to 2000, primarily related to decreased demand at Club Car and the fluid products business. Margins decreased to 8.0% of revenues compared to 14.5% in 2000, principally due to lower volumes and increased spending on new product introductions, particularly the PowerWorks® microturbine. The Independent Power Sector continued to make progress in the quarter with the 70 kilowatt PowerWorks microturbine. The company expects to ship 75 to 100 units in the second half of 2001.

The Infrastructure Sector includes Bobcat® compact equipment and Ingersoll-Rand® road pavers, compactors, portable-power products and drilling equipment. While overall U.S. construction activity remains steady, new equipment demand has declined. The sector's revenues were negatively impacted by weaker demand in North American road development, portable power, and compact equipment markets as well as dramatically reduced demand from large U.S. rental companies. Sales to large rental customers declined by more than 70% compared to last year. IR's market shares in this sector have remained steady despite mounting competitive pressure. Although revenues declined by 9%, the Infrastructure Sector generated operating margins of 14.2% of revenues, compared to 18.8% in 2000.

The Security and Safety Sector includes architectural hardware products and electronic access-control technologies. Activity levels declined in both U.S. and European commercial and residential markets, offsetting higher electronic solutions revenues that resulted mainly from Interflex, which was acquired in August 2000. Second quarter revenues decreased by 3% due to inventory reductions by commercial distributors and slowing consumer demand for residential products. Operating margins remained at a strong 18.0% of revenues compared to 21.2% in 2000. Margins were affected by lower volumes and increased development spending in the electronic security solutions business. The sector continued to accelerate product and market related growth initiatives during the quarter. In May, the Schlage business introduced the E-Bolt key management system, offering programmable deadbolts with electronic keys for use in multifamily dwellings and property management applications. In addition, the sector expanded its geographic coverage with the acquisition in June of ITO Killit, a leading Turkish manufacturer and distributor of security products.

Comparisons of Other Quarterly Income Statement Items

Interest expense for the quarter of \$62.1 million was \$6.8 million higher than the 2000 second quarter due to the impact of the debt incurred for the purchase of Hussmann. This increase was partially offset by lower year-over-year debt levels in IR's other operations and a decline in interest rates.

Other/income (expense) totaled \$10.2 million of net expenses for the second quarter, compared to \$16.7 million of net expenses in last year's second quarter. The decline in expenses was primarily due to the conversion of the company's equity linked securities into 8.3 million shares of IR common stock in May 2001.

Results from assets held for sale represents the remaining portion of Dresser-Rand (D?R) that was reclassified, in the third quarter of 2000, to a single line item in continuing operations, net of taxes. D-R's reported second-quarter net loss of \$6.1 million included one-time after-tax charges of \$1.5 million for restructuring and productivity investments related to organizational realignments. Excluding these charges, D-R's net loss amounted to \$4.6 million, compared to a \$5.7 million net loss in the second quarter of 2000. Dresser-Rand's end markets continue to improve and current backlog has increased by almost \$100 million compared to year-ago levels.

The company's effective tax rate for the second quarter of 2001, excluding D-R, was 33.0%, compared to 33.7% in the second quarter of 2000. Excluding D-R and restructuring charges, the effective full-year tax rate for 2001 and 2002 is expected to be 33.0%, compared to 34.75% for 2000, reflecting the success of ongoing tax planning initiatives.

2001 Outlook

"Diluted EPS from continuing operations for the full-year 2001 is forecast to be in the range of \$2.25 to \$2.50, excluding charges related to restructuring. U.S. demand is not forecast to recover in the near term. The earnings range also reflects our increasing concerns about weakening European and Latin American markets," said Herbert L. Henkel, chairman, president and chief executive officer. The full-year earnings expectation includes traditional improvement in second-half 2001 Hussmann and Dresser-Rand results, as well as contributions from the restructuring program. Third-quarter earnings per share from

continuing operations before one-time charges are expected to be in the range of 45 to 55 cents.

"Our financial performance underscores the need to continue our strategy to provide customers with solutions, thereby increasing our recurring service and parts revenues, which today account for only 15% of total revenues. We have completed four acquisitions this year and will continue to make strategic investments, including the PowerWorks microturbine business. We are aggressively managing the business, as evidenced by our restructuring program, which is fully engaged with more than 20 factory closings in process. Cost reduction and organizational realignment programs will position IR to be a leaner and stronger company and deliver a rapid improvement in earnings once demand recovers," said Henkel.

"Free cash flow remains a high priority in 2001 as we continue to aggressively manage our working capital and capital expenditure programs. We are targeting \$300 million of free cash flow for full year 2001 before restructuring. Also, we plan to pursue bolt-on acquisitions in 2001 in keeping with our long term growth strategy. Despite the slower economic environment, we continue to make progress in implementing our long range plan focusing on innovation, operational excellence, and the integration of our acquisitions," said Henkel.

IR is a leading innovation and solutions provider for the major global markets of Security and Safety, Climate Control, Industrial Productivity 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 March 31, 2001.

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