

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2003

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 No. 1-985

INGERSOLL-RAND COMPANY LIMITED
(Exact name of registrant as specified in its charter)

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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Class A Common Shares,
Par Value \$1.00 per Share

Name of each exchange on which registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 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 [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act)

YES ☒ NO ☐

The aggregate market value of common stock held by nonaffiliates on June 30, 2003 was approximately \$8,026,523,782 based on the closing price of such stock on the New York Stock Exchange.

The number of Class A Common Shares outstanding as of January 31, 2004 was 175,375,557.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed within 120 days of the close of the registrant's fiscal year in connection with the registrant's Annual General Meeting of Shareholders to be held June 2, 2004 are incorporated by reference into Part III of this Form 10-K.

PART I

Item 1. BUSINESS

Ingersoll-Rand Company Limited, a Bermuda company (IR-Limited or the Company), is the successor to Ingersoll-Rand Company, a New Jersey corporation (IR-New Jersey), following a corporate reorganization (the reorganization) that became effective on December 31, 2001. The reorganization was accomplished through a merger of a newly-formed merger subsidiary into IR-New Jersey. IR-New Jersey, the surviving company, continues to exist as an indirect, wholly owned subsidiary of IR-Limited. IR-Limited and its subsidiaries continue to conduct the businesses previously conducted by IR-New Jersey and its subsidiaries. The reorganization has been accounted for as a reorganization of entities under common control and accordingly it did not result in any changes to the consolidated amounts of assets, liabilities and shareholders' equity.

Ingersoll-Rand Company was organized in 1905 under the laws of the State of New Jersey as a consolidation of Ingersoll-Sergeant Drill Company and the Rand Drill Company, whose businesses were established in the early 1870's.

The Company is a leading provider of climate control, industrial solutions, infrastructure development and security and safety products. In each of these markets, the Company offers a diverse product portfolio that includes well-recognized industrial and commercial brands.

Climate Control

This Segment focuses on markets requiring refrigerant-gas compression technology and services to end users and to maintain a refrigeration cycle for protecting food and other perishables. Climate Control includes Thermo King and Hussmann. Hussmann experiences the greatest demand for its products in the third and fourth quarters of the year. This demand results from the customers' seasonal construction

cycles and the desire to complete stores prior to the year-end holiday season. Climate Control products include: Thermo King transport temperature control units for truck trailers, small trucks, seagoing containers and air conditioning for buses, and Hussmann refrigerated display cases for supermarkets, delicatessens and other commercial and institutional refrigeration applications.

Industrial Solutions

This sector is composed of a diverse group of businesses focused on providing solutions to enhance customers' industrial efficiency. Industrial Solutions currently consists of the following business segments:

- Air and Productivity Solutions is engaged in the design, manufacture, sale and service of air compressors, microturbines, and industrial tools. It is comprised of Air Solutions and Productivity Solutions, and has been aggregated based primarily on the nature of products and services, and the nature of the production process. This Segment previously included the Company's Waterjet business unit, which was sold during 2003 and whose results are now included in "Discontinued operations, net of tax".
- Dresser-Rand is engaged in the design, manufacture, sale and service of gas compressors, gas and steam turbines, and generators.

During the first quarter of 2003, the Company sold its Engineered Solutions Business to The Timken Company (Timken). The results of the Engineered Solutions Business, which was part of the Company's Industrial Solutions Sector, have been classified as "discontinued operations, net of tax" for 2003 and for all prior periods.

Infrastructure

This Segment supplies products and services for all types of construction projects, industrial and commercial development, and golf and utility vehicles. Products include Bobcat compact equipment, Blaw-Knox and ABG pavers, Ingersoll-Rand compactors, drilling equipment and portable power products, and Club Car golf and utility vehicles.

On February 19, 2004, the Company announced that it has agreed to sell its Drilling Solutions business unit to Atlas Copco AB, for approximately \$225 million. The transaction, which is expected to be completed in the second quarter of 2004, is subject to regulatory approvals. The Drilling Solutions business manufactures drilling equipment and accessories for the worldwide construction, mining, quarrying, and water-well drilling industries. It had 2003 revenues of approximately \$300 million and employs approximately 950 people.

Security and Safety

This Segment manufactures and markets architectural hardware and access-control products and services to customers seeking to enhance productivity and security for residential, commercial and institutional buildings. Products include locks and locksets, door closers, exit devices, steel doors and frames, power-operated doors, architectural columns and biometric and electronic access control technologies. This Segment previously included the Company's Laidlaw business unit, which was sold during 2003 and whose results are now included in "Discontinued operations, net of tax".

Competitive Conditions

The Company's products are sold in highly competitive markets throughout the world against products produced by both U.S. and non-U.S. corporations. The principal methods of competition in these markets relate to price, quality, service and technology. The Company believes that it is one of the leading manufacturers in the world of air compression systems, construction equipment, transport temperature control products, refrigerated display merchandisers, refrigeration systems and controls, air tools, golf cars and utility vehicles. In addition, the Company believes it is a leading supplier in U.S. markets for architectural hardware products, mechanical locks, and electronic and biometric access-control technologies.

Distribution

The Company's products are distributed by a number of methods, which the Company believes are appropriate to the type of product. Sales are made in the U.S. through branch sales offices and through distributors and dealers across the United States. Non-U.S. sales are made through numerous subsidiary sales and service companies with a supporting chain of distributors in over 100 countries.

Products

Principal products of the Company include the following:

Air balancers	Hydraulic breakers
Air compressors & accessories	Lubrication equipment
Air dryers	Microturbines
Air logic controls	Material handling equipment
Air motors	Paving equipment
Air and electric tools	Piston pumps
Asphalt compactors	Pneumatic breakers
Asphalt pavers	Pneumatic cylinders
Automated dispensing systems	Pneumatic valves
Automatic doors	Portable compressors
Bath fittings and accessories	Portable generators
Biometric access control systems	Portable light towers
Blasthole drills	Portable security products
Compact hydraulic excavators	Refrigerated display cases
Compact tractor-loader-backhoes	Refrigeration systems
Diaphragm pumps	Road-building machinery
Door closers and controls	Rock drills
Door locks, latches and locksets	Rock stabilizers
Doors and door frames (steel)	Rotary drills
Drilling equipment and accessories	Rough-terrain material handlers
Electrical security products	Skid-steer loaders
Electronic access-control systems	Soil compactors
Engine-starting systems	Spray-coating systems
Exit devices	Telescopic material handlers
Extrusion pump systems	Transport temperature control systems
Fastener-tightening systems	Turbo machinery
Fluid-handling equipment	Utility vehicles
Gas compressors	Water-well drills
Golf cars	Winches
Hoists	

These products are sold primarily under the Company's name and also under other names including ABG®, Blaw-Knox®,

Bobcat®, Club Car®, Datum®, Dresser-Rand®, Dor-o-Matic®, Falcon®, Glynn-Johnson®, Hussmann®, Johnstone®, Kokka®, LCN®, Legge®, Monarch®, Montabert®, Normbau®, Schlage®, Steelcraft®, Thermo King®, Von Duprin® and Zimmerman®.

During the past three years, the division of the Company's sales between capital goods and expendables has been in the approximate ratio of 79% and 21%, respectively. The Company generally defines as expendables those products that are not capitalized by the ultimate user. Examples of such products are parts sold for replacement purposes.

Additional information on the Company's business and financial information about industry segments is presented in the consolidated financial statements.

Working Capital

The products manufactured by the Company must usually be readily available to meet rapid delivery requirements. Such working capital requirements are not, however, in the opinion of management, materially different from those experienced by the Company's major competitors.

Customers

No material part of the Company's business is dependent upon a single customer or very few customers, the loss of any one of which would have a material adverse effect on the Company's operations.

Operations by Geographic Area

Sales to customers outside the United States accounted for approximately 42 percent of the consolidated net sales in 2003. Sales outside of the United States are made in more than 100 countries; therefore, the attendant risks of manufacturing or selling in a particular country, such as nationalization and establishment of common markets, would not have a significant effect on the Company's non-U.S. operations. Additional information concerning the Company's operating segments is contained in Note 15 of the Company's Annual Report to Shareholders filed as Exhibit 13 and incorporated herein by reference.

Raw Materials

The Company manufactures many of the components included in its products. The principal raw materials required for the manufacture of the Company's products are purchased from numerous suppliers, and the Company believes that available sources of supply will generally be sufficient for its needs for the foreseeable future.

Backlog

The Company's approximate backlog of orders at December 31, 2003, believed by it to be firm, was \$396.8 million for Climate Control, \$163.8 million for Air and Productivity Solutions, \$419.3 million for Dresser-Rand, \$256.3 million for Infrastructure and \$136.0 million for Security and Safety, as compared to \$371.2 million, \$104.2 million, \$778.5 million, \$136.8 million and \$131.2 million, respectively, at December 31, 2002. These backlog figures are based on orders received. While the major portion of the Company's products are built in advance of order and either shipped or assembled from stock, orders for specialized machinery or specific customer application are submitted with extensive lead times and are often subject to revision, deferral, cancellation or termination. The Company estimates that approximately 90 percent of the backlog will be shipped during the next twelve months.

Research and Development

The Company maintains extensive research and development facilities for experimenting, testing and developing high quality products. The Company employs approximately 1,600 professional employees for its research and development activities. The Company spent \$203.9 million in 2003, \$199.3 million in 2002 and \$188.4 million in 2001 on research and development.

Patents and Licenses

The Company owns numerous patents and patent applications and is licensed under others. While it considers that in the aggregate its patents and licenses are valuable, it does not believe that its business is materially dependent on its patents or licenses or any group of them. In the Company's opinion, engineering and production skills, and experience are more responsible for its market position than patents or licenses.

Environmental Matters

The Company continues to be dedicated to an environmental program to reduce the utilization and generation of hazardous materials during the manufacturing process and to remediate identified environmental concerns. As to the latter, the Company currently is engaged in site investigations and remedial activities to address environmental cleanup from past operations at current and former manufacturing facilities.

During 2003, the Company spent approximately \$0.7 million on capital projects for pollution abatement and control, and an additional \$9.3 million for environmental remediation expenditures at sites presently or formerly owned or leased by the Company. It should be noted that these amounts are difficult to estimate because environmental improvement costs are generally a part of the overall improvement costs at a particular plant. Therefore, an accurate estimate of which portion of an improvement or a capital expenditure relates to an environmental improvement is difficult to ascertain. The Company believes that these expenditure levels will continue and may increase over time. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

The Company is a party to environmental lawsuits and claims, and has received notices of potential violations of environmental laws and regulations from the Environmental Protection Agency and similar state authorities. It is identified as a potentially responsible party (PRP) for cleanup costs associated with off-site waste disposal at federal Superfund and state remediation sites. For all sites there are other PRPs and in most instances, the Company's site involvement is minimal.

In estimating its liability, the Company has assumed it will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based generally on the parties' financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future.

Although uncertainties regarding environmental technology, U.S. federal and state laws and regulations and individual site information make estimating the liability difficult, management believes that the total liability for the cost of remediation and environmental lawsuits and claims will not have a material effect on the financial condition, results of operations, liquidity or cash flows of the Company for any year. 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 nor assume any insurance recoveries.

Employees

There are approximately 42,000 employees of the Company throughout the world, of whom approximately 28,000 work in the United States and 14,000 outside the United States. The Company believes relations with its employees are good.

Available Information

This annual report on Form 10-K, as well as the Company's quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to all of the foregoing reports, are made available free of charge on the Company's Internet website (<http://www.irco.com>) as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission. The Board of Directors of the Company has also adopted and posted in the Investor Relations section of its website the Company's Corporate Governance Principles and charters for each of the Board's standing committees.

Item 2. PROPERTIES

Manufacturing and assembly operations are conducted in 42 plants in the United States; 1 plant in Canada; 28 plants in Europe; 18 plants in Asia; and 6 plants in Latin America. The Company also maintains various warehouses, offices and repair centers throughout the world.

Substantially all plant facilities are owned by the Company and the remainder are under long-term lease. The Company believes that its plants and equipment have been well maintained and are generally in good condition.

Facilities under long-term lease arrangements are included below and are not significant to each operating segment's total number of plants or square footage.

Climate Control's manufacturing locations are as follows:

	Approximate
Number of Plants	Square Footage

United States	11	3,813,000
Non - U.S.	14	3,615,000
Total	25	7,428,000

Air and Productivity Solutions' manufacturing facilities are as follows:

	Number of Plants	Approximate Square Footage
United States	8	983,000
Non - U.S.	12	1,027,000
Total	20	2,010,000

Dresser-Rand's manufacturing facilities are as follows:

	Number of Plants	Approximate Square Footage
United States	3	1,960,000
Non - U.S.	7	1,324,000
Total	10	3,284,000

Infrastructure's manufacturing facilities are as follows:

	Number of Plants	Approximate Square Footage
United States	6	1,965,000
Non - U.S.	6	837,000
Total	12	2,802,000

Security and Safety's manufacturing facilities are as follows:

	Number of Plants	Approximate Square Footage
United States	14	2,082,000
Non - U.S.	14	1,112,000
Total	28	3,194,000

Item 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is involved in a variety of lawsuits, claims and legal proceedings, including commercial and contract disputes, employment matters, product liability claims, environmental liabilities and intellectual property disputes. In the opinion of the Company, pending legal matters are not expected to have a material adverse effect on the results of operations, financial condition, liquidity or cash flows.

In November 2003, the Connecticut Department of Environmental Protection (the "DEP") indicated that it was evaluating an appropriate enforcement response to an alleged noncompliance, which was based on information that the Company voluntarily disclosed. The alleged noncompliance related to the operation of the wastewater treatment plant at the Company's H.B. Ives Division located in New Haven, Connecticut. The Company is negotiating a consent decree with the DEP in order to resolve this matter. The DEP is seeking a monetary penalty and certain changes in the auditing process for the plant.

See also the discussion under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Environmental and Asbestos Matters and also Exhibit 13, Note 8, Commitments and Contingencies, to the Consolidated Financial Statements.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the last quarter of its fiscal year ended December 31, 2003.

Executive Officers of the Registrant

The following information is included in accordance with the provision of Part III, Item 10.

Name and Age	Date of Service as an Executive Officer	Principal Occupation and Other Information for Past Five Years
Herbert L. Henkel (55)	4/5/1999	Chairman of Board (since May 2000) and Chief Executive

Officer (since October 1999), President and Director (since April 1999);(Chief Operating Officer April 1999 - October 1999; Textron, President, February 1999 - March 1999 and Chief Operating Officer, 1998 - March 1999)

Timothy R. McLevish (48)	5/1/2002	Senior Vice President and Chief Financial Officer (since June 2002) (Mead Corporation, Vice President, Chief Financial Officer 1999-2002; Mead Corporation, Vice President, Finance and Treasurer 1999; Mead Corporation, Vice President, Treasurer 1998-1999)
Sharon E. Elliott (52)	5/5/2003	Senior Vice President, Human Resources (since May 2003) (Eastman Kodak, Senior Vice President, Human Resources 2001-2001; Starbucks Coffee Co., Senior Vice President, Human Resources, 1994-2000)
Michael W. Lamach (40)	2/16/2004	Senior Vice President and Sector President, Security and Safety (since February 2004) (Johnson Controls, Inc., Group Vice President & Managing Director Europe/Asia 2003-2004; Group Vice President & General Manager, Asia 2002-2003; Group Vice President & General Manager, Customer Business Units 1999-2002; Vice President & General Manager, Controls Group 1996-1999)
Patricia Nachtigal (57)	11/2/1988	Director (since 1/1/02), Senior Vice President (since June 2000) and General Counsel (Vice President 1988-2000)
Donald H. Rice (59)	2/1/1996	Senior Vice President (since 2001), Global Business Services and Human Resources, (2000 - 2001), (Vice President, Human Resources, 1995-2000)
Randy P. Smith (54)	2/3/2000	Senior Vice President (since June 2000) and Sector President, Climate Control (since 2003) (Security and Safety, President 2000-2003, Vice President, February 2000 - June 2000) (Textron Fastening Systems, President 1998-2000)
Christopher P. Vasiloff (52)	11/1/2001	Senior Vice President and Sector President, Infrastructure Sector (since November 2001); (President, Portable Power, Infrastructure Sector, 2000-2001; Vice President and General Manager Portable Compressor Division and Rotary Recip. Compressor Division, Air Compressor Group, 1996-2000)
Richard W. Randall (53)	10/1/2002	Vice President and Controller (since October 2002); (President, Engineered Solutions, Industrial, Industrial Solutions Sector, April 2002-September 2002; Vice President, Finance and Sector Controller, Industrial Solutions Sector 2001-2002; Vice President and Controller, Bearings and Components Industrial Productivity Sector; Invensys Vice President/CFO - Siebe Automotive 1995-1999)

No family relationships exists between any of the above-listed executive officers of the company. All officers are elected to hold office for one year or until their successors are elected and qualify.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information regarding the principal market for the Company's common shares and related shareholder matters are as follows:

Quarterly share prices and dividends for the Class A common shares are shown in the following tabulation. The common shares are listed on the New York Stock Exchange.

Common shares			
2003	High	Low	Dividend
First quarter	\$ 45.62	\$ 34.52	\$ 0.17
Second quarter	49.25	38.12	0.17
Third quarter	60.00	46.00	0.19
Fourth quarter	68.19	53.22	0.19
2002			
First quarter	\$ 54.15	\$ 39.42	\$ 0.17
Second quarter	54.40	44.39	0.17
Third quarter	46.35	32.78	0.17

Fourth quarter	47.88	29.69	0.17
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The Bank of New York (Church Street Station, P.O. Box 11258, New York, NY 10286-1258, (800) 524-4458) is the transfer agent, registrar and dividend reinvestment agent.

There are no significant restrictions on the payment of dividends. The approximate number of record holders of Class A common shares as of January 31, 2004 was 7,971.

Information regarding equity compensation plans required to be disclosed pursuant to this Item is included in the 2003 Form 10-K Annual Report.

There were no repurchases of the Company's shares during the fourth quarter of 2003.

Item 6. SELECTED FINANCIAL DATA

In millions, except per share amounts

At and for the years ended December 31,	2003	2002	2001	2000	1999
Net sales *	\$ 9,876.2	\$ 8,891.0	\$ 8,542.0	\$ 8,345.0	\$ 6,508.5
Earnings from continuing operations *	593.5	365.6	180.0	433.7	456.6
Total assets	10,664.9	10,809.6	11,133.8	11,061.1	8,433.3
Long-term debt	1,518.6	2,092.1	2,900.7	1,540.4	2,113.3
Shareholders' equity	4,493.3	3,478.2	3,916.6	3,481.2	3,073.2
Basic earnings per common share: *					
Continuing operations	\$ 3.47	\$ 2.16	\$ 1.09	\$ 2.69	\$ 2.79
Discontinued operations	0.30	0.57	0.40	1.46	0.82
Diluted earnings per common share: *					
Continuing operations	\$ 3.44	\$ 2.15	\$ 1.08	\$ 2.67	\$ 2.76
Discontinued operations	0.30	0.56	0.40	1.45	0.81
Dividends per common share	\$ 0.72	\$ 0.68	\$ 0.68	\$ 0.68	\$ 0.64

* Amounts have been restated to reflect discontinued operations.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary and Outlook

Ingersoll-Rand (IR or the Company) is a leading innovation and solutions provider for the major global markets of Climate Control, Industrial Solutions, Infrastructure, and Security and Safety. The Company's diverse product portfolio encompasses such leading industrial and commercial brands as Thermo King® transport temperature control equipment, Hussmann® commercial and refrigeration equipment, PowerWorks® microturbines, Dresser-Rand® turbomachinery, Ingersoll-Rand® industrial and construction equipment, Bobcat® compact equipment, Club Car® golf cars and utility vehicles, Schlage® locks and security solutions, and Kryptonite® portable security products. In addition, IR offers products and services under many more premium brands for customers in industrial and commercial markets.

The Company seeks to drive shareholder value through three areas of emphasis: Dramatic Growth, by developing innovative solutions that improve our customers' operations; Operational Excellence, by fostering a culture of continuous improvement and cost consciousness; and Dual Citizenship, by encouraging our employees' active collaboration with colleagues across business units and geographic regions to achieve superior business outcomes.

The following significant events occurred during 2003:

The Company sold its Engineered Solutions Business (Engineered Solutions) to The Timken Company (Timken) effective February 16, 2003. The consideration received consisted of \$700 million in cash and approximately 9.4 million shares of Timken common stock. The Company recognized an after-tax gain of \$58.2 million on the disposition of Engineered Solutions, which is included in "Discontinued operations, net of tax." The gain is subject to working capital and other final purchase price adjustments. The results of Engineered Solutions, which was part of the Company's Industrial Solutions Sector, have been classified as "Discontinued operations, net of tax" for 2003 and for all prior periods.

Ingersoll-Rand completed the sale of two small non-strategic businesses during 2003. The Waterjet business, which was part of the Air and Productivity Solutions Segment was sold in September 2003, and had revenues in 2002 of approximately \$32 million. Additionally, Laidlaw, a U.K. distributor of architectural hardware, was sold in November 2003. Laidlaw was part of the Security and Safety Segment and had 2002 revenues of approximately \$28 million. The gain on the sale of these businesses was \$10.6 million.

During the third quarter, IR acquired the stock of Integrated Access Systems (IAS) including its Geoffrey Industries division. IAS has eight offices throughout the United States and had revenues of approximately \$27 million in 2002. IAS has been integrated with IR's Electronic Technologies Corporation business, which is part of the Security and Safety Segment.

During the fourth quarter of 2003, Ingersoll-Rand terminated its asset securitization program, with the repurchase of approximately \$240 million of receivables from special-purpose entities. This transaction was funded by cash on hand and short-term borrowing. Additionally, the Company made voluntary pension contributions during the year of approximately \$200 million.

Full-year 2003 net revenues were \$9,876.2 million, an 11% increase compared with net revenues of \$8,891.0 million in 2002. Excluding the effects of currency translation, net revenues increased by 7%, which was above our target growth of 4% to 6% annually. The Company attributes the improved revenue growth to its leadership position as a proven source of innovation in worldwide markets and gains in the recurring revenue stream.

The Company reported full-year earnings of \$644.5 million, or diluted earnings per share of \$3.74. Full-year earnings from continuing operations increased by 62% compared to 2002. The Company benefited from the continuing operational improvements, productivity enhancements in our worldwide operations, reduced interest expense from repayment of debt and interest rate declines, and the effects of our tax strategies, which resulted in an effective tax rate of 13.7%. These improvements have enabled IR to pursue new market opportunities and create innovative, differentiated solutions for its customers. In 2003, IR improved the strength of its balance sheet. Total debt at year-end was \$2.3 billion, a reduction of approximately \$930 million compared to year-end 2002. The debt-to-capital ratio was 33% at the end of 2003 compared to 48% at the end of 2002.

For full-year 2003, all business segments generated improved revenues, operating income and operating margins compared to 2002.

Climate Control revenues and operating income benefited from price realization and market gains in the Thermo King business, while industry-wide pricing pressures and lower volumes continued to challenge the Hussman business.

Air and Productivity Solutions' revenues and operating income benefited from higher volumes and product mix as recurring revenues for the segment continued to increase.

Dresser-Rand revenues increased from higher volumes and product mix. Operating income increased based mainly on pricing and product mix, while operating margins remained constant.

Infrastructure revenues and operating income benefited from higher volumes, which were primarily associated with new product sales in the Bobcat business, continuing market share gains at Club Car in the North American golf market, and improved overseas sales for the Road Development business.

Security and Safety achieved revenue growth through market share gains in the United States. Additionally, the full-year inclusion of Electronic Technologies Corporation, which was acquired in 2002, and the addition of Integrated Access Systems, acquired in August 2003, favorably affected the segment's revenues and operating income.

Business activity in most of Ingersoll-Rand's major industrial and construction end markets continued to improve as the year 2003 came to an end. In 2004, IR expects to build on the momentum generated during the last year to continue to generate greater market share gains and operating performance improvements across our businesses. The Company sees recovery in most North American and European markets and continuing growth in Asia. Additionally, the Company once again expects to produce substantial operating cash flow in 2004.

Critical Accounting Policies

The notes to the financial statements include a summary of significant accounting policies and methods used in the preparation of the consolidated financial statements and the following summarizes what the Company believes are the critical accounting policies and methods used by the Company:

- Employee benefit plans - The Company provides a range of benefits to employees and retired employees, including pensions, postretirement, postemployment and health-care benefits. Determining the cost associated with such benefits is dependent on various actuarial assumptions, including discount rates, expected return on plan assets, compensation increases, employee mortality and turnover rates, and health-care cost trend rates. Independent actuaries perform the required calculations to determine expense in accordance with U.S. generally accepted accounting principles. Actual results may differ from the actuarial assumptions and are generally accumulated and amortized over future periods. The Company reviews its actuarial assumptions at each measurement date and makes modifications to the assumptions based on then current rates and trends if appropriate to do so. The discount rate, the rate of compensation increase and the expected long-term rates of return on plan assets are determined as of the measurement date. The discount rate reflects a rate at which pension benefits could be effectively settled. The discount rate is established and based primarily on the yields of high-quality fixed-income investments available and expected to be available during the period to maturity of the pension and postretirement benefits. The Company also reviews the yields reported by Moody's on AA corporate bond as of the measurement date. The rate of compensation increase is dependent on expected future compensation levels. The expected long-term rates of return are projected to be the rates of return to be earned over the period until the benefits are paid. Accordingly, the long-term rates of return should reflect the rates of return on present investments, expected contributions to be received during the current year and on reinvestments over the period. The rates of return utilized reflect the expected rates of return during the periods for which the payment of benefits is deferred. The expected long-term rate of return on plan assets used is based on what is realistically achievable based on the types of assets held by the plans and the plan's investment policy. Historical asset return trends for the larger plans are reviewed over fifteen, ten and five years. The actual rate of return for plan assets over the last ten-and fifteen-year periods have exceeded the expected rate of return used. The Company reviews each plan and its historical returns and asset allocations to determine the appropriate expected long-term rate of return on plan assets to be used. At the end of 2002, the Company believed a revision to its long-term expectations for returns was necessary based upon the market performance experienced in 2001 and 2002. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on input from its actuaries, outside investment advisors, and information as to assumptions used by plan sponsors.
- Shareholders' equity at December 31, 2003 and 2002, includes a reduction for a minimum liability adjustment net of tax, of \$359.4 million and \$317.2 million, respectively. The reason for the increase in the minimum liability adjustment year-over-year is primarily due to the change in the discount rates.
- Changes in any of the assumptions that were used in computing the net periodic pension cost or postretirement cost can have an impact on the various components that comprise these costs. Estimated sensitivities to the net periodic pension cost of a 0.25% rate decrease in the three basic assumptions are as follows: the discount rate would increase expense by approximately \$5.3 million; the rate of compensation increase would decrease expense \$2.3 million, and the estimated return on assets assumption would increase expense by approximately \$5.3 million. A 0.25% rate decrease in the discount rate for postretirement benefits would increase net periodic postretirement benefit cost by \$2.2 million and a 1.0% increase in the health care cost trend rate would increase the cost by approximately \$4.0 million.
- Commitments and contingencies - The Company is involved in various litigations, claims and administrative proceedings, including environmental and asbestos matters, arising in the normal course of business. The Company has recorded reserves in the financial statements related to these matters which are developed based on consultation with legal counsel and internal and external consultants and engineers, depending on the nature of the reserve. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, the Company believes its estimated reserves are reasonable and does not believe the liability with respect to these matters would have a material effect on the financial condition, results of operations, liquidity or cash flows of the Company for any year.
- Accrued liabilities - The Company has accrued liabilities for product liability claims, including asbestos claims, workers' compensation matters and product warranty issues. The Company has recorded reserves in the financial statements related to these matters, which are developed using input derived from

actuarial estimates and historical and anticipated experience data depending on the nature of the reserve. The Company believes its estimated reserves are reasonable.

- Allowance for doubtful accounts and inventory reserves - The Company has provided an allowance for doubtful accounts receivable and inventory reserves based upon its knowledge of its end markets, customer base and products.
- Goodwill and other intangible assets - The Company has significant goodwill and other intangible assets on its balance sheet related to acquisitions. The valuation and classification of these assets and the assignment of amortization lives involves significant judgments and the use of estimates. The testing of these intangibles under established accounting guidelines for impairment also requires significant use of judgment and assumptions, particularly as it relates to the identification of reporting units and the determination of fair market value. The Company's goodwill and other intangible assets are tested and reviewed for impairment on an annual basis or when there is a significant change in circumstances. The Company believes that its use of estimates and assumptions are reasonable and comply with generally accepted accounting principles. Changes in business conditions could potentially require future adjustments to these valuations.
- Restructuring - In connection with the Company's restructuring programs, reserves have been established at each of the Company's reportable segments. These reserves, for both employee termination costs and facility exit costs, required the use of estimates, which the Company believes accurately reflect the costs of these plans.

The preparation of all financial statements includes the use of estimates and assumptions that affect a number of amounts included in the Company's financial statements. If actual amounts are ultimately different from previous estimates, the revisions are included in the Company's results for the period in which the actual amounts become known. Historically, the aggregate differences, if any, between the Company's estimates and actual amounts in any year, have not had a significant impact on the consolidated financial statements.

Results of Operations

Net earnings for 2003 were \$644.5 million, or diluted earnings per share of \$3.74 as compared to a net loss of \$173.5 million or \$1.02 diluted loss per share in 2002, (which includes the cumulative effect of a change in accounting principle related to the adoption of Statement of Financial Accounting Standard (SFAS) 142, "Goodwill and Other Intangible Assets"), and net earnings of \$246.2 million or \$1.48 diluted earnings per share in 2001. Earnings from continuing operations for 2003 were \$593.5 million, or diluted earnings per share of \$3.44 as compared to \$365.6 million or \$2.15 diluted earnings per share, and \$180.0 million or \$1.08 diluted earnings per share in 2002 and 2001, respectively.

<i>Dollar amounts in millions</i>	2003	2002	2001
Net revenues	\$ 9,876.2	\$ 8,891.0	\$ 8,542.0
Cost of goods sold	7,471.0	6,786.6	6,694.5
Selling and administrative expenses	1,538.3	1,423.9	1,354.4
Restructuring (reversals) charges	(3.2)	41.9	73.7
Operating income	\$ 870.1	\$ 638.6	\$ 419.4
Operating margin	8.8%	7.2%	4.9%

Beginning in 2000, the Company commenced a restructuring program, which is more fully described under "Restructuring Program." This program included certain costs that are identified in Staff Accounting Bulletin (SAB) 100 and Emerging Issues Task Force (EITF) 94-3 as restructuring, as well as other related costs that did not meet the criteria to be classified as "restructuring." Nonrecurring costs associated with these activities not qualifying as "restructuring" are referred to as "productivity investments" and were charged to "Cost of sales" and "Selling and administrative expenses." Productivity investments consisted of costs for equipment moving, facility redesign, employee relocation and retraining, and systems enhancements. Charges for productivity investments were expensed as incurred. Additionally in 2001, \$9.5 million was included in selling and administrative expenses for costs associated with the Company's reincorporation in Bermuda.

Revenues

2003 vs. 2002: Revenues for 2003 increased by approximately 11% compared to 2002. Higher volumes and the effects of currency translation accounted for approximately 5% and 4%, respectively, of the increase. Volume increases were primarily attributable to an improvement in Thermo King's worldwide truck and trailer market, continued gains in recurring revenues in the Air and Productivity Solutions Segment, new product introductions from the Bobcat business, and U.S. market share gains in Security and Safety. The remaining increase was primarily attributable to pricing and the results of acquisitions. Revenues across all business segments were higher.

2002 vs. 2001: Revenues for 2002 increased by approximately 4% compared to 2001. Higher volumes and the results of acquisitions accounted for the majority of the increase. Revenues across all business segments were higher.

Cost of Goods Sold

2003 vs. 2002: Cost of goods sold in 2003 was 75.6% of sales compared to 76.3% in 2002. The benefits associated with the restructuring programs and increased productivity accounted for the majority of the decrease. Additionally, the elimination of charges related to productivity investments, which were \$25.2 million in 2002, and increased volume had a positive effect on the ratio. These positive effects were partially offset by currency translation and higher pension and other employee benefit costs.

2002 vs. 2001: Cost of goods sold in 2002 was 76.3% of sales compared to 78.4% in 2001. The decrease in the ratio of cost of goods sold to sales was mainly attributable to the effects of adopting SFAS No. 142, which ceased goodwill amortization beginning January 1, 2002. Goodwill amortization of approximately \$122 million was included in cost of goods sold in 2001. Additionally, charges for productivity investments included in cost of goods sold in 2002 were \$25.2 million, compared with \$74.3 million in 2001. The benefits associated with the restructuring programs and improved productivity also had a positive impact on the ratio.

Selling and Administrative Expenses

2003 vs. 2002: Selling and administrative expenses were 15.6% of sales in 2003 as compared to 16.0% for 2002. The decrease in the ratio is mainly due to the benefits associated with the restructuring programs and increased productivity, and the elimination of charges related to productivity investments, which were \$8.2 million in 2002, as well as higher revenues in 2003. These positive effects were partially offset by additional costs for stock-based compensation programs resulting from the increase in the Company's common share price during 2003, and higher pension and other employee benefit costs. Stock-based compensation relates to executive compensation programs as further described in Notes 1 and 11.

2002 vs. 2001: Selling and administrative expenses were 16.0% of sales in 2002 as compared to 15.9% for 2001. Higher charges in 2001 for productivity investments, direct costs of the reincorporation in Bermuda, and goodwill amortization included in selling and administrative expenses were offset by acquisitions of service businesses that historically maintain higher ratios and higher employee benefit and insurance costs in 2002. Productivity investments amounted to \$8.2 million in 2002, as compared with \$34.3 million in 2001. The effects of adopting SFAS No. 142, which ceased goodwill amortization beginning January 1, 2002, also had a positive impact on the ratio in 2002. Goodwill amortization of approximately \$8 million was included in selling and administrative expenses in 2001. Additionally in 2001, \$9.5 million was included in selling and administrative expenses for costs associated with the reincorporation in Bermuda.

Operating Income

2003 vs. 2002: Operating income for 2003 increased by approximately 36% compared to 2002, while operating income margins also increased significantly. The increases were mainly attributable to the benefits associated with the restructuring programs and improved productivity, higher pricing, higher volumes, product mix, and the elimination of charges related to restructuring and productivity investments. These positive effects were partially offset by higher pension and other employee benefit costs and additional costs for stock-based compensation programs.

2002 vs. 2001: Operating income for 2002 increased by approximately 52% compared to 2001, while operating income margins also increased significantly. The increases were mainly attributable to the effects of adopting SFAS No. 142, lower year-over-year charges for restructure and productivity investments, and the benefits associated with the restructuring and productivity improvement programs.

Interest Expense

2003 vs. 2002 : Interest expense for 2003 totaled \$176.5 million, a decrease of \$53.8 million from 2002. The decrease is attributable to lower year-over-year debt levels resulting primarily from the repayment of \$700 million of debt in the first quarter of 2003, approximately \$240 million in other debt repayments during the year, as well as a decline in interest rates.

2002 vs. 2001 : Interest expense for 2002 totaled \$230.3 million, a decrease from 2001's total of \$249.3 million. The decrease was due to lower year-over-year debt levels and a decline in interest rates.

Other Income (Expense), Net

Other income (expense), net, includes certain foreign exchange gains and losses, equity in earnings of partially owned affiliates, and other miscellaneous income and expense items.

2003 vs. 2002 : In 2003, other income (expense), net, aggregated \$9.2 million of net income, as compared with \$10.8 million of net expense in 2002. The change is primarily attributable to the sale of approximately 9.4 million shares of Timken Company common stock, which resulted in a gain of \$7.6 million, due to share-price appreciation from the date of acquisition to the sale date. Additionally, the Company received \$2.4 million in dividend income while holding these shares. The remaining change was due to lower foreign exchange losses in 2003 and several miscellaneous expense items included in 2002.

2002 vs. 2001 : In 2002, other income (expense), net, aggregated \$10.8 million of net expense, as compared with \$19.4 million of net expense in 2001. Included in 2002 are proceeds from an insurance settlement of approximately \$10 million. Included in 2001 was the \$8.8 million gain on the sale of stock received in connection with the sale of Dresser-Rand's compression services business. Additionally, in 2002, lower miscellaneous expense items were partially offset by higher foreign exchange losses.

Minority Interests

2003 vs. 2002 : Minority interests increased to \$15.1 million in 2003, from \$14.4 million in 2002 as a result of higher earnings from consolidated subsidiaries in which the Company has a majority ownership.

2002 vs. 2001 : Minority interests decreased from \$20.7 million in 2001, to \$14.4 million in 2002. Included in 2001 were \$8.3 million in charges associated with the Company's equity-linked securities, which were converted into 8.3 million common shares in May 2001. Excluding these charges, minority interests in 2002 increased by \$2.0 million as a result of higher earnings from consolidated subsidiaries in which the Company has a majority ownership.

Provision for Income Taxes

The tax provision for the year ended December 31, 2003 was \$94.2 million, resulting in an effective rate of 13.7%. This compares to a provision of \$17.5 million, resulting in an effective rate of 4.6% for the year ended December 31, 2002, and a benefit of \$50.0 million, resulting in an effective tax rate of negative 38.5% for the year ended December 31, 2001.

In 2003, the Company continued to realize benefits of the reorganization. Significant tax benefits do not vary directly with income, therefore as income increases as it did between 2002 and 2003, the tax rate also increased. In 2001, the year of the reincorporation to Bermuda, the Company recorded a one-time tax benefit of \$59.8 million related to the utilization of previously limited foreign tax credits and net operating loss carryforwards in certain non-U.S. jurisdictions. Also in 2001, the Company realized a benefit of approximately \$18.5 million related to prior years foreign sales corporation benefits.

Discontinued Operations

During 2003, the Company continued its business portfolio realignment by selling three businesses. The Company recognized an after-tax gain of \$58.2 million on the disposition of Engineered Solutions, which is included in "Discounted operations, net of tax". The gain is subject to working capital and other final purchase price adjustments. Net purchase price adjustments of approximately \$5 million have been recorded since the date of sale. These adjustments relate primarily to certain pension and other employee benefits. The Company is currently involved in a dispute resolution procedure relating to the final purchase price adjustment based on the working capital of Engineered Solutions that was sold in February 2003. The Company expects a resolution by the end of the second quarter of 2004. Any adjustment recorded is not expected to be material and would be reflected as an increase or decrease to "Discontinued operations, net of tax" in 2004. Net (loss) earnings and continuing costs associated with Engineered Solutions, included in "Discontinued operations, net of tax," were \$(1.2) million, \$108.4 million, and \$70.1 million for 2003, 2002, and 2001, respectively. In the fourth quarter of 2003, the Company expected to receive payments for claims filed under the Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) on behalf of a subsidiary included in Engineered Solutions. The antidumping duty is levied when the U.S. Department of Commerce determines that imported products are being sold in the United States at less than fair value causing material injury to a United States industry. These payments of approximately \$35 million are expected to be received in the first quarter of 2004.

The Company recognized an after-tax loss of \$7.6 million on the disposition of its Laidlaw business unit (Laidlaw), which is included in "Discontinued operations, net of tax." Laidlaw's net losses for 2003, 2002, and 2001, included in "Discontinued operations, net of tax," were \$1.2 million, \$1.8 million, and \$1.4 million, respectively.

The Company recognized an after-tax gain of \$18.2 million (subject to a working capital adjustment) on the disposition of its Waterjet business unit (Waterjet), which is included in "Discontinued operations, net of tax." Waterjet's net earnings for 2003, 2002, and 2001, included in "Discontinued operations, net of tax," were \$4.3 million, \$3.6 million, and \$3.4 million, respectively.

Discontinued operations, net of tax, for 2003 amounted to \$51.0 million of income. This includes the net gain on the sale of the businesses sold during 2003 of \$68.8 million. The remaining portion of discontinued operations, amounting to \$17.8 million of expense, is primarily the retained costs of Ingersoll-Dresser Pump Company (IDP), which was sold in 2000. IDP costs include employee benefits and product liability costs, primarily related to asbestos claims. Discontinued operations, net of tax, for 2002 and 2001 amounted to \$95.4 million and \$66.2 million of income, respectively, which includes the results of the businesses sold in 2003 and IDP costs of \$14.8 million and \$5.9 million, respectively.

Restructuring Program

During the third quarter of 2000, the Company commenced a \$325 million restructuring program, which included plant rationalizations, organizational realignments consistent with the Company's new market-based structure and the consolidation of back-office processes. During the fourth quarter of 2001, the Company commenced a second restructuring program for an additional \$150 million to further reduce the general and administrative expenses across the Company. These programs included certain costs that are identified in SAB 100 and EITF 94-3 as restructuring, as well as other related costs that did not meet the criteria to be classified as restructuring. Nonrecurring costs associated with these activities not qualifying as restructuring are referred to as "productivity investments" and were charged to "Cost of sales" and "Selling and administrative expenses" as incurred. Minimal remaining restructuring liabilities are expected to be paid by the end of the second quarter of 2004. The Company has realized lower costs and improved customer service in all segments as a result of these actions. The Company manages the 2000 and 2001 programs as a single restructuring program totaling \$475 million. Therefore, all comments regarding restructure activity refer to both programs combined.

The total employee terminations related to the restructuring program were approximately 5,000. These terminations impacted both the salaried and hourly employee groups. The Company closed 20 manufacturing facilities in connection with the restructuring programs.

The planned benefits of the program were estimated to be approximately \$200 million pre-tax on an annual basis once fully implemented. As of December 31, 2003, the Company estimates that it has realized these benefits.

Management teams that were directly involved with the required actions developed the estimated costs for each project within each segment and the Corporate Center. The costs relating to restructuring charges included employee termination costs such as severance, extended medical costs, pension liabilities, and outplacement costs, and facility exit costs such as lease exit costs and equipment write-offs. Severance costs are generally paid on a monthly basis over the severance period granted to each employee or in a lump sum. Severance costs are based mainly on years of service and current salary. Employee termination costs also include outplacement costs, which are paid in accordance with normal payment terms. Facility exit costs consist primarily of lease termination costs and are generally recorded upon exiting the facility.

The projected savings identified at the project level were developed by the management teams at the various locations and were based on the historical data that pertained to the specific actions (payroll, benefits and variable overhead).

A reconciliation of the restructuring reserve for the Phase I and Phase II programs is as follows:

<i>In millions</i>	Employee termination costs	Facility exit costs	Total
Balance at December 31, 2002	\$ 20.1	\$ 6.2	\$ 26.3
Cash payments	(14.3)	(2.6)	(16.9)
Change in estimate	(1.8)	(1.4)	(3.2)
Non-cash write-offs	-	(0.6)	(0.6)

Balance at December 31, 2003	\$ 4.0	\$ 1.6	\$ 5.6
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Climate Control

This Segment has undergone significant restructuring due to the acquisition of Hussmann International, Inc. (Hussmann) in 2000. During 2000, Thermo King experienced a reduction in volume due to a severe recession in the North America truck and trailer markets. In order to improve production efficiencies and decrease operating costs, certain manufacturing facilities were closed. In conjunction with the Hussmann acquisition, it was necessary to address these issues to achieve the synergies identified. The identified actions were as follows:

- Close five manufacturing locations: U.S. (2), Europe (2) and Latin America (1).
- Outsource the manufacturing of certain components used in products.
- Terminate 1,419 employees.

As of December 31, 2002, all five specified manufacturing locations were closed. As of December 31, 2003, all identified employees were terminated. It is estimated that this Segment has realized its expected annual savings of approximately \$35 million.

A reconciliation of the restructuring reserve for the Phase II program is as follows:

	Employee termination costs	Facility exit costs	Total
<i>In millions</i>	Phase II	Phase II	Phase II
Balance at December 31, 2002	\$ 2.2	\$ 2.7	\$ 4.9
Cash payments	(1.4)	(1.1)	(2.5)
Change in estimate	(0.6)	(0.2)	(0.8)
Balance at December 31, 2003	\$ 0.2	\$ 1.4	\$ 1.6

A reversal of a portion of the provision for employee termination costs was made in 2003, due to incurring lower than anticipated costs. Actual costs were lower due to certain employees' decisions to leave prior to their scheduled termination date.

The provision remaining at December 31, 2003, relates to a project involving the outsourcing of certain components used in the manufacturing of one of the Segment's products. As the transition to the outsourcing company began, various quality issues were identified, which resulted in a delay in the transition. The Segment has resolved these issues and anticipates that the transition will be completed by the end of the second quarter of 2004.

Air and Productivity Solutions

This Segment's operations were examined and it was determined that the consolidation of manufacturing locations and the reduction of selling and administrative (S&A) expenses were essential to meet strategic objectives. To achieve a lower cost structure, an Eastern European manufacturing plant was opened enabling the Segment to compete on a global scale. The severe recession in the worldwide industrial markets necessitated employee terminations to align the cost structure with the volume levels. The identified actions were as follows:

- Close eight manufacturing locations: U.S. (4), Asia Pacific (3) and Europe (1).
- Terminate 1,408 employees.

As of December 31, 2002, all the specified manufacturing locations had been closed. The minimal number of employees remaining as of December 31, 2003, will be terminated in the first quarter of 2004. It is estimated that this Segment has realized its expected annual savings of approximately \$60 million.

A reconciliation of the restructuring reserve for the Phase I and Phase II programs is as follows:

	Employee termination costs	
<i>In millions</i>	Phase I	Phase II
Balance at December 31, 2002	\$ 0.6	\$ 2.6
Cash payments	(0.6)	(2.5)
Change in estimate	-	0.2
Balance at December 31, 2003	\$ -	\$ 0.3

The provision remaining at December 31, 2003, relates to final severance payments, which are expected to be paid in the first quarter of 2004.

Dresser-Rand

This Segment's operations and S&A expense structure were examined, and it was determined that the reduction of S&A expenses, as well as the consolidation of its sales regions was essential to meet strategic objectives. The identified actions were as follows:

- Organizational realignment - five regions reduced to three.
- Terminate 388 employees.
- Close or consolidate several non-manufacturing locations.

As of December 31, 2002, the organizational realignment and the closure of certain non-manufacturing locations were complete. As of June 30, 2003, all identified employees were terminated. It is estimated that this Segment has realized its expected annual savings of approximately \$38 million.

A reconciliation of the restructuring reserve for the Phase II program is as follows:

	Employee termination costs	Facility exit costs	Total
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<i>In millions</i>	Phase II	Phase II	Phase II
Balance at December 31, 2002	\$ 3.2	\$ 0.5	\$ 3.7
Cash payments	(3.1)	(0.2)	(3.3)
Change in estimate	-	(0.1)	(0.1)
Balance at December 31, 2003	\$ 0.1	\$ 0.2	\$ 0.3

The provision remaining at December 31, 2003, relates to final severance payments and facility exit costs, which are expected to be paid in the first quarter of 2004.

Infrastructure

Manufacturing facilities were examined to identify opportunities to improve production efficiencies and decrease manufacturing operating costs. The consolidation of the manufacturing locations has enabled the Segment to leverage its capacity as volumes return. Additionally, significant management realignments were essential to the success of the market strategy and to leverage the distribution channels. The identified actions were as follows:

- Close two manufacturing locations in the U.S.
- Terminate 781 employees.

As of December 31, 2002, all identified manufacturing locations were closed. As of September 30, 2003, all identified employees were terminated. It is estimated that this Segment has realized its expected annual savings of approximately \$29 million.

A reconciliation of the restructuring reserve for the Phase I and Phase II programs is as follows:

	Employee termination costs		Facility exit costs	Total	
<i>In millions</i>	Phase I	Phase II	Phase II	Phase I	Phase II
Balance at December 31, 2002	\$ 1.5	\$ 0.1	\$ 0.6	\$ 1.5	\$ 0.7
Cash payments	(1.2)	(0.1)	(0.4)	(1.2)	(0.5)
Change in estimate	(0.3)		(0.2)	(0.3)	(0.2)
Balance at December 31, 2003	\$ -	\$ -	\$ -	\$ -	\$ -

A reversal of a portion of the provision for employee termination costs was made in 2003, due to incurring lower than anticipated costs. Actual costs were lower due to certain employees' decisions to leave prior to their scheduled termination date. Additionally, a reversal of a portion of the provision for facility exit costs was made in 2003, due to incurring lower than anticipated costs associated with the sale of a building.

Security and Safety

This Segment's manufacturing facilities were examined to find opportunities to improve production efficiencies and decrease operating costs. The Segment's S&A expense structure was also examined and it was determined that significant actions were required to align the cost structure with the then current volume levels. The identified actions were as follows:

- Close five manufacturing locations: U.S. (3) and Europe (2).
- Terminate 540 employees.

As of December 31, 2002, all identified manufacturing locations were closed. As of September 30, 2003, all identified employees were terminated. It is estimated that this Segment has realized its expected annual savings of approximately \$39 million.

A reconciliation of the restructuring reserve for the Phase I program is as follows:

	Employee termination costs	Facility exit costs	Total
<i>In millions</i>	Phase I	Phase I	Phase I
Balance at December 31, 2002	\$ 0.7	\$ 2.4	\$ 3.1
Cash payments	(0.7)	(0.9)	(1.6)
Change in estimate	-	(0.9)	(0.9)
Non-cash write-offs	-	(0.6)	(0.6)
Balance at December 31, 2003	\$ -	\$ -	\$ -

The original estimate for facility exit costs included ongoing lease commitments for a vacated facility. During the year, the remaining lease obligation was terminated early for an amount less than the original estimate, resulting in a reversal to the provision. Additionally, the Segment recorded a non-cash write-off in order to write-down the value of a vacated building to its estimated selling price.

Corporate Center

An examination of previously decentralized back-office functions, such as accounts payable, accounts receivable, benefits administration and payroll, at Corporate Center and across all business segments identified opportunities to improve the costs of high volume transactions. The creation of Global Business Services (a shared service center) enabled the Company to consolidate high volume transactions resulting in lower costs. As of December 31, 2003, 218 employees were terminated, with an additional 92 in staff reductions related to outsourcing of back-office functions and organizational realignments remaining. The savings associated with the corporate restructuring activities are realized in the segments due to the reduction of employees in business units' back-office operations.

A reconciliation of the restructuring reserve for the Phase I and Phase II programs is as follows:

Employee
termination costs

<i>In millions</i>	Phase I	Phase II
Balance at December 31, 2002	\$ 2.8	\$ 6.4
Cash payments	(2.3)	(2.4)
Change in estimate	(0.5)	(0.6)
Balance at December 31, 2003	\$ -	\$ 3.4

A reversal of \$1.1 million of the provision for employee termination costs was made in 2003, due to incurring lower than anticipated costs. Actual costs were lower due to certain employees' decision to leave prior to their scheduled termination date, and the redeployment of certain employees throughout the Company.

Of the provision remaining at December 31, 2003, \$1.9 million relates to employee termination costs associated with the outsourcing of back office functions. During the transition of these functions to the outsourcing firm, certain issues arose resulting in the delay of the transition schedule. As of December 31, 2003, these issues were resolved and the majority of these costs are expected to be paid in the first and second quarters of 2004. The remaining portion of this transition will result in the termination of 83 employees. Additionally, \$1.5 million of the remaining provision relates to employee termination costs associated with other Corporate Center initiatives. These costs will be paid in the first quarter of 2004, and will result in the termination of a minimal number of employees.

Review of Business Segments

Results for 2002 and 2001 include charges for restructuring and productivity investments. Productivity investments consist of costs for equipment moving, facility redesign, employee relocation and retraining, and systems enhancements. Charges for productivity investments were expensed as incurred. Also included in 2001 is amortization of goodwill and indefinite lived intangible assets. As a result of the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and indefinite lived intangible assets are no longer subject to amortization.

Climate Control

Climate Control is engaged in the design, manufacture, sale and service of transport temperature control units, HVAC systems, refrigerated display merchandisers, beverage coolers, and walk-in storage coolers and freezers. It includes the Thermo King and Hussmann business units.

<i>Dollar amounts in millions</i>	2003	2002	2001
Net revenues	\$ 2,648.9	\$ 2,466.4	\$ 2,438.2
Operating income	219.1	137.0	21.7
Operating margin	8.3%	5.6%	0.9%

2003 vs. 2002: Climate Control revenues for 2003 increased by approximately 7% compared to 2002. The effects of currency translation accounted for approximately 4% of the increase, mainly due to the strengthening of the euro against the U.S. dollar. The remaining increase was primarily due to higher volumes, pricing, and the full year inclusion of the results of acquisitions that occurred in 2002. Operating income and margins for the year ended 2003 increased significantly. The estimated benefits associated with the restructuring programs and improved productivity increased operating income by approximately \$37 million, while pricing, and higher volumes and product mix increased operating income by \$25.8 million and \$8.7 million, respectively. Additionally, there were no charges for restructuring and productivity investments in 2003. These charges amounted to \$16.3 million in 2002. These positive effects were partially offset by other expenses, such as higher pension and other employee benefit costs.

Climate Control revenues and operating income benefited from improved price realization throughout the Thermo King businesses, while industry-wide pricing pressures continued to challenge the profitability of the Hussmann businesses. Volume increases for the Segment were driven by worldwide Thermo King truck and trailer sales, which were partially offset by decreased demand for Hussmann's refrigerated cases in North America, as large supermarkets continue to defer capital expenditures.

2002 vs. 2001: Climate Control revenues for 2002 increased by approximately 1% compared to 2001. The increase in revenues resulting from acquisitions of approximately 4% was offset by lower volumes of approximately 3%. Operating income and margins increased significantly in 2002. The increase was mainly attributable to the effects of adopting SFAS No. 142, which ceased goodwill amortization beginning January 1, 2002. Goodwill amortization of \$85.8 million was recorded in 2001. In addition, charges for restructuring and productivity investments decreased by \$26.5 million and \$21.0 million, respectively, from 2001. The estimated benefits associated with the restructuring programs and improved productivity also increased operating income by approximately \$52 million. Lower volumes and product mix of \$40.8 million, as well as increased warranty expenses and higher employee benefit and insurance costs had an unfavorable impact over 2001.

Industrial Solutions

Industrial Solutions is comprised of a diverse group of businesses focused on providing solutions to enhance customers' industrial efficiency. Industrial Solutions consists of the Air and Productivity Solutions Segment and the Dresser-Rand Segment. During the first quarter of 2003, the Company sold Engineered Solutions. The results of Engineered Solutions, which was part of the Company's Industrial Solutions Sector, were classified as "discontinued operations, net of tax" for 2003 and for all prior periods.

Air and Productivity Solutions

Air and Productivity Solutions is engaged in the design, manufacture, sale and service of air compressors, microturbines and industrial tools. This Segment previously included the Company's Waterjet business unit, which was sold during 2003 and whose results are now included in "Discontinued operations, net of tax."

<i>Dollar amounts in millions</i>	2003	2002	2001
Net revenues	\$ 1,363.6	\$ 1,279.0	\$ 1,275.9
Operating income	104.1	67.9	46.8
Operating margin	7.6%	5.3%	3.7%

2003 vs. 2002: Air and Productivity Solutions' revenues for 2003 increased by approximately 7% compared to 2002. The effects of currency translation accounted for approximately 4% of the increase, mainly due to the strengthening of the euro against the U.S. dollar. The remaining increase was primarily due to higher volumes and service revenues. Operating income and margins for the year ended 2003 increased significantly. The estimated benefits associated with the restructuring programs and improved productivity increased operating income by approximately \$37 million, while higher volumes and product mix, and the effects of currency translation increased operating income by \$8.9 million and \$8.7 million, respectively. Additionally, there were no charges for restructuring and productivity investments in 2003. These charges amounted to \$19.1 million in 2002. These positive effects were partially offset by continued investment in developing the microturbine business, costs for implementing new efficiency initiatives, and other charges, such as higher pension and other employee benefit costs.

Air and Productivity Solutions' revenues and operating income benefited from higher volumes and product mix, as recurring revenues for the Segment continued to increase. Additionally, new products with higher margins and increased aftermarket business accounted for a portion of the increase.

2002 vs. 2001: Air and Productivity Solutions' revenues for 2002 remained constant compared to 2001. Operating income and margins both increased in 2002. The increase was mainly attributable to the estimated benefits associated with the restructuring programs and improved productivity, which amounted to approximately \$34 million and decreases in charges for restructuring and productivity investments of \$4.9 million and \$13.8 million, respectively, over 2001. Additionally, the effects of adopting SFAS No. 142, which ceased goodwill amortization beginning January 1, 2002, had a positive impact. Goodwill amortization of \$3.6 million was recorded in 2001. Lower volume and product mix of \$13.9 million, as well as higher employee benefit and insurance costs and continued investment in developing the microturbine business had an unfavorable impact over 2001.

Dresser-Rand

Dresser-Rand is engaged in the design, manufacture, sale and service of gas compressors, gas and steam turbines, and generators.

<i>Dollar amounts in millions</i>	2003	2002	2001
Net revenues	\$ 1,333.9	\$ 1,024.4	\$ 881.3
Operating income	43.4	33.2	21.4
Operating margin	3.3%	3.2%	2.4%

2003 vs. 2002: Dresser-Rand revenues for 2003 increased by approximately 30% compared to 2002. Higher volumes accounted for approximately 23% of the increase, while the effects of currency translation and improved pricing accounted for the remainder. Operating income for the year ended 2003 increased, while operating margins remained constant. Improved pricing and product mix increased operating income by \$30.3 million, while the estimated benefits associated with the restructuring program and improved productivity increased operating income by approximately \$32 million. These positive effects were partially offset by costs of \$11.3 million associated with a reduction in excess capacity, increased labor and engineering costs of \$6.9 million, inventory write-offs as discussed below, the effects of currency translation, and other charges, such as higher pension and other employee benefit costs. Additionally, revenues and margins were impacted by certain large components that are purchased by Dresser-Rand on behalf of customers and passed through at lower margins. Reported revenues for 2003 and 2002 include \$263.8 million and \$151.6 million, respectively, of revenues related to these components.

During the third quarter of 2003, a management review identified an issue relating to work-in-process inventory accounts (Inventory) at two locations within Dresser-Rand. It was determined that certain Inventory had not been properly relieved upon shipment during the time period 1999 to 2003, resulting in an overstatement of inventory. Management immediately began an extensive, in-depth review of accounts and records associated with Dresser-Rand during the time period since the Company acquired full ownership in February 2000. This review identified overstatements requiring the following adjustments: reduce inventory (\$33.8 million); reduce depreciation expense (\$9.9 million); and reduce pension expense (\$7.5 million). In addition, the review revealed that certain accruals had not been properly relieved (a reduction of \$6.7 million) and certain intercompany accounts had not been reconciled (a reduction of \$10.1 million). The net effect of recording the preceding adjustments (a total reduction of assets of \$33.8 million and a total reduction of expenses and liabilities of \$34.2 million) in the third quarter of 2003 increased consolidated net income in the quarter by \$0.4 million.

The adjustments described in the preceding paragraph decreased operating income in the third quarter by \$3.4 million (of which \$1.1 million related to prior periods) through charges to "cost of goods sold" and "selling and administrative expenses." In addition, amounts related to prior periods which were recorded in "other income (expense), net" resulted in increasing the Company's consolidated pre-tax income by \$3.8 million. The effect of recording these adjustments in the third quarter of 2003 (a \$0.4 million increase to consolidated net income) was immaterial. In addition, the effect of recording the amounts in the applicable previously reported periods would have been immaterial to the Company.

As a consequence of the items referred to above, the Company conducted a thorough investigation of the relevant internal controls and made appropriate changes.

2002 vs. 2001: Dresser-Rand revenues for 2002, increased by approximately 16% compared to 2001, while operating income and margins also increased. The improved results are mainly attributable to volume increases. Additionally, revenues and margins were impacted by certain large components that were purchased by Dresser-Rand on behalf of customers and passed through at lower margins. Reported revenues for 2002 and 2001 include \$151.6 million and \$106.0 million, respectively, of revenues related to these components.

Infrastructure

Infrastructure is engaged in the design, manufacture, sale and service of skid-steer loaders, mini-excavators, golf and utility vehicles, portable compressors and light towers, road construction and repair equipment, and a broad line of drills and drill accessories. It is comprised of Bobcat, Club Car, Portable Power, Road Development and Specialty Equipment.

<i>Dollar amounts in millions</i>	2003	2002	2001
Net revenues	\$ 2,924.8	\$ 2,651.1	\$ 2,570.3
Operating income	317.3	238.7	219.7
Operating margin	10.8%	9.0%	8.5%

2003 vs. 2002: Infrastructure revenues for 2003 increased by approximately 10% compared to 2002. Higher volumes accounted for approximately 5% of the increase, while the effects of currency translation accounted for a majority of the remaining increase. Operating income and margins for the year ended 2003 increased significantly. The estimated benefits associated with the restructuring programs and improved productivity increased operating income by approximately \$31 million, while higher volumes and product mix, and the effects of currency translation increased operating income by \$32.3 million and \$19.0 million, respectively. Additionally, there were no charges for restructuring and productivity investments in 2003. These charges amounted to \$12.5 million in 2002. These positive effects were partially offset by \$7.2 million in costs for implementing new efficiency initiatives, increased product liability costs, and other charges, such as higher pension and other employee benefit costs.

Revenues and operating income, for all businesses in the Infrastructure Segment, increased in 2003. Infrastructure revenues and operating income benefited from higher volumes, which were primarily associated with new product sales and strong North American markets in the Bobcat business, continuing market share gains from Club Car in the North American golf market, and improved overseas sales from the Road Development business. The effects of currency translation also had a positive impact on the Segment's revenues and operating income due to the strengthening of the euro and Canadian dollar against the U.S. dollar.

2002 vs. 2001: Infrastructure revenues for 2002 increased by approximately 3% compared to 2001. The increase was mainly attributable to higher volumes. Operating income and margins also increased in 2002. The increase was mainly attributable to the effects of adopting SFAS No. 142, which ceased amortization of goodwill beginning January 1, 2002. Goodwill amortization of \$26.1 million was recorded in 2001. The estimated benefits associated with the restructuring programs and improved productivity increased operating income by approximately \$21 million. In addition, higher volumes and favorable product mix at Club Car and Bobcat increased operating income by \$14.0 million over 2001. Higher employee benefit and warranty costs, as well as increased bad debt write-offs, general insurance and factory investments had an unfavorable impact over 2001.

Security and Safety

Security and Safety is engaged in the design, manufacture, sale and service of locks, door closers, exit devices, door control hardware, doors and frames, decorative hardware, electronic and biometric access control systems, and time and attendance systems. This Segment previously included the Company's Laidlaw business unit, which was sold during 2003 and whose results are now included in "Discontinued operations, net of tax."

<i>Dollar amounts in millions</i>	2003	2002	2001
Net revenues	\$ 1,605.0	\$ 1,470.1	\$ 1,376.3
Operating income	316.6	275.8	232.6
Operating margin	19.7%	18.8%	16.9%

2003 vs. 2002: Security and Safety revenues for 2003 increased by approximately 9% compared to 2002. Higher volumes and product mix, the results of acquisitions, and the effects of currency translation accounted for approximately 3%, 2%, and 2%, respectively, of the increase. The remaining increase was primarily due to pricing. Operating income and margins increased for the year ended 2003. The estimated benefits associated with the restructuring programs and improved productivity increased operating income by approximately \$21 million, while pricing, and higher volumes and product mix increased operating income by \$11.6 million and \$9.3 million, respectively. Additionally, there were no charges for restructuring and productivity investments in 2003. These charges amounted to \$14.2 million in 2002. These positive effects were partially offset by increased investments in new products and to maintain current market share in core products, as well as other charges, such as higher pension and other employee benefit costs.

Security and Safety achieved revenue growth through market share gains in the United States, which were driven by its strategic initiatives. Additionally, the full year inclusion of Electronic Technologies Corporation, which was acquired in 2002, and the addition of Integrated Access Systems, acquired in 2003, had positive effects on revenues and operating income.

2002 vs. 2001: Security and Safety revenues for 2002, increased by approximately 7% compared to 2001. The results of acquisitions accounted for a 4% increase in revenues, with the remaining increase mainly attributable to higher volumes. Operating income and margins both increased in 2002. The increase was mainly attributable to the estimated benefits associated with the restructuring programs and improved productivity, which amounted to approximately \$24 million and decreases in charges for productivity investments of \$18.2 million over 2001. The effects of adopting SFAS No. 142, which ceased

amortization of goodwill beginning January 1, 2002, also had a positive impact. Goodwill amortization of \$14.3 million was recorded in 2001. Favorable product mix increased operating income in 2002 by \$10.6 million. These benefits were partially offset by the continued investment in Security and Safety growth initiatives of \$10.6 million and higher employee benefit and insurance costs.

Employee Benefit Plans

Pensions - Net periodic pension cost for 2003 totaled \$83.0 million. The sale of Engineered Solutions caused net pension curtailment and settlement gains of \$10.1 million. In the first quarter of 2003, the Company remeasured its major U.S. pension plan due to the sale of Engineered Solutions. Prior to remeasurement, the assumptions used to calculate pension benefits were as follows: 6.75% discount rate; 4.00% rate of compensation increase and a 8.75% expected return on plan assets. Upon remeasurement, the discount rate was decreased to 6.50% to reflect the change in market conditions. The net periodic pension cost for non-U.S. plans for 2003 was based on the weighted- average assumptions disclosed at December 31, 2002. The assumptions expected to be used in the 2004 net periodic pension benefit cost are the same as were used at the end of 2003 to calculate the pension benefit obligation.

Net periodic pension cost for 2002 was \$27.4 million. Net periodic pension cost for the U.S. pension plans for the first three quarters of 2002 was based on the weighted-average assumptions disclosed at December 31, 2001. Those assumptions for the U.S. plans were a discount rate of 7.25%, a 5.00% rate of compensation increase and an expected return on plan assets of 9.00%. In the fourth quarter of 2002, the Company approved certain amendments to its U.S. pension plans for non-bargaining employees, effective January 1, 2003. The plan amendments were significant events with regard to certain plans and therefore required remeasurement of the plans' assets and obligations as of the date the plan amendments were approved. Prior to the plan amendments, the Company's U.S. salaried plans principally provided benefits based on a career-average earnings formula. Effective January 1, 2003, the Company's pension plans for U.S. non-collectively bargained employees provide benefits on a more modest final average pay formula. The affected pension plans were remeasured in the fourth quarter using updated assumptions as follows: 6.75% discount rate; 4.00% rate of compensation increase and a 9.00% expected return on plan assets. The remeasurement had the result of increasing net periodic pension cost by approximately \$9.0 million in the fourth quarter of 2002. Net periodic pension cost for the non-U.S. pension plans for 2002 was based on the weighted-average assumptions disclosed at December 31, 2001.

The Company's investment objectives in managing its defined benefit plan assets are to ensure that present and future benefit obligations to all participants and beneficiaries are met as they become due; to provide a total return that, over the long term, maximizes the ratio of the plan assets to liabilities, while minimizing the present value of required Company contributions, at the appropriate levels of risk; and meet any statutory requirements, laws and local regulatory agencies requirements. Key investment decisions reviewed regularly are asset allocations, investment manager structure, investment managers, investment advisors and trustees or custodians. An asset/liability modeling (ALM) study is used as the basis for global asset allocation decisions and updated approximately every five years or as required. The Company's current strategic global asset allocation for its pension plans is 60% in equity securities and 40% in debt securities and cash. The Company sets upper limits and lower limits of plus or minus 5%. The asset allocations are reviewed quarterly and the rebalancing strategy is triggered quarterly if the cash flows are not sufficient to rebalance the plans and appropriate action is taken to bring the plans within the strategic allocation ranges.

The Company contributed an additional discretionary \$200 million to its pension plans in 2003. The Company currently projects that it will contribute approximately \$65 million to its plans worldwide in 2004. The Company's policy is to fund an amount, which could be in excess of the pension cost expensed, subject to the limitations imposed by current tax regulations. While the Company anticipates funding the plans in 2004 in accordance with contributions required by funding regulations or the laws, most of the non-U.S. plans require employee contributions based on the employees' earnings. Prior to 2003, the Company contributions averaged approximately \$40 million a year for the previous five years.

Pension benefit payments for 2004 are expected to be approximately \$193.8 million. Pension expense for 2004 is projected to be approximately \$50 million, utilizing the assumptions used to calculate the pension benefit obligations at year end.

Postretirement Benefits Other Than Pensions - Net periodic postretirement benefit cost other than pension cost for 2003 totaled \$77.1 million. A curtailment gain relating to the sale of Engineered Solutions was recorded of \$6.9 million in 2003. In February 2003, the Company remeasured its postretirement plan due to the sale of Engineered Solutions. Prior to remeasurement, the discount rate used to calculate postretirement benefits was 6.75%. Upon remeasurement, the discount rate was decreased to 6.50% to reflect the change in market conditions. No change was made to the health care cost trend rate at that time. The weighted-average assumptions used to calculate the postretirement benefit obligation at the end of 2003 were a discount rate of 6.00% and increases in per capita cost of covered health care benefits of 11.00% for the next year, gradually reducing to 5.25% by 2010. The assumptions expected to be used in the 2004 net periodic postretirement benefit cost are the same as were used at the end of 2003 to calculate the postretirement benefit obligation.

Net periodic postretirement benefit for 2002 was \$72.4 million, with curtailment gains relating to the plan amendments of \$3.0 million. Net periodic postretirement benefit cost for the first three quarters of 2002 was based on the weighted-average assumptions disclosed at December 31, 2001. Those assumptions were a discount rate of 7.25% and increases in per capita cost of covered health care benefits of 11.00% for 2002, gradually reducing to 5.25% by 2008. In the fourth quarter of 2002, certain plan amendments were approved and were effective January 1, 2003. The amendments include the elimination of subsidized life insurance for all future retirees and the elimination of subsidized postretirement health care benefits for all new hires, as well as all active employees who do not meet certain eligibility requirements as of January 1, 2003. In addition, the amendments limit the amount the Company will subsidize for postretirement health care benefits to a flat dollar cap with cost escalation equally shared between the Company and the retiree. When the cap is reached, the retiree becomes responsible for all additional cost escalation. These amendments were considered significant events with respect to the plan and therefore remeasurement of the plan obligation was required as of the approval date. The weighted-average assumptions used in the fourth quarter remeasurement were a discount rate of 6.75% and increases in per capita cost of covered health care benefits of 11.00% for the next year, gradually reducing to 5.25% by 2009. The postretirement benefit cost was reduced in the fourth quarter of 2002 by approximately \$4.0 million as a result of the plan remeasurement.

The Company funds postretirement benefit costs principally on a pay-as-you-go basis. Benefit payments for postretirement benefits, which reflect future service, as appropriate, are expected to be paid as follows: \$73.7 million in 2004, \$76.6 million in 2005, \$78.2 million in 2006, \$79.4 million in 2007, \$78.9 million in 2008 and \$387.4 million for the years 2009 to 2013. Postretirement benefit cost for 2004 is projected to be approximately \$85 million, utilizing the assumptions used to calculate the postretirement benefit obligations at year end.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act was signed into law. In early January 2004, the Financial Accounting Standards Board (FASB) released FASB Staff Position No. 106-1 entitled, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The current accounting rules require a company to consider current changes in applicable laws when measuring its postretirement benefit costs and accumulated postretirement benefit obligations. The Company is analyzing its possible consequences to determine the impact of this legislation on its postretirement benefit plans. The Company's measurement date for the postretirement benefit plans is November 30 and therefore the net periodic postretirement benefit costs for the period that includes the Act's effective date would be the first quarter of 2004.

Liquidity and Capital Resources

The following table contains several key measures used by management to gauge the Company's financial performance.

<i>Dollar amounts in millions</i>	2003	2002	2001
Operating cash flow	\$ 241.2	\$ 593.3	\$ 525.0
Working capital	485.6	320.0	721.7
Current ratio	1.2	1.1	1.2
Debt-to-total capital ratio	33%	48%	46%
Average working capital to net sales	5.1%	2.1%	4.9%
Average days outstanding in receivables	57.5	60.2	59.9
Inventory turnover	6.7	5.3	5.0

The Company's primary source for liquidity has been operating cash flow. The decrease in net cash provided by operating activities in 2003 reflects the Company's voluntary pension contributions made during the year of approximately \$200 million and a significant increase in accounts receivable, primarily due to the termination of the Company's asset securitization program as discussed below. These effects were partially offset by an increase in earnings from continuing operations of \$227.9 million, and lower inventory levels.

During 2003, the Company terminated its asset securitization program (the program), under which several business units sold a pool of trade accounts receivable to two wholly owned special-purpose entities. As a result of the termination of the program, approximately \$240 million of receivables were repurchased by the Company from the special-purpose entities. The remaining increase in accounts receivable was mainly attributable to higher revenues in the fourth quarter of 2003. These effects were partially offset by more efficient credit collections during the year.

During 2003, inventory levels were reduced as the Company continued the implementation of certain operational improvement programs and initiatives, as well as achieving more efficient purchasing. Inventory turnover was higher and a strong fourth quarter in 2003 also caused inventory backlog to decrease. Additionally, as previously discussed, inventory was reduced due to write-offs associated with inventory misstatements at Dresser-Rand.

Net cash provided by (used in) investing activities in 2003 was \$815.2 million compared to \$(187.6) million in 2002. The increase reflects the cash received for the dispositions of Engineered Solutions, Waterjet, and Laidlaw. Additionally, in association with the sale of Engineered Solutions, the Company received shares of Timken common stock, valued at \$140 million on the date of sale. The Company

sold these shares during 2003, which resulted in pre-tax proceeds of approximately \$147.6 million.

Net cash used in financing activities in 2003 was \$851.9 million compared to \$296.0 million in 2002. The increase reflects the repayment of \$793.6 million of long-term debt during 2003. These payments were funded with the proceeds from the sale of Engineered Solutions and operating cash flow.

In addition to operating cash flow, the Company supplements its liquidity with commercial paper. The Company's ability to borrow at a cost-effective rate under the commercial paper program is contingent upon maintaining an investment-grade credit rating. As of December 31, 2003, the Company's credit ratings were as follows:

	Short-term	Long-term
Moody's	P-2	A3
Standard and Poor's	A-2	BBB+

The Company has other short-term borrowing alternatives should the need arise. At December 31, 2003, the Company had a \$1.25 billion revolving credit facility maturing in July 2006, and a \$750 million 364-day credit facility maturing in June 2004, both of which were unused. The Company also has the option to convert the 364-day facility into a one-year term loan at any time, which provides additional financing flexibility. The Company's public debt has no financial covenants and its \$2.0 billion revolving credit lines have a debt-to-total capital covenant of 65%, which is calculated excluding non-cash items. As of December 31, 2003, the Company's debt-to-total capital ratio was significantly beneath this limit. Additionally, \$1,043 million of non-U.S. credit lines were available for working capital purposes, of which \$808 million was unused at the December 31, 2003.

In 2004, the Company has scheduled debt retirements of approximately \$800 million, which include approximately \$350 million in bonds that may require repayment at the options of the holders. The Company does not expect the bond holders to exercise these options. The Company's cash generation, large unused capacity under its committed borrowing facilities, and the ability to refinance debt over longer maturities provide it sufficient capacity to cover all cash requirements for capital expenditures, dividends, debt repayments, and operating lease and purchase obligations in 2004. Additionally, these capacities provide support for commercial paper and other financial instruments, such as letters of credit and comfort letters.

In 2003, foreign currency translation adjustments increased shareholders' equity by \$302.9 million. This was due to the weakening of the U.S. dollar against other currencies in countries where the Company has significant operations. In 2002, foreign currency translation adjustments increased shareholders' equity by \$124.3 million.

The following table summarizes the Company's contractual cash obligations by required payment periods, in millions:

Payments due by period	Long-term debt	Purchase obligations	Operating leases	Total contractual cash obligations
Less than 1 year	\$ 722.7	\$ 469.1	\$ 77.5	\$ 1,269.3
1 - 3 years	795.6	1.5	103.1	900.2
3 - 5 years	412.3	0.1	54.0	466.4
More than 5 years	310.7	-	22.8	333.5
Total	\$ 2,241.3	\$ 470.7	\$ 257.4	\$ 2,969.4

The average short-term borrowings outstanding, excluding current maturities of long-term debt, were \$302.6 million in 2003, compared to \$464.8 million in 2002. The weighted-average interest rate during 2003 and 2002 was 4.8% and 3.2%, respectively. The average interest rate is higher in 2003 due to a decrease in U.S. debt borrowings and an increase in debt borrowings outside the U.S.. The maximum amounts outstanding during 2003 and 2002 were \$913.8 million and \$652.3 million, respectively.

Capital expenditures were \$107.9 million and \$122.5 million in 2003 and 2002, respectively. The Company continues investing to improve manufacturing productivity, reduce costs, and provide environmental enhancements and advanced technologies for existing facilities. The capital expenditure program for 2004 is estimated at approximately \$150 million, including amounts approved in prior periods. Many of these projects are subject to review and cancellation at the option of the Company without incurring substantial charges. There are no planned projects, either individually or in the aggregate, that represent a material commitment for the Company.

At December 31, 2003, 2002 and 2001, employment totaled 42,307, 44,571 and 45,351, respectively. The decrease from 2002 to 2003 was primarily due to headcount reductions associated with the elimination of excess capacity and process improvements. The decrease from 2001 to 2002 was due to terminations from the Company's restructuring program, which were partially offset by acquisitions.

Financial Market Risk

The Company is exposed to fluctuations in the price of major raw materials used in the manufacturing process, foreign currency fluctuations and interest rate changes. From time to time the Company enters into agreements to reduce its raw material, foreign currency and interest rate risks. To minimize the risk of counter party non-performance, such agreements are made only through major financial institutions with significant experience in such financial instruments.

The Company experiences foreign currency exposures in the normal course of business. To mitigate the risk from foreign currency exchange rate fluctuations, the Company will generally enter into forward currency exchange contracts or options for the purchase or sale of a currency in accordance with the Company's policies and procedures. The sensitivity analysis is a measurement of the potential loss in fair value based on a percentage increase or decrease in exchange rates against the U.S. dollar. Based on the firmly committed foreign currency derivative instruments in place at year end, a hypothetical change in fair value of those financial instruments assuming a 10% increase in exchange rates against the U.S. dollar would result in an unrealized loss of approximately \$23.2 million. These amounts would be offset by changes in the fair value of underlying foreign currency transactions.

The Company maintains significant operations in countries other than the U.S.; therefore, the movement of the U.S. dollar against foreign currencies has an impact on the Company's financial position. Generally, the functional currencies of each of the Company's non-U.S. subsidiaries are its local currency. The Company manages exposure to changes in foreign currency exchange rates through its normal operating and financing activities, as well as through the use of forward exchange contracts and, occasionally, options. The Company attempts, through its hedging activities, to mitigate the impact on income of changes in foreign exchange rates on cash flows.

The Company purchases, on a limited basis, commodity derivatives to hedge the variable portion in supplier contracts of the costs of metals used in its products. Gains and losses on the derivatives are included in cost of sales in the same period as the hedged transaction. During 2003, fixed-priced supplier agreements replaced maturing commodity forward contracts, which decreased the number of outstanding contracts at December 31, 2003. The fair value of outstanding commodity contracts at December 31, 2003 was less than \$0.1 million.

With regard to interest rate risk, the effect of a hypothetical 1% increase in interest rates, across all maturities, would decrease the estimated fair value of the Company's long-term debt at December 31, 2003, from \$1,701.1 million to an estimated fair value of \$1,598.3 million.

Environmental and Asbestos Matters

The Company continues to be dedicated to an environmental program to reduce the utilization and generation of hazardous materials during the manufacturing process and to remediate identified environmental concerns. As to the latter, the Company currently is engaged in site investigations and remedial activities to address environmental cleanup from past operations at current and former manufacturing facilities.

During 2003, the Company spent \$0.7 million on capital projects for pollution abatement and control, and an additional \$9.3 million for environmental remediation expenditures at sites presently or formerly owned or leased by the Company. It should be noted that these amounts are difficult to estimate because environmental improvement costs are generally a part of the overall improvement costs at a particular plant. Therefore, an accurate estimate of which portion of an improvement or a capital expenditure relates to an environmental improvement is difficult to ascertain. The Company believes that these expenditure levels will continue and may increase over time. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

The Company is a party to environmental lawsuits and claims, and has received notices of potential violations of environmental laws and regulations from the Environmental Protection Agency and similar

state authorities. It is identified as a potentially responsible party (PRP) for cleanup costs associated with off-site waste disposal at federal Superfund and state remediation sites. For all sites there are other PRPs and, in most instances, the Company's site involvement is minimal.

In estimating its liability, the Company has assumed it will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based generally on the parties' financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future.

Although uncertainties regarding environmental technology, U.S. federal and state laws and regulations and individual site information make estimating the liability difficult, management believes that the total liability for the cost of remediation and environmental lawsuits and claims will not have a material effect on the financial condition, results of operations, liquidity or cash flows of the Company for any year. 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.

Ingersoll-Rand Company (IR-New Jersey), a Company subsidiary, is a defendant in numerous asbestos-related lawsuits in state and federal courts. In virtually all of the suits a large number of other companies have also been named as defendants. The claims against IR-New Jersey generally allege injury caused by exposure to asbestos contained in certain of IR-New Jersey's products. Although IR-New Jersey was neither a producer nor a manufacturer of asbestos, some of its formerly manufactured products utilized asbestos-containing components, such as gaskets purchased from third-party suppliers.

All claims resolved to date have been dismissed or settled, and IR-New Jersey's average settlement amount per claim has been nominal. For the year ended December 31, 2003, total costs for settlement and defense of asbestos claims after insurance recoveries and net of tax were approximately \$16.6 million. The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities and the costs of defending against them, and that these asbestos liabilities are not likely to have a material adverse effect on its financial position, results of operations, liquidity or cash flows.

See also the discussion under Note 8, Commitments and Contingencies, to the Consolidated Financial Statements.

New Accounting Standards

In January 2003, FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities" was issued. FIN 46 provides guidance on consolidating variable interest entities and applies immediately to variable interests created after January 31, 2003. In December 2003, the FASB deferred the effective date of FIN 46 for all variable interest entities to the first reporting period ending after March 15, 2004. The interpretation requires variable interest entities to be consolidated if the equity investment at risk is not sufficient to permit an entity to finance its activities without support from other parties or the equity investors lack certain specified characteristics. The Company is reviewing FIN 46 to determine its impact, if any, on future reporting periods, and does not anticipate any material accounting or disclosure requirements under the provisions of the interpretation.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 provides guidance for companies that issue financial instruments that have characteristics of both liabilities and equity to determine if the instrument should be classified as a liability or equity for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 did not have a material effect on the Company's consolidated financial position or results of operations.

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104 (SAB 104), Revenue Recognition. SAB 104 supercedes SAB 101, Revenue Recognition in Financial Statements to include the guidance from Emerging Issues Task Force EITF 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables." The adoption of SAB 104 did not have a material effect on the Company's consolidated financial position or results of operations.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." The standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. The guidance is effective for fiscal years ending after December 15, 2003, and for quarters beginning after December 15, 2003. The Company has fully adopted this standard for the year ended December 31, 2003.

In January 2004, the FASB released FASB Staff Position No. 106-1 entitled, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The current accounting rules require a company to consider current changes in applicable laws when measuring its postretirement benefit costs and accumulated postretirement benefit obligations. The Company has begun to analyze its possible consequences and to determine the impact of this legislation on its postretirement benefit plans. The Company's measurement date for the postretirement benefit plans is November 30 and therefore the net periodic postretirement benefit costs for the period that includes the Act's effective date would be the first quarter of 2004.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to fluctuations in the price of major raw materials used in the manufacturing process, foreign currency fluctuations and interest rate changes. From time to time the Company enters into agreements to reduce its raw material, foreign currency and interest rate risks. To minimize the risk of counter party non-performance, such agreements are made only through major financial institutions with significant experience in such financial instruments.

The Company experiences foreign currency exposures in the normal course of business. To mitigate the risk from foreign currency exchange rate fluctuations, the Company will generally enter into forward currency exchange contracts or options for the purchase or sale of a currency in accordance with the Company's policies and procedures. The sensitivity analysis is a measurement of the potential loss in fair value based on a percentage increase or decrease in exchange rates against the U.S. dollar. Based on the firmly committed foreign currency derivative instruments in place at year end, a hypothetical change in fair value of those financial instruments assuming a 10 percent increase in exchange rates against the U.S. dollar would result in an unrealized loss of approximately \$23.2 million. These amounts would be offset by changes in the fair value of underlying foreign currency transactions.

The Company maintains significant operations in countries other than the U.S.; therefore, the movement of the U.S. dollar against foreign currencies has an impact on the Company's financial position. Generally, the functional currencies of each of the Company's non-U.S. subsidiaries are its local currency. The Company manages exposure to changes in foreign currency exchange rates through its normal operating and financing activities, as well as through the use of forward exchange contracts and options. The Company attempts, through its hedging activities, to mitigate the impact on income of changes in foreign exchange rates.

With regard to interest rate risk, the effect of a hypothetical 1% increase in interest rates, across all maturities, would decrease the estimated fair value of the Company's long-term debt at December 31, 2003, from \$1,701.1 million to an estimated fair value of \$1,598.3 million.

Reorganization as a Bermuda Company and Related Risk Factors

On December 31, 2001, IR-New Jersey was effectively reorganized as IR-Limited, a Bermuda company (the Reorganization). The Company believes that the Reorganization has enabled it to begin to realize a variety of potential, financial and strategic benefits, including to:

- help enhance business growth;
- create a more favorable corporate structure for expansion of the Company's current business;
- improve expected cash flow for use in investing in the development of higher-growth product lines and higher-growth businesses;
- improve expected cash flow for use in reducing the amount of the Company's debt;
- reduce the Company's worldwide effective tax rate;
- enable the Company to implement its business strategy more effectively; and
- expand the Company's investor base as its shares may become more attractive to non-U.S. investors.

To consummate the Reorganization, IR Merger Corporation, a New Jersey corporation, merged into IR-New Jersey, with IR-New Jersey as the surviving company. Upon the merger, IR-New Jersey became a wholly-owned, indirect subsidiary of the Company, and the outstanding shares of IR-New Jersey common stock were automatically cancelled in exchange for the issue of the Company's Class A common shares. The number of Class B common shares issued had an aggregate value equal to the fair market value of the shares of the subsidiaries transferred (the transferred shares) and the amount of debt issued to the Company based on the market value of IR-New Jersey common stock at the effective time of the merger. Prior to the Reorganization, neither the Company nor IR-Merger Corporation had any significant assets or capitalization or engaged in any business or other activities other than in connection with formation and the merger and related reorganization transactions.

The Reorganization exposed the Company to the risks described below. In addition, the Company cannot be assured that the anticipated benefits of the Reorganization will be realized.

The Reorganization and related transfers of assets could result in a taxable gain.

There is a possibility of U.S. withholding tax if the Internal Revenue Service successfully disputes the value of the transferred shares. Therefore, while the Company believes that neither IR-New Jersey nor the Company will incur significant U.S. federal income or withholding taxes as a result of the transfer of the transferred shares, its projections are not binding on the Internal Revenue Service. The Company cannot be assured that its anticipated tax costs with respect to the transferred shares will be borne out, that the Internal Revenue Service will not contest its determination, nor that the Internal Revenue Service will not succeed in any such contest.

Certain of the Company's shareholders may be subject to additional tax if the Company or any of its non-U.S. subsidiaries are considered a "controlled foreign corporation" or "CFC" under current U.S. tax laws.

A non-U.S. corporation (a foreign corporation), such as the Company, will constitute a "controlled foreign corporation" or "CFC" for U.S. federal income tax purposes if U.S. shareholders owning (directly, indirectly, or constructively) 10% or more of the foreign corporation's total combined voting power collectively own (directly, indirectly, or constructively) more than 50% of the total combined voting power or total value of the foreign corporation's shares. Following the merger and as of December 31, 2001, IR-New Jersey, through its ownership of the non-voting Class B common shares, owned approximately 45% of the total value of the Company's shares. As a consequence, any Class A common shareholder who is considered to own 10% of the voting power in the Company could cause the Company's non-U.S. subsidiaries or (if the Internal Revenue Service successfully takes the position that the Class B common shares held by IR-New Jersey in the Company are voting shares) the Company itself to be treated as a CFC.

If the Company or any of its foreign subsidiaries are treated as a CFC, this status should have no adverse effect on any of the Company's shareholders who do not own (directly, indirectly, or constructively) 10% or more of the total combined voting power of all classes of the Company's shares or the shares of any of its foreign subsidiaries. If, however, the Company or any of its foreign subsidiaries are treated as a CFC for an uninterrupted period of 30 days or more during any taxable year, any U.S. shareholder who owns (directly, indirectly, or constructively) 10% or more of the total combined voting power of all classes of stock of the Company or the subsidiary on any day during the taxable year and who directly or indirectly owns any stock in the corporation the last day of such year in which it is a CFC will have to include in its gross income for U.S. federal income tax purposes its pro rata share of the corporation's "subpart F income" relating to the period during which the corporation is a CFC.

In addition, if the Company is treated as a CFC, the gain on the sale of the Company's shares realized by such a shareholder would be treated as ordinary income to the extent of the shareholder's proportionate share of the Company's and its CFC subsidiaries' undistributed earnings and profits accumulated during the shareholder's holding period of the shares while the Company is a CFC.

If the U.S. shareholder is a corporation, however, it may be eligible to credit against its U.S. tax liability with respect to these potential inclusions foreign taxes paid on the earnings and profits associated with the included income. A disposition of shares by a U.S. shareholder may result in termination of the Company's CFC status or the CFC status of its foreign subsidiaries.

The Internal Revenue Service and non-U.S. taxing authorities may not agree with the Company's tax treatment of various items relating to the Reorganization.

The Company believes that the Reorganization will help enhance its business growth and cash flow and reduce its worldwide effective tax rate. However, the Company cannot give any assurance as to the amount of taxes it will pay as a result of or after the Reorganization. The amount of taxes it will pay will depend in part on the treatment given the Company by the taxing authorities in the jurisdictions in which it operates.

The Company may become subject to U.S. corporate income tax, which would reduce its net income.

Prior to the Reorganization, IR-New Jersey was subject to U.S. corporate income tax on its worldwide income. After the Reorganization, the earnings of IR-New Jersey and its U.S. subsidiaries continue to be subject to U.S. corporate income tax. The Company believes that as a result of the Reorganization its non-U.S. operations will generally not be subject to U.S. tax other than withholding taxes. However, if the Internal Revenue Service successfully contends that the Company or any of its non-U.S. affiliates are engaged in a trade or business in the U.S., the Company or that non-U.S. affiliate would, subject to possible income tax treaty exemptions, be required to pay U.S. corporate income tax and/or branch profits tax on income that is effectively connected with such trade or business.

Changes in laws or regulations could adversely affect the Company and its subsidiaries.

Changes in tax laws, treaties or regulations or the interpretation or enforcement thereof could adversely affect the tax consequences of the Reorganization to the Company and its subsidiaries. In this connection, bills have been introduced in the United States Congress which, if enacted, could substantially reduce or eliminate the tax benefits resulting from the Reorganization.

There are also proposed legislative and regulatory actions which could reduce or eliminate the ability of the Company or its subsidiaries to enter into contracts with governmental authorities. To date, however, the only laws to have been enacted either do not apply to the Company or will have minimal, if any, impact on its business.

The enforcement of judgments in shareholder suits against the Company may be more difficult than it would have been to enforce shareholder suits against IR-New Jersey.

The Company has been advised that a judgment for the payment of money rendered by a court in the United States based on civil liability would not be automatically enforceable in Bermuda. It has also been advised that with respect to a final and conclusive judgment obtained in a court of competent jurisdiction in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty), a Bermuda court would be expected to enforce a judgment based thereon, provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of Bermuda, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of Bermuda, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of Bermuda and (f) there is due compliance with the correct procedures under the laws of Bermuda.

As a result, it may be difficult for a holder of the Company's securities to effect service of process within the United States or to enforce judgments obtained against the Company in U.S. courts. The Company has irrevocably agreed that it may be served with process with respect to actions based on offers and sales of securities made in the United States by having Ingersoll-Rand Company, 200 Chestnut Ridge Road, Woodcliff Lake, New Jersey 07677, be its U.S. agent appointed for that purpose.

A Bermuda court may impose civil liability on the Company or its directors or officers in a suit brought in the Supreme Court of Bermuda against the Company or such persons with respect to a violation of U.S. federal securities laws, provided that the facts surrounding such violation would constitute or give rise to a cause of action under Bermuda law.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

(a) The consolidated financial statements and the report thereon of PricewaterhouseCoopers LLP dated February 4, 2004, except as to Note 17, which is as of February 19, 2004, are included as Exhibit 13 - Ingersoll-Rand Company Limited Annual Report to Shareholders for 2003, filed herewith.

(b) The unaudited quarterly financial data for the two-year period ended December 31, is as follows:

In millions, except per share amounts

	Net sales*	Cost of goods sold*	Operating income*	Net earnings	Basic earnings per common share	Diluted earnings per common share
2003						
First quarter	\$ 2,182.1	\$ 1,678.9	\$ 163.6	\$ 153.2	\$ 0.91	\$ 0.90
Second quarter	2,508.6	1,897.7	217.0	139.3	0.82	0.81

Third quarter	2,519.6	1,921.1	224.3	154.6	0.90	0.88
Fourth quarter	2,665.9	1,973.3	265.2	197.4	1.14	1.12
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Year 2003	\$ 9,876.2	\$ 7,471.0	\$ 870.1	\$ 644.5	\$ 3.77	\$ 3.74
<hr/>						
2002						
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First quarter	\$ 2,001.9	\$ 1,520.1	\$ 149.7	\$(553.6)	\$ (3.29)	\$ (3.26)
Second quarter	2,252.3	1,720.6	174.7	107.4	0.64	0.63
Third quarter	2,208.2	1,691.5	149.3	89.3	0.53	0.53
Fourth quarter	2,428.6	1,854.4	164.9	183.4	1.08	1.08
<hr/>						
Year 2002	\$ 8,891.0	\$ 6,786.6	\$ 638.6	\$(173.5)	\$ (1.03)	\$ (1.02)
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*Amounts have been restated to reflect discontinued operations.

Item 9. CHANGES IN AND DISAGREEMENTS WITH INDEPENDENT ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of December 31, 2003, that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this Annual Report on Form 10-K has been made known to them in a timely fashion. There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation.

PART III

The information called for by Part III (Items 10, 11, 12, 13 and 14) of Form 10-K will be included in the Company's Proxy Statement for the Company's 2004 Annual General Meeting of Shareholders, which the Company intends to file within 120 days after the close of its fiscal year ended December 31, 2003 and is hereby incorporated by reference to such Proxy Statement, except that the information as to the Company's executive officers which follows Item 4 in this Report, is incorporated by reference into Items 10 and 12, respectively, of this Report.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) 1. and 2. Financial statements and financial statement schedules
The financial statements, together with the report thereon of PricewaterhouseCoopers LLP, dated February 4, 2004, except as to Note 17, which is as of February 19, 2004, included as Exhibit 13 and the unaudited quarterly financial data included in Part II Item 8(b) are incorporated by reference in this Form 10-K Annual Report. The financial statement schedule listed in the accompanying index should be read in conjunction with the financial statements in such Annual Report to Shareholders for 2003.
- Separate financial statements for all 50 percent or less owned companies, accounted for by the equity method have been omitted because no individual entity constitutes a significant subsidiary.
3. Exhibits
The exhibits listed on the accompanying index to exhibits are filed as part of this Form 10-K Annual Report.
- (b) Reports on Form 8-K
Current Report on Form 8-K (Item 9) dated January 24, 2003, reporting on the Press Release dated January 23, 2003 regarding Fourth Quarter and Year to date 2002 Earnings Release and the Fourth Quarter 2002 Earnings Conference Call Presentation for Ingersoll-Rand Company Limited.
- Current Report on Form 8-K (Item 2 and Item 7) dated February 18, 2003 reporting on the sale of its Engineered Solutions Business to Timken, which closed February 18, 2003 and became effective February 16, 2003. It also reported on the amended Stock and Asset Purchase Agreement dated October 16, 2002, between Ingersoll-Rand Company Limited and the Timken Company.
- Current Report on Form 8-K (Item 9) dated April 17, 2003 reporting on the Press Release dated April 17, 2003 regarding the First Quarter 2003 Earnings Release and the First Quarter 2003 Earnings Conference Call Presentation for Ingersoll-Rand Company Limited.
- Current Report on Form 8-K (Item 5 and Item 9) dated May 29, 2003 reporting on the voting results at the Annual General Meeting of Shareholders of the Company held May 29, 2003.
- Current Report on Form 8-K (Item 9) dated July 17, 2003 reporting on the Press Release dated July 17, 2003 regarding the Second Quarter 2003 Earnings Release for Ingersoll-Rand Company Limited.
- Current Report on Form 8-K (Item 9) dated October 22, 2003 reporting on the Press Release dated October 22, 2003 regarding the Third Quarter 2003 Earnings Release for Ingersoll-Rand Company Limited.

AND FINANCIAL STATEMENT SCHEDULES
(Item 15 (a) 1 and 2)

**Form
10-K**

Consolidated Financial Statements:

Report of independent auditors	*
Consolidated balance sheet at.....	*
December 31, 2003 and 2002.....	*
For the years ended December 31, 2003, 2002 and 2001	
Consolidated statement of income.....	*
Consolidated statement of shareholders' equity.....	*
Consolidated statement of cash flows.....	*
Notes to consolidated financial statements.....	*
Selected unaudited quarterly financial data.....	*

Financial Statement Schedule:

Report of independent auditors on financial statement schedule.....	See below
Consolidated schedule for the years ended December 31, 2003, 2002 and 2001:	
Schedule II -- Valuation and Qualifying Accounts.	See below

* See Exhibit 13 - Ingersoll-Rand Company Limited Annual Report to Shareholders for 2003.

** See Item 8 Financial Statements and Supplementary Data.

Financial statement schedules not included in this Form 10-K Annual Report have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

**REPORT OF INDEPENDENT AUDITORS ON
FINANCIAL STATEMENT SCHEDULE**

To the Board of Directors and Shareholders of Ingersoll-Rand Company Limited:

Our audits of the consolidated financial statements referred to in our report dated February 4, 2004, except as to Note 17, which is as of February 19, 2004, appearing in the December 31, 2003 Annual Report to Shareholders of Ingersoll-Rand Company Limited and its subsidiaries, the successor company to Ingersoll-Rand Company, (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/S/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 4, 2004

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-88580) and S-8 (No. 333-67257, No. 333-35229, No. 333-00829, No. 333-19445, and No. 333-42133) of Ingersoll-Rand Company Limited, the successor company to Ingersoll-Rand Company, of our report dated February 4, 2004, except as to Note 17, which is as of February 19, 2004, relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 4, 2004 relating to the financial statement schedule, which appears in this Form 10-K.

/S/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 27, 2004

SCHEDULE II

**INGERSOLL-RAND COMPANY LIMITED
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(Amounts in millions)**

Allowances for Doubtful Accounts:

Balance December 31, 2000	\$ 46.1
(*) Additions charged to costs and expenses	15.2
(**) Deductions	9.6
	<hr/>
Balance December 31, 2001	51.7
(*) Additions charged to costs and expenses	36.0
(**) Deductions	18.5
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Balance December 31, 2002	69.2
(*) Additions charged to costs and expenses	30.7
(**) Deductions	27.1
	<hr/>

(*) "Additions" also include foreign currency translation and business acquisitions.

(**) "Deductions" include accounts and advances written off, less recoveries.

All periods have been restated to reflect discontinued operations.

INGERSOLL-RAND COMPANY LIMITED
INDEX TO EXHIBITS
 (Item 15(a))

Description

- 2 Agreement and Plan of Merger, dated as of October 31, 2001, among Ingersoll-Rand Company Limited, Ingersoll-Rand Company and IR Merger Corporation. Incorporated by reference to Amendment No. 1 to Form S-4. Registration Statement No. 333-71642, filed October 30, 2001.
- 2.1 Stock and Asset Purchase Agreement, dated as of October 16, 2002, between Ingersoll-Rand Company Limited, on behalf of itself and certain of its subsidiaries and The Timken Company, on behalf of itself and certain of its subsidiaries. Incorporated by reference to Form 8-K dated October 16, 2002.
- 2.2 Amendment to the Stock and Asset Purchase Agreement, dated as of February 18, 2003, amending the Stock Purchase Agreement, dated as of October 16, 2002, between Ingersoll-Rand Company Limited, on behalf of itself and certain of its subsidiaries and The Timken Company, on behalf of itself and certain of its subsidiaries. Incorporated by reference to Form Schedule 13D, filed March 5, 2003 by Ingersoll-Rand Company.
- 3.1 Memorandum of Association of Ingersoll-Rand Company Limited. Incorporated by reference to Amendment No. 1 to Form S-4 Registration Statement No. 333-71642, filed October 30, 2001.
- 3.2 Amended and Restated Bye-Laws of Ingersoll-Rand Company Limited. Incorporated by reference to Amendment No. 1 to Form S-4 Registration Statement No. 333-71642, filed October 30, 2001.
- 4.1 Certificate of Designation, Preferences and Rights of Series A Preference Shares of Ingersoll-Rand Company Limited. Incorporated by reference to Amendment No. 1 to Form S-4 Registration Statement No. 333-71642, filed October 30, 2001.
- 4.2 Rights Agreement between Ingersoll-Rand Company Limited and The Bank of New York, as Rights Agent. Incorporated by reference to Amendment No. 1 to Form S-4 Registration Statement No. 333-71642, filed October 30, 2001.
- 4.3 Voting Agreement between Ingersoll-Rand Company Limited and Ingersoll-Rand Company. Incorporated by reference to Amendment No. 1 to Form S-4 Registration Statement No. 333-71642, filed October 30, 2001.
- 4.4 Indenture, dated as of August 1, 1986, between Ingersoll-Rand Company and The Bank of New York, as Trustee, as supplemented by first, second and third supplemental indentures. Incorporated by reference to Ingersoll-Rand Company's Form S-3 Registration Statement No. 33-39474 as filed March 18, 1991 and to Form S-3 Registration Statement No. 333-50902 as filed November 29, 2000.
- 4.5 Fourth Supplemental Indenture, dated as of December 31, 2001, among Ingersoll-Rand Company Limited, Ingersoll-Rand Company and The Bank of New York, as trustee. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 4.6 Credit Agreement dated as of July 2, 2001, among Ingersoll-Rand Company, the banks listed therein, The Chase Manhattan Bank, as Administrative Agent, Citibank N.A., and Deutsche Banc Alex. Brown Inc., as Co-Syndication Agents, and The Bank of Nova Scotia and Bank of Tokyo-Mitsubishi Trust Company, as Co-Documentation Agents. Incorporated by reference to Form 10-Q for the quarter ended June 30, 2001 of Ingersoll-Rand Company, filed August 2, 2001.
- 4.7 Amendment and Waiver, dated as of November 28, 2001, among Ingersoll-Rand Company Limited, Ingersoll-Rand Company, JP Morgan Chase Bank, as Administrative Agent, Citibank N.A. and Deutsche Banc Alex. Brown Inc., as Co-Syndication Agents, and The Bank of Nova Scotia and Bank of Tokyo-Mitsubishi Trust Company, as Co-Documentation Agents. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 4.8 Credit Agreement, dated as of July 2, 2001, among Ingersoll-Rand Company, the banks listed therein, The Chase Manhattan Bank, as Administrative Agent, Citibank N.A., and Deutsche Banc Alex. Brown Inc., as Co-Syndication Agents, and The Bank of Nova Scotia and Bank of Tokyo-Mitsubishi Trust Company, as Co-Documentation Agents. Incorporated by reference to Form 10-Q for the quarter ended June 30, 2001 of Ingersoll-Rand Company, filed August 2, 2001.
- 4.9 Second Amendment to the Credit Agreement, dated as of June 21, 2002. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2002, filed March 5 2003.
- 4.10 Third Amendment to the Credit Agreement, dated June 20, 2003. Filed herewith.
- 4.12 Amendment and Waiver, dated as of November 28, 2001, among Ingersoll-Rand Company Limited, Ingersoll-Rand Company, JP Morgan Chase Bank, as Administrative Agent, Citibank N.A. and Deutsche Banc Alex. Brown Inc., as Co-Syndication Agents, and The Bank of Nova Scotia and Bank of Tokyo-Mitsubishi Trust Company, as Co-Documentation Agents. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March

13, 2002.

- 4.13 Ingersoll-Rand Company Limited and its subsidiaries are parties to several long-term debt instruments under which in each case the total amount of securities authorized does not exceed 10% of the total assets of Ingersoll-Rand Company Limited and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii) of Item 601(b) of Regulation S-K, Ingersoll-Rand Company Limited agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
- 10.1 Management Incentive Unit Plan of Ingersoll-Rand Company. Amendment to the Management Incentive Unit Plan, effective January 1, 1982. Amendment to the Management Incentive Unit Plan, effective January 1, 1987. Amendment to the Management Incentive Unit Plan, effective June 3, 1987. Incorporated by reference to Form 10-K of Ingersoll-Rand Company for the year ended December 31, 1993, filed March 30, 1994.
- 10.2 Reorganization Amendment to Management Incentive Unit Plan, dated December 31, 2001. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2002, filed March 13, 2002.
- 10.3 Amended and Restated Director Deferred Compensation and Stock Award Plan. Incorporated by reference to Form 10-K of Ingersoll-Rand Company for the year ended December 31, 2000, filed March 20, 2001.
- 10.4 First Amendment to Director Deferred Compensation and Stock Award Plan. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 10.5 Second Amendment to Director Deferred Compensation and Stock Award Plan. Filed herewith.
- 10.6 Description of Bonus Arrangement for Sector Presidents of Ingersoll-Rand Company Limited. Filed herewith.
- 10.7 Description of Bonus Arrangement for Chairman, President and Staff Officers of Ingersoll-Rand Company. Incorporated by reference to Form 10-K of Ingersoll-Rand Company for the year ended December 31, 1993, filed March 30, 1994.
- 10.8 Amended and Restated Form of Change of Control Agreement with Chairman, dated as of December 1, 2003. Filed herewith.
- 10.9 Amended and Restated Form of Change of Control Agreement dated as of December 1, 2003, with selected executive officers of Ingersoll-Rand Company other than Chairman. Filed herewith.
- 10.10 Executive Supplementary Retirement Agreement for selected executive officers of Ingersoll-Rand Company. Incorporated by reference to Form 10-K of Ingersoll-Rand Company for the year ended December 31, 1993, filed March 30, 1994.
- 10.11 Executive Supplementary Retirement Agreement for selected executive officers of Ingersoll-Rand Company. Incorporated by reference to Form 10-K for the year ended December 31, 1996, filed March 26, 1997.
- 10.12 Forms of insurance and related letter agreements with certain executive officers of Ingersoll-Rand Company. Incorporated by reference to Form 10-K of Ingersoll-Rand Company for the year ended December 31, 1993, filed March 30, 1994.
- 10.13 Amended and Restated Supplemental Pension Plan, dated January 1, 2003. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2002, filed March 5, 2003.
- 10.14 First Amendment to the Amended and Restated Supplemental Pension Plan, dated January 1, 2003. Filed herewith.
- 10.15 Amended and Restated Supplemental Employee Savings Plan, dated January 1, 2003. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2002, filed March 5, 2003.
- 10.16 First Amendment to the Amended and Restated Supplemental Employee Savings Plan, dated January 1, 2003. Filed herewith.
- 10.17 Incentive Stock Plan of 1995. Incorporated by reference to the Notice of 1995 Annual Meeting of Shareholders and Proxy Statement dated March 15, 1995. See Appendix A of the Proxy Statement dated March 15, 1995.
- 10.18 Reorganization Amendment to Incentive Stock Plan of 1995, dated December 21, 2001. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 10.19 Senior Executive Performance Plan. Incorporated by reference to the Notice of 2000 Annual Meeting of Shareholders and Proxy Statement of Ingersoll-Rand Company, dated March 7, 2000. See Appendix A of the Proxy Statement, dated March 7, 2000.
- 10.20 Amended and Restated Elected Officers Supplemental Plan. Incorporated by reference to Form 10-K of Ingersoll-Rand Company for the year ended December 31, 1998, filed March 30, 1999.
- 10.21 First Amendment to Elected Officers Supplemental Plan, dated March 22, 1999. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 10.22 Second Amendment to Elected Officers Supplemental Plan, dated March 22, 1999. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 10.23 Third Amendment to Elected Officers Supplemental Plan, dated December 31, 2001. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001,

filed March 13, 2002.

- 10.24 Fourth Amendment to Elected Officers Supplemental Plan, dated June 9, 2003. Filed herewith.
- 10.25 Amended and Restated Executive Deferred Compensation Plan. Incorporated by reference to Form 10-K for the year ended December 31, 2000, filed March 20, 2001.
- 10.26 First Amendment to Executive Deferred Compensation Plan, dated December 31, 2001. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 10.27 Second Amendment to Executive Deferred Compensation Plan, dated February 24, 2004. Filed herewith.
- 10.28 Incentive Stock Plan of 1998. Incorporated by reference to Appendix A to the Notice of 1998 Annual Meeting of Shareholders and Proxy Statement of Ingersoll-Rand Company, dated March 17, 1998.
- 10.29 Amendment of Incentive Stock Plan of 1998, dated May 2, 2001. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 10.30 Reorganization Amendment to Incentive Stock Plan of 1998, dated December 21, 2001. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2001, filed March 13, 2002.
- 10.31 Composite Employment Agreement with Chief Executive Officer. Incorporated by reference to Form 10-K for the year ended December 31, 1999, filed March 30, 2000.
- 10.32 Employment Agreement with Timothy McLevish, Senior Vice President and Chief Financial Officer. Incorporated by reference to Form 10-K of Ingersoll-Rand Company Limited for the year ended December 31, 2002, filed March 5, 2003.
- 10.33 Employment Agreement with Randy Smith, Senior Vice President. Incorporated by reference to Form 10-K of Ingersoll-Rand for the year ended December 31, 2000. Filed March 20, 2001.
- 10.34 Employment Agreement with Sharon Elliott, Senior Vice President. Incorporated by reference to Form 10-Q for the quarterly period ending June 30, 2003, filed August 13, 2003.
- 10.35 Employment Agreement with Michael Lamach, Senior Vice President. Filed herewith.
- 12 Computations of Ratios of Earnings to Fixed Charges. Filed herewith.
- 13 Ingersoll-Rand Company Limited Annual Report to Shareholders for 2003. Filed herewith.
- 21 List of Subsidiaries of Ingersoll-Rand Company Limited. Filed herewith.
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
- 32 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INGERSOLL-RAND COMPANY LIMITED (Registrant)

By: /S/ Herbert L. Henkel
(Herbert L. Henkel)
Chief Executive Officer

Date: February 26, 2004

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/S/ Herbert L. Henkel</u> (Herbert L. Henkel)	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2004
<u>/S/ Timothy R. McLevish</u> (Timothy R. McLevish)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2004
<u>/S/ Richard W. Randall</u> (Richard W. Randall)	Vice President and Controller (Principal Accounting Officer)	February 26, 2004
<u>/S/ Ann C. Berzin</u> (Ann C. Berzin)	Director	February 26, 2004

<u>/S/ George W. Buckley</u> (George W. Buckley)	Director	February 26, 2004
<u>/S/ Peter C. Godsoe</u> (Peter C. Godsoe)	Director	February 26, 2004
<u>/S/ Constance Horner</u> (Constance Horner)	Director	February 26, 2004
<u>/S/ H. William Lichtenberger</u> (H. William Lichtenberger)	Director	February 26, 2004
<u>/S/ Theodore E. Martin</u> (Theodore E. Martin)	Director	February 26, 2004
<u>/S/ Patricia Nachtigal</u> (Patricia Nachtigal)	Director	February 26, 2004
<u>/S/ Orin R. Smith</u> (Orin R. Smith)	Director	February 26, 2004
<u>/S/ Richard J. Swift</u> (Richard J. Swift)	Director	February 26, 2004
<u>/S/ Tony L. White</u> (Tony L. White)	Director	February 26, 2004

THIRD AMENDMENT

THIRD AMENDMENT, dated as of June 20, 2003 (this "Third Amendment"), to the 364-Day Credit Agreement, dated as of July 2, 2001 (as amended by the Amendment and Waiver dated as of November 28, 2001, and as further amended by the Second Amendment dated as of June 21, 2002, and as further amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among INGERSOLL-RAND COMPANY LIMITED, a Bermuda company ("IR Parent"), INGERSOLL-RAND COMPANY, a New Jersey corporation (the "Borrower"), the several banks and other financial institutions from time to time parties to the Credit Agreement (the "Banks"), JPMORGAN CHASE BANK (formerly known as The Chase Manhattan Bank), as administrative agent (in such capacity, the "Administrative Agent"), CITIGROUP CAPITAL MARKETS INC. (formerly known as Salomon Smith Barney Inc.) and DEUTSCHE BANK SECURITIES INC. (formerly known as Deutsche Banc Alex. Brown Inc.), as co-syndication agents, and THE BANK OF NOVA SCOTIA and BANK OF TOKYO MITSUBISHI TRUST COMPANY, as co-documentation agents.

WITNESSETH:

WHEREAS, the Borrower and IR Parent have requested that the Banks extend their commitments under the Credit Agreement and that the Credit Agreement be otherwise amended as specified herein; and

WHEREAS, the Administrative Agent and the Banks are willing to agree to the requested amendments on the terms and conditions contained herein;

NOW THEREFORE, in consideration of the premises herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

2. Amendments to Section 1.1 (Definitions). (a) Section 1.1 of the Credit Agreement is hereby amended by changing the definition of "Termination Date", replacing the date "June 27, 2003" with the date "June 25, 2004".

(b) Section 1.1 of the Credit Agreement is hereby amended by adding thereto in their proper alphabetical order the following defined terms:

"Guarantors" means Borrower and IR Parent, "Guarantor" means either of the foregoing.

"Supermajority Banks" means at any time Banks having at least 66⅔% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Loans evidencing at least 66⅔% of the aggregate unpaid principal amount of the Loans.

3. Amendments to Section 1.2 (Accounting Terms and Determinations). Section 1.2 of the Credit Agreement is hereby amended by inserting at the end of such Section the following proviso: "provided that, for purposes of determining the date of the applicable generally accepted accounting principles under this Section 1.2 (y), the reference to such Section 4.4(a) financial statements shall be deemed to be to the financial statements for the period ended December 31, 2000."

4. Amendments to Section 4.4 (Financial Information; No Material Adverse Change). Section 4.4 of the Credit Agreement is hereby amended by:

(a) in subsection (a) thereof, (i) deleting the date "December 31, 2001" and inserting in lieu thereof the date "December 31, 2002" and (ii) in the fourth line of such subsection, deleting the year "2001" and inserting in lieu thereof the year "2002"; and

(b) in subsections (b) and (c) thereof, deleting each occurrence of the date "March 31, 2002" and inserting in lieu thereof the date "March 31, 2003".

5. Amendments to Section 9.5 (Amendments and Waivers). Section 9.5 of the Credit Agreement is hereby amended by deleting in its entirety such Section and inserting in lieu thereof the following new Section 9.5:

Section 9.5. Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of any Agent are affected thereby, by such Agent); provided that (a) no such amendment or waiver shall, unless signed by each of the Banks directly affected thereby, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for any reduction or termination of any Commitment or (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement and (b) no such amendment or waiver shall, unless consented to by the Supermajority Banks, release Guarantor from its material guarantee obligations set forth in Section 9.16 hereof.

6. Commitments. Upon the effectiveness of this Third Amendment, Commitments shall be modified as set forth in Section 7(b) hereof.

7. Effectiveness.

(a) This Third Amendment shall become effective on June 27, 2003, provided that on or prior to such date the Administrative Agent shall have received (i) counterparts hereof duly executed by the Borrower, IR Parent, the Administrative Agent and each Bank, (ii) upfront fees for the benefit of each Bank, based on such Bank's final Commitment allocation, (iii) certificates of the chief financial officer or the treasurer of each of the Borrower and IR Parent stating that the representations and warranties of the Borrower and IR Parent, respectively, set forth in Article IV of the Credit Agreement, as amended hereby, are true in all material respects as of the date of such certificate, (iv) legal opinions of counsel for the Borrower and for IR Parent in form and substance reasonably satisfactory to the Administrative Agent and (v) all documents it may reasonably request relating to the existence of the Borrower and IR Parent, the corporate authority for and the validity of this Third Amendment and the Credit Agreement, and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Administrative Agent.

(b) Upon the effectiveness of this Third Amendment:

(i) the Banks designated as "Terminating Banks" (the "Terminating Banks") on the signature pages hereof shall no longer be party to the Credit Agreement, as amended hereby;

(ii) the Banks designated as "Continuing Banks" (the "Continuing Banks") and the Banks designated as "Additional Banks" (the "Additional Banks") on the signature pages hereof shall have the respective Commitments set forth below the name of each such Bank on the signature pages hereof; and

(iii) each Terminating Bank and each Continuing Bank whose Commitment will be reduced upon the effectiveness of this Third Amendment shall, to the extent necessary to result in the Commitments of each Continuing Bank and each Additional Bank to be as set forth in the signature pages hereto, be deemed to have assigned and sold all of the rights of such Bank to the extent of its Commitment, or such reduced portion of its Commitment, as applicable, to the Additional Banks and the Continuing Banks whose respective Commitments will be increased upon the effectiveness of this Third Amendment, in each case in amounts determined by the Administrative Agent to result in the final Commitment allocation reflected in the signature pages hereof, and such assignee Banks shall be deemed to have accepted such assignments and shall succeed to the associated rights and obligations under the Credit Agreement.

8. Representations and Warranties. The Borrower and IR Parent, respectively, hereby represent and warrant on the date hereof that, after giving effect to this Third Amendment, (a) no Default or Event of Default has occurred and is continuing and (b) each of the representations and warranties of the Borrower and IR Parent, respectively, in or pursuant to the Loan Documents is true and correct in all material respects, as if made on and as of the date hereof.

9. Continuing Effect of Credit Agreement. This Third Amendment shall not be construed as a waiver of or consent to any further or future action on the part of the Borrower or IR Parent that would require a waiver or consent by the Administrative Agent and/or the Banks. Except as expressly amended hereby, the Credit Agreement shall continue to be and shall remain in full force and effect in accordance with its terms.

10. Counterparts. This Third Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Third Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

11. GOVERNING LAW. **THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

12. Expenses. The Borrower and IR Parent agree to pay the amounts and reimburse the Administrative Agent for the costs and expenses described in the fee letter, dated as of May 2, 2003, among JPMorgan Chase Bank, J.P. Morgan Securities Inc., the Borrower and IR Parent.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed and delivered by their duly authorized officers as of the date first written above.

INGERSOLL-RAND COMPANY

By: _____
Name:
Title:

By: _____
Title:

Name:

INGERSOLL-RAND COMPANY LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

**SECOND AMENDMENT
TO THE
IR DIRECTOR DEFERRED COMPENSATION AND STOCK AWARD PLAN**

WHEREAS, Ingersoll-Rand Company, a New Jersey corporation, adopted the IR Director Deferred Compensation and Stock Award Plan (the "Plan") which was originally effective on January 1, 1997; and

WHEREAS, Ingersoll-Rand Company reserved the right at any time and from time to time to amend the Plan in accordance with Section 8.1 of the Plan; and

WHEREAS, the Plan has been amended and restated most recently effective January 1, 2001; and

WHEREAS, Ingersoll-Rand Company desires to amend the Plan to make certain changes regarding investment and payments in IR Stock;

NOW, THEREFORE, the Plan shall be amended, effective January 1, 2004, as set forth below:

1. Section 2.1 is hereby amended to read as follows:

"**2.1 "Account Balance**" means, for each Plan Year, a credit on the records of the Company equal to the sum of the value of a Participant's Conversion Account, Deferral Account, Deferred IR Stock Award Account, Supplemental Contribution Account and IR Stock Account for such Plan Year. The Account Balance shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid in cash to a Participant, or to the Participant's designated Beneficiary, pursuant to the Plan."

2. Section 2.11 is hereby amended to read as follows:

"**2.11 "Investment Option Subaccounts"** means the separate subaccounts, each of which corresponds to an investment option elected by the Participant with respect to a Participant's Conversion Accounts, Deferral Accounts, Deferred IR Stock Award Accounts and Supplemental Contribution Accounts, as applicable."

3. Section 2.18 is hereby amended to read as follows:

"**2.18 "Supplemental Contribution"** means an additional amount to be credited to a Participant's Supplemental Contribution Account equal to twenty percent (20%) of the Participant's Fees that are deferred under Section 3.1 of the Plan for a Plan Year by the Participant and is, at the time of making the deferral election, deemed to be invested in the Participant's IR Stock Account.

4. Section 3.2 is hereby amended to add the following paragraph to the end thereof:

"Subject to Section 5.2, in making the designations pursuant to this Section, the Participant may specify that all or any vested portion of the Participant's Supplemental Contribution Account be deemed to be invested, in whole percentage increments, in one or more of the types of investment options provided under the Plan. A Participant may change the designation made under this Section with respect to amounts credited to the vested Participant's Supplemental Contribution Account by filing an Election Form no later than the time specified by the Secretary of the Company, to be effective as of the first business day of the following month.

Subject to Sections 5.4 and 5.6, in making the designations pursuant to this Section, the Participant may specify that all or any vested portion of the Participant's Deferred IR Stock Award Account and/or Conversion Account be deemed to be invested, in whole percentage increments, in one or more of the types of investment options provided under the Plan. A Participant may change the designation made under this Section with respect to amounts credited to the Participant's vested Deferred IR Stock Award Account and/or Conversion Account by filing an Election Form no later than the time specified by the Secretary of the Company, to be effective as of the first business day of the following month."

5. Section 5.2 is hereby amended to read as follows:

"**5.2 "Supplemental Contribution Accounts**" . The Company shall establish and maintain a separate Supplemental Contribution Account for each Plan Year for each Participant who receives a Supplemental Contribution for such Plan Year. All Supplemental Contributions shall be credited to the Participant's Supplemental Contribution Account on the same date that the Participant's Deferral Amount for which the Supplemental Contribution is being made is credited to the Participant's Deferral Account pursuant to Section 5.1. All of a Participant's Supplemental Contributions shall be deemed to be invested in, and shall remain deemed to be invested in, IR Stock in the Participant's Supplemental Contribution Account until the Participant completes an Election Form to the effect that all or a portion of the Participant's vested Supplemental Contribution Account will be deemed to be invested in one or more of the investment options under the Investment Option Subaccounts or until such amounts are distributed in cash from the Plan.

All Supplemental Contributions shall initially be credited to a Participant's Supplemental Contribution Account in units or fractional units of IR Stock. The value of each unit shall be determined each business day and shall equal the closing price of one share of IR Stock on the New York Stock Exchange-Composite Tape. On each date that Supplemental Contributions are credited to a Participant's Supplemental Contribution Account, the number of units to be credited shall be determined by dividing the number of units by the value of a unit on such date.

Dividends paid on IR Stock shall be reflected in a Participant's Supplemental Contribution Account by the crediting of additional units or fractional units. Such additional units or fractional units shall equal the value of the dividends based upon the closing price of one share of IR Stock on the New York Stock Exchange-Composite Tape on the date such dividends are paid.

To the extent a Participant completes an Election Form to make a deemed investment in one or more of the investment options under the Investment Option Subaccounts, a Participant's vested Supplemental Contribution Account shall be credited as follows:

- (a) On the day a Participant makes a deemed investment election in one of the Investment Option Subaccounts, the Company shall credit the Investment Option Subaccounts of the Participant's Supplemental Contribution Account with an amount in accordance with the Participant's Election Form; that is, the portion of the Participant's Supplemental Contribution Account that the Participant has elected to be deemed to be invested in a certain type of investment option shall be credited to the Investment Option Subaccount corresponding to that investment option.
- (b) Each business day, each Investment Option Subaccount of a Participant's Supplemental Contribution Account shall be adjusted for earnings or losses in an amount equal to that determined by multiplying the balance credited to such Investment Option Subaccount as of the prior day plus contributions credited that day to the Investment Option Subaccount by the Return for the corresponding investment option."

6. Section 5.3 is hereby amended to add the following paragraph to the end thereof:

"Notwithstanding the above, a Participant may elect to invest all or part of his IR Stock Account in one or more of the available Investment Option Subaccounts under the Participant's Deferral Accounts, as set forth in Sections 3.2 and 5.1, by completing the appropriate Election Form."

7. Section 5.4 is hereby amended to read as follows:

"**5.4 Deferred IR Stock Award Amount**" . Each Non-employee Director shall receive an annual award on the date of the first Board meeting after each annual meeting of shareholders in the form of a promise by the Company to deliver 600 shares of IR Stock, or such other amount as may from time to time be established by resolution of the Board. Annual awards of shares of IR Stock shall be credited to the Deferred IR Stock Award Account of each Non-employee.

A Participant's Deferred IR Stock Award Accounts shall be credited as follows:

- (a) On the day an annual award of IR Stock is credited to a Participant's Deferred IR Stock Award Account, the Company shall credit the Deferred IR Stock Award Account with an amount equal to the Participant's annual award of IR Stock.
- (b) All awards of IR Stock pursuant to this Section and amounts credited pursuant to Section 5.5 shall be credited to a Participant's Deferred IR Stock Award Account in units or fractional units. The value of each unit shall be determined each business day and shall equal the closing price of one share of IR Stock on the New York Stock Exchange-Composite Tape. On each date that awards of IR Stock are credited to the Participant's Deferred IR Stock Award Account, the number of units to be credited shall be determined by dividing the amount of such IR Stock awarded by the value of a unit on such date.

Dividends paid on IR Stock shall be reflected in a Participant's Deferred IR Stock Award Account by the crediting of additional units or fractional units. Such additional units or fractional units shall equal the value of the dividends based upon the closing price of one share of IR Stock on the New York Stock Exchange-Composite Tape on the date such dividends are paid.

To the extent a Participant completes an Election Form to make a deemed investment in one or more of the investment options under the Investment Option Subaccounts, a Participant's vested Deferred IR Stock Award Account shall be credited as follows:

- (a) On the day a Participant makes a deemed investment election in one of the Investment Option Subaccounts, the Company shall credit the Investment Option Subaccounts of the Participant's Deferred IR Stock Award Account with an amount in accordance with the Participant's Election Form; that is, the portion of the Participant's Deferred IR Stock Award Account that the Participant has elected, to be deemed to be invested in a certain type of investment option shall be credited to the Investment Option Subaccount corresponding to that investment option.
- (b) Each business day, each Investment Option Subaccount of a Participant's Deferred IR Stock Award Account shall be adjusted for earnings or losses in an amount equal to that determined by multiplying the balance credited to such Investment Option Subaccount as of the prior day plus contributions credited that day to the Investment Option Subaccount by the Return for the corresponding investment option."

8. Section 5.6 is hereby amended to read as follows:

" **5.6 "Conversion of Deferred Compensation Account Balances.** A Non-employee Director's cash balance in the deferred compensation program as of December 31, 1996 was transferred to an equivalent balance in the Plan as of January 1, 1997. Such balance was equal to the number of shares of IR Stock, including fractions, which could have been purchased with such cash account balance on January 2, 1997 at the mean of the high and low prices of a share of IR Stock on the New York Stock Exchange - Composite Tape on such date, provided that if no sales of shares of IR Stock were made on the New York Stock Exchange on that date, the mean of the high and low prices reported for the preceding day on which sales of shares of IR Stock were made on the New York Stock Exchange.

A Non-employee Director's balance, as such balance is described in the previous paragraph, shall be credited to the Non-employee Director's Conversion Account as of January 1, 2001 in units or fractional units. The value of each unit shall be determined each business day and shall equal the closing price of one share of IR Stock on the New York Stock Exchange-Composite Tape.

Dividends paid on IR Stock shall be reflected in a Non-employee Director's Conversion Account by the crediting of additional units or fractional units. Such additional units or fractional units shall equal the value of the dividends based upon the closing price of one share of IR Stock on the New York Stock Exchange-Composite Tape on the date such dividends are paid.

To the extent a Participant completes an Election Form to make a deemed investment in one or more of the investment options under the Investment Option Subaccounts, a Participant's vested Conversion Account shall be credited as follows:

- (a) On the day a Participant makes a deemed investment election in one of the Investment Option Subaccounts, the Company shall credit the Investment Option Subaccounts of the Participant's Conversion Account with an amount in accordance with the Participant's Election Form; that is, the portion of the Participant's Conversion Account that the Participant has elected, to be deemed to be invested in a certain type of investment option shall be credited to the Investment Option Subaccount corresponding to that investment option.
- (b) Each business day, each Investment Option Subaccount of a Participant's Conversion Account shall be adjusted for earnings or losses in an amount equal to that determined by multiplying the balance credited to such Investment Option Subaccount as of the prior day plus contributions credited that day to the Investment Option Subaccount by the Return for the corresponding investment option."

9. Section 6.3 is hereby amended to read as follows:

" **6.3 Form of Payments .** All amounts in a Participant's Conversion Account, Deferral Account, Supplemental Contribution Account, Deferred IR Stock Award Account and IR Stock Account payable to a Participant or Beneficiary under the Plan shall be paid in cash.

All distributions from the Plan that are to be paid in a specified number of annual installments shall be paid so that the amount of each annual installment is determined by dividing the total remaining number of units in the Participant's Account Balance to be paid in annual installments, by the number of years of annual installments remaining."

10. Except as specifically set forth herein, all other terms of the Plan shall remain in full force and effect and are hereby ratified in all respects.

IN WITNESS WHEREOF , the Company has caused this amendment to be executed by its duly authorized representative on this 24th day of February, 2004.

INGERSOLL-RAND COMPANY

By: /s/ Sharon Elliot
Sharon Elliot
Senior Vice President
Human Resources

DESCRIPTION OF ANNUAL INCENTIVE ARRANGEMENTS
FOR SECTOR PRESIDENTS OF
INGERSOLL-RAND COMPANY LIMITED

There is no formal document setting forth these arrangements. However, the Compensation Committee of the Board of Directors will approve bonus arrangements for the Sector Presidents for 2004 which will be dependent upon the performance of the Sector Presidents' respective business plans in two categories; a set of financial objectives based on planned Sales, Operating Income, Free Cash Flow and Return on Invested Capital and a set of individual objectives, which are based on plans to improve organizational effectiveness, for both their respected sector and the enterprise. Discretionary bonuses may be paid in the event that goals are not met.

AMENDED AND RESTATED AGREEMENT

This AGREEMENT, amended and restated as of December 1, 2003 is between INGERSOLL-RAND COMPANY, a New Jersey corporation (the "Company"), INGERSOLL-RAND COMPANY LIMITED, a Bermuda company ("IR Limited") and Herbert L. Henkel (the "Employee"). Unless otherwise indicated, terms used herein and defined in Schedule A hereto shall have the meanings assigned to them in said Schedule.

The Company and the Employee are already parties to an agreement that is currently in effect, which they desire to hereby amend and restate.

The Company, IR Limited and the Employee agree as follows:

1. OPERATION OF AGREEMENT.

This Agreement shall be effective immediately upon its execution and shall continue thereafter from year to year prior to a Change of Control Event unless terminated as of any anniversary of the date hereof by either party upon written notice to the other party given at least 60 days, but not more than 90 days, prior to such anniversary date. Notwithstanding the foregoing, this Agreement may not be terminated after the occurrence of a Change of Control Event.

2. AGREEMENT TERM.

The term of this Agreement shall begin on the date hereof and, unless terminated pursuant to paragraph 1 prior to a Change of Control Event, shall end on the fifth anniversary of the occurrence of a Change of Control Event (or, if later, after satisfaction of all obligations hereunder).

3. EMPLOYEES' POSITION AND RESPONSIBILITIES.

(a) The Employee will continue to serve the IR Group upon the occurrence of a Change of Control Event, in all material respects, in the same capacity (including position, status, offices, titles and reporting responsibilities) with the same authorities, duties and responsibilities as he or she serves immediately prior thereto.

(b) During the term of this Agreement the Employee shall devote substantially all of his or her business time (excluding vacation time and sick leave to which the Employee is entitled) and attention exclusively to the business and affairs of the IR Group and shall use his or her reasonable best efforts to promote the interests of the IR Group. The participation of the Employee in outside directorships and civic or charitable activities, and the management of the Employee's personal investments in public companies in which the Employee holdings do not exceed 5% of the outstanding shares or value of such companies, in each case, which do not materially interfere with the performance of Employee's duties for the IR Group shall not be deemed a violation of this paragraph 3.

4. COMPENSATION AND OTHER BENEFITS UPON CHANGE OF CONTROL EVENT.

The Company and the Employee agree that, upon the occurrence of any Change of Control Event, the Employee shall receive basic annual salary, bonus and fringe and other benefits as follows:

(a) Basic Annual Salary and Bonus. The Employee's basic annual salary shall be at a rate not less than the rate of annual salary, which has been paid to the Employee immediately prior to the Change of Control Event, with such annual increases (but not decreases) equal to the greater of (i) salary increases as may be contemplated by any applicable salary adjustment programs of the IR Group (or any member thereof) in effect immediately prior to the Change of Control Event and applicable to the Employee and such further increases as shall be determined from time to time by the Board or (ii) a percentage equal to the percentage increase (if any) in the "Consumer Price Index for All Urban Consumers" published by the United States Department of Labor's Bureau of Labor Statistics for the then most recently ended 12-month period. In addition, the Employee shall be entitled to receive an annual bonus in an amount not less than the highest annual bonus received by, or accrued on behalf of, the Employee with respect to the lesser of (i) the five full Fiscal Years immediately preceding the Change of Control Event, or (ii) the number of full Fiscal Years immediately preceding the Change of Control Event during which the Employee has been employed by the IR Group (or any member thereof) (whether the bonus is paid to, is accrued on behalf of, is a Deferral Amount (as such term is defined in the IR Executive Deferred Compensation Plan) or is foregone by the Employee pursuant to the Ingersoll-Rand Company Estate Enhancement Program).

(b) Fringe Benefits; Business Expenses. The Employee shall be entitled to receive benefits, including but not limited to pension (and supplemental pension), savings plan (and supplemental savings plan), leveraged employee stock ownership plan, stock award, performance share, stock option, deferred compensation, and welfare plans (as defined in section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, or otherwise) including, but not limited to, life, medical, prescription drugs, dental, disability, accidental death and travel accident coverage plans, post-retirement welfare benefits, and an estate enhancement program on terms no less favorable than those in effect under each such plan or program immediately prior to the Change of Control Event, and at no less than the same benefit levels (and no more than the same employee contribution levels) then in effect under each such plan or program of the IR Group (or any member thereof) and to receive all other fringe benefits and perquisites (or their equivalent) from time to time in effect for the benefit of any executive, management or administrative group for which the employment position then held by the Employee entitles the Employee to participate. The Company shall provide for the payment of, or reimburse the Employee for, all travel and other out-of-pocket expenses reasonably incurred by him in the performance of his or her duties hereunder.

(c) Management Incentive Unit Plan. The Company and the Employee further agree that immediately upon the occurrence of any Change of Control Event, all amounts theretofore credited to the Employee under the Management Incentive Unit Plan of Ingersoll-Rand Company, as amended (the "MIU Plan"), shall become fully vested and all such amounts thereafter credited shall become fully vested immediately upon such crediting.

5. PAYMENTS AND BENEFITS UPON TERMINATION.

The Employee shall be entitled to the following payments and benefits upon Termination:

(a) Salary and Bonus. The Company shall pay to the Employee, in a cash lump sum on the Termination Date, an amount equal to the sum of (i) the basic annual salary and any annual bonus in respect of a completed fiscal year, which have not yet been paid to the Employee through the Termination Date; (ii) an amount equal to the last annual bonus received by, or awarded to, the Employee with respect to the full Fiscal Year immediately preceding the Termination Date multiplied by a fraction the numerator of which shall be the number of full months the Employee was employed by the Company during the Fiscal Year containing the Employee's Termination Date and the denominator of which shall be 12; and (iii) an amount equal to the Employee's basic annual salary multiplied by a fraction, the numerator of which shall be the number of unused vacation days to which the Employee is entitled as of the Termination Date and the denominator of which shall be 365, and any other amounts normally paid to an employee by the IR Group (or any member thereof) upon termination of employment. For these purposes, any partial month during which the Employee is employed shall be deemed a full month.

(b) Severance. The Company shall pay to the Employee, in a cash lump sum not more than 30 days following the Termination Date, an amount equal to three times the sum of (i) the highest basic annual salary in effect at any time during the period beginning five full Fiscal Years immediately preceding the Change of Control Event and ending on the Termination Date; and (ii) the Employee's target bonus for the year of termination or, if higher, the highest annual bonus received by, or accrued on behalf of, the Employee during the period beginning five full Fiscal Years immediately preceding the Change of Control Event and ending on the Termination Date (whether

the bonus is paid to, is accrued on behalf of, is a Deferral Amount (as such term is defined in the IR Executive Deferred Compensation Plan) or is foregone by the Employee pursuant to the Ingersoll-Rand Company Estate Enhancement Program).

(c) Employee Benefit Plans. For the three-year period following the Termination Date (or, if sooner, until the Employee is covered under a comparable plan offered by a subsequent employer), the IR Group (or any member thereof) shall continue to cover the Employee under those employee welfare plans (including, but not limited to, life, medical, prescription drugs, dental, accidental death and travel accident and disability coverage, but not including any severance pay plan, other than that provided pursuant to this Agreement or any pension plan) applicable to the Employee on the Termination Date at the same benefit levels then in effect (or shall provide their equivalent); provided, however, that if the Employee becomes employed by a new employer and participates in a welfare plan of such employer that is at least as favorable as the comparable plan of the IR Group (or any member thereof), the Employee's coverage hereunder under the applicable welfare plan of the IR Group (or any member thereof) (or the equivalent) shall continue as secondary coverage to that provided by the new employer until the third anniversary of the Termination Date (but shall become primary coverage on or prior to the third anniversary of the Termination Date if, for any reason, the Employee ceases to participate in the new employer's plan or if such new employer's plan becomes less favorable than the comparable plan of the IR Group (or any member thereof)).

(d) Deferred Compensation, Savings and Leveraged Employee Stock Ownership Plans. As soon as practicable following the determination thereof (but in any event no later than 30 days following the Termination Date), the Company shall pay the Employee an amount (in one lump sum cash payment and in lieu of the benefit otherwise provided under the applicable plan) equal to the value of the sum of: (i) with respect to the IR Executive Deferred Compensation Plan (the "Executive Deferred Plan"), the number of IR Stock units credited to the Employee's Account Balance for all Plan Years (as such terms are defined in the Executive Deferred Plan) at the Termination Date multiplied by the Company Stock Value (as defined in paragraph 5(g) below) plus the value of all other amounts credited to the Employee's Account Balance for all Plan Years under the Executive Deferred Plan at the Termination Date as such value is determined under the terms of the Executive Deferred Plan; (ii) the number of Common Stock Equivalents credited to the Employee's Employee Account under the Ingersoll-Rand Company Supplemental Employee Savings Plan at the Termination Date multiplied by the Company Stock Value; (iii) the amount credited to the Employee's Supplemental RAP Account under the Ingersoll-Rand Company Supplemental Employee Savings Plan at the Termination Date; (iv) all contributions to, or amounts credited to, the Ingersoll-Rand Company Employee Savings Plan, IR/Clark Leveraged Employee Stock Ownership Plan, and Ingersoll-Rand Company Supplemental Employee Savings Plan, (and earnings and appreciation attributable thereto) that theretofore were made by the IR Group (or any member thereof) on behalf of the Employee and are forfeited as a result of the Employee's Termination; and (v) six percent (or such higher maximum Company Matching Contribution percentage provided under the Ingersoll-Rand Company Employee Savings Plan as of the Termination Date, calculated as though no Contribution Percentage Limitation or other limits under the Ingersoll-Rand Company Employee Savings Plan were applicable (as those terms are defined in the Ingersoll-Rand Company Employee Savings Plan)) of the aggregate amount payable pursuant to paragraphs 5(a) and 5(b).

(e) Pension Benefits.

(i) No later than 30 days following the Termination Date, the Company shall pay the Employee an amount (in one lump sum cash payment and in lieu of the benefit otherwise provided under the applicable plan, program or agreement) equal to the present value of the sum of the pension benefits the Employee is entitled to receive under (A) the Ingersoll-Rand Company Supplemental Pension Plan (the "Section 415 Excess Plan"), (B) the Ingersoll-Rand Company Elected Officers Supplemental Program (the "Elected Officers Supplemental Program" or the "Program"), and, if applicable, (C) the Ingersoll-Rand Company Executive Supplementary Retirement Agreement (the "Ten-Year Annuity"), all as in effect immediately prior to the Change of Control Event (collectively, the "Pension Benefit").

(ii) This paragraph 5(e)(ii) shall apply only in the event that the portion of the Pension Benefit under the Elected Officers Supplemental Program, after application of paragraph 5(e)(iii), is less than zero (\$0.00). In calculating the portion of the Pension Benefit under Section 1.1 of the Section 415 Excess Plan the Company shall credit the Employee with five additional years of credited service (within the meaning of the Company's qualified defined benefit plan in which the Employee actively participates immediately prior to the Change of Control Event (the "Qualified Pension Plan"), and including compensation, vesting and age credit) and five additional years of age for purposes of the Section 415 Excess Plan but not the Qualified Pension Plan.

(iii) In calculating the portion of the Pension Benefit under the Elected Officers Supplemental Program, the Company shall: (A) credit the Employee with an additional five Years of Service (as defined in the Program) and an additional five years of age for purposes of computing the amount of the Pension Benefit; and (B) define "Final Average Pay" in Section 1.10 of the Program as 1/3 of the severance amount determined pursuant to paragraph 5(b) of this Agreement. If, after crediting five years of age, the Employee is less than 55 years old, the portion of his or her Pension Benefit under the Program shall be reduced for commencement prior to age 55 in accordance with the applicable provisions of the Program.

(iv) In calculating the portion of the Pension Benefit under the Ten-Year Annuity: (A) the phrase "subject to paragraph 5 hereof" shall be deleted, and the phrase "normal retirement age" or "age 65", as applicable depending on the Employee's arrangement, shall be replaced with "age 62", in each case, in paragraph 1; (B) the Company shall credit the Employee with five additional years of age but to an age no greater than 62; and (C) the competition restriction under the Ten-Year Annuity shall be deleted, and shall be null and void as of the Termination Date.

(v) The present value of the Pension Benefit under the Elected Officers Supplemental Program, the Ten-Year Annuity and, only in the event that paragraph 5(e)(ii) applies, the Section 415 Excess Plan, shall be calculated using (A) an interest rate equal to the product of (I) the 10-year Treasury Note rate as used in the Elected Officers Supplemental Program's definition of Actuarial Equivalent times (II) one minus the federal income tax rate at the highest bracket of income for individuals in effect for the year containing the date of payment, (B) the mortality rate used to determine lump sum values in the Elected Officers Supplemental Program, and (C) actual age without the five year addition to age, except that the Ten-Year Annuity present value shall be calculated using no mortality assumption and actual age plus the additional five years but to an age no greater than 62.

(f) Retiree Welfare Benefits. For purposes of determining the Employee's eligibility for post-retirement benefits under any welfare plan maintained by the IR Group (or any member thereof) prior to the occurrence of a Change of Control Event, the Employee shall be credited with any combination of additional years of service and age not exceeding 10 years, to the extent necessary to qualify for benefits. If, after taking into account such additional age and service, the Employee is eligible for any such post-retirement welfare benefits (or would have been eligible under the terms of such plans as in effect prior to the occurrence of the Change of Control Event), the Employee shall receive, commencing on the third anniversary of the Termination Date, post-retirement welfare benefits no less favorable than the benefits the Employee would have received under the terms and conditions of the applicable plans in effect immediately prior to the occurrence of the Change of Control Event.

(g) Employee Stock Awards, Options, SARs, Performance Share Awards and MIUs. No later than 30 days following the Termination Date, the Company shall pay the Employee an amount (in one lump sum cash payment and in lieu of the benefit otherwise provided under the applicable plan) equal to the aggregate Company Stock Value (defined below) (except in the case of the Ingersoll-Rand Company Limited Performance Share Program (the "PSP") in which case the amount shall be equal to three times the aggregate Company Stock Value) of all shares underlying 100% of the Employee's then outstanding and unpaid stock and stock based awards (excluding stock options) (minus any applicable exercise price, in the case of stock appreciation rights) under the Ingersoll-Rand Company Limited Incentive Stock Plans, the PSP, the MIU Plan and any similar plans of the IR Group (or any member thereof) or any other related company, which shall all be deemed vested and performance objectives shall be deemed fully earned (for the PSP, fully earned performance objectives means that 100% of the target award amount under the PSP shall have been earned), whether or not otherwise vested and fully earned in accordance with the terms of the employee benefit plans and agreements pursuant to which such stock and stock based awards were granted (upon such payment in full, such stock and stock based awards shall be cancelled and be of no further force or effect). In addition, all options to purchase Class A common shares of IR Limited (or the stock of any company for which IR Limited's shares have been substituted or exchanged or in respect of which options have been granted to the Employee) ("Company Stock") and all stock appreciation rights held by the Employee immediately prior to Termination shall become exercisable as of the Termination Date, whether or not otherwise exercisable in accordance with the terms of the employee benefit plans and agreements pursuant to which such options and stock appreciation rights were granted. During the 60 day period following the Termination Date, the Employee shall have the right to elect to exercise any or all stock options then held by the Employee as if such option were a stock appreciation right and, therefore, receive a cash payment equal to (x) the number of shares of Company Stock subject to each such option (or portion thereof), multiplied by (y) the excess of the Company Stock Value over the exercise price of such option (upon such payment in full, any stock option so exercised as a stock appreciation right shall be cancelled and be of no further force or effect). For purposes of this Agreement, Company Stock Value shall be deemed to be the highest of: (i) the closing sale price of the Company Stock on the New York Stock Exchange on the Change of Control Event; (ii) the closing sale price of the Company Stock on the New York Stock Exchange on the Termination Date; and (iii) the highest closing sale price of the Company Stock on the New York Stock Exchange during the 30 trading days immediately preceding the acquisition of more than 50% of the outstanding Company Stock by any person or group (including Affiliates of such person or group). If, as of any valuation date, the Company Stock is not traded on the New York Stock Exchange, the Company Stock Value shall be the closing sale price of the Company Stock on the principal national securities exchange on which the Company Stock is traded or, if the Company Stock is not traded on any

national securities exchange, the closing bid price of the Company Stock in the over-the-counter market.

(h) Estate Enhancement Program. If the Employee participates in the Ingersoll-Rand Company Estate Enhancement Program, the terms thereof shall apply.

(i) Outplacement Expenses. For the three year period following the Termination Date, the Company shall reimburse the Employee for all reasonable expenses (up to 15% of the Employee's basic annual salary, but no more than \$75,000, per 12 month period) incurred by the Employee for professional outplacement services by qualified consultants selected by the Employee.

6. PARACHUTE EXCISE TAX GROSS-UP.

(a) If, as a result of any payment or benefit provided under this Agreement, either alone or together with other payments and benefits which the Employee receives or is then entitled to receive from the IR Group (or any member thereof), the Employee becomes subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), (together with any income, employment or other taxes, interest and penalties thereon, an "Excise Tax"), the Company shall pay the Employee an amount sufficient to place the Employee in the same after-tax financial position that he or she would have been in if he or she had not incurred any Excise Tax (together with any taxes, interest and penalties hereon, the "Gross-Up Payment"). For purposes of determining whether the Employee is subject to an Excise Tax, (i) any payments or benefits received by the Employee (whether pursuant to the terms hereof or pursuant to any plan, arrangement or other agreement with the IR Group (or any member of the IR Group) shall be deemed to be contingent on a change described in Section 280G(b)(2)(A)(i) of the Code and shall be taken into account and (ii) the Employee shall be deemed to pay taxes at the highest marginal applicable rates of such taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum deduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(b) The determination of whether the Employee is subject to Excise Tax and the amounts of such Excise Tax and Gross-Up Payment, as well as other calculations hereunder, shall be made at the expense of the Company by the independent auditors of the Company immediately prior to the Change of Control Event, which shall provide the Employee with prompt written notice (the "Company Notice") setting forth their determinations and calculations. Within 30 days following the receipt by the Employee of the Company Notice, the Employee may notify the Company in writing (the "Employee Notice") if the Employee disagrees with such determinations or calculations, setting forth the reasons for any such disagreement. If the Company and the Employee do not resolve such disagreement within 10 business days following receipt by the Company of the Employee Notice, the Company and the Employee shall agree upon a nationally recognized accounting or compensation firm (the "Resolving Firm") to make a determination with respect to such disagreement. If the Employee and the Company are unable to agree upon the Resolving Firm within 20 business days following the Employee Notice, the New York office of Towers, Perrin shall be the Resolving Firm. Within 30 business days following the Employee Notice, if the disagreement is not resolved by such time, each of the Employee and the Company shall submit its position to the Resolving Firm, which shall make a determination as to all such disagreements within 30 days following the last of such submissions, which determination shall be binding upon the Employee and the Company. The Company shall pay all reasonable expenses incurred by either party in connection with the determinations, calculations, disagreements or resolutions pursuant to this paragraph, including, but not limited to, reasonable legal, consulting or other similar fees and expenses.

(c) The Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after the Employee is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Employee shall not pay such claim prior to the expiration of the 30 day period following the date on which the Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Employee in writing prior to the expiration of such period that it desires to contest such claim, the Employee shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company and reasonably satisfactory to the Employee;

(iii) cooperate with the Company in good faith in order to effectively contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including, but not limited to, additional interest and penalties and related legal, consulting or other similar fees) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, for any Excise Tax or other tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

(d) The Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Employee to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Employee on an interest-free basis, and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or other tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that if the Employee is required to extend the statute of limitations to enable the Company to contest such claim, the Employee may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. In addition, no position may be taken nor any final resolution be agreed to by the Company without the Employee's consent if such position or resolution could reasonably be expected to adversely affect the Employee (including any other tax position of the Employee unrelated to the matters covered hereby).

(e) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Company or the Resolving Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies and the Employee thereafter is required to pay to the Internal Revenue Service an additional amount in respect of any Excise Tax, the Company or the Resolving Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall promptly be paid by the Company to or for the benefit of the Employee.

(f) If, after the receipt by Employee of an amount advanced by the Company in connection with the contest of Excise Tax claim, the Employee becomes entitled to receive any refund with respect to such claim, the Employee shall promptly pay to the Company the amount of such refund actually received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Employee of an amount advanced by the Company in connection with an Excise Tax claim, a determination is made that Employee shall not be entitled to any refund with respect to such claim and the Company does not notify the Employee in writing of its intent to contest the denial of such refund prior to the expiration of 30 days after such determination, such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall be offset, to the extent thereof, by the amount of the Gross-Up Payment.

7. EFFECT ON OTHER ARRANGEMENTS.

No provision of this Agreement shall affect or limit any interests or rights vested in the Employee under any other agreement or arrangement with the IR Group (or any member thereof) and the Employee or under any pension, profit-sharing, medical or other insurance or other benefit plans of the IR Group (or any member thereof) which may be in effect and in which the Employee may be participating at any time.

8. CONFIDENTIALITY.

The Employee agrees to hold in confidence any and all confidential information known to him concerning the IR Group (or any member thereof) and its businesses so long as such information is not otherwise publicly disclosed; provided that the Employee shall be entitled to divulge confidences and confidential information (i) as required by applicable law or legal process (e.g., subpoena or investigation by governmental authority) or (ii) to defend the Employee in any action, suit or investigation or to enforce the Employee's rights hereunder or otherwise.

9. MISCELLANEOUS.

(a) Legal Expenses; Severability. The Company shall pay all costs and expenses, including attorneys' fees, of the Company and, at least quarterly, the Employee, in connection with any legal proceedings, whether or not instituted by the IR Group (or any member thereof), relating to the interpretation or enforcement of this Agreement. In the event that the provisions of this paragraph shall be determined to be invalid or unenforceable in any respect, such declaration shall not affect the remaining provisions of this Agreement, which shall continue in full force and effect.

(b) Mitigation. All payments or benefits required by the terms of this Agreement shall be made or provided without offset, deduction, or mitigation on account of income the Employee may receive from other employment or otherwise and the Employee shall not have any obligation or duty to seek any other employment or otherwise earn any amounts to reduce or mitigate any payments required hereunder.

(c) Death of the Employee. In the event of the Employee's death subsequent to Termination, all payments called for hereunder shall be paid to the Employee's designated beneficiary or beneficiaries, or to his or her estate if he or she has not designated a beneficiary or beneficiaries.

(d) Notices. Any notice or other communication provided for in this Agreement or contemplated hereby shall be sufficiently given if given in writing and delivered by hand, by overnight courier (with receipt) or by certified mail, return receipt requested, and addressed, in the case of the Company, to the Company at:

200 Chestnut Ridge Road
Woodcliff Lake, New Jersey 07677
Attention: President

or such other address if the executive offices of the
Company have moved;

with a copy to IR Limited at:

c/o Ingersoll-Rand Company
200 Chestnut Ridge Road
Woodcliff Lake, New Jersey 07677
Attention: Chairman of the Board of Directors

or such other address if the executive offices of the
Company have moved;

and, in the case of the Employee, to the Employee at:

Either party may designate a different address by giving notice of change of address in the manner provided above.

(e) Waiver. No waiver or modification in whole or in part of this Agreement, or any term or condition hereof, shall be effective against any party unless in writing and duly signed by the party sought to be bound. Any waiver of any breach of any provision hereof or any right or power by any party on one occasion shall not be construed as a waiver of, or a bar to, the exercise of such right or power on any other occasion or as a waiver of any subsequent breach.

(f) Binding Effect; Successors. This Agreement shall be binding upon and shall inure to the benefit of the Company, IR Limited and the Employee and their respective heirs, legal representatives, successors and assigns. If the Company and/or IR Limited shall be merged into or consolidated with another entity, the provisions of this Agreement shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation. The Company and/or IR Limited, as applicable, will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company and/or IR Limited, as applicable, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company and/or IR Limited would be required to perform it if no such succession had taken place. The provisions of this paragraph shall continue to apply to each subsequent employer of the Employee hereunder in the event of any subsequent merger, consolidation or transfer of assets of such subsequent employer.

(g) Calculations. Subject to Section 6, calculation of all benefits and amounts payable hereunder shall be made, at the expense of the Company, by the Wellesley Hills, Massachusetts office of Watson Wyatt & Company (or the Company's then actuary immediately prior to the Change of Control Event).

(h) Plan Limitations. In the event the Company is unable to provide any benefit required to be provided under this Agreement through a plan sponsored by the IR Group (or any member thereof), the Company shall, at its own cost and expense, take appropriate actions to insure that alternative arrangements are made so that equivalent benefits can be provided to the Employee, including to the extent appropriate purchasing for the benefit of the Employee (and if applicable the Employee's dependents) individual policies of insurance providing benefits, which on an after-tax basis, are equivalent to the benefits required to be provided hereunder.

(i) Payment Obligations. In the event the Company is unable to, or for any reason does not, pay or provide to the Employee all or any portion of the payments and benefits required to be paid and provided under this Agreement (whether such payments and benefits are attributable to compensation (including but not limited to basic annual salary and bonus), benefits under any plan, program or arrangement, a Gross-Up Payment, or legal, business or outplacement expenses, or any other payment or benefit), IR Limited shall guarantee, to the same extent that the Company is or would be liable for such payments and benefits, that it will pay such amounts or provide such benefits to the Employee in accordance with the terms of this Agreement. Any such payments shall be made and any such benefits shall be provided within 10 days following the date such payments or benefits should have been paid or provided by the Company.

(j) Controlling Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to contracts made and to be performed therein, without regard to conflicts of laws principles. Any suit, action or proceeding related to this Agreement, or any judgment entered by any court related to this Agreement, may be brought only in any court of competent jurisdiction in the State of New Jersey, and the parties hereby submit to the exclusive jurisdiction of such courts. The parties (and any Affiliates of the Company or beneficiary of the Employee, or any successor to the Company or the Company's Affiliate) irrevocably waive any objections which they may now or hereafter have to the laying of venue of any suit, action or proceeding brought in any court of competent

jurisdiction in the State of New Jersey, and hereby irrevocably waive any claim that any such action, suit or proceeding has been brought in an inconvenient forum.

10. EFFECT ON PRIOR AGREEMENTS:

Subject to paragraph 7, this Agreement contains the entire understanding between the parties hereto and supersedes in all respects any prior employment or severance agreement or understanding between any member of the IR Group and the Employee.

IN WITNESS WHEREOF, the Company, IR Limited and the Employee have executed this Agreement as of the day and year first above written.

INGERSOLL-RAND COMPANY

/s/ Patricia Nachtigal
By: Patricia Nachtigal
Title: Senior Vice President and
General Counsel

EMPLOYEE

INGERSOLL-RAND COMPANY LIMITED

/s/ Patricia Nachtigal
By: Patricia Nachtigal
Title: Senior Vice President and
General Counsel

Schedule A

CERTAIN DEFINITIONS

As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

" Affiliate ", used to indicate a relationship with a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such a specified person.

" Associate ", used to indicate a relationship with a specified person, means (i) any corporation, partnership, or other organization of which such specified person is an officer or partner; (ii) any trust or other estate in which such specified person has a substantial beneficial interest or as to which such specified person serves as trustee or in a similar fiduciary capacity; (iii) any relative or spouse of such specified person, or any relative of such spouse who has the same home as such specified person, or who is a director or officer of any member of the IR Group; and (iv) any person who is a director, officer, or partner of such specified person or of any corporation (other than any member of the IR Group), partnership or other entity which is an Affiliate of such specified person.

" Beneficial Owner " means the same as such term is defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended (or any successor provision at the time in effect); provided , however , that any individual, corporation, partnership, group, association, or other person or entity which has the right to acquire any of IR Limited's Voting Securities at any time in the future, whether such right is contingent or absolute, pursuant to any agreement, arrangement, or understanding or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed the Beneficial Owner of such securities.

" Board " means the Board of Directors of IR Limited (or, if IR Limited is then a subsidiary of any other company, of the ultimate parent company).

" Cause " means (i) any action by the Employee involving willful malfeasance or willful gross misconduct having a demonstrable adverse effect on any member of the IR Group; (ii) substantial and continuing refusal by the Employee in willful breach of this Agreement to perform his or her employment duties hereunder; or (iii) the Employee being convicted of a felony under the laws of the United States or any state.

Termination of the Employee for Cause shall be communicated by a Notice of Termination given within one year after the Board (i) has knowledge of conduct or an event allegedly constituting Cause; and (ii) has reason to believe that such conduct or event could be grounds for Cause. For purposes of this Agreement a "Notice of Termination" shall mean delivery to the Employee of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to the Employee ("Preliminary Notice") and reasonable opportunity for the Employee, together with the Employee's counsel, to be heard before the Board prior to such vote) of finding, in the good faith opinion of the Board, that the Employee has engaged in the conduct constituting Cause and specifying the particulars thereof in detail. Upon the receipt of the Preliminary Notice, the Employee shall have 30 days in which to appear with counsel or take such other action as he or she desires on his or her behalf, and such 30-day period is hereby agreed to by the parties as a reasonable opportunity for the Employee to be heard. The Board shall no later than 45 days after the receipt of the Preliminary Notice by the Employee communicate its findings to Employee. A failure by the Board to make its finding of Cause or to communicate its conclusion within such 45-day period shall be deemed to be a finding that the Employee has not engaged in the conduct described herein. Any termination of the Employee's employment (other than by death or Permanent Disability) within 45 days after the date that the Preliminary Notice has been given to the Employee shall be deemed to be a termination for Cause; provided , however , that if during such period the Employee voluntarily terminates other than for Good Reason or the Company terminates the Employee other than for Cause, and the Employee is found (or is deemed to be found) not to have engaged in the conduct described herein, such termination shall not be deemed to be for Cause.

" Change of Control Event " means the date (i) any individual, corporation, partnership, group, association or other person or entity, together with its Affiliates and Associates (each a "Person") (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or IR Limited), is or becomes the Beneficial Owner of securities of IR Limited representing 20% or more of the combined voting power of IR Limited's Voting Securities; (ii) the Continuing Directors fail to constitute a majority of the members of the Board; (iii) of consummation of any transaction or series of transactions under which IR Limited is merged or consolidated with any other company; or (iv) of any sale, lease, exchange or other transfer, in one transaction or a series of related transactions, of all, or substantially all, of the assets of IR Limited, other than any sale, lease, exchange or other transfer to any Person or entity where IR Limited owns, directly or indirectly, at least 80% of the combined voting power of the Voting Securities of such Person or entity or its parent corporation after any such transfer; provided , however , that in the case of a transaction described in (i), (iii) or (iv), above, there shall not be a Change of Control Event if the shareholders of IR Limited immediately prior to any such transaction own (or continue to own by remaining outstanding or by being converted into Voting Securities of the surviving entity or parent entity) 70% or more of the combined voting power of the Voting Securities of IR Limited, the surviving entity or any parent of either immediately following such transaction, in substantially the same proportion to each other as prior to such transaction.

" Continuing Director " means a director who either was a member of the Board on the date hereof or who became a member of the Board subsequent to such date and whose election, or nomination for election by IR Limited's shareholders, was Duly Approved by the Continuing Directors on the Board at the time of such nomination or election, either by a specific vote or by approval of the proxy statement issued by IR Limited on behalf of the Board in which such person is named as nominee for director, without due objection to such nomination, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or entity other than the Board.

" Duly Approved by the Continuing Directors " means an action approved by the vote of at least two-thirds of the Continuing Directors then on the Board.

" Fiscal Year " means the fiscal year of the Company.

" Good Reason " means (i) a material adverse change in the Employee's job responsibilities, title or status from those in effect on the date hereof or as enhanced from time to time, which change continues for a period of at least 15 days after written notice from the Employee; (ii) a reduction of the Employee's base salary or target bonus, the failure to pay Employee's salary or bonus when due, or the failure to maintain on behalf of the Employee (and his or her dependents) benefits which are at least as favorable in the aggregate to those provided for in paragraph 4(b); (iii) the relocation of the principal place of the Employee's employment by more than 35 miles from the Employee's principal place of employment immediately prior to the Change of Control Event, or the imposition of travel requirements on the Employee not substantially consistent with such travel requirements existing immediately prior to the Change of Control Event; (iv) the failure of the Company and/or IR Limited, as applicable, to obtain the assumption of, and the agreement to perform, this Agreement by any successor as contemplated in paragraph 9(f); (v) any voluntary resignation of employment by Employee following a Change of Control Event; or (vi) the failure of the Company and, to the extent applicable, IR Limited to perform any of their other material obligations under this Agreement and the continuation of such failure for a period of 15 days after written notice from the Employee.

" IR Group " means the Company and its Affiliates, including without limitation, IR Limited.

" Permanent Disability ", as applied to the Employee, means that (i) he or she has been totally incapacitated by bodily injury or disease so as to be prevented thereby from performing his or her duties hereunder; (ii) such total incapacity shall have continued for a period of six consecutive months; and (iii) such total incapacity will, in the opinion of a qualified physician, be permanent and continuous during the remainder of the Employee's life.

" Termination " means (i) following the occurrence of a Change of Control Event, (A) the termination of the Employee's employment without Cause or (B) the resignation by an Employee for Good Reason, and (ii) prior to the occurrence of a Change of Control Event, but following the execution of an agreement or the commencement of a tender offer, proxy contest or other action that, if consummated, would reasonably be expected to result in a Change of Control Event and, in each case, does result in a Change of Control Event, the termination of the Employee's employment, or a material adverse change in the Employee's job responsibilities, title or status, reduction of the Employee's base salary or target bonus, the relocation of the Employee's principal place of employment by more than 35 miles or the imposition of travel requirements on the Employee not substantially consistent with the Employee's job; provided, that such term shall not include any termination of employment for Cause, any resignation without Good Reason (except as provided in clause (ii), above), or any termination of employment on account of an Employee's death or Permanent Disability.

" Termination Date " means the effective date of an Employee's Termination; provided, that with respect to a Termination that occurs prior to a Change of Control Event, the effective date of such Termination shall be deemed to be the date immediately following the Change of Control Event.

" Voting Securities " means the outstanding securities entitled to vote generally in the election of directors.

AMENDED AND RESTATED AGREEMENT

This AGREEMENT, amended and restated as of December 1, 2003 is between INGERSOLL-RAND COMPANY, a New Jersey corporation (the "Company"), INGERSOLL-RAND COMPANY LIMITED, a Bermuda company ("IR Limited") _____ (the "Employee"). Unless otherwise indicated, terms used herein and defined in Schedule A hereto shall have the meanings assigned to them in said Schedule.

The Company and the Employee are already parties to an agreement that is currently in effect, which they desire to hereby amend and restate.

The Company, IR Limited and the Employee agree as follows:

1. OPERATION OF AGREEMENT:

This Agreement shall be effective immediately upon its execution and shall continue thereafter from year to year prior to a Change of Control Event unless terminated as of any anniversary of the date hereof by either party upon written notice to the other party given at least 60 days, but not more than 90 days, prior to such anniversary date. Notwithstanding the foregoing, this Agreement may not be terminated after the occurrence of a Change of Control Event.

2. AGREEMENT TERM:

The term of this Agreement shall begin on the date hereof and, unless terminated pursuant to paragraph 1 prior to a Change of Control Event, shall end on the fifth anniversary of the occurrence of a Change of Control Event (or, if later, after satisfaction of all obligations hereunder).

3. EMPLOYEE'S POSITION AND RESPONSIBILITIES:

(a) The Employee will continue to serve the IR Group upon the occurrence of a Change of Control Event, in all material respects, in the same capacity (including position, status, offices, titles and reporting responsibilities) with the same authorities, duties and responsibilities as he or she serves immediately prior thereto.

(b) During the term of this Agreement the Employee shall devote substantially all of his or her business time (excluding vacation time and sick leave to which the Employee is entitled) and attention exclusively to the business and affairs of the IR Group and shall use his or her reasonable best efforts to promote the interests of the IR Group. The participation of the Employee in outside directorships and civic or charitable activities, and the management of the Employee's personal investments in public companies in which the Employee holdings do not exceed 5% of the outstanding shares or value of such companies, in each case, which do not materially interfere with the performance of Employee's duties for the IR Group shall not be deemed a violation of this paragraph 3.

4. COMPENSATION AND OTHER BENEFITS UPON CHANGE OF CONTROL EVENT.

The Company and the Employee agree that, upon the occurrence of any Change of Control Event, the Employee shall receive basic annual salary, bonus and fringe and other benefits as follows:

(a) Basic Annual Salary and Bonus. The Employee's basic annual salary shall be at a rate not less than the rate of annual salary, which has been paid to the Employee immediately prior to the Change of Control Event, with such annual increases (but not decreases) equal to the greater of (i) salary increases as may be contemplated by any applicable salary adjustment programs of the IR Group (or any member thereof) in effect immediately prior to the Change of Control Event and applicable to the Employee and such further increases as shall be determined from time to time by the Board or (ii) a percentage equal to the percentage increase (if any) in the "Consumer Price Index for All Urban Consumers" published by the United States Department of Labor's Bureau of Labor Statistics for the then most recently ended 12-month period. In addition, the Employee shall be entitled to receive an annual bonus in an amount not less than the highest annual bonus received by, or accrued on behalf of, the Employee with respect to the lesser of (i) the five full Fiscal Years immediately preceding the Change of Control Event, or (ii) the number of full Fiscal Years immediately preceding the Change of Control Event during which the Employee has been employed by the IR Group (or any member thereof) (whether the bonus is paid to, is accrued on behalf of, is a Deferral Amount (as such term is defined in the IR Executive Deferred Compensation Plan) or is foregone by the Employee pursuant to the Ingersoll-Rand Company Estate Enhancement Program).

(b) Fringe Benefits: Business Expenses. The Employee shall be entitled to receive benefits, including but not limited to pension (and supplemental pension), savings plan (and supplemental savings plan), leveraged employee stock ownership plan, stock award, performance share, stock option, deferred compensation, and welfare plans (as defined in section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, or otherwise) including, but not limited to, life, medical, prescription drugs, dental, disability, accidental death and travel accident coverage plans, post-retirement welfare benefits, and an estate enhancement program on terms no less favorable than those in effect under each such plan or program immediately prior to the Change of Control Event, and at no less than the same benefit levels (and no more than the same employee contribution levels) then in effect under each such plan or program of the IR Group (or any member thereof) and to receive all other fringe benefits and perquisites (or their equivalent) from time to time in effect for the benefit of any executive, management or administrative group for which the employment position then held by the Employee entitles the Employee to participate. The Company shall provide for the payment of, or reimburse the Employee for, all travel and other out-of-pocket expenses reasonably incurred by him in the performance of his or her duties hereunder.

(c) Management Incentive Unit Plan. The Company and the Employee further agree that immediately upon the occurrence of any Change of Control Event, all amounts theretofore credited to the Employee under the Management Incentive Unit Plan of Ingersoll-Rand Company, as amended (the "MIU Plan"), shall become fully vested and all such amounts thereafter credited shall become fully vested immediately upon such crediting.

5. PAYMENTS AND BENEFITS UPON TERMINATION.

The Employee shall be entitled to the following payments and benefits upon Termination:

(a) Salary and Bonus. The Company shall pay to the Employee, in a cash lump sum on the Termination Date, an amount equal to the sum of (i) the basic annual salary and any annual bonus in respect of a completed fiscal year, which have not yet been paid to the Employee through the Termination Date; (ii) an amount equal to the last annual bonus received by, or awarded to, the Employee with respect to the full Fiscal Year immediately preceding the Termination Date multiplied by a fraction the numerator of which shall be the number of full months the Employee was employed by the Company during the Fiscal Year containing the Employee's Termination Date and the denominator of which shall be 12; and (iii) an amount equal to the Employee's basic annual salary multiplied by a fraction, the numerator of which shall be the number of unused vacation days to which the Employee is entitled as of the Termination Date and the denominator of which shall be 365, and any other amounts normally paid to an employee by the IR Group (or any member thereof) upon termination of employment. For these purposes, any partial month during which the Employee is employed shall be deemed a full month.

(b) Severance. The Company shall pay to the Employee, in a cash lump sum not more than 30 days following the Termination Date, an amount equal to three times the sum of (i) the highest basic annual salary in effect at any time during the period beginning five full Fiscal Years immediately preceding the Change of Control Event and ending on the Termination Date; and (ii) the Employee's target bonus for the year of termination or, if higher, the highest annual bonus received by, or accrued on behalf of, the Employee during the period beginning five full Fiscal Years immediately preceding the Change of Control Event and ending on the Termination Date (whether the bonus is paid to, is accrued on behalf of, is a Deferral Amount (as such term is defined in the IR Executive Deferred Compensation Plan) or is foregone by the Employee

pursuant to the Ingersoll-Rand Company Estate Enhancement Program).

(c) Employee Benefit Plans. For the three-year period following the Termination Date (or, if sooner, until the Employee is covered under a comparable plan offered by a subsequent employer), the IR Group (or any member thereof) shall continue to cover the Employee under those employee welfare plans (including, but not limited to, life, medical, prescription drugs, dental, accidental death and travel accident and disability coverage, but not including any severance pay plan, other than that provided pursuant to this Agreement or any pension plan) applicable to the Employee on the Termination Date at the same benefit levels then in effect (or shall provide their equivalent); provided, however, that if the Employee becomes employed by a new employer and participates in a welfare plan of such employer that is at least as favorable as the comparable plan of the IR Group (or any member thereof), the Employee's coverage hereunder under the applicable welfare plan of the IR Group (or any member thereof) (or the equivalent) shall continue as secondary coverage to that provided by the new employer until the third anniversary of the Termination Date (but shall become primary coverage on or prior to the third anniversary of the Termination Date if, for any reason, the Employee ceases to participate in the new employer's plan or if such new employer's plan becomes less favorable than the comparable plan of the IR Group (or any member thereof)).

(d) Deferred Compensation, Savings and Leveraged Employee Stock Ownership Plans. As soon as practicable following the determination thereof (but in any event no later than 30 days following the Termination Date), the Company shall pay the Employee an amount (in one lump sum cash payment and in lieu of the benefit otherwise provided under the applicable plan) equal to the value of the sum of: (i) with respect to the IR Executive Deferred Compensation Plan (the "Executive Deferred Plan"), the number of IR Stock units credited to the Employee's Account Balance for all Plan Years (as such terms are defined in the Executive Deferred Plan) at the Termination Date multiplied by the Company Stock Value (as defined in paragraph 5(g) below) plus the value of all other amounts credited to the Employee's Account Balance for all Plan Years under the Executive Deferred Plan at the Termination Date as such value is determined under the terms of the Executive Deferred Plan; (ii) the number of Common Stock Equivalents credited to the Employee's Employee Account under the Ingersoll-Rand Company Supplemental Employee Savings Plan at the Termination Date multiplied by the Company Stock Value; (iii) the amount credited to the Employee's Supplemental RAP Account under the Ingersoll-Rand Company Supplemental Employee Savings Plan at the Termination Date; (iv) all contributions to, or amounts credited to, the Ingersoll-Rand Company Employee Savings Plan, IR/Clark Leveraged Employee Stock Ownership Plan, and Ingersoll-Rand Company Supplemental Employee Savings Plan, (and earnings and appreciation attributable thereto) that theretofore were made by the IR Group (or any member thereof) on behalf of the Employee and are forfeited as a result of the Employee's Termination; and (v) six percent (or such higher maximum Company Matching Contribution percentage provided under the Ingersoll-Rand Company Employee Savings Plan as of the Termination Date, calculated as though no Contribution Percentage Limitation or other limits under the Ingersoll-Rand Company Employee Savings Plan were applicable (as those terms are defined in the Ingersoll-Rand Company Employee Savings Plan)) of the aggregate amount payable pursuant to paragraphs 5(a) and 5(b).

(e) Pension Benefits.

(i) No later than 30 days following the Termination Date, the Company shall pay the Employee an amount (in one lump sum cash payment and in lieu of the benefit otherwise provided under the applicable plan, program or agreement) equal to the present value of the sum of the pension benefits the Employee is entitled to receive under (A) the Ingersoll-Rand Company Supplemental Pension Plan (the "Section 415 Excess Plan"), (B) the Ingersoll-Rand Company Elected Officers Supplemental Program (the "Elected Officers Supplemental Program" or the "Program"), and, if applicable, (C) the Ingersoll-Rand Company Executive Supplementary Retirement Agreement (the "Ten-Year Annuity"), all as in effect immediately prior to the Change of Control Event (collectively, the "Pension Benefit").

(ii) This paragraph 5(e)(ii) shall apply only in the event that the portion of the Pension Benefit under the Elected Officers Supplemental Program, after application of paragraph 5(e)(iii), is less than zero (\$0.00). In calculating the portion of the Pension Benefit under Section 1.1 of the Section 415 Excess Plan the Company shall credit the Employee with five additional years of credited service (within the meaning of the Company's qualified defined benefit plan in which the Employee actively participates immediately prior to the Change of Control Event (the "Qualified Pension Plan"), and including compensation, vesting and age credit) and five additional years of age for purposes of the Section 415 Excess Plan but not the Qualified Pension Plan.

(iii) In calculating the portion of the Pension Benefit under the Elected Officers Supplemental Program, the Company shall: (A) credit the Employee with an additional five Years of Service (as defined in the Program) and an additional five years of age for purposes of computing the amount of the Pension Benefit; and (B) define "Final Average Pay" in Section 1.10 of the Program as 1/3 of the severance amount determined pursuant to paragraph 5(b) of this Agreement. If, after crediting five years of age, the Employee is less than 55 years old, the portion of his or her Pension Benefit under the Program shall be reduced for commencement prior to age 55 in accordance with the applicable provisions of the Program.

(iv) In calculating the portion of the Pension Benefit under the Ten-Year Annuity: (A) the phrase "subject to paragraph 5 hereof" shall be deleted, and the phrase "normal retirement age" or "age 65", as applicable depending on the Employee's arrangement, shall be replaced with "age 62", in each case, in paragraph 1; (B) the Company shall credit the Employee with five additional years of age but to an age no greater than 62; and (C) the competition restriction under the Ten-Year Annuity shall be deleted, and shall be null and void as of the Termination Date.

(v) The present value of the Pension Benefit under the Elected Officers Supplemental Program, the Ten-Year Annuity and, only in the event that paragraph 5(e)(ii) applies, the Section 415 Excess Plan, shall be calculated using (A) an interest rate equal to the product of (I) the 10-year Treasury Note rate as used in the Elected Officers Supplemental Program's definition of Actuarial Equivalent times (II) one minus the federal income tax rate at the highest bracket of income for individuals in effect for the year containing the date of payment, (B) the mortality rate used to determine lump sum values in the Elected Officers Supplemental Program, and (C) actual age without the five year addition to age, except that the Ten-Year Annuity present value shall be calculated using no mortality assumption and actual age plus the additional five years but to an age no greater than 62.

(f) Retiree Welfare Benefits. For purposes of determining the Employee's eligibility for post-retirement benefits under any welfare plan maintained by the IR Group (or any member thereof) prior to the occurrence of a Change of Control Event, the Employee shall be credited with any combination of additional years of service and age not exceeding 10 years, to the extent necessary to qualify for benefits. If, after taking into account such additional age and service, the Employee is eligible for any such post-retirement welfare benefits (or would have been eligible under the terms of such plans as in effect prior to the occurrence of the Change of Control Event), the Employee shall receive, commencing on the third anniversary of the Termination Date, post-retirement welfare benefits no less favorable than the benefits the Employee would have received under the terms and conditions of the applicable plans in effect immediately prior to the occurrence of the Change of Control Event.

(g) Employee Stock Awards, Options, SARs, Performance Share Awards and MIUs. No later than 30 days following the Termination Date, the Company shall pay the Employee an amount (in one lump sum cash payment and in lieu of the benefit otherwise provided under the applicable plan) equal to the aggregate Company Stock Value (defined below) (except in the case of the Ingersoll-Rand Company Limited Performance Share Program (the "PSP") in which case the amount shall be equal to three times the aggregate Company Stock Value) of all shares underlying 100% of the Employee's then outstanding and unpaid stock and stock based awards (excluding stock options) (minus any applicable exercise price, in the case of stock appreciation rights) under the Ingersoll-Rand Company Limited Incentive Stock Plans, the PSP, the MIU Plan and any similar plans of the IR Group (or any member thereof) or any other related company, which shall all be deemed vested and performance objectives shall be deemed fully earned (for the PSP, fully earned performance objectives means that 100% of the target award amount under the PSP shall have been earned), whether or not otherwise vested and fully earned in accordance with the terms of the employee benefit plans and agreements pursuant to which such stock and stock based awards were granted (upon such payment in full, such stock and stock based awards shall be cancelled and be of no further force or effect). In addition, all options to purchase Class A common shares of IR Limited (or the stock of any company for which IR Limited's shares have been substituted or exchanged or in respect of which options have been granted to the Employee) ("Company Stock") and all stock appreciation rights held by the Employee immediately prior to Termination shall become exercisable as of the Termination Date, whether or not otherwise exercisable in accordance with the terms of the employee benefit plans and agreements pursuant to which such options and stock appreciation rights were granted. During the 60 day period following the Termination Date, the Employee shall have the right to elect to exercise any or all stock options then held by the Employee as if such option were a stock appreciation right and, therefore, receive a cash payment equal to (x) the number of shares of Company Stock subject to each such option (or portion thereof), multiplied by (y) the excess of the Company Stock Value over the exercise price of such option (upon such payment in full, any stock option so exercised as a stock appreciation right shall be cancelled and be of no further force or effect). For purposes of this Agreement, Company Stock Value shall be deemed to be the highest of: (i) the closing sale price of the Company Stock on the New York Stock Exchange on the Change of Control Event; (ii) the closing sale price of the Company Stock on the New York Stock Exchange on the Termination Date; and (iii) the highest closing sale price of the Company Stock on the New York Stock Exchange during the 30 trading days immediately preceding the acquisition of more than 50% of the outstanding Company Stock by any person or group (including Affiliates of such person or group). If, as of any valuation date, the Company Stock is not traded on the New York Stock Exchange, the Company Stock Value shall be the closing sale price of the Company Stock on the principal national securities exchange on which the Company Stock is traded or, if the Company Stock is not traded on any national securities exchange, the closing bid price of the Company Stock in the over-the-counter market.

(h) Estate Enhancement Program. If the Employee participates in the Ingersoll-Rand Company Estate Enhancement Program, the terms thereof shall apply.

(i) Outplacement Expenses. For the three year period following the Termination Date, the Company shall reimburse the Employee for all reasonable expenses (up to 15% of the Employee's basic annual salary, but no more than \$75,000, per 12 month period) incurred by the Employee for professional outplacement services by qualified consultants selected by the Employee.

6. PARACHUTE EXCISE TAX GROSS-UP.

(a) If, as a result of any payment or benefit provided under this Agreement, either alone or together with other payments and benefits which the Employee receives or is then entitled to receive from the IR Group (or any member thereof), the Employee becomes subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), (together with any income, employment or other taxes, interest and penalties thereon, an "Excise Tax"), the Company shall pay the Employee an amount sufficient to place the Employee in the same after-tax financial position that he or she would have been in if he or she had not incurred any Excise Tax (together with any taxes, interest and penalties hereon, the "Gross-Up Payment"). For purposes of determining whether the Employee is subject to an Excise Tax, (i) any payments or benefits received by the Employee (whether pursuant to the terms hereof or pursuant to any plan, arrangement or other agreement with the IR Group (or any member of the IR Group)) shall be deemed to be contingent on a change described in Section 280G(b)(2)(A)(i) of the Code and shall be taken into account and (ii) the Employee shall be deemed to pay taxes at the highest marginal applicable rates of such taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum deduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(b) The determination of whether the Employee is subject to Excise Tax and the amounts of such Excise Tax and Gross-Up Payment, as well as other calculations hereunder, shall be made at the expense of the Company by the independent auditors of the Company immediately prior to the Change of Control Event, which shall provide the Employee with prompt written notice (the "Company Notice") setting forth their determinations and calculations. Within 30 days following the receipt by the Employee of the Company Notice, the Employee may notify the Company in writing (the "Employee Notice") if the Employee disagrees with such determinations or calculations, setting forth the reasons for any such disagreement. If the Company and the Employee do not resolve such disagreement within 10 business days following receipt by the Company of the Employee Notice, the Company and the Employee shall agree upon a nationally recognized accounting or compensation firm (the "Resolving Firm") to make a determination with respect to such disagreement. If the Employee and the Company are unable to agree upon the Resolving Firm within 20 business days following the Employee Notice, the New York office of Towers, Perrin shall be the Resolving Firm. Within 30 business days following the Employee Notice, if the disagreement is not resolved by such time, each of the Employee and the Company shall submit its position to the Resolving Firm, which shall make a determination as to all such disagreements within 30 days following the last of such submissions, which determination shall be binding upon the Employee and the Company. The Company shall pay all reasonable expenses incurred by either party in connection with the determinations, calculations, disagreements or resolutions pursuant to this paragraph, including, but not limited to, reasonable legal, consulting or other similar fees and expenses.

(c) The Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after the Employee is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Employee shall not pay such claim prior to the expiration of the 30 day period following the date on which the Employee gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Employee in writing prior to the expiration of such period that it desires to contest such claim, the Employee shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim;
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company and reasonably satisfactory to the Employee;
- (iii) cooperate with the Company in good faith in order to effectively contest such claim; and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including, but not limited to, additional interest and penalties and related legal, consulting or other similar fees) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, for any Excise Tax or other tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

(d) The Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Employee to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Employee on an interest-free basis, and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or other tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided, further, that if the Employee is required to extend the statute of limitations to enable the Company to contest such claim, the Employee may limit this extension solely to such contested amount. The Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. In addition, no position may be taken nor any final resolution be agreed to by the Company without the Employee's consent if such position or resolution could reasonably be expected to adversely affect the Employee (including any other tax position of the Employee unrelated to the matters covered hereby).

(e) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Company or the Resolving Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies and the Employee thereafter is required to pay to the Internal Revenue Service an additional amount in respect of any Excise Tax, the Company or the Resolving Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall promptly be paid by the Company to or for the benefit of the Employee.

(f) If, after the receipt by Employee of an amount advanced by the Company in connection with the contest of Excise Tax claim, the Employee becomes entitled to receive any refund with respect to such claim, the Employee shall promptly pay to the Company the amount of such refund actually received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Employee of an amount advanced by the Company in connection with an Excise Tax claim, a determination is made that Employee shall not be entitled to any refund with respect to such claim and the Company does not notify the Employee in writing of its intent to contest the denial of such refund prior to the expiration of 30 days after such determination, such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall be offset, to the extent thereof, by the amount of the Gross-Up Payment.

7. EFFECT ON OTHER ARRANGEMENTS.

No provision of this Agreement shall affect or limit any interests or rights vested in the Employee under any other agreement or arrangement with the IR Group (or any member thereof) and the Employee or under any pension, profit-sharing, medical or other insurance or other benefit plans of the IR Group (or any member thereof) which may be in effect and in which the Employee may be participating at any time.

8. CONFIDENTIALITY.

The Employee agrees to hold in confidence any and all confidential information known to him concerning the IR Group (or any member thereof) and its businesses so long as such information is not otherwise publicly disclosed; provided that the Employee shall be entitled to divulge confidences and confidential information (i) as required by applicable law or legal process (e.g., subpoena or investigation by governmental authority) or (ii) to defend the Employee in any action, suit or investigation or to enforce the Employee's rights hereunder or otherwise.

9. MISCELLANEOUS.

(a) Legal Expenses; Severability. The Company shall pay all costs and expenses, including attorneys' fees, of the Company and, at least quarterly, the Employee, in connection with any legal proceedings, whether or not instituted by the IR Group (or any member thereof), relating to the interpretation or enforcement of this Agreement. In the event that the provisions of this paragraph shall be determined to be invalid or unenforceable in any respect, such declaration shall not affect the remaining provisions of this Agreement, which shall continue in full force and effect.

(b) Mitigation. All payments or benefits required by the terms of this Agreement shall be made or provided without offset, deduction, or mitigation on account of income the Employee may receive from other employment or otherwise and the Employee shall not have any obligation or duty to seek any other employment or otherwise earn any amounts to reduce or mitigate any payments required hereunder.

(c) Death of the Employee. In the event of the Employee's death subsequent to Termination, all payments called for hereunder shall be paid to the Employee's designated beneficiary or beneficiaries, or to his or her estate if he or she has not designated a beneficiary or beneficiaries.

(d) Notices. Any notice or other communication provided for in this Agreement or contemplated hereby shall be sufficiently given if given in writing and delivered by hand, by overnight courier (with receipt) or by certified mail, return receipt requested, and addressed, in the case of the Company, to the Company at:

200 Chestnut Ridge Road
Woodcliff Lake, New Jersey 07677
Attention: President

or such other address if the executive offices of the
Company have moved;

with a copy to IR Limited at:

c/o Ingersoll-Rand Company
200 Chestnut Ridge Road
Woodcliff Lake, New Jersey 07677
Attention: Chairman of the Board of Directors

or such other address if the executive offices of the
Company have moved;

and, in the case of the Employee, to the Employee at:

Either party may designate a different address by giving notice of change of address in the manner provided above.

(e) Waiver. No waiver or modification in whole or in part of this Agreement, or any term or condition hereof, shall be effective against any party unless in writing and duly signed by the party sought to be bound. Any waiver of any breach of any provision hereof or any right or power by any party on one occasion shall not be construed as a waiver of, or a bar to, the exercise of such right or power on any other occasion or as a waiver of any subsequent breach.

(f) Binding Effect; Successors. This Agreement shall be binding upon and shall inure to the benefit of the Company, IR Limited and the Employee and their respective heirs, legal representatives, successors and assigns. If the Company and/or IR Limited shall be merged into or consolidated with another entity, the provisions of this Agreement shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation. The Company and/or IR Limited, as applicable, will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company and/or IR Limited, as applicable, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company and/or IR Limited would be required to perform it if no such succession had taken place. The provisions of this paragraph shall continue to apply to each subsequent employer of the Employee hereunder in the event of any subsequent merger, consolidation or transfer of assets of such subsequent employer.

(g) Calculations. Subject to Section 6, calculation of all benefits and amounts payable hereunder shall be made, at the expense of the Company, by the Wellesley Hills, Massachusetts office of Watson Wyatt & Company (or the Company's then actuary immediately prior to the Change of Control Event).

(h) Plan Limitations. In the event the Company is unable to provide any benefit required to be provided under this Agreement through a plan sponsored by the IR Group (or any member thereof), the Company shall, at its own cost and expense, take appropriate actions to insure that alternative arrangements are made so that equivalent benefits can be provided to the Employee, including to the extent appropriate purchasing for the benefit of the Employee (and if applicable the Employee's dependents) individual policies of insurance providing benefits, which on an after-tax basis, are equivalent to the benefits required to be provided hereunder.

(i) Payment Obligations. In the event the Company is unable to, or for any reason does not, pay or provide to the Employee all or any portion of the payments and benefits required to be paid and provided under this Agreement (whether such payments and benefits are attributable to compensation (including but not limited to basic annual salary and bonus), benefits under any plan, program or arrangement, a Gross-Up Payment, or legal, business or outplacement expenses, or any other payment or benefit), IR Limited shall guarantee, to the same extent that the Company is or would be liable for such payments and benefits, that it will pay such amounts or provide such benefits to the Employee in accordance with the terms of this Agreement. Any such payments shall be made and any such benefits shall be provided within 10 days following the date such payments or benefits should have been paid or provided by the Company.

(j) Controlling Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to contracts made and to be performed therein, without regard to conflicts of laws principles. Any suit, action or proceeding related to this Agreement, or any judgment entered by any court related to this Agreement, may be brought only in any court of competent jurisdiction in the State of New Jersey, and the parties hereby submit to the exclusive jurisdiction of such courts. The parties (and any Affiliates of the Company or beneficiary of the Employee, or any successor to the Company or the Company's Affiliate) irrevocably waive any objections which they may now or hereafter have to the laying of venue of any suit, action or proceeding brought in any court of competent jurisdiction in the State of New Jersey, and hereby irrevocably waive any claim that any such action, suit or proceeding has been brought in an inconvenient forum.

10. EFFECT ON PRIOR AGREEMENTS.

Subject to paragraph 7, this Agreement contains the entire understanding between the parties hereto and supersedes in all respects any prior employment or severance agreement or understanding between any member of the IR Group and the Employee.

IN WITNESS WHEREOF, the Company, IR Limited and the Employee have executed this Agreement as of the day and year first above written.

INGERSOLL-RAND COMPANY

/s/ Herbert L. Henkel
By: Herbert L. Henkel
Title: President and
Chief Executive Officer

EMPLOYEE

INGERSOLL-RAND COMPANY LIMITED

/s/ Herbert L. Henkel
By: Herbert L. Henkel
Title: Chairman, President and
Chief Executive Officer

Schedule A

CERTAIN DEFINITIONS

As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

" Affiliate ", used to indicate a relationship with a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such a specified person.

" Associate ", used to indicate a relationship with a specified person, means (i) any corporation, partnership, or other organization of which such specified person is an officer or partner; (ii) any trust or other estate in which such specified person has a substantial beneficial interest or as to which such specified person serves as trustee or in a similar fiduciary capacity; (iii) any relative or spouse of such specified person, or any relative of such spouse who has the same home as such specified person, or who is a director or officer of any member of the IR Group; and (iv) any person who is a director, officer, or partner of such specified person or of any corporation (other than any member of the IR Group), partnership or other entity which is an Affiliate of such specified person.

" Beneficial Owner " means the same as such term is defined by Rule 13d-3 under the Securities Exchange Act of 1934, as amended (or any successor provision at the time in effect); provided, however, that any individual, corporation, partnership, group, association, or other person or entity which has the right to acquire any of IR Limited's Voting Securities at any time in the future, whether such right is contingent or absolute, pursuant to any agreement, arrangement, or understanding or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed the Beneficial Owner of such securities.

" Board " means the Board of Directors of IR Limited (or, if IR Limited is then a subsidiary of any other company, of the ultimate parent company).

" Cause " means (i) any action by the Employee involving willful malfeasance or willful gross misconduct having a demonstrable adverse effect on any member of the IR Group; (ii) substantial and continuing refusal by the Employee in willful breach of this Agreement to perform his or her employment duties hereunder; or (iii) the Employee being convicted of a felony under the laws of the United States or any state.

Termination of the Employee for Cause shall be communicated by a Notice of Termination given within one year after the Board (i) has knowledge of conduct or an event allegedly constituting Cause; and (ii) has reason to believe that such conduct or event could be grounds for Cause. For purposes of this Agreement a "Notice of Termination" shall mean delivery to the Employee of a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to the Employee ("Preliminary Notice") and reasonable opportunity for the Employee, together with the Employee's counsel, to be heard before the Board prior to such vote) of finding, in the good faith opinion of the Board, that the Employee has engaged in the conduct constituting Cause and specifying the particulars thereof in detail. Upon the receipt of the Preliminary Notice, the Employee shall have 30 days in which to appear with counsel or take such other action as he or she desires on his or her behalf, and such 30-day period is hereby agreed to by the parties as a reasonable opportunity for the Employee to be heard. The Board shall no later than 45 days after the receipt of the Preliminary Notice by the Employee communicate its findings to Employee. A failure by the Board to make its finding of Cause or to communicate its conclusion within such 45-day period shall be deemed to be a finding that the Employee has not engaged in the conduct described herein. Any termination of the Employee's employment (other than by death or Permanent Disability) within 45 days after the date that the Preliminary Notice has been given to the Employee shall be deemed to be a termination for Cause; provided, however, that if during such period the Employee voluntarily terminates other than for Good Reason or the Company terminates the Employee other than for Cause, and the Employee is found (or is deemed to be found) not to have engaged in the conduct described herein, such termination shall not be deemed to be for Cause.

" Change of Control Event " means the date (i) any individual, corporation, partnership, group, association or other person or entity, together with its Affiliates and Associates (each a "Person") (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or IR Limited), is or becomes the Beneficial Owner of securities of IR Limited representing 20% or more of the combined voting power of IR Limited's Voting Securities; (ii) the Continuing Directors fail to constitute a majority of the members of the Board; (iii) of consummation of any transaction or series of transactions under which IR Limited is merged or consolidated with any other company; or (iv) of any sale, lease, exchange or other transfer, in one transaction or a series of related transactions, of all, or substantially all, of the assets of IR Limited, other than any sale, lease, exchange or other transfer to any Person or entity where IR Limited owns, directly or indirectly, at least 80% of the combined voting power of the Voting Securities of such Person or entity or its parent corporation after any such transfer; provided, however, that in the case of a transaction described in (i), (iii) or (iv), above, there shall not be a Change of Control Event if the shareholders of IR Limited immediately prior to any such transaction own (or continue to own by remaining outstanding or by being converted into Voting Securities of the surviving entity or parent entity) 70% or more of the combined voting power of the Voting Securities of IR Limited, the surviving entity or any parent of either immediately following such transaction, in substantially the same proportion to each other as prior to such transaction.

" Continuing Director " means a director who either was a member of the Board on the date hereof or who became a member of the Board subsequent to such date and whose election, or nomination for election by IR Limited's shareholders, was Duly Approved by the Continuing Directors on the Board at the time of such nomination or election, either by a specific vote or by approval of the proxy statement issued by IR Limited on behalf of the Board in which such person is named as nominee for director, without due objection to such nomination, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or entity other than the Board.

" Duly Approved by the Continuing Directors " means an action approved by the vote of at least two-thirds of the Continuing Directors then on the Board.

" Fiscal Year " means the fiscal year of the Company.

" Good Reason " means (i) a material adverse change in the Employee's job responsibilities, title or status from those in effect on the date hereof or as enhanced from time to time, which change continues for a period of at least 15 days after written notice from the Employee; (ii) a reduction of the Employee's base salary or target bonus, the failure to pay Employee's salary or bonus when due, or the failure to maintain on behalf of the Employee (and his or her dependents) benefits which are at least as favorable in the aggregate to those provided for in paragraph 4(b); (iii) the relocation of the principal place of the Employee's employment by more than 35 miles from the Employee's principal place of employment immediately prior to the Change of Control Event, or the imposition of travel requirements on the Employee not substantially consistent with such travel requirements existing immediately prior to the Change of Control Event; (iv) the failure of the Company and/or IR Limited, as applicable, to obtain the assumption of, and the agreement to perform, this Agreement by any successor as contemplated in paragraph 9(f); or (v) the failure of the Company and, to the extent applicable, IR Limited to perform any of their other material obligations under this Agreement and the continuation of such failure for a period of 15 days after written notice from the Employee.

" IR Group " means the Company and its Affiliates, including without limitation, IR Limited.

" Permanent Disability ", as applied to the Employee, means that (i) he or she has been totally incapacitated by bodily injury or disease so as to be prevented thereby from performing his or her duties hereunder; (ii) such total incapacity shall have continued for a period of six consecutive months; and (iii) such total incapacity will, in the opinion of a qualified physician, be permanent and continuous during the remainder of the Employee's life.

" Termination " means (i) following the occurrence of a Change of Control Event, (A) the termination of the Employee's employment without Cause or (B) the resignation by an Employee for Good Reason, and (ii) prior to the occurrence of a Change of Control Event, but following the execution of an agreement or the commencement of a tender offer, proxy contest or other action that, if consummated, would reasonably be expected to result in a Change of Control Event and, in each case, does result in a Change of Control Event, the termination of the Employee's employment, or a material adverse change in the Employee's job responsibilities, title or status, reduction of the Employee's base salary or target bonus, the relocation of the Employee's principal place of employment by more than 35

miles or the imposition of travel requirements on the Employee not substantially consistent with the Employee's job; provided, that such term shall not include any termination of employment for Cause, any resignation without Good Reason (except as provided in clause (ii), above), or any termination of employment on account of an Employee's death or Permanent Disability.

" Termination Date " means the effective date of an Employee's Termination; provided, that with respect to a Termination that occurs prior to a Change of Control Event, the effective date of such Termination shall be deemed to be the date immediately following the Change of Control Event.

" Voting Securities " means the outstanding securities entitled to vote generally in the election of directors.

**FIRST AMENDMENT
TO THE
INGERSOLL-RAND COMPANY
SUPPLEMENTAL PENSION PLAN**

(AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2003)

WHEREAS, Ingersoll-Rand Company (the "Company") maintains the restated Ingersoll-Rand Company Supplemental Pension Plan (the "Supplemental Pension Plan") to provide certain employees of the Company with pension benefits that are supplemental to the qualified pension plans maintained by the Company; and

WHEREAS, the Company reserved the right to amend the Supplemental Pension Plan pursuant to Section 4.1 of the Supplemental Pension Plan; and

WHEREAS, the Company desires to amend the Supplemental Pension Plan;

NOW THEREFORE, the Supplemental Pension Plan is hereby amended effective as of May 29, 2003 as follows:

1. Section 3.1 of the Supplemental Pension Plan is hereby amended in its entirety to read as follows:

"3.1 Payment of Benefits.

- (a) Benefits payable under this Supplemental Pension Plan shall be made in the event of termination of employment by reason of death, disability, retirement or otherwise. Benefits shall be payable solely in the form of a lump sum.
- (b) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after January 1, 2003 but before May 29, 2003, the lump sum amount payable to an Employee, other than a "grandfathered" Employee as described in Section 3.1(c) hereof, shall be the lump sum value of the single life annuity determined under Section 1.1 hereof as of the Employee's Determination Date. For purposes of this Section 3.1, the lump sum value shall be determined in the same manner as lump sum distributions are determined under the Qualified Pension Plan. Such benefit shall be paid on the Payment Date which shall be as soon as administratively practicable following the Employee's termination of employment with the Company. However, an Employee who is a participant in the Ingersoll-Rand Company Elected Officers Supplemental Program or the Ingersoll-Rand Company Key Management Supplemental Program may file a deferral election under the Deferral Plan at least one year in advance of such termination of employment to defer the payment under the Deferral Plan.
- (c) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after January 1, 2003 but before May 29, 2003, the lump sum amount payable to a "grandfathered" Employee, shall be the Actuarial Equivalent value of the single life annuity determined under Section 1.1 hereof as of the Employee's Determination Date. For purposes of this Section 3.1, Actuarial Equivalent means an amount having equal value when computed on the basis of the 1983 Group Annuity Mortality Table (blended) and an interest rate equal to the average of the monthly rates for ten year constant maturities for US Treasury Securities for the twelve-month period immediately preceding the month prior to the month in which the Employee's Determination Date occurs, such rate as quoted by the Federal Reserve.

Such "grandfathered" Employee's benefit shall be paid on the Payment Date, together with interest accrued thereon from the Determination Date, (1) if the assets are held in trust, then at the interest rate of the trust, or (2) if the assets are not held in trust, at the then current earnings rate of the money market investment designated by the Committee under the Ingersoll-Rand Company Employee Savings Plan. A "grandfathered" Employee's Payment Date shall be the later of (1) the first business day of the year following the Determination Date, or (2) the first business day of the sixth month following the Determination Date, unless such "grandfathered" Employee has a deferral election under the Deferral Plan on file at least one year in advance of the Employee's termination of employment date.

Notwithstanding the foregoing, a "grandfathered" Employee who terminates employment on or after January 1, 2003 but before May 29, 2003, may elect within the 30-day period immediately preceding his termination of employment date to have his benefit determined as of such date, however the interest rate used to determine the Actuarial Equivalent benefit payable in a lump sum shall be the interest rate equal to the 10-Year Treasury Note rate as published in the New York Times in the Key Rate Table under the Credit Market Section, or, if such rate is unavailable, as provided by Telerate as of the business day immediately preceding the date payment is made to the Employee. In the event a "grandfathered" Employee elects to have his benefit determined under this paragraph, no interest will be payable from the Employee's termination of employment date until the date of distribution.

A "grandfathered" Employee is an Employee who is a participant in the Ingersoll-Rand Company Elected Officers Supplemental Program or the Ingersoll-Rand Company Key Management Supplemental Program and who terminates employment with the Company prior to May 29, 2003.

- (d) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after May 29, 2003, the lump sum amount payable to an Employee, shall be the lump sum value of the single life annuity determined under Section 1.1 hereof as of the Employee's Determination Date. For purposes of this Section 3.1, the lump sum value shall be determined in the same manner as lump sum distributions are determined under the Qualified Pension Plan. Such benefit shall be paid on the Payment Date, together with interest accrued thereon from the Determination Date, (1) if the assets are held in trust, then at the interest rate of the trust, or (2) if the assets are not held in trust, at an interest rate as quoted by the Federal Reserve, equal to the average of the monthly rates for ten year constant maturities for US Treasury Securities for the twelve month period immediately preceding the month prior to the month in which the Employee's Determination Date occurred. An Employee's Payment Date shall be the later of (1) the first business day of the year following the Determination Date, or (2) the first day of the sixth month following the Determination Date. However, an Employee who is a participant in the Ingersoll-Rand Company Elected Officers Supplemental Program or the Ingersoll-Rand Company Key

Management Supplemental Program may file a deferral election under the Deferral Plan at least one year in advance of such termination of employment to defer the payment under the Deferral Plan.

- (e) In the event a valid deferral election is made under the Deferral Plan, the lump sum amount that would have otherwise been payable under this Supplemental Pension Plan shall be credited to the Deferral Plan as soon as practicable after the Determination Date."

2. Except as provided herein, the Supplemental Pension Plan shall remain in full force and effect.

IN WITNESS WHEREOF , the Company has caused this amendment to be executed by its duly authorized representative this 9th day of June, 2003.

INGERSOLL-RAND COMPANY

By: /s/ Sharon Elliot
Sharon Elliot
Senior Vice President
Human Resources

**FIRST AMENDMENT
TO THE
INGERSOLL-RAND COMPANY
SUPPLEMENTAL EMPLOYEE SAVINGS PLAN**

(AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2003)

WHEREAS, Ingersoll-Rand Company (the "Company") maintains the amended and restated Ingersoll-Rand Company Supplemental Employee Savings Plan (the "Supplemental Savings Plan") to provide certain employees of the Company and certain subsidiaries and affiliates of the Company with benefits that are supplemental to benefits payable under the Ingersoll-Rand Company Employee Savings Plan; and

WHEREAS, the Company reserved the right to amend the Supplemental Savings Plan in accordance with Section 7.1 of the Supplemental Savings Plan; and

WHEREAS, the Company desires to amend the Supplemental Savings Plan;

NOW, THEREFORE, the Supplemental Savings Plan is hereby amended effective as of May 29, 2003 as follows:

1. Section 4.1 of the Supplemental Savings Plan is hereby amended in its entirety to read as follows:

"4.1 Time of Distribution.

- (a) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after January 1, 2003 but before May 29, 2003, the amounts payable to an Employee from his Employee Account and/or his Supplemental RAP Account hereunder shall be payable in a lump sum on the Employee's Payment Date. Unless the Employee is a "grandfathered" Employee as described below, the Payment Date shall be as soon as administratively practicable following the Employee's termination of employment with the Company. However, an Employee who is a participant in the Ingersoll-Rand Company Elected Officers Supplemental Program or the Ingersoll-Rand Company Key Management Supplemental Program may file a deferral election under the Deferral Plan at least one year in advance of such termination of employment to defer the payment of such lump sum under the Deferral Plan.
- (b) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after January 1, 2003 but before May 29, 2003, if the Employee is a "grandfathered" Employee, the Payment Date shall be the later of (a) the first business day of the calendar year following the date of the Employee's termination of employment with the Company, or (b) the first business day of the sixth calendar month following the date of the Employee's termination of employment with the Company, unless such "grandfathered" Employee has a deferral election under the Deferral Plan on file at least one year in advance of the Employee's termination of employment with the Company. A "grandfathered" Employee is an Employee who is a participant in the Ingersoll-Rand Company Elected Officers Supplemental Program or the Ingersoll-Rand Company Key Management Supplemental Program and who terminates employment with the Company prior to May 29, 2003.
- (c) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after May 29, 2003, the amounts payable to an Employee from his Employee Account and/or his Supplemental RAP Account hereunder shall be payable in a lump sum on the Employee's Payment Date. The Payment Date for any Employee shall be the later of (a) the first business day of the calendar year following the date of the Employee's termination of employment with the Company, or (b) the first business day of the sixth calendar month following the date of the Employee's termination of employment with the Company, unless such Employee is a participant in the Ingersoll-Rand Company Elected Officers Supplemental Program or the Ingersoll-Rand Company Key Management Supplemental Program and such Employee filed a deferral election under the Deferral Plan at least one year in advance of such termination of employment to defer the payment of such lump sum under the Deferral Plan.
- (d) In the event a valid deferral election is made under the Deferral Plan, the lump sum amount that would have otherwise been payable under this Supplemental Savings Plan shall be credited to the Deferral Plan as soon as administratively practicable following the Employee's termination of employment with the Company.
- (e) Any such payment not deferred under the Deferral Plan shall be made to the Employee or to his beneficiary(ies) under this Supplemental Savings Plan if he is not then living. The Employee's beneficiary(ies) under this Supplemental Savings Plan shall be the beneficiary(ies) under the Qualified Savings Plan unless the Employee designates another beneficiary(ies) in writing, and such written designation has been received by the Committee. An Employee may change the designated beneficiary(ies) under this Supplemental Savings Plan at any time, by providing such designation in writing to the Committee (as hereinafter defined)."

2. Section 4.3 of the Supplemental Savings Plan is hereby amended in its entirety to read as follows:

"4.3 Form of Benefits.

- (a) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after January 1, 2003 but before May 29, 2003, benefits payable from an Employee's Employee Account (other than a "grandfathered" Employee) shall be in the form of a cash lump-sum equal to (i) the number of Common Stock Units credited to such Employee's Employee Account as of the Payment Date, multiplied by (ii) the Fair Market Value of a Unit on the Payment Date.
- (b) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after January 1, 2003 but before May 29, 2003, benefits payable from a "grandfathered" Employee's Employee Account shall be in the form of a cash lump-sum equal to (i) the number of Common Stock Units credited to such "grandfathered" Employee's Employee Account as of the date of such "grandfathered" Employee's termination of employment, multiplied by (ii) the Fair Market Value of a Unit on the Valuation Date. The amount payable pursuant to this Section 4.3(b) shall accrue interest based on the rate paid by the money market investment option available under the Qualified Savings Plan and that is designated by the Committee as the money market investment option that shall apply for

purposes of accruing interest under this Section 4.3(b). Interest shall accrue until the Employee's Payment Date.

- (c) With respect to terminations of employment by reason of death, disability, retirement or otherwise occurring on or after May 29, 2003, benefits payable from any Employee's Employee Account shall be in the form of a cash lump-sum equal to (i) the number of Common Stock Units credited to such Employee's Employee Account as of the date of such Employee's termination of employment, multiplied by (ii) the Fair Market Value of a Unit on the Valuation Date. The amount payable pursuant to this Section 4.3(c) shall accrue interest based on the rate paid by the money market investment option available under the Qualified Savings Plan and that is designated by the Committee as the money market investment option that shall apply for purposes of accruing interest under this Section 4.3(c). Interest shall accrue until the Employee's Payment Date.
- (d) Benefits payable from an Employee's Supplemental RAP Account shall be in the form of a cash lump-sum equal to the amounts credited to such Employee's Supplemental RAP Account as of the Employee's Payment Date."

3. Except as provided herein, the Supplemental Savings Plan shall remain in full force and effect.

IN WITNESS WHEREOF , the Company has caused this amendment to be executed by its duly authorized representative this 9th day of June, 2003.

INGERSOLL-RAND COMPANY

By: /s/ Sharon Elliot
Sharon Elliot
Senior Vice President
Human Resources

**FOURTH AMENDMENT
TO THE
INGERSOLL-RAND COMPANY
ELECTED OFFICERS SUPPLEMENTAL PROGRAM**

WHEREAS, Ingersoll-Rand Company (the "Company") maintains the amended and restated Ingersoll-Rand Company Elected Officers Supplemental Program (the "Program") to provide certain individuals employed by the Company in addition to the benefits provided from other qualified and non-qualified plans maintained by the Company; and

WHEREAS, the Company reserved the right to amend the Program in accordance with Section 8.1 of the Program; and

WHEREAS, the Company desires to amend the Program;

NOW, THEREFORE, the Program is hereby amended effective as of May 29, 2003 as follows:

1. Section 8.6 of the Program is hereby amended in its entirety to read as follows:

"8.6 Entire Agreement; Successors

The Program, including any subsequently adopted amendments, shall constitute the entire agreement or contract between the Company and any Employee regarding the Program. There are no covenants, promises, agreements, conditions or understandings, either oral or written, between the Company and any Employee regarding the provisions of the Program, other than those set forth herein.

Notwithstanding the previous sentence, to the extent any written agreement between the Company and an Employee modifies the provisions of the Program with respect to the Employee, such agreement shall be deemed to modify the provisions of the Program but only to the extent such agreement is approved by the Committee. The Program and any amendment hereof shall be binding on the Company and the Employees and their respective heirs, administrators, trustees, successors and assigns, including but not limited to, any successors of the Company by merger, consolidation or otherwise by operation of law, and on all designated beneficiaries of the Employee."

2. Except as provided herein, the Program shall remain in full force and effect.

IN WITNESS WHEREOF , the Company has caused this amendment to be executed by its duly authorized representative this 9th day of June, 2003.

INGERSOLL-RAND COMPANY

By: /s/ Sharon Elliot
Sharon Elliot
Senior Vice President
Human Resources

**SECOND AMENDMENT
TO THE
IR EXECUTIVE DEFERRED COMPENSATION PLAN**

WHEREAS, Ingersoll-Rand Company, a New Jersey corporation, adopted the IR Executive Deferred Compensation Plan (the "Plan") which was originally effective on January 1, 1997; and

WHEREAS, Ingersoll-Rand Company reserved the right at any time and from time to time to amend the Plan in accordance with Section 9.1 of the Plan; and

WHEREAS, the Plan has been amended and restated most recently effective January 1, 2001; and

WHEREAS, Ingersoll-Rand Company desires to amend the Plan to make certain changes regarding investment and payments in IR Stock and to permit certain deferrals of distributions from other non-qualified plans;

NOW, THEREFORE, the Plan is hereby amended as set forth below:

1. Effective January 1, 2004, Section 2.1 is hereby amended to read as follows:

" 2.1 "Account Balance" means, for each Plan Year, a credit on the records of the Company equal to the sum of the value of a Participant's Deferral Account, Supplemental Contribution Account, Discretionary Company Contribution Account and IR Stock Account for such Plan Year. The Account Balance shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid in cash to a Participant, or to the Participant's designated Beneficiary, pursuant to the Plan."

2. Effective May 29, 2003, Section 2.11 is hereby amended to read as follows:

"2.11 "Deferral Amount" means the amount of a Participant's Cash Incentive Compensation Award, Base Salary and Dividends on Stock Grants actually deferred under the Plan by the Participant pursuant to Section 4 for any one Plan Year. Effective May 29, 2003, Deferral Amount shall also mean, with respect to a Participant who participates in the Ingersoll-Rand Company Elected Officers Supplemental Program or the Ingersoll-Rand Company Supplemental Key Management Plan, the amount that would be payable to the Participant under the Ingersoll-Rand Company Supplemental Employee Savings Plan and/or the Ingersoll-Rand Company Supplemental Pension Plan but for the Participant's deferral under Section 4 of the Plan and the applicable provisions of the Ingersoll-Rand Company Supplemental Employee Savings Plan and/or the Ingersoll-Rand Company Supplemental Pension Plan."

3. Effective January 1, 2004, Section 2.21 is hereby amended to read as follows:

" 2.21 "Investment Option Subaccounts" means the separate subaccounts, each of which corresponds to an investment option elected by the Participant or, as provided in Section 6.3 regarding Discretionary Company Contributions, the Administrative Committee, with respect to a Participant's Deferral Accounts, Supplemental Contribution Accounts, and/or Discretionary Company Contribution Accounts, as applicable."

4. Effective January 1, 2004, Section 2.29 is hereby amended to read as follows:

" 2.29 " Supplemental Contribution" means an additional amount to be credited to a Participant's Supplemental Contribution Account equal to twenty percent (20%) of the Participant's Cash Incentive Compensation Award and Base Salary that is deferred under Section 6.1 of the Plan for a Plan Year by the Participant and is, at the time of making the deferral election, deemed to be invested in the Participant's IR Stock Account. Supplemental Contributions shall be available and credited only to Participants whose job category indicates specified ownership guidelines as determined by the Compensation Committee in its sole and absolute discretion."

5. Effective January 1, 2004, Section 4.2 is hereby amended to add the following paragraph to the end thereof:

"Subject to Section 6.2, in making the designations pursuant to this Section, the Participant may specify that all or any vested portion of the Participant's Supplemental Contribution Account be deemed to be invested, in whole percentage increments, in one or more of the types of investment options provided under the Plan as communicated from time to time by the Administrative Committee. A Participant may change the designation made under this Section with respect to amounts credited to the vested portion of the Participant's Supplemental Contribution Account by filing an Election Form no later than the time specified by the Administrative Committee, in its sole and absolute discretion, to be effective as of the first business day of the following month."

6. Effective May 29, 2003, Section 5.3 is hereby amended to read as follows:

"5.3 Discretionary Contributions . A Participant shall vest in his or her Discretionary Company Contribution Account on the earliest of: (i) the date determined by the Administrative Committee; (ii) the date of the Participant's Disability; (iii) the date of the Participant's death; (iv) a Change in Control or (v) a termination of the Plan pursuant to Section 9.2. Effective May 29, 2003, notwithstanding the above, to the extent an agreement between the Company and the Participant contains provisions governing vesting with regards to a Discretionary Company Contribution made on behalf of the Participant, the terms of such agreement shall apply."

7. Effective January 1, 2004, Section 6.2 is hereby amended to read as follows:

" 6.2 Supplemental Contribution Accounts . The Administrative Committee shall establish and maintain a separate Supplemental Contribution Account for each Plan Year for each Participant who receives a Supplemental Contribution for such Plan Year. All Supplemental Contributions shall be credited to the Participant's Supplemental Contribution Account on the same date that the Participant's Deferral Amount applicable to Base Salary or a Cash Incentive Compensation Award for which the Supplemental Contribution is being made is credited to the Participant's Deferral Account pursuant to Section 6.1. All of a Participant's Supplemental Contributions shall be deemed to be invested in, and shall remain deemed to be invested in, IR Stock in the Participant's Supplemental Contribution Account until the Participant completes an Election Form to the effect that all or a portion of the Participant's vested Supplemental Contribution Account will be deemed to be invested in one or more of the investment options under the Investment Option Subaccounts or until such amounts are distributed in

cash from the Plan.

All Supplemental Contributions shall initially be credited to a Participant's Supplemental Contribution Account in units or fractional units of IR Stock. The value of each unit shall be determined each business day and shall equal the closing price of one share of IR Stock on the New York Stock Exchange-Composite Tape. On each date that Supplemental Contributions are credited to a Participant's Supplemental Contribution Account, the number of units to be credited shall be determined by dividing the number of units by the value of a unit on such date.

Dividends paid on IR Stock shall be reflected in a Participant's Supplemental Contribution Account by the crediting of additional units or fractional units. Such additional units or fractional units shall equal the value of the dividends based upon the closing price of one share of IR Stock on the New York Stock Exchange-Composite Tape on the date such dividends are paid.

To the extent a Participant completes an Election Form to make a deemed investment in one or more of the investment options under the Investment Option Subaccounts, a Participant's vested Supplemental Contribution Account shall be credited as follows:

- (a) On the day a Participant makes a deemed investment election in one of the Investment Option Subaccounts, the Administrative Committee shall credit the Investment Option Subaccounts of the Participant's Supplemental Contribution Account with an amount in accordance with the Participant's Election Form; that is, the portion of the Participant's Supplemental Contribution Account that the Participant has elected to be invested in a certain type of investment option shall be credited to the Investment Option Subaccount corresponding to that investment option.
- (b) Each business day, each Investment Option Subaccount of a Participant's Supplemental Contribution Account shall be adjusted for earnings or losses in an amount equal to that determined by multiplying the balance credited to such Investment Option Subaccount as of the prior day plus contributions credited that day to the Investment Option Subaccount by the Return for the corresponding investment option."

8. Effective May, 29, 2003, Section 6.3 is hereby amended to add the following paragraph at the end thereof:

"Effective May 29, 2003, to the extent an agreement between the Company and the Participant contains provisions governing the deemed investment of Discretionary Company Contribution made on behalf of the Participant, the deemed investment provisions of such agreement shall apply.

9. Effective January 1, 2004, Section 6.4 is hereby amended to add the following paragraph to the end thereof.

"Notwithstanding the above, a Participant may elect to invest all or part of his IR Stock Account in one or more of the available Investment Option Subaccounts under the Participant's Deferral Accounts, as set forth in Sections 4.2 and 6.1, and/or Discretionary Company Contribution Account, as set forth in Sections 4.2 and 6.3, as applicable by completing the appropriate Election Form as designated by the Administrator."

10. Section 7.6 is hereby amended to read as follows:

" 7.6 Form of Payments . All amounts in a Participant's Deferral Account, Supplemental Contribution Account, Discretionary Company Contribution Account and IR Stock Account and payable to a Participant or Beneficiary under the Plan shall be paid in cash.

All distributions from the Plan that are to be paid in a specified number of annual installments shall be paid so that the amount of each annual installment is determined by dividing the total remaining number of units in the Participant's Account Balance to be paid in annual installments, by the number of years of annual installments remaining."

11. Effective May 29, 2003, Section 7 is hereby amended to add a new Section 7.8 as follows:

"7.8 Distribution Provisions. Effective May 29, 2003, to the extent an agreement between the Company and a Participant contains provisions governing the form and/or timing of a distribution of a Discretionary Company Contribution made on behalf of the Participant, the distribution provisions of such agreement shall apply. Except as provided in an agreement between the Company and the Participant, the form and/or timing of a Discretionary Company Contribution shall be determined by the Administrative Committee in its sole and absolute discretion."

12. Except as specifically set forth herein, all other terms of the Plan shall remain in full force and effect and are hereby ratified in all respects.

IN WITNESS WHEREOF , the Company has caused this amendment to be executed by its duly authorized representative on this 24th day of February, 2004.

INGERSOLL-RAND COMPANY

By: /s/ Sharon Elliot
Sharon Elliot
Senior Vice President
Human Resources

INGERSOLL-RAND COMPANY LIMITED
COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES
(Dollar Amounts in Millions)

		Years Ended December 31,				
		2003	2002	2001	2000	1999
Fixed charges:						
	Interest expense	\$176.5	\$230.3	\$249.7	\$251.7	\$182.5
	Amortization of debt discount and expense	2.9	7.3	7.4	6.1	6.7
	Rentals (one-third of rentals)	26.0	27.3	33.6	25.6	22.8
	Capitalized interest	3.1	2.8	3.2	3.6	3.0
	Equity-linked security charges	0.0	0.0	8.3	25.6	25.6
Total fixed charges		\$208.5	\$267.7	\$302.2	\$312.6	\$240.6
Earnings from continuing operations before cumulative effect of change in accounting principle		\$593.5	\$365.6	\$180.0	\$433.7	\$456.6
Add:	Minority income of majority-owned subsidiaries	15.0	14.5	20.7	39.8	29.1
	Taxes on income from continuing operations	94.2	17.5	(50.0)	223.8	236.5
	Fixed charges	208.5	267.7	302.2	312.6	240.6
Less:	Capitalized interest	3.1	2.8	3.2	3.6	3.0
	Undistributed earnings (losses) from less than 50% owned affiliates	(2.1)	(0.1)	0.2	0.1	(0.5)
Earnings available for fixed charges		\$910.2	\$662.6	\$449.5	\$1,006.2	\$960.3
Ratio of earnings to fixed charges		4.37	2.48	1.49	3.22	3.99
Undistributed earnings (losses) from less than 50% owned affiliates:						
	Equity in earnings (losses)	(\$1.8)	\$0.6	\$0.9	\$1.0	\$0.2
	Less: Amounts Distributed	0.3	0.7	0.7	0.9	0.7
	Undistributed earnings (losses) from less than 50% owned affiliates	(\$2.1)	(\$0.1)	\$0.2	\$0.1	(\$0.5)

All amounts have been restated to reflect a reclassification of discontinued operations

Consolidated Statement of Income*In millions, except per share amounts*

For the years ended December 31,	2003	2002	2001
Net revenues	\$ 9,876.2	\$ 8,891.0	\$ 8,542.0
Cost of goods sold	7,471.0	6,786.6	6,694.5
Selling and administrative expenses	1,538.3	1,423.9	1,354.4
Restructuring (reversals) charges	(3.2)	41.9	73.7
Operating income	870.1	638.6	419.4
Interest expense	(176.5)	(230.3)	(249.3)
Other income (expense), net	9.2	(10.8)	(19.4)
Minority interests	(15.1)	(14.4)	(20.7)
Earnings before income taxes	687.7	383.1	130.0
Provision (benefit) for income taxes	94.2	17.5	(50.0)
Earnings from continuing operations	593.5	365.6	180.0
Discontinued operations, net of tax	51.0	95.4	66.2
Earnings before cumulative effect of change in accounting principle	644.5	461.0	246.2
Cumulative effect of change in accounting principle, net of tax	-	(634.5)	-
Net earnings (loss)	\$ 644.5	\$ (173.5)	\$ 246.2
Basic earnings (loss) per common share:			
Earnings from continuing operations	\$ 3.47	\$ 2.16	\$ 1.09
Discontinued operations, net of tax	0.30	0.57	0.40
Earnings before cumulative effect of change in accounting principle	3.77	2.73	1.49
Cumulative effect of change in accounting principle, net of tax	-	(3.76)	-
Net earnings (loss)	\$ 3.77	\$(1.03)	\$ 1.49
Diluted earnings (loss) per common share:			
Earnings from continuing operations	\$ 3.44	\$ 2.15	\$ 1.08
Discontinued operations, net of tax	0.30	0.56	0.40
Earnings before cumulative effect of change in accounting principle	3.74	2.71	1.48
Cumulative effect of change in accounting principle, net of tax	-	(3.73)	-
Net earnings (loss)	\$ 3.74	\$(1.02)	\$ 1.48

*See accompanying Notes to Consolidated Financial Statements.***Consolidated Balance Sheet***In millions, except share amounts*

December 31,	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 457.7	\$ 342.2
Marketable securities	1.9	1.8
Accounts and notes receivable, less allowance of \$72.8 in 2003 and \$69.2 in 2002	1,712.8	1,392.8
Inventories	1,009.1	1,181.3
Prepaid expenses and deferred income taxes	357.1	379.2
Assets held for sale	-	820.8
Total current assets	3,538.6	4,118.1

LIABILITIES AND EQUITY

Long-term debt	1,518.6	2,092.1
Postemployment and other benefit liabilities	1,127.9	1,123.5
Minority interests	120.9	115.1
Other noncurrent liabilities	351.2	202.6
Total liabilities	6,171.6	7,331.4

See accompanying Notes to Consolidated Financial Statements.

In millions

	Total shareholders' equity	Common stock <hr/> Amount Shares	Capital in excess of par value	Retained earnings	Unallocated LESOP	Treasury stock	Accumulated other comprehensive loss	Comprehensive income
Balance at December 31, 2000	\$ 3,481.2	\$ 343.1	171.5	\$ 258.8	\$ 3,612.7	\$ (1.8)	\$ (471.0)	\$ (260.6)
Net earnings	246.2				246.2			\$ 246.2
Foreign currency translation	(45.9)						(45.9)	(45.9)
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of \$(0.8)	1.5						1.5	1.5
Reclassification to realized on marketable securities, net of tax of \$8.8	(16.4)						(16.4)	(16.4)
 Total comprehensive income								 \$ 185.4
Acquisition of business	15.3					15.3		
Shares issued under stock and incentive plans	15.3	0.6	0.4	14.7				
Allocation of LESOP shares	2.5			0.7	1.8			
Purchase of treasury shares	(72.5)					(72.5)		
Stock issued related to equity-linked securities	402.5	16.7	8.3	385.8				
Treasury shares cancellation	-	(24.4)	(12.2)	(503.8)		528.2		
Common shares conversion	-	(168.0)		168.0				
Cash dividends	(113.1)				(113.1)			
Balance at December 31, 2001	3,916.6	168.0	168.0	324.2	3,745.8	-	-	(321.4)
Net loss	(173.5)				(173.5)			\$ (173.5)
Foreign currency translation	124.3						124.3	124.3
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of \$0.2	1.2						1.2	1.2

Minimum pension liability adjustment, net of tax of \$175.3	(317.2)							(317.2)	(317.2)
Total comprehensive loss									\$ (365.2)
Shares issued under incentive stock plans	41.7	1.2	1.2	40.5					
Cash dividends	(114.9)				(114.9)				
Balance at December 31, 2002	3,478.2	169.2	169.2	364.7	3,457.4	-	-	(513.1)	
Net earnings	644.5				644.5				\$ 644.5
Foreign currency translation	302.9							302.9	302.9
Change in fair value of derivatives qualifying as cash flow hedges, net of tax of \$3.2	(18.1)							(18.1)	(18.1)
Minimum pension liability adjustment, net of tax of \$24.4	(42.2)							(42.2)	(42.2)
Total comprehensive income									\$ 887.1
Shares issued under incentive stock plans	251.2	5.3	5.3	245.9					
Cash dividends	(123.2)				(123.2)				
Balance at December 31, 2003	\$ 4,493.3	\$174.5	174.5	\$ 610.6	\$ 3,978.7	\$ -	\$ -	\$ (270.5)	

See accompanying Notes to Consolidated Financial Statements .

Consolidated Statement of Cash Flows

In millions

For the years ended December 31,	2003	2002	2001
Cash flows from operating activities:			
Earnings from continuing operations before cumulative effect of change in accounting principle	\$ 593.5	\$ 365.6	\$ 180.0
Adjustments to arrive at net cash provided by operating activities:			
Restructure of operations	(3.2)	41.9	73.7
Depreciation and amortization	194.0	205.3	316.1
(Gain) loss on sale of property, plant and equipment	(6.6)	(0.6)	1.2
Minority interests, net of dividends	4.7	5.3	(2.8)
Equity losses (earnings), net of dividends	0.2	(0.6)	(0.6)
Deferred income taxes	(20.8)	69.4	(28.9)
Other items	(25.7)	0.6	8.2
Changes in other assets and liabilities			
(Increase) decrease in:			
Accounts and notes receivable	(294.4)	27.1	236.9
Inventories	199.2	3.9	(31.9)
Other current and noncurrent assets	(82.4)	(84.5)	(143.1)
Increase (decrease) in:			
Accounts payable and accruals	(30.9)	(9.6)	27.3
Other current and noncurrent liabilities	(286.4)	(30.5)	(111.1)
Net cash provided by operating activities	241.2	593.3	525.0
Cash flows from investing activities:			
Capital expenditures	(107.9)	(122.5)	(157.2)
Proceeds from sale of property, plant and equipment	46.7	44.2	37.8
Investments and acquisitions, net of cash	(21.3)	(112.7)	(158.3)
Proceeds from business dispositions	751.4	-	17.5
Proceeds from sales and maturities of marketable securities	147.6	5.5	97.2
Cash (invested in) provided by or advances (to) from equity companies	(1.3)	(2.1)	11.7
Net cash provided by (used in) investing activities	815.2	(187.6)	(151.3)
Cash flows from financing activities:			
Decrease in short-term borrowings	(146.2)	(151.1)	(1,026.1)
Proceeds from long-term debt	-	27.4	1,493.8
Payments of long-term debt	(793.6)	(94.2)	(681.8)
Net change in debt	(939.8)	(217.9)	(214.1)
Proceeds from exercise of stock options	211.1	36.8	9.7
Dividends paid	(123.2)	(114.9)	(113.1)
Purchase of treasury shares	-	-	(72.5)
Net cash used in financing activities	(851.9)	(296.0)	(390.0)
Net cash (used in) provided by discontinued operations	(93.1)	115.6	38.8

Effect of exchange rate changes on cash and cash equivalents	4.1	2.9	(5.5)
Net increase in cash and cash equivalents	115.5	228.2	17.0
Cash and cash equivalents - beginning of period	342.2	114.0	97.0
Cash and cash equivalents - end of period	\$ 457.7	\$ 342.2	\$ 114.0
Cash paid during the year for:			
Interest, net of amounts capitalized	\$ 197.2	\$ 231.3	\$ 288.2
Income taxes, net of refunds	77.4	0.9	153.2

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies used in the preparation of the accompanying financial statements follows:

Basis of Presentation: The consolidated financial statements of Ingersoll-Rand Company Limited, a Bermuda company (IR-Limited or the Company), have been prepared in accordance with generally accepted accounting principles in the United States. IR-Limited is the successor to Ingersoll-Rand Company, a New Jersey corporation (IR-New Jersey), following a corporate reorganization (the reorganization) that became effective on December 31, 2001. The reorganization was accomplished through a merger of a newly-formed merger subsidiary into IR-New Jersey. IR-New Jersey, the surviving company, continues to exist as an indirect, wholly owned subsidiary of IR-Limited. IR-Limited and its subsidiaries continue to conduct the businesses previously conducted by IR-New Jersey and its subsidiaries. The reorganization has been accounted for as a reorganization of entities under common control and accordingly it did not result in any changes to the consolidated amounts of assets, liabilities and shareholders' equity.

Use of Estimates: In conformity with generally accepted accounting principles, management has used estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Significant estimates include accounting for doubtful accounts, depreciation and amortization, inventory reserves, valuation of assets including goodwill and other intangible assets, product warranties, sales allowances, taxes, environmental, asbestos, product liability and other contingencies. Actual results could differ from those estimates.

Principles of Consolidation: The consolidated financial statements include all wholly owned and majority-owned subsidiaries. Intercompany transactions and balances have been eliminated. Partially owned equity affiliates are accounted for under the equity method.

Reclassifications : Reclassifications were made to prior-year amounts to conform with the 2003 presentation. The accompanying consolidated financial statements restate the previously presented amounts to report the Company's Waterjet business unit and Laidlaw business unit as discontinued operations (See Note 3).

Cash Equivalents: The Company considers all highly liquid investments, consisting primarily of time deposits and commercial paper with maturities of three months or less when purchased, to be cash equivalents. Cash equivalents were \$240.2 million and \$141.4 million at December 31, 2003 and 2002, respectively.

Inventories: Inventories are stated at cost, which is not in excess of market. Most U.S. manufactured inventories, excluding the Climate Control and Dresser-Rand Segments, are valued using the last-in, first-out (LIFO) method. All other inventories are valued using the first-in, first-out (FIFO) method.

Property, Plant and Equipment: Property, plant and equipment are stated at cost, less accumulated depreciation. The Company principally uses accelerated depreciation methods for assets placed in service prior to December 31, 1994. Assets acquired subsequent to that date are depreciated using the straight-line method over their estimated useful lives. At December 31, 2003 and 2002, gross land and buildings totaled \$626.6 million and \$620.4 million, respectively, while gross machinery and equipment totaled \$1,499.8 million and \$1,482.4 million, respectively. Accumulated depreciation at December 31, 2003 and 2002 was \$913.3 million and \$826.5 million, respectively.

Intangible Assets: Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets." Under the provisions of this standard, goodwill and intangible assets deemed to have indefinite lives are no longer subject to amortization, but rather are tested for impairment at least annually. All other intangible assets are to be amortized over their estimated useful lives.

The carrying value of goodwill and other intangibles is reviewed if the facts and circumstances, such as a significant decline in sales, earnings or cash flows or material adverse changes in the business climate, suggest that it may be impaired. If this review indicates that goodwill will not be recoverable as determined based on the estimated discounted cash flows of the reporting unit, impairment is measured by comparing the carrying value of goodwill to fair value. Fair value is determined based on quoted market values, discounted cash flows or appraisals.

Income Taxes: Deferred taxes are provided on temporary differences between assets and liabilities for financial reporting and tax purposes as measured by enacted tax rates expected to apply when temporary differences are settled or realized. A valuation allowance is established for deferred tax assets for which realization is not likely.

Product Warranties: Warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. Warranty accruals are adjusted for known or anticipated warranty claims as new information becomes available.

Environmental Costs: Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to existing conditions caused by past operations, which do not contribute to current or future revenues, are expensed. Costs to prepare environmental site evaluations and feasibility studies are accrued when the Company commits to perform them. Liabilities for remediation costs are recorded when they are probable and reasonably estimable, generally no later than the completion of feasibility studies or the Company's commitment to a plan of action. The assessment of this liability, which is calculated based on existing technology, does not reflect any offset for possible recoveries from insurance companies, and is not discounted.

Revenue Recognition: Revenue is generally recognized and earned when all of the following criteria are satisfied: (a) persuasive evidence of a sales arrangement exists; (b) price is fixed or determinable; and (c) collectibility is reasonably assured and delivery has occurred or service has been rendered. Post-shipment deliverables (such as customer acceptance, training or installation) are recognized in revenue only when the buyer becomes obligated to pay.

Research and Development Costs: Research and development expenditures, including qualifying engineering costs, are expensed when incurred and amounted to \$203.9 million in 2003, \$199.3 million in 2002, and \$188.4 million in 2001.

Comprehensive Income: Comprehensive income (loss) includes net income (loss), foreign currency translation adjustments, amounts relating to cash flow hedges, additional minimum pension liability adjustments, and unrealized holding gains and losses on marketable securities. In 2003, accumulated other comprehensive loss decreased by \$242.6 million. This decrease was attributable to foreign currency translation adjustments of \$302.9 million, offset by a minimum pension liability adjustment, net of tax, of \$42.2 million, and amounts relating to cash flow hedges, net of tax, of \$18.1 million.

Foreign Currency: Assets and liabilities of non-U.S. entities, where the local currency is the functional currency, have been translated at year-end exchange rates, and income and expenses have been translated using average-for-the-year exchange rates. Adjustments resulting from translation have been recorded in accumulated other comprehensive income and are included in net earnings only upon sale or liquidation of the underlying foreign investment.

For non-U.S. entities where the U.S. dollar is the functional currency, inventory and property balances and related income statement accounts have been translated using historical exchange rates, and resulting gains and losses have been credited or charged to net earnings.

Net foreign currency transaction losses recorded in "Other income (expense), net" were, \$10.7 million, \$11.7 million and \$3.2 million in 2003, 2002 and 2001, respectively.

Earnings Per Share: Basic earnings per share is based on the weighted-average number of Class A common shares outstanding. Diluted earnings per share is based on the weighted-average number of Class A common shares outstanding as well as potentially dilutive common shares, which in the Company's case include shares issuable under stock benefit plans. The weighted-average number of Class A common shares outstanding for basic earnings per share calculations were 171.1 million, 168.9 million and 165.1 million for 2003, 2002 and 2001, respectively. For diluted earnings per share purposes, these balances increased by 1.3 million, 1.3 million and 1.2 million shares for 2003, 2002 and 2001, respectively. At December 31, 2003, 2002 and 2001, 1.9 million, 5.7 million and 5.6 million shares, respectively, were excluded because the effect would be anti-dilutive.

Stock-based Compensation: Under the Company's Incentive Stock Plans, approved in 1990, 1995, and 1998, key employees have been granted options to purchase Class A common shares. The Company continues to account for these plans under the recognition and measurement principles of APB No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense is recognized for employee stock options since options granted are at prices not less than fair market value at the date of grant. The plans also authorize stock appreciation rights (SARs) and stock awards, which result in compensation expense. Additionally, the Company maintains a shareholder-approved Management Incentive Unit Award Plan, which results in compensation expense. All plans are described more fully in Note 11.

The following table is presented in accordance with SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" and illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

<i>In millions, except per share amounts</i>	For the years ended December 31,		
	2003	2002	2001
Net earnings (loss), as reported	\$ 644.5	\$(173.5)	\$ 246.2
Add: Stock-based employee compensation expense included in reported net income, net of tax	34.4	4.8	5.5
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	60.5	32.7	36.0
Pro forma net earnings (loss)	\$ 618.4	\$(201.4)	\$ 215.7
Basic earnings (loss) per share:			
As reported	\$ 3.77	\$ (1.03)	\$ 1.49
Pro forma	3.61	(1.19)	1.31
Diluted earnings (loss) per share:			
As reported	\$ 3.74	\$ (1.02)	\$ 1.48
Pro forma	3.58	(1.19)	1.29

New Accounting Standards: In January 2003, FASB Interpretation No.46 (FIN 46), "Consolidation of Variable Interest Entities" was issued. FIN 46 provides guidance on consolidating variable interest entities and applies immediately to variable interests created after January 31, 2003. In December 2003, the Financial Accounting Standards Board deferred the effective date of FIN 46 for all variable interest entities to the first reporting period ending after March 15, 2004. The interpretation requires variable interest entities to be consolidated if the equity investment at risk is not sufficient to permit an entity to finance its activities without support from other parties or the equity investors lack certain specified characteristics. The Company is reviewing FIN 46 to determine its impact, if any, on future reporting periods, and does not anticipate any material accounting or disclosure requirements under the provisions of the interpretation.

In May 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 provides guidance for companies that issue financial instruments that have characteristics of both liabilities and equity to determine if the instrument should be classified as a liability or equity for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 did not have a material effect on the Company's consolidated financial position or results of operations.

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104 (SAB 104), Revenue Recognition. SAB 104 supercedes SAB 101, Revenue Recognition in Financial Statements to include the guidance from Emerging Issues Task Force EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." The adoption of SAB 104 did not have a material effect on the Company's consolidated financial position or results of operations.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." The standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant information. The guidance is effective for fiscal years ending after December 15, 2003, and for quarters beginning after December 15, 2003. The Company has fully adopted this standard for the year ended December 31, 2003.

In January 2004, the FASB released FASB Staff Position No. 106-1 entitled, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The current accounting rules require a company to consider current changes in applicable laws when measuring its postretirement benefit costs and accumulated postretirement benefit obligations. The Company has begun to analyze its possible consequences and to determine the impact of this legislation on its postretirement benefit plans. The Company's measurement date for the postretirement benefit plans is November 30 and therefore the net periodic postretirement benefit costs for the period that includes the Act's effective date would be the first quarter of 2004.

NOTE 2 - RESTRUCTURING PROGRAM

During the third quarter of 2000, the Company commenced a \$325 million restructuring program, which included plant rationalizations, organizational realignments consistent with the Company's new market-based structure and the consolidation of back-office processes. During the fourth quarter of 2001, the Company commenced a second restructuring program for an additional \$150 million to further reduce the general and administrative expenses across the Company. These programs include certain costs that are identified in SAB 100 and EITF 94-3 as restructuring, as well as other related costs that do not meet the criteria to be classified as restructuring. Nonrecurring costs associated with these activities not qualifying as restructuring are referred to as "productivity investments" and were charged to "Cost of sales" and "Selling and administrative expenses" as incurred. Minimal remaining restructuring liabilities are expected to be paid by the second quarter of 2004. The Company has realized lower costs and improved customer service in all segments as a result of these actions. The Company manages the 2000 and 2001 programs as a single restructuring program totaling \$475 million. Therefore, all comments regarding restructure activity refer to both programs combined.

The total employee terminations related to the restructuring program were approximately 5,000. These terminations impacted both the salaried and hourly employee groups. The Company closed 20 manufacturing facilities in connection with the restructuring programs.

Management teams that were directly involved with the required actions developed the estimated costs for each project within each segment and the Corporate Center. The costs relating to restructure charges include employee termination costs such as severance, extended medical costs, pension liabilities, and outplacement costs; and facility exit costs such as lease exit costs and equipment write-offs. Severance costs are generally paid on a monthly basis over the severance period granted to each employee or in a lump sum. Severance costs are based mainly on years of service and current salary. Employee termination costs also include outplacement costs, which are paid in accordance with normal payment terms. Facility exit costs consist primarily of lease termination costs and are generally recorded upon exiting the facility.

A reconciliation of the restructuring reserve for the Phase I and Phase II programs is as follows:

<i>In millions</i>	Employee termination costs	Facility exit costs	Total
--------------------	----------------------------------	------------------------	-------

Balance at December 31, 2002	\$ 20.1	\$ 6.2	\$ 26.3
Cash payments	(14.3)	(2.6)	(16.9)
Change in estimate	(1.8)	(1.4)	(3.2)
Non-cash write-offs	-	(0.6)	(0.6)
Balance at December 31, 2003	\$ 4.0	\$ 1.6	\$ 5.6

Climate Control

This Segment has undergone significant restructuring due to the acquisition of Hussmann International, Inc. (Hussmann) in 2000. During 2000, Thermo King experienced a reduction in volume due to a severe recession in the North America truck and trailer markets. In order to improve production efficiencies and decrease operating costs, certain manufacturing facilities were closed. In conjunction with the Hussmann acquisition, it was necessary to address these issues to achieve the synergies identified. The identified actions were as follows:

- Close five manufacturing locations: U.S. (2), Europe (2) and Latin America (1).
- Outsource the manufacturing of certain components used in products.
- Terminate 1,419 employees.

As of December 31, 2002, all five specified manufacturing locations were closed. As of December 31, 2003, all identified employees were terminated.

A reconciliation of the restructuring reserve for the Phase II program is as follows:

	Employee termination costs	Facility exit costs	Total
<i>In millions</i>	Phase II	Phase II	Phase II
Balance at December 31, 2002	\$ 2.2	\$ 2.7	\$ 4.9
Cash payments	(1.4)	(1.1)	(2.5)
Change in estimate	(0.6)	(0.2)	(0.8)
Balance at December 31, 2003	\$ 0.2	\$ 1.4	\$ 1.6

A reversal of a portion of the provision for employee termination costs was made in 2003, due to incurring lower than anticipated costs. Actual costs were lower due to certain employees' decisions to leave prior to their scheduled termination date.

The provision remaining at December 31, 2003, relates to a project involving the outsourcing of certain components used in the manufacturing of one of the Segment's products. As the transition to the outsourcing company began, various quality issues were identified, which resulted in a delay in the transition. The Segment has resolved these issues and anticipates that the transition will be completed by the end of the second quarter of 2004.

Air and Productivity Solutions

This Segment's operations were examined and it was determined that the consolidation of manufacturing locations and the reduction of selling and administrative (S&A) expenses were essential to meet strategic objectives. To achieve a lower cost structure, an Eastern European manufacturing plant was opened enabling the Segment to compete on a global scale. The severe recession in the worldwide industrial markets necessitated employee terminations to align the cost structure with the volume levels. The identified actions were as follows:

- Close eight manufacturing locations: U.S. (4), Asia Pacific (3) and Europe (1).
- Terminate 1,408 employees.

As of December 31, 2002, all the specified manufacturing locations were closed. The minimal number of employees remaining as of December 31, 2003, will be terminated in the first quarter of 2004.

A reconciliation of the restructuring reserve for the Phase I and Phase II programs is as follows:

	Employee termination costs	
<i>In millions</i>	Phase I	Phase II
Balance at December 31, 2002	\$ 0.6	\$ 2.6
Cash payments	(0.6)	(2.5)
Change in estimate	-	0.2
Balance at December 31, 2003	\$ -	\$ 0.3

The provision remaining at December 31, 2003, relates to final severance payments, which are expected to be paid in the first quarter of 2004.

Dresser-Rand

This Segment's operations and S&A expense structure were examined, and it was determined that the reduction of S&A expenses, as well as the consolidation of its sales regions was essential to meet strategic objectives. The identified actions were as follows:

- Organizational realignment - five regions reduced to three.
- Terminate 388 employees.
- Close or consolidate several non-manufacturing locations.

As of December 31, 2002, the organizational realignment and the closure of certain non-manufacturing locations were complete. As of June 30, 2003, all identified employees were terminated.

A reconciliation of the restructuring reserve for the Phase II program is as follows:

Employee

	termination costs	Facility exit costs	Total
<i>In millions</i>	Phase II	Phase II	Phase II
Balance at December 31, 2002	\$ 3.2	\$ 0.5	\$ 3.7
Cash payments	(3.1)	(0.2)	(3.3)
Change in estimate	-	(0.1)	(0.1)
Balance at December 31, 2003	\$ 0.1	\$ 0.2	\$ 0.3

The provision remaining at December 31, 2003, relates to final severance payments and facility exit costs, which are expected to be paid in the first quarter of 2004.

Infrastructure

Manufacturing facilities were examined to identify opportunities to improve production efficiencies and decrease operating costs. The consolidation of the manufacturing locations has enabled the Segment to leverage its capacity as volumes return. Additionally, significant management realignments were essential to the success of the market strategy and to leverage the distribution channels. The identified actions were as follows:

- Close two manufacturing locations in the U.S.
- Terminate 781 employees.

As of December 31, 2002, all identified manufacturing locations were closed. As of September 30, 2003, all identified employees were terminated.

A reconciliation of the restructuring reserve for the Phase I and Phase II programs is as follows:

	Employee termination costs		Facility exit costs	Total	
<i>In millions</i>	Phase I	Phase II	Phase II	Phase I	Phase II
Balance at December 31, 2002	\$ 1.5	\$ 0.1	\$ 0.6	\$ 1.5	\$ 0.7
Cash payments	(1.2)	(0.1)	(0.4)	(1.2)	(0.5)
Change in estimate	(0.3)		(0.2)	(0.3)	(0.2)
Balance at December 31, 2003	\$ -	\$ -	\$ -	\$ -	\$ -

A reversal of a portion of the provision for employee termination costs was made in 2003, due to incurring lower than anticipated costs. Actual costs were lower due to certain employees' decisions to leave prior to their scheduled termination date. Additionally, a reversal of a portion of the provision for facility exit costs was made in 2003, due to incurring lower than anticipated costs associated with the sale of a building.

Security and Safety

This Segment's manufacturing facilities were examined to find opportunities to improve production efficiencies and decrease operating costs. The Segment's S&A expense structure was also examined and it was determined that significant actions were required to align the cost structure with the then current volume levels. The identified actions were as follows:

- Close five manufacturing locations: U.S. (3) and Europe (2).
- Terminate 540 employees.

As of December 31, 2002, all identified manufacturing locations were closed. As of September 30, 2003, all identified employees were terminated.

A reconciliation of the restructuring reserve for the Phase I program is as follows:

	Employee termination costs	Facility exit costs	Total
<i>In millions</i>	Phase I	Phase I	Phase I
Balance at December 31, 2002	\$ 0.7	\$ 2.4	\$ 3.1
Cash payments	(0.7)	(0.9)	(1.6)
Change in estimate	-	(0.9)	(0.9)
Non-cash write-offs	-	(0.6)	(0.6)
Balance at December 31, 2003	\$ -	\$ -	\$ -

The original estimate for facility exit costs included ongoing lease commitments for a vacated facility. During the year, the remaining lease obligation was terminated early for an amount less than the original estimate, resulting in a reversal to the provision. Additionally, the Segment recorded a non-cash write-off in order to write-down the value of a vacated building to its estimated selling price.

Corporate Center

An examination of previously decentralized back-office functions, such as accounts payable, accounts receivable, benefits administration and payroll, at Corporate Center and across all business segments identified opportunities to improve the costs of high volume transactions. The creation of Global Business Services (a shared service center) enabled the Company to consolidate high volume transactions resulting in lower costs. As of December 31, 2003, 218 employees were terminated, with an additional 92 in staff reductions related to outsourcing of back-office functions and organizational realignments remaining. The savings associated with the corporate restructuring activities are realized in the segments due to the reduction of employees in business units' back-office operations.

A reconciliation of the restructuring reserve for the Phase I and Phase II programs is as follows:

<i>In millions</i>	Employee termination costs	
	Phase I	Phase II
Balance at December 31, 2002	\$ 2.8	\$ 6.4
Cash payments	(2.3)	(2.4)
Change in estimate	(0.5)	(0.6)
Balance at December 31, 2003	\$ -	\$ 3.4

A reversal of \$1.1 million of the provision for employee termination costs was made in 2003, due to incurring lower than anticipated costs. Actual costs were lower due to certain employees' decision to leave prior to their scheduled termination date, and the redeployment of certain employees throughout the Company.

Of the provision remaining at December 31, 2003, \$1.9 million relates to employee termination costs associated with the outsourcing of back office functions. During the transition of these functions to the outsourcing firm, certain issues arose resulting in the delay of the transition schedule. As of December 31, 2003, these issues have been resolved and the majority of these costs are expected to be paid in the first and second quarters of 2004. The remaining portion of this transition will result in the termination of 83 employees. Additionally, \$1.5 million of the remaining provision relates to employee termination costs associated with other Corporate Center initiatives. These costs will be paid in the first quarter of 2004, and will result in the termination of a minimal number of employees.

NOTE 3 - DISCONTINUED OPERATIONS

During 2003, the Company continued its business portfolio realignment by selling three businesses. Effective February 16, 2003, the Company sold its Engineered Solutions Business (Engineered Solutions), previously included as part of the Company's Industrial Solutions Sector, to The Timken Company (Timken). The consideration received consisted of approximately \$700 million in cash and approximately 9.4 million shares of Timken common stock valued at \$140 million at the date of sale. The Company recognized an after-tax gain of \$58.2 million on the disposition, which is included in "Discontinued operations, net of tax." The gain is subject to working capital and other final purchase price adjustments. Net purchase price adjustments of approximately \$5 million have been recorded since the date of sale. These adjustments relate primarily to certain pension and other employee benefits. The Company is currently involved in a dispute resolution procedure relating to the final purchase price adjustment based on the working capital of Engineered Solutions that was sold in February 2003. The Company expects a resolution by the end of the second quarter of 2004. Any adjustment recorded is not expected to be material and would be reflected as an increase or decrease to "Discontinued operations, net of tax" in 2004. The Company recorded additional costs and liabilities primarily relating to employee benefits in the calculation of the after-tax gain. Engineered Solutions consisted of the Company's worldwide operations related to precision bearings and motion-control components and assemblies, and included the Torrington, Fafnir, Kilian, Nadella and IRB brands. Engineered Solutions employed approximately 10,000 people and operated 27 plants throughout the world.

During 2003, the Company sold its Laidlaw business unit (Laidlaw), previously included as part of the Company's Security and Safety Segment. The Company recorded an after-tax loss of \$7.6 million on the disposition, which is included in "Discontinued operations, net of tax." Also in 2003, the Company sold its Waterjet business unit (Waterjet), previously included as part of the Company's Industrial Solutions Sector, for approximately \$46.5 million. The Company recognized an after-tax gain of \$18.2 million (subject to a working capital adjustment) on the disposition, which is included in "Discontinued operations, net of tax." This transaction included the Company's 49 percent interest in ABB IR Waterjet Systems AB.

Discontinued operations also includes costs related to Ingersoll-Dresser Pump Company (IDP), which was sold in 2000. These include retained employee benefits and product liability costs, primarily related to asbestos claims.

Net revenues and pretax (loss) earnings for discontinued operations are as follows:

<i>In millions</i>	2003	2002	2001
Net revenues	\$ 195.3	\$ 1,266.4	\$ 1,140.0
Pretax (loss) earnings	(49.5)	160.5	113.8

Total results from discontinued operations for 2003, 2002, and 2001, were \$51.0 million (net of \$39.7 million of tax expense), \$95.4 million (net of \$65.1 million of tax expense), and \$66.2 million (net of \$47.6 million of tax expense), respectively.

The assets and liabilities of discontinued operations included in "Assets held for sale" and "Liabilities held for sale" represent the assets and liabilities of Engineered Solutions, Laidlaw, and Waterjet as of December 31, 2002, and are as follows:

<i>In millions</i>	
Assets	
Current assets	\$ 343.4
Investments in and advances with partially owned equity companies	104.2
Property, plant and equipment, net	354.2
Goodwill and other intangible assets, net	10.1
Other assets and deferred income taxes	8.9
Assets held for sale	\$ 820.8
Liabilities	
Current liabilities	\$ 227.2
Other liabilities	76.2
Liabilities held for sale	\$ 303.4

In accordance with the Engineered Solutions' purchase agreement, certain assets and liabilities, such as environmental, product liability, tax, and employee-related costs of the Company's Engineered Solutions Segment, were retained by the Company and have been excluded from the above presentation.

NOTE 4 - INVENTORIES

At December 31, inventories were as follows:

<i>In millions</i>	2003	2002
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Raw materials and supplies	\$ 287.4	\$ 306.9
Work-in-process	209.6	361.1
Finished goods	609.9	620.7
	1,106.9	1,288.7
Less - LIFO reserve	97.8	107.4
Total	\$ 1,009.1	\$ 1,181.3

Work-in-process inventories are stated after deducting customer progress payments of \$110.8 million in 2003 and \$233.8 million in 2002. At December 31, 2003 and 2002, LIFO inventories were approximately 31% and 32%, respectively, of inventories. During 2003, inventory quantities were reduced, which resulted in a liquidation of LIFO inventory layers carried at lower costs than in prior years. The effect of the liquidation was to decrease cost of goods sold by \$7.2 million and to increase net earnings by \$4.4 million. There were no material liquidations of LIFO layers in 2002 or 2001.

NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under the provisions of this standard, goodwill and intangible assets deemed to have indefinite lives are no longer subject to amortization, but rather are tested for impairment at least annually. All other intangible assets are to be amortized over their estimated useful lives.

Step one of the impairment testing required under SFAS No. 142 was completed by June 30, 2002. Under step one of the impairment test, all reporting units were identified in accordance with the guidance of SFAS No. 142 and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." The January 1, 2002 carrying value of the reporting units was compared to the fair value of the reporting units. Fair value was computed by utilizing a discounted cash flow model. Upon completion of the comparison of the values of the reporting units, it was determined that the carrying value of the Thermo King reporting unit of the Climate Control Segment was in excess of its fair value.

Step two of the impairment test, which compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill, was then completed. The implied fair value of goodwill was determined by allocating the fair value of the reporting unit to all the assets and liabilities (including unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. This resulted in a goodwill impairment charge of \$864.4 million being recorded. As required by SFAS No. 142, this charge, \$634.5 million, net of tax, was recognized as a cumulative effect of a change in accounting principle retroactive to January 1, 2002.

The following is a reconciliation of previously reported financial information to adjusted amounts excluding amortization expense relating to goodwill and other intangible assets deemed to have indefinite lives, which are no longer being amortized:

	2001		
	Earnings from continuing operations	Basic earnings per share	Diluted earnings per share
<i>In millions, except per share amounts</i>			
As reported	\$ 180.0	\$ 1.09	\$ 1.08
Goodwill amortization expense, net of tax	115.1	0.70	0.70
Other intangible asset amortization expense, net of tax	1.8	0.01	0.01
Adjusted	\$ 296.9	\$ 1.80	\$ 1.79

The changes in the carrying amount of goodwill for 2003 are as follows:

<i>In millions</i>	Climate Control	Air and Productivity Solutions	Dresser- Rand	Infrastructure	Security and Safety	Total
Balance at December 31, 2002	\$ 2,476.3	\$ 108.7	\$ 24.4	\$ 895.1	\$ 499.5	\$ 4,004.0
Additions and adjustments to goodwill*	(4.1)	1.4	-	(0.5)	32.6	29.4
Dispositions	-	(3.6)	-	-	(4.8)	(8.4)
Translation adjustments	105.4	5.9	0.1	7.7	43.9	163.0
Balance at December 31, 2003	\$ 2,577.6	\$ 112.4	\$ 24.5	\$ 902.3	\$ 571.2	\$ 4,188.0

* Represents goodwill related to current year acquisitions or adjustments as a result of final allocations of purchase price.

The following table sets forth the gross amount and accumulated amortization of the Company's intangible assets at December 31:

<i>In millions</i>	2003		2002	
	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization
Customer relationships	\$ 384.9	\$ 34.4	\$ 383.7	\$ 24.5
Installed service base	235.8	22.7	235.8	16.8
Software	121.1	35.1	101.4	16.6
Trademarks	7.1	6.2	7.1	5.9
Other	71.4	34.3	62.1	28.9
Total amortizable intangible assets	820.3	132.7	790.1	92.7
Total indefinite-lived intangible assets - trademarks	195.3	-	193.5	-

Total	\$ 1,015.6	\$ 132.7	\$ 983.6	\$ 92.7
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During 2003, the Company recorded software additions in the amount of \$17.6 million, with an amortization period of five years. During the second quarter of 2003, the Company abandoned certain software it was in the process of implementing. The Company recorded in "Cost of goods sold" a non-cash charge of \$5.5 million associated with this decision. Additionally, in the second quarter of 2003, the Company reclassified \$10.7 million of software, and related accumulated amortization of \$1.1 million, which was previously recorded as property, plant and equipment. Also during 2003, the Company recorded customer relationships in the amount of \$1.2 million with an amortization period of 20 years and an indefinite-lived trademark in the amount of \$1.8 million.

Amortization related to goodwill was \$130.9 million in 2001. Other intangible asset amortization expense for 2003, 2002, and 2001 was \$42.1 million, \$35.2 million, and \$24.3 million, respectively.

Estimated intangible asset amortization expense for each of the next five fiscal years is expected to be \$40.9 million in 2004, \$41.7 million in 2005, \$41.1 million in 2006, \$27.8 million in 2007, and \$23.2 million in 2008.

NOTE 6 - FINANCIAL INSTRUMENTS

The Company, as a large multinational company, maintains significant operations in countries other than the United States. As a result of these global activities, the Company is exposed to changes in foreign currency exchange rates, which affect the results of operations and financial condition. The Company manages exposure to changes in foreign currency exchange rates through its normal operating and financing activities, as well as through the use of financial instruments. Generally, the only financial instruments the Company utilizes are forward exchange contracts and options.

The purpose of the Company's currency hedging activities is to mitigate the impact of changes in foreign currency exchange rates. The Company attempts to hedge transaction exposures through natural offsets. To the extent that this is not practicable, major exposure areas considered for hedging include foreign currency denominated receivables and payables, intercompany loans, firm committed transactions, and forecasted sales and purchases.

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," and its amendments, became effective for the Company on January 1, 2001. The statement requires all derivatives to be recognized as assets or liabilities on the balance sheet and measured at fair value. The estimated fair value of foreign currency forward contracts outstanding at December 31, 2003, was a loss of \$16.9 million.

The Company purchases, on a limited basis, commodity derivatives to hedge the variable portion in supplier contracts of the costs of metals used in its products. Gains and losses on the derivatives are included in cost of sales in the same period as the hedged transaction. During 2003, fixed-priced supplier agreements replaced maturing commodity forward contracts, which decreased the number of outstanding contracts at December 31, 2003. The fair value of outstanding commodity contracts at December 31, 2003 was less than \$0.1 million.

Included in accumulated other comprehensive income at December 31, 2003, is \$15.5 million related to the fair value of derivatives qualifying as cash flow hedges, of which \$16.1 million of expense is expected to be reclassified to earnings over the twelve month period ending December 31, 2004. Additionally, \$0.6 million, related to an interest rate swap used as a cash flow hedge of the forecasted issuance of debt, will be reclassified to earnings between January 1, 2005 and May 15, 2006. The actual amounts that will be reclassified to earnings over the next twelve months may vary from this amount as a result of changes in market conditions. No amounts were reclassified to earnings during 2003 in connection with forecasted transactions that were no longer considered probable of occurring. Fair values of forward contracts are based on dealer quotes at the respective reporting dates. At December 31, 2003, the maximum term of derivative instruments that hedge forecasted transactions, for foreign currency hedges, was 26 months. At December 31, 2003, the maximum term of derivative instruments that hedge forecasted transactions, for commodity hedges, was 3 months.

The counterparties to the Company's forward contracts consist of a number of major international financial institutions. The Company could be exposed to loss in the event of nonperformance by the counterparties. However, credit ratings and concentration of risk of these financial institutions are monitored on a continuous basis and present no significant credit risk to the Company.

The carrying value of cash and cash equivalents, marketable securities, accounts receivable, short-term borrowings and accounts payable are a reasonable estimate of their fair value due to the short-term nature of these instruments.

NOTE 7 - DEBT AND CREDIT FACILITIES

At December 31, loans payable consisted of the following:

<i>In millions</i>	2003	2002
Commercial paper	\$ -	\$ 177.3
Current portion of long-term debt	722.7	939.9
Other short-term borrowings	78.0	38.3
Total	\$ 800.7	\$ 1,155.5

Excluding current maturities of long-term debt, the weighted-average interest rate for short-term debt at December 31, 2003 and 2002 was 13.7% and 3.1%, respectively. The average interest rate is higher in 2003 due to a decrease in U.S. debt borrowings and an increase in debt borrowings outside the U.S.

At December 31, long-term debt consisted of:

<i>In millions</i>	2003	2002
5.80% Notes Due 2004	\$ -	\$ 249.9
6.25% Notes Due 2006	574.6	574.5
9% Debentures Due 2021	125.0	125.0
7.20% Debentures Due 2006-2025	150.0	150.0
6.48% Debentures Due 2025	150.0	150.0
6.391% Debentures Due 2027	-	200.0
6.443% Debentures Due 2027	200.0	200.0
Medium-term Notes Due 2005-2007, at an average rate of 6.58%	87.0	200.5
6.75% Senior Notes Due 2008	124.6	124.5
Medium-term Notes Due 2023, at an average rate of 8.22%	50.2	50.2
Other loans and notes, at end-of-year average interest rates of 2.40% in 2003 and 2.78% in 2002, maturing in various amounts to 2015	57.2	67.5
Total	\$ 1,518.6	\$ 2,092.1

The fair value of long-term debt at December 31, 2003 and 2002, was \$1,701.1 million and \$2,286.1 million, respectively. Fair value of long-term debt was determined by reference to the December 31, 2003 and 2002, market values of comparably rated debt instruments.

Long-term debt retirements for the next five years are as follows: \$722.7 million in 2004, \$207.9 million in 2005, \$587.7 million in 2006, \$277.9 million in 2007 and \$134.4 million in 2008. Long-term debt retirements for 2005 and 2007 include \$150 million and \$200 million, respectively, that may require repayment at the option of the holder. If these options are not exercised, the final maturity dates of these

instruments would be 2025 and 2027.

At December 31, 2003, the Company's committed revolving credit lines consisted of a 364-day line totaling \$750 million and a five-year line totaling \$1.25 billion. These lines were unused and provide support for commercial paper and indirectly provide support for other financing instruments, such as letters of credit and comfort letters, as required in the normal course of business. The Company compensates banks for these lines with fees equal to a weighted average of 0.08% per annum. Available foreign lines of credit were \$1,043.0 million, of which \$808.0 million were unused at December 31, 2003.

Capitalized interest on construction and other capital projects amounted to \$3.1 million, \$2.8 million and \$3.2 million in 2003, 2002 and 2001, respectively. Interest income, included in other income (expense), net, was \$3.6 million, \$5.3 million and \$10.0 million in 2003, 2002 and 2001, respectively.

NOTE 8- COMMITMENTS AND CONTINGENCIES

The Company is involved in various litigations, claims and administrative proceedings, including environmental and product liability matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, management believes that the liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

In assessing its potential environmental liability, the Company bases its estimates on current laws and regulations and current remediation technologies. The Company does not discount its liability or assume any insurance recoveries.

Ingersoll-Rand Company (IR-New Jersey), a Company subsidiary, is a defendant in numerous asbestos-related lawsuits in state and federal courts. In virtually all of the suits a large number of other companies have also been named as defendants. The claims against IR-New Jersey generally allege injury caused by exposure to asbestos contained in certain of IR-New Jersey's products. Although IR-New Jersey was neither a producer nor a manufacturer of asbestos, some of its formerly manufactured products utilized asbestos-containing components such as gaskets purchased from third-party suppliers.

In assessing its potential asbestos liability, the Company bases its estimates on current laws, an assessment of the nature of current claims, the jurisdictions in which claims are filed, its claims settlement experience and insurance coverage. All claims resolved to date have been dismissed or settled, and IR-New Jersey's average settlement amount per claim has been nominal. For the year ended December 31, 2003, total costs for settlement and defense of asbestos claims after insurance recoveries and net of tax were approximately \$16.6 million. The Company believes that its reserves and insurance are adequate to cover its asbestos liabilities and the costs of defending against them.

The Company sells products on a continuous basis under various arrangements through institutions that provide leasing and product financing alternatives to retail and wholesale customers. Under these arrangements, the Company is contingently liable for loan guarantees and residual values of equipment of approximately \$16.2 million, including consideration of ultimate net loss provisions. The risk of loss to the Company is minimal, and historically, only immaterial losses have been incurred relating to these arrangements since the fair value of the underlying equipment that serves as collateral is generally in excess of the contingent liability. Management believes these guarantees will not adversely affect the consolidated financial statements.

Beginning in 2005, the Company could be required, based on the attainment of certain operating results, to purchase a majority interest in a joint venture. Currently, the Company estimates the target purchase price for the remaining 70% interest to be approximately \$230 million. However, this price is contingent upon the future operating performance of the joint venture.

The Company has remained contingently liable for approximately \$46.2 million relating to performance bonds associated with prior sale of products of IDP, which the Company divested in 2000. The acquirer of IDP is the primary obligor under these performance bonds, however, should the acquirer default under these arrangements the Company would be required to satisfy these financial obligations. The Company estimates that \$29.4 million of the obligation will expire during 2004. The remainder extends through 2008.

The Company is contingently liable for customs duties in certain non-U.S. countries which totaled \$3.8 million at December 31, 2003. These amounts are not accrued as the Company intends on exporting the product to another country for final sale. In the normal course of business, the Company has issued several third party guarantees, on behalf of suppliers, distributors and a joint venture partner, which were less than \$10 million at December 31, 2003.

The following table represents the changes in the product warranty liability for 2003:

In millions

Balance at December 31, 2002	\$ 151.0 *
Reductions for payments	(81.6)
Changes for accruals issued during the current period	97.3
Changes for accruals related to preexisting warranties	(4.2)
Translation	7.6
Balance at December 31, 2003	\$ 170.1

*Includes \$15.0 million of reclassifications to properly state the opening balance for all product warranty liabilities.

Certain office and warehouse facilities, transportation vehicles and data processing equipment are leased. Total rental expense was \$78.1 million in 2003, \$81.8 million in 2002 and \$100.8 million in 2001. Minimum lease payments required under noncancellable operating leases with terms in excess of one year for the next five years and thereafter, are as follows: \$77.5 million in 2004, \$57.1 million in 2005, \$46.0 million in 2006, \$30.4 million in 2007, \$23.6 million in 2008 and \$22.8 million thereafter.

NOTE 9 - SALES OF RECEIVABLES

Prior to October 2003, the Company had agreements under which several of its operating subsidiaries sold a defined pool of trade accounts receivable to two wholly owned special-purpose subsidiaries of the Company. The subsidiaries were separate legal entities that held these receivables and sold undivided interests in such accounts receivable to financiers who, in turn, purchased and received ownership in those receivables. As collections reduced accounts receivable included in the pool, the operating subsidiaries sold new receivables to the special purpose subsidiaries. Any sales of receivables from the special purpose subsidiaries to the third-party financiers were without recourse and were treated as sales of receivables and not included in the Company's Consolidated Balance Sheet. The special-purpose subsidiaries had some risk of credit loss on the receivables and, accordingly, the appropriate allowance for doubtful accounts was retained in the Consolidated Balance Sheet. Increases under the program were reflected as operating activities in the Consolidated Statement of Cash Flows for 2002 and 2001. In October 2003, the Company discontinued the sale of receivables program and repurchased \$240 million in receivables, which decreased cash flows from operating activities in the Consolidated Statement of Cash Flows for 2003.

The maximum utilized at any time under the program was \$300 million and \$275 million at December 31, 2002 and 2001, respectively. During 2003, 2002 and 2001, such sales of receivables amounted to \$1,169.5 million, \$1,975.5 million and \$1,439.0 million, respectively. The proceeds of sale were less than the face amount of accounts receivable sold by an amount to issue commercial paper backed by these accounts receivable. The discount from the face amount was accounted for as a loss on the sale of receivables, which was included in other income (expense), net, in the Consolidated Statement of Income, and amounted to \$2.6 million, \$6.0 million and \$10.6 million in 2003, 2002 and 2001, respectively. The weighted-average discount rate was 1.1%, 2.2% and 4.7% during the years 2003, 2002 and 2001, respectively.

Receivables, excluding the designated pool of accounts and notes receivable, sold during 2003 and 2002 with recourse amounted to \$87.8 million and \$144.5 million, respectively. At December 31, 2003 and 2002, \$14.4 million and \$64.5 million, respectively, of such receivables sold remained uncollected and on the Consolidated Balance Sheet.

NOTE 10 - COMMON SHARES

Effective December 31, 2001, IR-Limited became the successor to IR-New Jersey, following a corporate reorganization. The reorganization was accomplished through a merger of a newly formed merger subsidiary into IR-New Jersey. Upon consummation of the merger the shares of IR-New Jersey common stock automatically became IR-Limited Class A common shares. As part of the reorganization, IR-New Jersey and certain of its subsidiaries, immediately prior to the merger transferred shares of certain IR-New Jersey subsidiaries and issued certain debt in exchange for which IR-Limited issued 135,250,003 Class B common shares. The Class B common shares are non-voting and will pay comparable dividends to the Class A common shares. The authorized share capital of IR-Limited is \$1,175,010,000, consisting of (1) 1,175,000,000 common shares, par value \$1.00 per share, which common shares consist of (a) 600,000,000 Class A common shares and (b) 575,000,000 Class B common shares, and (2) 10,000,000 preference shares, par value \$0.001 per share, which preference shares consist of 600,000 Series A preference shares and such other series of preference shares as may be designated from time to time with the respective rights and restrictions determined by the board of directors. Class A common shares (and associated preference share purchase rights) were issued to holders of IR-New

Jersey common stock in the merger. None of the preference shares were outstanding at December 31, 2003 or 2002.

Class A common shares issued were 168,003,884 at \$1.00 par value at December 31, 2001 compared to 171,466,627 common shares at \$2.00 par value at December 31, 2000. The decrease in the par value of common shares from, \$2.00 to \$1.00 was recorded as an increase to capital in excess of par value and a decrease in common stock on the Consolidated Statement of Shareholders' Equity.

At December 31, 2001, treasury shares outstanding of 12.2 million were retired due to the reorganization by reducing capital in excess of par by \$503.8 million and common stock by \$24.4 million.

The Company has adopted a shareholder rights plan to protect shareholders from attempts to acquire control of the Company at an inadequate price. The plan will expire on December 22, 2008, unless earlier redeemed or exchanged by the Company, as provided in the rights plan.

Annual dividends per common share were \$0.72, \$0.68, and \$0.68, for 2003, 2002, and 2001, respectively.

NOTE 11 - INCENTIVE STOCK PLANS

Under the Company's Incentive Stock Plans, key employees have been granted options to purchase Class A common shares at prices not less than the fair market value at the date of the grant. Options issued before December 31, 1998, became exercisable one year after the date of the grant and expire at the end of 10 years. Options issued after January 1, 1999, generally become exercisable ratably over a three-year period from their date of grant and expire at the end of 10 years. Some options granted to certain executives had additional vesting provisions that were contingent upon a future closing stock price maintained for a 90-day period. These vesting provisions have been met at December 31, 2003. The plans, approved by shareholders in 1990, 1995 and 1998, also authorize stock appreciation rights (SARs) and stock awards, which result in compensation expense.

The average fair values of the options granted during 2003, 2002 and 2001 were estimated at \$13.16, \$15.15, and \$14.60, respectively, on the date of grant, using the Black-Scholes option-pricing model, which included the following assumptions:

	2003	2002	2001
Dividend yield	1.75%	1.61%	1.65%
Volatility	39.83%	38.85%	37.59%
Risk-free interest rate	3.12%	4.69%	5.01%
Expected life	5 years	5 years	5 years

Changes in options outstanding under the plans were as follows:

	Shares subject to option	Option price range per share			Weighted- average exercise price
December 31, 2000	9,331,513	\$ 15.13	-	\$ 69.75	\$ 42.75
Granted	4,245,465	40.42	-	49.14	41.31
Exercised	(346,266)	15.13	-	42.31	27.52
Cancelled	(159,736)	33.67	-	53.03	49.40
December 31, 2001	13,070,976	\$ 20.67	-	\$ 69.75	\$ 42.77
Granted	2,045,685	36.84	-	50.35	42.28
Exercised	(1,111,264)	20.67	-	53.03	33.03
Cancelled	(582,346)	20.67	-	65.41	45.53
December 31, 2002	13,423,051	\$ 21.63	-	\$ 69.75	\$ 43.39
Granted	3,103,321	39.05	-	63.12	39.21
Exercised	(5,165,839)	21.63	-	53.03	40.56
Cancelled	(712,036)	39.05	-	65.41	43.65
December 31, 2003	10,648,497	\$ 24.08	-	\$ 69.75	\$ 43.54

At December 31, 2003, there were 875,946 SARs outstanding with no stock options attached. The Company has reserved 4,126,888 shares for future incentive stock awards at December 31, 2003.

The following table summarizes information concerning currently outstanding and exercisable options:

Range of exercise price	Options outstanding			Options exercisable	
	Number outstanding at 12/31/03	Weighted- average remaining life	Weighted- average exercise price	Number exercisable at 12/31/03	Weighted- average exercise price
\$ 21.63 - \$ 38.91	374,501	2.5	\$ 32.00	363,833	\$ 31.86
39.05 - 39.05	2,775,671	8.8	39.05	15,010	39.05
40.42 - 40.53	1,798,830	6.2	40.53	971,434	40.53
40.62 - 41.28	194,793	5.7	40.79	115,983	40.82
41.81 - 41.81	1,422,904	7.6	41.81	366,640	41.81
42.03 - 42.99	588,984	3.5	42.39	539,066	42.35
43.79 - 48.98	636,211	6.7	45.89	528,912	45.77
49.09 - 52.51	1,288,196	4.7	49.62	1,018,155	49.30
53.03 - 53.03	1,386,157	5.0	53.03	1,386,157	53.03
53.63 - 69.75	182,250	4.9	62.06	179,250	62.04
\$ 21.63 - \$ 69.75	10,648,497	6.4	\$ 43.54	5,484,440	\$ 46.22

The weighted-average number of shares exercisable and the weighted-average exercise prices were 8,307,597 shares at a price of \$43.28 for December 31, 2002, and 7,066,243 shares at a price of \$40.83 for December 31, 2001.

The Company also maintains a shareholder-approved Management Incentive Unit Award Plan. Under the plan, participating executives are awarded incentive units. When dividends are paid on Class A common shares, dividends are awarded to unit holders, one-half of which is paid in cash, the remaining half of which is credited to the participant's account in the form of so-called Class A common share equivalents. The fair value of accumulated common share equivalents is paid in cash upon the participant's retirement. The number of common share equivalents credited to participants' accounts at December 31, 2003 and 2002, are 243,917 and 296,388, respectively.

NOTE 12 - INCOME TAXES

Earnings before income taxes for the years ended December 31, were taxed within the following jurisdictions:

<i>In millions</i>	2003	2002	2001
United States	\$ (17.4)	\$(159.0)	\$ (26.6)
Non-U.S.	705.1	542.1	156.6
Total	\$ 687.7	\$ 383.1	\$ 130.0

The provision for income taxes was as follows:

<i>In millions</i>	2003	2002	2001
Current tax expense (benefit):			
United States	\$ 51.0	\$(90.9)	\$ (60.0)
Non-U.S.	64.0	39.0	38.9
Total current	115.0	(51.9)	(21.1)
Deferred tax expense (benefit):			
United States	(18.9)	65.6	\$ (23.3)
Non-U.S.	(1.9)	3.8	(5.6)
Total deferred	(20.8)	69.4	(28.9)
Total provision (benefit) for income taxes	\$ 94.2	\$ 17.5	\$ (50.0)

The provision for income taxes differs from the amount of income taxes determined by applying the applicable U.S. statutory income tax rate to pretax income, as a result of the following differences:

	Percent of pretax income		
	2003	2002	2001
Statutory U.S. rate	35.0 %	35.0 %	35.0 %
Increase (decrease) in rates resulting from:			
Amortization of goodwill	-	-	19.7
Non-U.S. operations	(21.1)	(22.9)	(62.0)
Extraterritorial income / foreign sales corporation	(2.8)	(3.6)	(17.6)
State and local income taxes, net of U.S. tax	0.4	0.1	(9.2)
Puerto Rico - Sec 936 Credit	(1.7)	(3.3)	(11.3)
Other	3.9	(0.7)	6.9
Effective tax rate	13.7 %	4.6 %	(38.5) %

At December 31, 2003, a summary of the deferred tax accounts, (including reclassifications in 2003 from current taxes payable), follows:

<i>In millions</i>	2003	2002	2001
Current deferred assets and (liabilities)			
Difference between book and tax bases of inventories and receivables	\$ 33.5	\$ 30.9	\$ 27.1
Difference between book and tax expense for other employee related benefits and allowances	122.6	58.8	66.2
Other reserves and valuation allowances in excess of tax deductions	122.4	34.5	69.5
Other differences between tax and financial statement values	(18.5)	51.0	10.7
Gross current deferred net tax assets	260.0	175.2	173.5

Noncurrent deferred assets and (liabilities)			
Postretirement and postemployment benefits			
other than pensions in excess of tax deductions	295.8	258.9	276.6
Tax benefit of operating losses and credit carryforwards	309.7	101.1	118.5
Other reserves in excess of tax expense	49.9	25.6	33.1
Tax depreciation / amortization in excess of book depreciation / amortization	(353.3)	(308.0)	(492.3)
Pension contributions in excess of book expense	125.6	134.1	(48.0)
Taxes provided by undistributed accumulated subsidiary earnings	(5.8)	(5.8)	(5.8)
Gross noncurrent deferred net tax assets and (liabilities)	421.9	205.9	(117.9)
Less: deferred tax valuation allowances	(56.7)	(50.4)	(60.8)
Total net deferred tax assets	\$ 625.2	\$ 330.7	\$ (5.2)

Included in "Accrued expenses and other current liabilities" on the Consolidated Balance Sheet at December 31, 2003, is \$206.1 million of income tax liability.

As of December 31, 2003, net operating loss carryforwards of approximately \$1.03 billion are available to offset taxable income in future years. A portion of these carryforwards will begin to expire in 2022, while the remainder generally have unlimited carryforward periods. The net operating loss carryforwards were incurred in various jurisdictions, predominately the United States, the United Kingdom and Switzerland. A valuation allowance of \$56.7 million has been recorded for certain non-U.S. carryforwards, which will likely not be realized. Approximately \$11 million of the net operating loss carryforwards were acquired in business combinations transactions and any tax benefit, when realized, will reduce goodwill rather than the income tax provision.

At December 31, 2003, a total of \$5.8 million and \$7.5 million of noncurrent deferred taxes and current deferred taxes, respectively, has been provided for a portion of the undistributed earnings of the Company's subsidiaries. Deferred taxes have not been provided on the remainder of the undistributed earnings of \$3.612 billion since these earnings have been, and under current plans, will continue to be permanently reinvested in these subsidiaries and it is not practicable to estimate the amount of additional taxes which may be payable upon distribution. At December 31, 2002, the Company had provided \$5.8 million of tax for the undistributed earnings of its subsidiaries. During 2001, the Company determined that it no longer required deferred taxes of \$16.7 million, which had been recorded with respect to such earnings in prior years and accordingly reduced the deferred tax liability and recorded a current tax benefit for such amount.

In 2001, the Company's U.S. affiliates sold assets to non-U.S. affiliates, which generated Foreign Source Income for U.S. tax purposes. The Foreign Source Income enabled the Company to utilize the Foreign Tax Credits of \$44.8 million generated in 2001 and prior periods, which would not have been realizable pursuant to SFAS 109 under the Company's structure prior to the reincorporation. Pursuant to SFAS 109, the tax expense attributable to the income from the intercompany sale of the assets is treated as a deferred tax charge which is being amortized to tax expense over the life of the assets acquired by the non-U.S. affiliates. In addition, the tax benefit of the U.K. net operating loss, generated in prior years, was not realizable under the Company's previous structure because any U.K. tax benefit would have been offset by a corresponding U.S. tax. In 2001, the U.K. company was reorganized in a manner which allows the Company to realize the \$15 million of tax benefits without such U.S. tax offset.

NOTE 13 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company sponsors several postretirement plans that cover certain eligible employees. These plans provide for health care benefits, and in some instances, life insurance benefits. Postretirement health plans generally are contributory and contributions are adjusted annually. Life insurance plans for retirees are primarily noncontributory. The Company funds the postretirement benefit costs principally on a pay-as-you-go basis. Approximately \$60 million of accrued costs in the balance sheet for 2002 are included in "Liabilities held for sale."

Summary information on the Company's plans at December 31, was as follows:

<i>In millions</i>	2003	2002
Change in benefit obligations:		
Benefit obligation at beginning of year	\$ 977.8	\$ 913.6
Service cost	10.1	9.9
Interest cost	60.4	62.8
Plan participants' contributions	7.7	6.9
Amendments	(9.3)	(47.5)
Actuarial losses	123.1	113.1
Benefits paid	(78.0)	(71.6)
Curtailment and special termination benefits	(74.5)	(8.5)
Other	2.4	(0.9)
Benefit obligation at end of year	\$ 1,019.7	\$ 977.8
Funded status:		
Plan assets less than benefit obligations	\$ (1,019.7)	\$(977.8)
Unrecognized:		
Prior service gains	(58.6)	(84.6)
Plan net losses (gains)	344.1	234.1
Accrued costs in the balance sheet	\$ (734.2)	\$(828.3)

The components of net periodic postretirement benefits cost for the years ended December 31, were as follows:

<i>In millions</i>	2003	2002	2001
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Service cost	\$ 10.1	\$ 9.9	\$ 9.9
Interest cost	60.4	62.8	56.1
Net amortization and deferral losses (gains)	6.6	(0.3)	(4.5)
Net periodic postretirement benefit costs	77.1	72.4	61.5
Curtailment gains	(6.9)	(3.0)	-
Net postretirement benefit cost	\$ 70.2	\$ 69.4	\$ 61.5

The Company uses an annual measurement date of November 30 for substantially all of its postretirement benefit plans for all years presented. The sale of Engineered Solutions in February 2003 was deemed to be a significant event and required a remeasurement of the postretirement benefit plan. The weighted-average assumptions used in the February 2003 remeasurement due to the sale were a discount rate of 6.50% and increases in per capita cost of covered health care benefits of 11.00% for the year, gradually reducing to 5.25% by 2009. In the fourth quarter of 2002, the Company amended its postretirement benefit plans for U.S. non-bargaining employees and retirees, effective January 1, 2003. The amendments eliminated subsidized life insurance for all future retirees. The amendments also eliminated subsidized postretirement health care benefits for all new hires, as well as all active employees who did not meet certain eligibility requirements as of January 1, 2003. When eligible employees retire from the Company between ages 55 and 65, they receive, at a cost to the retiree, certain health care benefits similar to those available to active employees. After attaining age 65, an eligible retiree's health care benefit coverage becomes coordinated with Medicare. The Company also amended the amount it will subsidize for postretirement health care benefits to a flat dollar cap with cost escalation equally shared between the Company and the retiree. When the cap is reached, the retiree becomes responsible for all additional cost escalation. The weighted-average assumptions used in the fourth quarter of 2002 remeasurement due to plan amendments were a discount rate of 6.75% and increases in per capita cost of covered health care benefits of 11.00% for the year, gradually reducing to 5.25% by 2009.

Assumptions:	2003	2002	2001
Weighted-average discount rate assumption used to determine:			
Benefit obligations at December 31	6.00%	6.75%	7.25%
Net periodic benefit cost for the periods ended February 15, 2003* and October 2002*	6.75%	7.25%	-
Net periodic benefit cost for the remaining period ended December 31	6.50%	6.75%	7.75%
Assumed health care cost trend rates at December 31:			
Current year medical inflation	11.00%	11.00%	11.00%
Ultimate inflation rate	5.25%	5.25%	5.25%
Year that the rate reaches the ultimate trend rate	2010	2009	2008

* Interim measurement dates

A 1% change in the medical trend rate assumed for postretirement benefits would have the following effects at December 31, 2003:

<i>In millions</i>	1% Increase	1% Decrease
Effect on total of service and interest cost components	\$ 4.0	\$ 3.4
Effect on postretirement benefit obligation	57.6	47.8

Benefit payments for postretirement benefits, which reflect future service, as appropriate, are expected to be paid as follows: \$73.7 million in 2004, \$76.6 million in 2005, \$78.2 million in 2006, \$79.4 million in 2007, \$78.9 million in 2008 and \$387.4 million for the years 2009 to 2013.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act was signed into law. In early January 2004, the FASB released FASB Staff Position No. 106-1 entitled, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The Company's measurement date for the postretirement benefit plans is November 30 and therefore the net periodic postretirement benefit costs for the period that includes the Act's effective date would be the first quarter of 2004. The Company is analyzing its possible consequences to determine the impact of this legislation on its postretirement benefit plans.

NOTE 14 - PENSION PLANS

The Company has noncontributory pension plans covering substantially all U.S. employees. In addition, certain non-U.S. employees in other countries are covered by pension plans. In the fourth quarter of 2002, the Company amended its U.S. pension plans for all non-collectively bargained employees effective January 1, 2003. Prior to January 1, 2003, the Company's U.S. salaried plans principally provided benefits based on a career-average earnings formula and the Company's hourly pension plans provided benefits under flat benefit formulas. Effective January 1, 2003, the Company's pension plans for U.S. non-collectively bargained employees provided benefits on a more modest final average pay formula. The Company's U.S. collectively bargained pension plans will continue to principally provide benefits based on a flat benefit formula. Non-U.S. plans provide benefits based on earnings and years of service. In addition, the Company maintains other supplemental benefit plans for officers and other key employees.

Information regarding the Company's pension plans at December 31, was as follows:

<i>In millions</i>	2003	2002
Change in benefit obligations:		
Benefit obligation at beginning of year	\$ 2,766.8	\$ 2,495.5
Service cost	45.4	49.1
Interest cost	174.8	172.8
Employee contributions	3.7	4.6
Amendments	19.1	38.9
Acquisitions	-	11.8
Expenses paid	(1.6)	(3.5)
Actuarial losses	229.4	145.5
Benefits paid	(189.1)	(209.9)
Foreign exchange impact	78.0	61.9
Curtailments and other	(46.4)	0.1
Benefit obligation at end of year	\$ 3,080.1	\$ 2,766.8

Change in plan assets:		
Fair value at beginning of year	\$ 2,229.7	\$ 2,509.8
Actual return on assets	309.3	(179.5)
Company contributions	232.8	51.7
Employee contributions	3.6	4.6
Acquisitions	-	8.2
Expenses paid	(1.6)	(3.5)
Benefits paid	(186.0)	(206.4)
Foreign exchange impact	56.6	44.8
Other	(6.5)	-
Fair value of assets end of year	\$ 2,637.9	\$ 2,229.7

<i>In millions</i>	2003	2002
Funded status:		
Plan assets in excess of benefit obligations	\$(442.2)	\$(537.1)
Unrecognized:		
Net transition asset	4.9	5.6
Prior service costs	71.1	86.8
Plan net losses (gains)	686.6	607.5
Net amount recognized	\$ 320.4	\$ 162.8

Costs included in the balance sheet:		
Prepaid expenses	\$ 6.5	\$ 6.8
Accrued current and non-current liabilities	(296.9)	(381.8)
Other assets (pension intangible)	51.7	71.9
Accumulated other comprehensive income	559.1	492.5
Assets held for sale	-	0.8
Liabilities held for sale	-	(27.4)
Net amount recognized	\$ 320.4	\$ 162.8

Weighted-average assumptions used:

Benefit obligations at December 31	2003	2002
Discount rate:		
U.S. plans	6.00%	6.75%
Non-U.S. plans	5.75%	5.75%
Rate of compensation increase:		
U.S. plans	4.00%	4.00%
Non-U.S. plans	3.75%	3.00%

The accumulated benefit obligation for all defined benefit pension plans was \$2,936.8 million and \$2,640.6 million at December 31, 2003 and 2002, respectively.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations more than plan assets were \$2,995.6 million, \$2,867.6 million and \$2,562.9 million, respectively, as of December 31, 2003, and \$2,726.1 million, \$2,609.4 million and \$2,194.4 million, respectively, as of December 31, 2002.

The components of the Company's pension related costs for the years ended December 31, include the following:

<i>In millions</i>	2003	2002	2001
Service cost	\$ 45.4	\$ 49.1	\$ 47.0
Interest cost	174.8	172.8	170.6
Expected return on plan assets	(179.0)	(209.5)	(226.7)
Net amortization of unrecognized:			
Prior service costs	8.9	6.8	6.0
Transition amount	0.9	0.4	0.2
Plan net losses (gains)	32.0	7.8	(4.6)
Net pension cost (income)	83.0	27.4	(7.5)
Curtailment (gains) losses	(10.1)	9.3	11.2

Net pension cost after curtailments/settlements	\$ 72.9	\$ 36.7	\$ 3.7
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The curtailment and settlement gains in 2003 are associated primarily with the sale of Engineered Solutions. The curtailment and settlement losses in 2002 and 2001 related to plant closures or reductions in the workforce associated with the Company's restructuring program.

The Company uses an annual measurement date of November 30 for substantially all of its pension plans for the years presented. The sale of Engineered Solutions in February 2003 was a significant event. The Engineered Solutions employees participated in the largest most significant U.S. pension plan and a remeasurement of that pension plan was required as of the date of sale. In the fourth quarter of 2002, the Company amended its U.S. pension plans for all non-collectively bargained employees, which also caused a remeasurement of certain significant pension plans.

Weighted-average assumption used:

Net periodic pension cost for the year ended December 31,	2003	2002	2001
Discount rate:			
U.S. plans*	6.50%	7.25%	7.75%
Non-U.S. plans	5.75%	6.00%	6.00%
Rate of compensation increase:			
U.S. plans	4.00%	5.00%	5.50%
Non-U.S. plans	3.00%	3.50%	3.50%
Expected return on plan assets:			
U.S. plans	8.75%	9.00%	9.00%
Non-U.S. plans	7.50%	7.75%	7.75%

*Prior to the remeasurement date of February 15, 2003, the discount rate used was 6.75%. The rate for the smaller U.S. plans not requiring remeasurement during the year was 6.75% for all of 2003. There was no change to the rate of compensation increase and the expected return on plan assets upon remeasurement. In addition, a remeasurement due to U.S. pension plan amendments during the fourth quarter of 2002 used updated assumptions of a 6.75% discount rate, and a 4.00% rate of compensation increase.

The expected long-term rates of return on plan assets are determined as of the measurement date. The expected long-term rates of return are projected to be the rates of return to be earned over the period until the benefits are paid. Accordingly, the long-term rates of return should reflect the rates of return on present investments, expected contributions to be received during the current year and on reinvestments over the period. The rates of return utilized reflect the expected rates of return during the periods for which the payment of benefits is deferred. The expected long-term rate of return on plan assets used is based on what is realistically achievable based on the types of assets held by the plans and the plans' investment policy. Historical asset return trends for the larger plans are reviewed over fifteen, ten and five years. The actual rate of return for plan assets over the last ten-and fifteen-year periods have exceeded the expected rate of return used. The Company reviews each plan and its historical returns and asset allocations to determine the appropriate expected long-term rate of return on plan assets to be used. At the end of 2002, the Company believed that it needed to revise its long-term expectations based upon the market performance experienced in 2001 and 2002.

The Company's pension plans weighted-average asset allocations at December 31, 2002 and 2003, by asset category are as follows:

Asset category	2003	2002
Equity securities	61.6%	57.7%
Debt securities	27.3%	33.6%
Real estate	0.3%	0.3%
Other (including cash)	10.8%	8.4%
Total	100.0%	100.0%

The Company's investment objectives in managing its defined benefit plan assets are to ensure that present and future benefit obligations to all participants and beneficiaries are met as they become due; to provide a total return that, over the long term, maximizes the ratio of the plan assets to liabilities, while minimizing the present value of required company contributions, at the appropriate levels of risk; and meet any statutory requirements, laws and local regulatory agencies requirements. Key investment decisions reviewed regularly are asset allocations, investment manager structure, investment managers, investment advisors and trustees or custodians. An asset/liability modeling (ALM) study is used as the basis for global asset allocation decisions and updated approximately every five years or as required. The Company's current strategic global asset allocation for its pension plans is 60% in equity securities and 40% in debt securities and cash. The Company sets upper limits and lower limits of plus or minus 5%. The asset allocations are reviewed quarterly and the rebalancing strategy is triggered quarterly if cash flows are not sufficient to rebalance the plans and appropriate action is taken to bring the plans within the strategic allocation ranges.

The Company contributed an additional discretionary \$200 million to its pension plans in 2003. The Company currently projects that it will contribute approximately \$65 million to its plans worldwide in 2004. The Company's policy is to fund an amount, which could be in excess of the pension cost expensed, subject to the limitations imposed by current tax regulations. While the Company anticipates funding the plans in 2004 in accordance with contributions required by funding regulations or the laws, most of the non-U.S. plans require employee contributions based on the employees' earnings.

Pension benefit payments, which reflect future service, as appropriate, are expected to be paid as follows: \$193.8 million in 2004, \$181.2 million in 2005, \$181.4 million in 2006, \$183.9 million in 2007, \$187.3 million in 2008 and \$967.0 million for the years 2009 to 2013.

Most of the Company's U.S. employees are covered by savings and other defined contribution plans. Employer contributions and costs are determined based on criteria specific to the individual plans and amounted to approximately \$51.8 million, \$47.7 million and \$44.0 million in 2003, 2002 and 2001, respectively. The Company's costs relating to non-U.S. defined contribution plans, insured plans and other non-U.S. benefit plans were \$9.3 million, \$5.3 million and \$6.5 million in 2003, 2002 and 2001, respectively.

NOTE 15 - BUSINESS SEGMENT INFORMATION

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the operating segments' results are prepared on a management basis that is consistent with the manner in which the Company disaggregates financial information for internal review and decision making. The Company evaluates performance based on operating income and operating income contribution rates. Intercompany sales between segments are considered immaterial. A description of the Company's reportable segments is as follows:

Climate Control is engaged in the design, manufacture, sale and service of transport temperature control units, HVAC systems, refrigerated display merchandisers, beverage coolers, and walk-in storage coolers and freezers. The Segment includes Thermo King and Hussmann.

Industrial Solutions is composed of a group of businesses focused on providing solutions for customers to enhance industrial efficiency. Industrial Solutions previously included Waterjet, which due to its sale (see Note 3) is presented as a discontinued operation. Industrial Solutions currently consists of the following:

- Air and Productivity Solutions is engaged in the design, manufacture, sale and service of air compressors, fluid products, microturbines, and industrial tools. It is comprised of Air Solutions and Productivity Solutions, and has been aggregated based primarily on the nature of products and

services, and the nature of their production processes.

- Dresser-Rand is engaged in the design, manufacture, sale and service of gas compressors, gas and steam turbines, and generators.

Infrastructure is engaged in the design, manufacture, sale and service of skid-steer loaders, mini-excavators, electric and gasoline powered golf and utility vehicles, portable compressors and light towers, road construction and repair equipment, and a broad line of drills and drill accessories. It is comprised of Bobcat, Club Car, Portable Power, Road Development, and Specialty Equipment.

Security and Safety is engaged in the design, manufacture, sale and service of locks, door closers, exit devices, door control hardware, doors and frames, decorative hardware, and electronic and biometric access control systems. Security and Safety previously included Laidlaw, which due to its sale (see Note 3) is presented as a discontinued operation.

A summary of operations by reportable segments for the years ended December 31, were as follows:

<i>Dollar amounts in millions</i>	2003	2002	2001
Climate Control			
Revenues	\$ 2,648.9	\$ 2,466.4	\$ 2,438.2
Operating income	219.1	137.0	21.7
Operating income as a percentage of sales	8.3%	5.6%	0.9%
Depreciation and amortization	57.0	60.9	148.5
Industrial Solutions			
<i>Air and Productivity Solutions</i>			
Revenues	1,363.6	1,279.0	1,275.9
Operating income	104.1	67.9	46.8
Operating income as a percentage of sales	7.6%	5.3%	3.7%
Depreciation and amortization	23.4	22.3	27.8
<i>Dresser-Rand</i>			
Revenues	1,333.9	1,024.4	881.3
Operating income	43.4	33.2	21.4
Operating income as a percentage of sales	3.3%	3.2%	2.4%
Depreciation and amortization	21.2	37.0	33.6
Total Industrial Solutions			
Revenues	2,697.5	2,303.4	2,157.2
Operating income	147.5	101.1	68.2
Operating income as a percentage of sales	5.5%	4.4%	3.2%
Depreciation and amortization	44.6	59.3	61.4
Infrastructure			
Revenues	2,924.8	2,651.1	2,570.3
Operating income	317.3	238.7	219.7
Operating income as a percentage of sales	10.8%	9.0%	8.5%
Depreciation and amortization	45.3	43.3	66.1
Security and Safety			
Revenues	1,605.0	1,470.1	1,376.3
Operating income	316.6	275.8	232.6
Operating income as a percentage of sales	19.7%	18.8%	16.9%
Depreciation and amortization	22.9	22.4	27.5
<hr/>			
Total revenues	\$ 9,876.2	\$ 8,891.0	\$ 8,542.0
<hr/>			
Operating income from reportable segments	1,000.5	752.6	542.2
Unallocated corporate expense	(130.4)	(114.0)	(122.8)
<hr/>			
Total operating income	\$ 870.1	\$ 638.6	\$ 419.4
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Total operating income as a percentage of sales	8.8%	7.2%	4.9%
<hr/>			
Depreciation and amortization from reportable segments	169.8	185.9	303.5
Unallocated depreciation and amortization	24.2	19.4	12.6
<hr/>			
Total depreciation and amortization	\$ 194.0	\$ 205.3	\$ 316.1
<hr/>			

Revenues by destination and long-lived assets by geographic area for the years ended December 31 were as follows:

<i>In millions</i>	2003	2002	2001
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Revenues			
United States	\$ 5,698.5	\$ 5,344.5	\$ 5,277.9
Non-U.S.	4,177.7	3,546.5	3,264.1
Total	\$ 9,876.2	\$ 8,891.0	\$ 8,542.0

<i>In millions</i>	2003	2002
--------------------	------	------

Long-lived assets

United States	\$ 1,199.3	\$ 1,282.5
Non-U.S.	383.3	268.8
Total	\$ 1,582.6	\$ 1,551.3

NOTE 16 - IR-NEW JERSEY

As part of the reorganization IR-Limited guaranteed all of the issued public debt securities of IR-New Jersey. The subsidiary issuer, IR-New Jersey, is 100% owned by the parent, IR-Limited, the guarantees are full and unconditional, and no other subsidiary of the Company guarantees the securities. The following condensed consolidated financial information for IR-Limited, IR-New Jersey, and all their other subsidiaries is included so that separate financial statements of IR-New Jersey are not required to be filed with the U.S. Securities and Exchange Commission.

As part of the reorganization of December 31, 2001, IR-Limited issued Class B common shares to IR-New Jersey in exchange for a \$3.6 billion note and shares of certain IR-New Jersey subsidiaries. The note, which is due in 2011, has a fixed rate of interest of 11 percent per annum payable semi-annually and imposes certain restrictive covenants upon IR-New Jersey. The Class B common shares are non-voting and pay dividends comparable to the Class A common shares. In 2002, IR-Limited contributed the note to a wholly owned subsidiary, which subsequently transferred portions of the note to several other subsidiaries all of which are included in the Other Subsidiaries below. Accordingly, the subsidiaries of IR-Limited remain creditors of IR-New Jersey.

The condensed consolidating financial statements present IR-Limited and IR-New Jersey investments in their subsidiaries using the equity method of accounting. Intercompany investments in the non-voting Class B common shares are accounted for on the cost method and are reduced by intercompany dividends. In accordance with generally accepted accounting principles the amounts related to the issuance of the Class B shares have been presented as contra accounts in Shareholders' Equity since the Class B issuance on December 31, 2001. Balance sheet amounts previously presented as of December 31, 2001 have been reclassified to conform with this presentation. The notes payable continue to be reflected as a liability on the balance sheet of IR-New Jersey and are enforceable in accordance with their terms.

Condensed Consolidating Income Statement

For the year ended December 31, 2003

<i>In millions</i>	IR-Limited	IR-New Jersey	Other Subsidiaries	Consolidating Adjustments	IR-Limited Consolidated
Net revenues	\$ -	\$ 1,266.9	\$ 8,609.3	\$ -	\$ 9,876.2
Cost of goods sold	-	999.2	6,471.8	-	7,471.0
Selling and administrative expenses	-	304.1	1,234.2	-	1,538.3
Restructuring reversals	-	-	(3.2)	-	(3.2)
Operating (loss) income	-	(36.4)	906.5	-	870.1
Equity earnings in affiliates (net of tax)	653.1	1,058.3	(122.3)	(1,589.1)	-
Interest expense	-	(141.6)	(34.9)	-	(176.5)
Intercompany interest and fees	(5.9)	(442.1)	448.0	-	-
Other income (expense), net	(2.7)	(759.8)	756.6	-	(5.9)
Earnings (loss) before income taxes	644.5	(321.6)	1,953.9	(1,589.1)	687.7
(Benefit) provision for income taxes	-	(219.2)	313.4	-	94.2
Earnings (loss) from continuing operations	644.5	(102.4)	1,640.5	(1,589.1)	593.5
Discontinued operations, net of tax	-	(19.8)	70.8	-	51.0
Net earnings (loss)	\$ 644.5	\$ (122.2)	\$ 1,711.3	\$ (1,589.1)	\$ 644.5

Condensed Consolidating Income Statement

For the year ended December 31, 2002

<i>In millions</i>	IR-Limited	IR-New Jersey	Other Subsidiaries	Consolidating Adjustments	IR-Limited Consolidated
Net revenues	\$ -	\$ 1,248.3	\$ 7,642.7	\$ -	\$ 8,891.0
Cost of goods sold	(0.3)	962.5	5,824.4	-	6,786.6
Selling and administrative expenses	-	275.3	1,148.6	-	1,423.9
Restructuring charges	-	16.9	25.0	-	41.9
Operating income (loss)	0.3	(6.4)	644.7	-	638.6
Equity earnings in affiliates (net of tax) before the cumulative effect of change in accounting principle	363.2	347.7	(39.2)	(671.7)	-
Interest expense	-	(186.6)	(43.7)	-	(230.3)
Intercompany interest and fees	97.3	(365.6)	268.3	-	-
Other income (expense), net	0.2	(38.2)	12.8	-	(25.2)
Earnings (loss) before income taxes	461.0	(249.1)	842.9	(671.7)	383.1
(Benefit) provision for income taxes	-	(224.7)	242.2	-	17.5
Earnings (loss) from continuing operations	461.0	(24.4)	600.7	(671.7)	365.6
Discontinued operations, net of tax	-	(14.8)	110.2	-	95.4

Earnings (loss) before cumulative effect of change in accounting principle	461.0	(39.2)	710.9	(671.7)	461.0
Cumulative effect of change in accounting principle, net of tax	(634.5)	(634.5)	(634.5)	1,269.0	(634.5)
Net (loss) earnings	\$ (173.5)	\$ (673.7)	\$ 76.4	\$ 597.3	\$ (173.5)

Condensed Consolidating Income Statement

For the year ended December 31, 2001

<i>In millions</i>	IR-Limited	IR-New Jersey	Other Subsidiaries	Consolidating Adjustments	IR-Limited Consolidated
Net revenues	\$ -	\$ 1,200.0	\$ 7,342.0	\$ -	\$ 8,542.0
Cost of goods sold	-	892.5	5,802.0	-	6,694.5
Selling and administrative expenses	-	248.9	1,105.5	-	1,354.4
Restructuring charges	-	25.5	48.2	-	73.7
Operating income	-	33.1	386.3	-	419.4
Equity earnings in affiliates (net of tax)	-	342.8	-	(342.8)	-
Interest expense	-	(203.0)	(46.3)	-	(249.3)
Intercompany interest and fees	-	(17.6)	17.6	-	-
Other income (expense), net	-	(81.4)	41.3	-	(40.1)
Earnings (loss) before income taxes	-	73.9	398.9	(342.8)	130.0
(Benefit) provision for income taxes	-	(178.2)	128.2	-	(50.0)
Earnings (loss) from continuing operations	-	252.1	270.7	(342.8)	180.0
Discontinued operations, net of tax	-	(5.9)	72.1	-	66.2
Net earnings (loss)	\$ -	\$ 246.2	\$ 342.8	\$(342.8)	\$ 246.2

Condensed Consolidating Balance Sheet

December 31, 2003

<i>In millions</i>	IR-Limited	IR-New Jersey	Other Subsidiaries	Consolidating Adjustments	IR-Limited Consolidated
Current assets:					
Cash and cash equivalents	\$ 160.5	\$ 104.1	\$ 193.1	\$ -	\$ 457.7
Marketable securities	-	-	1.9	-	1.9
Accounts and notes receivable, net	3.4	245.0	1,464.4	-	1,712.8
Inventories, net	-	122.3	886.8	-	1,009.1
Prepaid expenses and deferred income taxes	0.2	132.3	224.6	-	357.1
Assets held for sale	-	-	-	-	-
Accounts and notes receivable affiliates	(0.4)	-	9,062.5	(9,062.1)	-
Total current assets	163.7	603.7	11,833.3	(9,062.1)	3,538.6
Investment in affiliates	4,777.2	9,917.3	15,651.2	(30,345.7)	-
Property, plant and equipment, net	-	259.3	953.8	-	1,213.1
Intangible assets, net	-	160.6	4,910.3	-	5,070.9
Other assets	-	105.2	737.1	-	842.3
Total assets	\$ 4,940.9	\$ 11,046.1	\$ 34,085.7	\$ (39,407.8)	\$ 10,664.9
Current liabilities:					
Accounts payable and accruals	\$ 4.3	\$ (11.1)	\$ 2,259.1	\$ -	\$ 2,252.3
Loans payable	-	713.2	87.5	-	800.7
Liabilities held for sale	-	-	-	-	-
Accounts and note payable affiliates	443.3	774.7	7,844.1	(9,062.1)	-
Total current liabilities	447.6	1,476.8	10,190.7	(9,062.1)	3,053.0
Long-term debt	-	1,290.3	228.3	-	1,518.6
Note payable affiliate	-	3,647.4	-	(3,647.4)	-
Other noncurrent liabilities	-	207.9	1,392.1	-	1,600.0
Total liabilities	447.6	6,622.4	11,811.1	(12,709.5)	6,171.6
Shareholders' equity:					
Class A common shares	174.5	-	-	-	174.5
Class B common shares	135.3	-	-	(135.3)	-
Common shares	-	-	2,362.8	(2,362.8)	-
Other shareholders' equity	9,221.8	5,304.9	24,454.6	(34,392.0)	4,589.3
Accumulated other comprehensive income					

(loss)	50.9	(410.2)	75.4	13.4	(270.5)
	9,582.5	4,894.7	26,892.8	(36,876.7)	4,493.3
Less: Contra account	(5,089.2)	(471.0)	(4,618.2)	10,178.4	-
Total shareholders' equity	4,493.3	4,423.7	22,274.6	(26,698.3)	4,493.3
Total liabilities and equity	\$ 4,940.9	\$ 11,046.1	\$ 34,085.7	\$ (39,407.8)	\$ 10,664.9

Condensed Consolidating Balance Sheet

December 31, 2002

<i>In millions</i>	IR-Limited	IR-New Jersey	Other Subsidiaries	Consolidating Adjustments	IR-Limited Consolidated
Current assets:					
Cash and cash equivalents	\$ -	\$ 209.0	\$ 133.2	\$ -	\$ 342.2
Marketable securities	-	-	1.8	-	1.8
Accounts and notes receivable, net	-	113.6	1,279.2	-	1,392.8
Inventories, net	-	136.1	1,045.2	-	1,181.3
Prepaid expenses and deferred income taxes	-	55.2	324.0	-	379.2
Assets held for sale	-	1.4	819.4	-	820.8
Accounts and notes receivable affiliates	1.3	-	10,554.3	(10,555.6)	-
Total current assets	1.3	515.3	14,157.1	(10,555.6)	4,118.1
Investment in affiliates	3,768.6	12,239.1	3,313.6	(19,321.3)	-
Property, plant and equipment, net	-	265.0	1,011.3	-	1,276.3
Intangible assets, net	-	173.3	4,721.6	-	4,894.9
Other assets	0.1	(37.8)	558.0	-	520.3
Total assets	\$ 3,770.0	\$ 13,154.9	\$ 23,761.6	\$ (29,876.9)	\$ 10,809.6
Current liabilities:					
Accounts payable and accruals	\$ -	\$ 104.3	\$ 2,234.9	\$ -	\$ 2,339.2
Loans payable	-	1,073.2	82.3	-	1,155.5
Liabilities held for sale	-	-	303.4	-	303.4
Accounts and note payable affiliates	291.8	3,236.7	7,027.1	(10,555.6)	-
Total current liabilities	291.8	4,414.2	9,647.7	(10,555.6)	3,798.1
Long-term debt	-	1,854.8	237.3	-	2,092.1
Note payable affiliate	-	3,647.4	-	(3,647.4)	-
Other noncurrent liabilities	-	95.6	1,345.6	-	1,441.2
Total liabilities	291.8	10,012.0	11,230.6	(14,203.0)	7,331.4
Shareholders' equity:					
Class A common shares	169.2	-	-	-	169.2
Class B common shares	135.3	-	-	(135.3)	-
Common shares	-	-	2,362.8	(2,362.8)	-
Other shareholders' equity	8,551.7	4,040.8	15,034.2	(23,804.6)	3,822.1
Accumulated other comprehensive (loss) income	(191.6)	(418.9)	(158.6)	256.0	(513.1)
	8,664.6	3,621.9	17,238.4	(26,046.7)	3,478.2
Less: Contra account	(5,186.4)	(479.0)	(4,707.4)	10,372.8	-
Total shareholders' equity	3,478.2	3,142.9	12,531.0	(15,673.9)	3,478.2
Total liabilities and equity	\$ 3,770.0	\$ 13,154.9	\$ 23,761.6	\$ (29,876.9)	\$ 10,809.6

Condensed Consolidating Statement of Cash Flows

For the year ended December 31, 2003

<i>In millions</i>	IR-Limited	IR-New Jersey	Other Subsidiaries	IR-Limited Consolidated
Net cash provided by (used in) operating activities	\$146.4	\$ 311.2	\$ (216.4)	\$ 241.2
Cash flows from investing activities:				
Capital expenditures	-	(20.5)	(87.4)	(107.9)
Proceeds from sale of property, plant and equipment	-	11.6	35.1	46.7

Investments and acquisitions, net of cash	(19.6)	(1.5)	(0.2)	(21.3)
Proceeds from business dispositions	43.0	395.5	312.9	751.4
Proceeds from sales and maturities of marketable securities	-	147.6	-	147.6
Cash (invested in) provided by or advances (to) from equity companies	-	-	(1.3)	(1.3)
Net cash provided by investing activities	23.4	532.7	259.1	815.2
Cash flows from financing activities:				
Net change in debt	-	(924.2)	(15.6)	(939.8)
Proceeds from the exercise of stock options	211.1	-	-	211.1
Dividends (paid) received	(220.4)	8.0	89.2	(123.2)
Net cash (used in) provided by financing activities	(9.3)	(916.2)	73.6	(851.9)
Net cash used in discontinued operations	-	(32.6)	(60.5)	(93.1)
Effect of exchange rate changes on cash and cash equivalents	-	-	4.1	4.1
Net increase (decrease) in cash and cash equivalents	160.5	(104.9)	59.9	115.5
Cash and cash equivalents - beginning of period	-	209.0	133.2	342.2
Cash and cash equivalents - end of period	\$160.5	\$ 104.1	\$ 193.1	\$ 457.7

Condensed Consolidating Statement of Cash Flows

For the year ended December 31, 2002

<i>In millions</i>	IR-Limited	IR-New Jersey	Other Subsidiaries	IR-Limited Consolidated
Net cash provided by operating activities	\$170.0	\$ 381.6	\$ 41.7	\$ 593.3
Cash flows from investing activities:				
Capital expenditures	-	(19.7)	(102.8)	(122.5)
Proceeds from sale of property, plant and equipment	-	6.8	37.4	44.2
Investments and acquisitions, net of cash	-	(2.8)	(109.9)	(112.7)
Proceeds from sales and maturities of marketable securities	-	-	5.5	5.5
Cash (invested in) provided by or advances (to) from equity companies	-	-	(2.1)	(2.1)
Net cash used in investing activities	-	(15.7)	(171.9)	(187.6)
Cash flows from financing activities:				
Net change in debt	-	(172.5)	(45.4)	(217.9)
Proceeds from the exercise of stock options	36.8	-	-	36.8
Dividends (paid) received	(206.8)	7.6	84.3	(114.9)
Net cash (used in) provided by financing activities	(170.0)	(164.9)	38.9	(296.0)
Net cash (used in) provided by discontinued operations	-	(15.4)	131.0	115.6
Effect of exchange rate changes on cash and cash equivalents	-	-	2.9	2.9
Net increase in cash and cash equivalents	-	185.6	42.6	228.2
Cash and cash equivalents - beginning of period	-	23.4	90.6	114.0
Cash and cash equivalents - end of period	\$ -	\$ 209.0	\$ 133.2	\$ 342.2

Condensed Consolidating Statement of Cash Flows

For the year ended December 31, 2001

<i>In millions</i>	IR-Limited	IR-New Jersey	Other Subsidiaries	IR-Limited Consolidated
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Net cash provided by operating activities	\$	-	\$ 222.6	\$ 302.4	\$ 525.0
Cash flows from investing activities:					
Capital expenditures	-	(21.5)	(135.7)	(157.2)	
Proceeds from sale of property, plant and equipment	-	-	37.8	37.8	
Investments and acquisitions, net of cash	-	(9.2)	(149.1)	(158.3)	
Proceeds from business dispositions	-	-	17.5	17.5	
Proceeds from sales and maturities of marketable securities	-	103.9	(6.7)	97.2	
Cash (invested in) provided by or advances (to) from equity companies	-	-	11.7	11.7	
Net cash provided by (used in) investing activities	-	73.2	(224.5)	(151.3)	
Cash flows from financing activities:					
Net change in debt	-	(86.9)	(127.2)	(214.1)	
Proceeds from the exercise of stock options	-	9.7	-	9.7	
Dividends paid	-	(113.1)	-	(113.1)	
Purchase of treasury shares	-	(72.5)	-	(72.5)	
Net cash used in financing activities	-	(262.8)	(127.2)	(390.0)	
Net cash (used in) provided by discontinued operations	-	(9.6)	48.4	38.8	
Effect of exchange rate changes on cash and cash equivalents	-	-	(5.5)	(5.5)	
Net increase (decrease) in cash and cash equivalents	-	23.4	(6.4)	17.0	
Cash and cash equivalents - beginning of period	-	-	97.0	97.0	
Cash and cash equivalents - end of period	\$	-	\$ 23.4	\$ 90.6	\$ 114.0

NOTE 17 - SUBSEQUENT EVENT

On February 19, 2004, the Company announced that it has agreed to sell its Drilling Solutions business unit to Atlas Copco AB, for approximately \$225 million. The transaction, which is expected to be completed in the second quarter of 2004, is subject to regulatory approvals. The Drilling Solutions business, which is currently included in the Company's Infrastructure Segment, manufactures drilling equipment and accessories for the worldwide construction, mining, quarrying, and water-well drilling industries. The business had 2003 revenues of approximately \$300 million and employs approximately 950 people.

Report of Management

The accompanying consolidated financial statements have been prepared by the Company. They conform with generally accepted accounting principles and reflect judgments and estimates as to the expected effects of incomplete transactions and events being accounted for currently. The Company believes that the accounting systems and related controls that it maintains are sufficient to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorized and recorded, and the financial records are reliable for preparing such financial statements. The concept of reasonable assurance is based on the recognition that the cost of a system of internal accounting controls must be related to the benefits derived. The Company maintains an internal audit function that is responsible for evaluating the adequacy and application of financial and operating controls, and for testing compliance with Company policies and procedures.

The Audit Committee of the Board of Directors is comprised entirely of individuals who are not employees of the Company. This committee meets periodically with the independent auditors, the internal auditors and management to consider audit results and to discuss significant internal accounting controls, auditing and financial reporting matters. The Audit Committee recommends the selection of the independent auditors, who are then appointed by the shareholders.

The independent auditors are engaged to perform an audit of the consolidated financial statements in accordance with generally accepted auditing standards. Their report follows.

/S/ Herbert L. Henkel
Herbert L. Henkel
Chairman, President and
Chief Executive Officer

/S/ Timothy R. McLevish
Timothy R. McLevish
Senior Vice President and
Chief Financial Officer

Report of Independent Auditors

To the Board of Directors of Ingersoll-Rand Company Limited:

In our opinion, the accompanying consolidated balance sheets, and the related statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Ingersoll-Rand Company Limited and its subsidiaries, the successor company to Ingersoll-Rand Company, at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 5 to the consolidated financial statements, on January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets."

PricewaterhouseCoopers LLP
Florham Park, New Jersey
February 4, 2004, except for Note 17 for which the date is February 19, 2004

Exhibit 21

Name of Subsidiary	% owned by IR
ARGENTINA:	
Ingersoll-Rand Argentina S.A.I.C.	100.00%
AUSTRALIA:	
100.00%	
Ingersoll-Rand (Australia) Superannuation Pty. Ltd.	100.00%
Ingersoll-Rand Architectural Hardware (Australia) Pty. Limited	100.00%
McAlpine Australia Pty Limited	100.00%
McAlpine Hussmann (Australia) Pty Limited	100.00%
McAlpine Hussmann Pty Limited	100.00%
Triangle Refrigeration Pty. Ltd.	100.00%
AUSTRIA :	
Interflex Datensysteme Gesmbh	100.00%
BARBADOS:	
Hussmann International Sales Corporation	100.00%
Ingersoll-Rand (Barbados) Corporation	100.00%
Ingersoll-Rand (Barbados) Holding Incorporated	100.00%
NT USA FSC INC.	100.00%
BELGIUM:	
Dresser-Rand Machinery Repair Belgie N.V.	100.00%
Ingersoll-Rand Benelux, N.V.	100.00%
100.00%	
Koxka Belgium	100.00%
100.00%	
Thermo King Belgium N.V.	100.00%
BERMUDA:	
Ingersoll-Rand Global Holding Company Limited	100.00%
Ingersoll-Rand World Trade Ltd. (Bermuda)	100.00%
IR Techno Holding Company Limited	100.00%
St. Michael's Insurance Limited	100.00%
Woodcliff Insurance Ltd.	100.00%
BRAZIL:	
Dresser-Rand Comercio e Industria Ltda.	100.00%
Dresser-Rand do Brazil, Ltda.	75.00%
Fastecnica Instalacoes e Assistencia Tecnica Ltda	100.00%
Hussmann do Brasil Ltda.	100.00%
Industria e Comercio Aro do Brasil Ltda.	100.00%
Ingersoll-Rand do Brasil Ltda.	100.00%
Thermo King do Brasil, Ltda.	99.99%
CANADA:	
Bobcat Equipment Ltd.	100.00%
Dresser-Rand Canada, Inc.	100.00%
ETC Electronic Technologies Incorporated	100.00%
Hussmann Canada Holdings Limited	100.00%
Hussmann Canada Inc.	100.00%
Ingersoll-Rand Canada, Inc.	100.00%
NT Dor-O-Matic of Toronto Inc.	100.00%
CHILE:	
Comercial Ingersoll-Rand (Chile) Limitada	100.00%
Hussmann Chile S.A.	100.00%
Ingersoll-Rand Company (Chile) y Cia Ltda.	100.00%
IR- Bobcat Chile S.A.	50.00%
CHINA:	
Changzhou Superay Tools Co., Ltd.	100.00%
Dresser-Rand Compressor Co., Ltd. Shanghai	60.00%
Dresser-Rand Compressor (Suzhou) Ltd.	100.00%

Guangzhou Hussmann Refrigeration Company, Ltd.	100.00%
Ingersoll-Rand (China) Investment Company Limited	100.00%
Ingersoll-Rand (Guilin) Tools Company Limited	90.00%
Ingersoll-Rand (Wuxi) Road Machinery Company Limited	92.00%
Ingersoll-Rand Drilling Machinery (Zhangjiakou) Company Limited	100.00%
Ingersoll-Rand Machinery (Shanghai) Company Limited	100.00%
Luoyang Hussmann Refrigeration Company	55.00%
Nanjing Ingersoll-Rand Compressor Co., Ltd.	80.00%
Shanghai Air-Tec Compressor Solutions Co., Ltd.	100.00%
Shanghai Ingersoll-Rand Compressor Limited	80.00%
Thermo King Container Temperature Control (Suzhou) Corporation Ltd.	90.00%
Thermo King Dalian Transport Refrigeration Company, Limited	75.00%
Triangle Refrigeration International Trading (Shanghai) Co. Limited	100.00%
Xuanhua Ingersoll-Rand Mining & Construction Mach. Ltd.	100.00%

CZECH REPUBLIC:

Bobcat Equipment CR s.r.o.	100.00%
Dresser-Rand Czech S.R.O.	100.00%
Emerson Electric, s.r.o.	10.00%
Ingersoll-Rand Czech Republic s.r.o.	100.00%
IRCR Manufacturing s.r.o.	100.00%
Thermo King Czech Republic, s.r.o.	100.00%

DENMARK:

NT Randi A/S	100.00%
Thermo King Container-Denmark A/S	100.00%

FRANCE:

ABS Distribution S.A.	26.63%
ABG France S.A.R.L.	100.00%
Bricard S.A.	30.00%
Bobcat France S.A.	100.00%
Cacir, S.A.	100.00%
100.00%	
Dresser-Rand S.A.-France	100.00%
Guerville Riquier Serrurerie Sarl.	30.00%
Ingersoll-Rand Equipements de Construction	100.00%
Ingersoll-Rand Equipements de Production S.A.	100.00%
IR Services S.A.R.L.	100.00%
Koxka France SARL	100.00%
Montabert	100.00%
Mustad S.A.	100.00%
Normbau France S.A.	100.00%
Sambron GmbH	100.00%
S.A. Etablissements Charles Maire	100.00%
SA CAP France	100.00%
Security System France Sarl.	29.99%

GERMANY:

ABG Allgemeine Baumaschinen Gesellschaft mbH	100.00%
Best Matic Vermögensverwaltungs GmbH	100.00%
Bobcat Parts Service GmbH	100.00%
Dresser-Rand GmbH	100.00%
GHH-Rand Schraubenkompressoren GmbH	100.00%
100.00%	
Ingersoll-Rand Beteiligungs und Grundstücksverwaltungs GmbH	100.00%
Ingersoll-Rand GmbH	100.00%
IR Security and Safety GmbH	100.00%
Ingersoll-Rand Service GmbH	100.00%
Ingersoll-Rand Wasserstrahl-Schneidtechnik GmbH	100.00%
Interflex Datensysteme GmbH & Co. KG	100.00%
IR Deutsche Holding GmbH	100.00%
Koxka Deutschland GmbH	100.00%
Normbau Beschlage und Ausstattungs GmbH	100.00%
Thermo King Deutschland GmbH	100.00%

HONG KONG:

Hussmann Tempcool (Hong Kong) Limited	100.00%
Ingersoll-Rand (Hong Kong) Limited	100.00%

Ingersoll-Rand Superay Holdings Limited	75.00%
Koolzone Asia Limited	100.00%
Superay International Limited	100.00%
HUNGARY:	
Husmann Refrigeration (Hungary) KFT.	60.00%
Ingersoll-Rand Hungary Central Europe Group Financing LLC	100.00%
ICELAND:	
Ingersoll-Rand Finance Islandi slf.	100.00%
INDIA:	
Dresser-Rand India Private Limited	100.00%
Ingersoll-Rand (India) Limited	74.00%
Ingersoll-Rand Wadco Tools Private Limited	74.00%
Thermo King India Private Limited	100.00%
INDONESIA:	
PT Dresser-Rand Services Indonesia	100.00%
PT Ingersoll-Rand Indonesia	100.00%
IRELAND:	
Ingersoll-Rand Company (Ireland) Limited	100.00%
Ingersoll-Rand International Limited	100.00%
Ingersoll-Rand Irish Holdings	100.00%
Ingersoll-Rand Technical and Services Limited	100.00%
Spanashview	100.00%
Thermo King European Manufacturing Limited	100.00%
Thermo King Ireland Limited	100.00%
Thermo King Services Limited	100.00%
Thermo King Total Kare Limited	100.00%
ITALY:	
Cisa S.p.A.	30.00%
Dresser-Rand Italia S.r.l.	100.00%
Husmann Koxka Italia S.r.l.	100.00%
Ingersoll-Rand Italia S.r.l.	100.00%
Ingersoll-Rand Italiana S.p.A.	100.00%
JAPAN:	
Bobcat Corporation	100.00%
Dresser-Rand Japan, Ltd.	100.00%
100.00%	
Thermo King Japan, Ltd.	100.00%
KOREA:	
Ingersoll-Rand Korea Limited	100.00%
LUXEMBOURG:	
Ingersoll-Rand Lux International S.a.r.l.	100.00%
Ingersoll-Rand Lux Roza S.a.r.l.	100.00%
Ingersoll-Rand Luxembourg United S.a.r.l.	100.00%
Ingersoll-Rand Worldwide Capital S.a.r.l.	100.00%
MALAYSIA:	
Dresser-Rand & Enserv Services Sdn. Bhd.	49.00%
Dresser-Rand Asia Pacific Sdn. Bhd.	100.00%
Husmann Tempcool (Malaysia) Limited	100.00%
Ingersoll-Jati Malaysia Sdn. Bhd.	49.00%
Ingersoll-Jati Manufacturing Sdn. Bhd.	100.00%
MEXICO:	
Dresser-Rand de Mexico S.A.	100.00%
Dresser-Rand Services srl	100.00%
Husmann American, S. de R.L. de C.V.	100.00%
Husmann-Mexico, S. de R.L. de C.V.	100.00%
Husmann-Servicios, S. de R.L. de C.V.	100.00%
Industrias Frigorificas, S.A. de C.V.	100.00%
Ingersoll-Rand S.A. de C.V.	100.00%

Schlage de Mexico S.A. de C.V. 100.00%

NETHERLANDS:

Cielle B.V. 30.00%
Dresser-Rand B.V. 100.00%
Dresser-Rand International B.V. 100.00%
Dresser-Rand Services B.V. 100.00%
Husmann Netherlands B.V. 100.00%
Ingersoll-Rand European Holding Company B.V. 100.00%
Ingersoll-Rand Holdings (Netherlands) B.V. 100.00%
Ingersoll-Rand Service B.V. 100.00%
Interflex Datasystems B.V. 100.00%
Sonna II B.V. 100.00%
Thermo King Netherlands B.V. 100.00%
Thermo King Transportkoeling B.V. 100.00%

NEW ZEALAND:

Club Car Limited 100.00%
Contract Refrigeration Ltd. 100.00%
Ingersoll-Rand Architectural Hardware Limited 100.00%
Koxka New Zealand Ltd. 100.00%
McAlpine Husmann Ltd. 100.00%
McAlpine Industries Ltd. 100.00%
McAlpine Investments Limited 100.00%

NIGERIA:

Dresser-Rand (Nigeria) Ltd. 50.00%

NORWAY:

Dresser-Rand A/S 100.00%

PERU:

Husmann Del Peru, SA 100.00%
Ingersoll-Rand Company of Peru S.A. 100.00%

PHILIPPINES:

Ingersoll-Rand Philippines, Inc. 100.00%

POLAND:

Husmann Koxka Poland, Spzoo 100.00%

PORTUGAL:

Comingersoll-Comercio e Industria de Equipamentos, S.A.R.L. 20.65%

PUERTO RICO:

Ingersoll-Rand de Puerto Rico, Inc. 100.00%

RUSSIA:

Instrum-Rand 59.80%
OOO ABG Service Center 100.00%

SINGAPORE:

Cisatron Pte. Ltd. Singapore 30.00%
Dresser-Rand (SEA) Pte. Ltd. 100.00%
Husmann Tempcool Holdings PTE. Ltd. 50.00%
Husmann Tempcool Singapore Pte. Ltd. 100.00%
Ingersoll-Rand South East Asia (Pte.) Ltd. 100.00%
NT Asia (Singapore) Pte. Limited 100.00%

SOUTH AFRICA:

Ingersoll-Rand Company South Africa (Pty.) Limited 100.00%

SPAIN:

Cisa Cerraduras S.A. 27.60%
Husmann Koxka, S.L. 100.00%
Ingersoll-Rand Iberica, S.L. 100.00%
Ingersoll-Rand Rodamientos Holding, S.L. 100.00%
Ingersoll-Rand Servicios, S.A. 100.00%
Koxka Levante S.A. 60.00%

Koxka Valladolid, S.A.	51.00%
Palladio S.A.	29.99%
Reftrans, S.A.	85.00%

SWEDEN:

Ingersoll-Rand AB	100.00%
Ingersoll-Rand Best-Matic AB	100.00%

SWITZERLAND:

Dresser-Rand Sales Company S.A.	100.00%
Dresser-Rand Services, S.a.r.l.	100.00%
Ingersoll-Rand Acceptance Company S.A.	100.00%
Ingersoll-Rand Equipment & Consulting S.A.R.L.	100.00%
Ingersoll-Rand International Sales S.A.	100.00%
Ingersoll-Rand Investment Company S.A.	100.00%
100.00%	
Ingersoll-Rand S.A.	100.00%
Ingersoll-Rand Services & Engineering Company	100.00%
Ingersoll-Rand Technical & Services S.A.R.L.	100.00%
Interflex Datensysteme AG	100.00%
I-R Trading S.A.	100.00%
Klemm Bohrtechnik AG	99.98%

THAILAND:

Husmann Thailand Co. Ltd.	75.00%
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TURKEY:

IR Emniyet ve Guvenlik Sistemleri Sanayi A.S. (IR Security & Security Industrial Company)	100.00%
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UNITED KINGDOM:

A/S Parts Limited	100.00%
Best-Matic International Limited	100.00%
Blackrod Europe Limited	100.00%
Blaw-Knox Company	100.00%
Bondpaint Limited	100.00%
Briton Door Controls Limited	100.00%
C.A.P. Sales Limited	100.00%
Capital Metalworks Limited	100.00%
CISA (UK) Plc.	25.20%
Compressed Air Parts Limited	100.00%
D.A. Thomas (Northern) Limited	100.00%
Dresser-Rand (UK) Ltd.	100.00%
Dresser-Rand Company Ltd.-UK	100.00%
GBS Europe Limited	100.00%
Husmann Europe Limited	100.00%
Husmann Holdings, Ltd.	100.00%
Husmann (Europe) Pension Trustee Company Limited	100.00%
Ingersoll-Rand Dor-O-Matic Limited	100.00%
Ingersoll-Rand (New Zealand) Limited	100.00%
Ingersoll-Rand Company Limited	100.00%
Ingersoll-Rand European Financial Services plc.	100.00%
Ingersoll-Rand European Sales Limited	100.00%
Ingersoll-Rand Financial Services Limited	100.00%
Ingersoll-Rand Holdings Limited	100.00%
Ingersoll-Rand Irish Treasury Services Limited	100.00%
Interflex Data Systems Ltd.	100.00%
Interflex Time & Access Ltd.	100.00%
IR Security & Safety Limited	100.00%
Laidlaw Architectural Hardware Limited	100.00%
Laidlaw Thomson Group Limited	100.00%
Newman Tonks (Amersham) Limited	100.00%
Newman Tonks (Kings Norton) Limited	100.00%
100.00%	
Newman Tonks (Overseas Holdings) Limited	100.00%
Newman Tonks (Woodford Green) Limited	100.00%
Newman Tonks Limited	100.00%
Newman Tonks Management Services Limited	100.00%
NT Access Limited	100.00%

NT Acquisition Limited	100.00%
NT Architectural Hardware Limited	100.00%
NT Door Controls Limited	100.00%
NT Group Properties Limited	100.00%
NT Laidlaw (Anglia) Limited	100.00%
NT Laidlaw (Eastern) Limited	100.00%
NT Laidlaw (South East) Limited	100.00%
NT Laidlaw (South West) Limited	100.00%
NT Laidlaw (South) Limited	100.00%
NT Legge Limited	100.00%
NT Martin Roberts Limited	100.00%
NT Normbau Limited	100.00%
NT Partition Systems Limited	100.00%
NT Projects Limited	100.00%
NT Railing Systems Limited	100.00%
NT Security Limited	100.00%
NT Separal Limited	100.00%
R. Cartwright & Co. Limited	100.00%
Randall Taximeters Limited	100.00%
Roconeco Limited	100.00%
100.00%	
The Southwark Bridge Leasehold Property Company Limited	100.00%
Thomas Laidlaw (Tayforth) Limited	100.00%
Thomas Laidlaw Limited	100.00%
William Newman & Sons, Limited	100.00%

UNITED STATES

Armoro, Inc.	100.00%
Blaw-Knox Construction Equipment Corporation	100.00%
CDS Midwest Inc.	100.00%
Checker Flag Parts, Inc.	100.00%
Chesley Industries, Inc.	100.00%
CISA Security Products, Inc.	30.00%
Clark Business Services Corporation	100.00%
Clark Distribution Services Inc.	100.00%
100.00%	
Club Car Inc.	100.00%
Commercial Refrigeration Co.	100.00%
Compressed Air Parts, Inc.	100.00%
Crystal Refrigeration, Inc.	100.00%
Design & Build Construction, Inc.	100.00%
Dixie Pacific Manufacturing Company, LLC	100.00%
Dor-O-Matic Inc.	100.00%
Dor-O-Matic of Mid Atlantic States, Inc.	100.00%
DR Acquisition, LLC	100.00%
DR Holding Corp.	100.00%
Dresser-Rand Company	100.00%
Dresser-Rand Global Services, LLC	100.00%
Dresser-Rand Holding Company	100.00%
Dresser-Rand Overseas Sales Company	100.00%
Dresser-Rand Power, Inc.	100.00%
Earth Force America, Inc.	100.00%
Electronic Technologies Corporation USA	100.00%
Falcon Lock Company LLC	100.00%
Harrow Industries, LLC	100.00%
Harrow Products, LLC	100.00%
Harrow Products, LLC (Delaware)	100.00%
Husmann Corporation	100.00%
Husmann Holdings, Inc.	100.00%
Husmann International, Inc.	100.00%
IDP Acquisition, LLC	100.00%
Improved Machinery, Inc.	100.00%
Ingersoll-Rand Asia Pacific Inc.	100.00%
100.00%	
Ingersoll-Rand Company	100.00%
Ingersoll-Rand Construction Services, Inc.	100.00%
Ingersoll-Rand Energy Systems Corporation	100.00%
Ingersoll-Rand Enhanced Recovery Company	100.00%
100.00%	
Ingersoll-Rand International Sales LLC	100.00%

Ingersoll-Rand International, Inc.	100.00%
Ingersoll-Rand Italian Holding LLC	100.00%
Ingersoll-Rand Liability Management Company	100.00%
Ingersoll-Rand Plus, LP	100.00%
Ingersoll-Rand Sales Company, LLC	100.00%
Ingersoll-Rand Services Company	100.00%
Ingersoll-Rand Spanish Holding LP	100.00%
100.00%	
Ingersoll-Rand US United, LLC	100.00%
Ingersoll-Rand Western Hemisphere Trade Corporation	100.00%
Ingersoll-Rand Worldwide, Inc.	100.00%
Ingersoll-Rand, Inc.	100.00%
Integrated Access Systems, Inc.	100.00%
Interflex N.A., Inc.	100.00%
I-R E-Medical, Inc.	99.00%
IR Receivables Funding I Corporation	100.00%
IR Receivables Funding II Corporation	100.00%
IR of Reno, Inc.	100.00%
Krack Corporation	100.00%
Marlorch, Inc.	100.00%
McCartney Manufacturing Company, Inc.	100.00%
MFP, LLC	100.00%
Monarch Hardware and Mfg. Company, LLC	100.00%
Multiphase Power and Processing Technologies, LLC	50.00%
100.00%	
Nelson Refrigeration Inc.	100.00%
Newman Tonks, USA, LLC	100.00%
Newman-Tonks Holdings LLC	100.00%
Newman-Tonks Investments, LLC	100.00%
Niject Services Company	50.00%
Northwest Arkansas Refrigeration Co.	100.00%
NRS Investments, Inc.	100.00%
Paragon Engineering Services, Inc.	40.00%
Perimeter Bobcat, Inc.	100.00%
Recognition Systems, Inc.	100.00%
Refrigeration Engineering, Inc.	100.00%
Refrigeration Service & Design, Inc.	100.00%
Roconeco Corporation	100.00%
Rogers Refrigeration Co., Inc.	100.00%
S&S Corporation	100.00%
SBG Holding Corp.	100.00%
100.00%	
Schlage Lock Company LLC	100.00%
100.00%	
Tafco-Mabry & Haynes, LLC	100.00%
Tavant Technologies, Inc.	19.50%
Taylor Industries, Inc.	100.00%
Terry D. Carter Service Co., Inc.	100.00%
100.00%	
Thermo King de Puerto Rico, Inc.	100.00%
Thermo King Enterprises Company	100.00%
Thermo King SVC, Inc.	100.00%
Thermo King Trading Company	100.00%
Touch-Plate International, Inc.	100.00%
Turbodyne Electric Power Corporation	100.00%
Von Duprin, Inc.	100.00%
WHS Refrigeration Services, Inc.	100.00%
UZBEKISTAN:	
Service Center	49.00%
VENEZUELA:	
Aro de Venezuela, C.A.	100.00%
Dresser-Rand de Venezuela, S.A.	100.00%
ZAMBIA:	
Ingersoll-Rand Limited (Zambia)	100.00%
ZIMBABWE:	
Ingersoll-Rand Zimbabwe (Private) Ltd.	100.00%

CERTIFICATION

I, Herbert L. Henkel, certify that:

1. I have reviewed the annual report on Form 10-K of Ingersoll-Rand Company Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2004

/s/ Herbert L. Henkel
Herbert L. Henkel
Principal Executive Officer

CERTIFICATION

I, Timothy R. McLevish, certify that:

1. I have reviewed the annual report on Form 10-K of Ingersoll-Rand Company Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2004

/s/ Timothy R. McLevish
Timothy R. McLevish
Principal Financial Officer

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Ingersoll-Rand Company Limited (the Company), does hereby certify that:

The Annual Report on Form 10-K for the year ended December 31, 2003 (the Form 10-K) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Herbert L. Henkel
Herbert L. Henkel
Chief Executive Officer
February 26, 2004

/s/ Timothy R. McLevish
Timothy R. McLevish
Chief Financial Officer
February 26, 2004

December 12, 2003 - Revised December 24, 2003

Michael W. Lamach
 XXXXXXXXXXXXXXXX
 XXXXXXXXXXXXXXXX

Dear Mike,

I am pleased to offer you the position of Senior Vice President and Sector President reporting to me, with responsibility for the leadership of Ingersoll-Rand's Security & Safety business located in Indianapolis, Indiana. You will be presented to the Board of Directors at the February 4, 2004, board meeting for election as a Senior Vice President and Officer of Ingersoll-Rand Company Limited to take effect on the date of your election.

The following is the outline of our offer:

1. Your starting base salary will be at an annual rate of \$450,000 (four hundred fifty thousand U.S. dollars) paid monthly.
2. You will be eligible for an annual incentive opportunity targeted at 90% of salary depending upon your performance and the performance of Ingersoll-Rand Company Limited. For performance year 2004, provided you begin employment by March 31, 2004, the Company will calculate your annual incentive as if you had worked the entire year.
3. You will be recommended for a sign-on award of 50,000 (fifty thousand) non-qualified stock options. This award is subject to approval by the Compensation Committee of the Board of Directors (the "Committee") and to the terms and conditions of awards made under our Incentive Stock Plan. Your award recommendation will be considered by the Committee at its February 4, 2004, meeting. These options will be priced at the Fair Market Value of Ingersoll-Rand stock (using the definition in the Incentive Stock Plan of the average of the high and low price of Ingersoll-Rand stock on the New York Stock Exchange on the day of the full Board of Directors' meeting, provided you have already begun employment. If not, the same option pricing process will be applied on your first day of employment following the February 4th meeting). Stock option awards vest over a three-year period, one third each year.

In future years, starting February 2005, you will be eligible to receive stock option awards under the Plan as administered by the Committee. Currently, your *annual target* stock option award level is 45,000 option shares. Annual stock option awards are contingent on, and variable with, the Company's financial performance and your performance.

4. Additionally, you will be recommended for a sign-on award of 9,000 IR performance shares. These shares will be contributed to the Company's Executive Deferred Compensation Plan (EDCP) and invested in the IR stock fund; the value will fluctuate with the value of IR's share price and dividends.

These performance shares will become vested according to the following schedule:

2,500 First anniversary of employment date.
 2,500 Second anniversary of employment date.
 4,000 Third anniversary of employment date.
 9,000

Distribution of these performance shares will occur according to the rules of the EDCP, i.e., currently no sooner than the February following the vesting date. The EDCP currently allows participants to defer "in service" distributions with one year's advance notice, and this provision will be made available to you under the rules in effect at the time of distribution.

5. You will be recommended as a participant in the IR Performance Share Program for an award of 6,000 performance shares for performance year 2004. Awards under the IR Performance Share Program are both contingent on, and variable with, achievement of specific objectives. The objectives are established each year by the Chairman and Board of Directors, and include several strategic objectives aimed at improving organizational effectiveness and several financial performance metrics, which in 2003 were E.P.S., Cash Flow and R.O.I.C. These awards, if earned, are distributed each year in February (i.e., February 2005 for performance year 2004) following the Board's approval.
6. You will be eligible for the complete program of employee benefits offered to all Ingersoll-Rand salaried employees in accordance with the terms and conditions of those plans. Please note that your medical and life insurance coverage with Ingersoll-Rand will commence on the first day of the month following employment. A summary of Ingersoll-Rand's key benefits is enclosed. Further, as an Officer of the Company, you have been nominated and approved for participation in the company's Elected Officer Supplemental (Pension) Program, under the terms and conditions of that plan, with the exception that you will be credited with 17 years service offset by all of your retirement benefits earned at JCI. A brief summary of that plan is enclosed.
7. You will be recommended for the standard officer's change of control agreement.
8. You will be entitled to paid vacation in accordance with company policy, which in your case is four weeks per calendar year.
9. You will be eligible for the company's Relocation Program.
10. You will be provided a company automobile in accordance with our company car policy, which in your case provides an executive automobile with a purchase value of up to \$60,000. A portion of the benefit will be imputed to your statement of gross income for tax purposes.
11. You will be eligible for the company's Executive Health Program, a copy of which is enclosed.
12. You will be eligible for the company's tax, estate and financial planning services offered through AYCO. A portion of the service will be imputed to your statement of gross income for tax purposes.
13. In the unlikely event of your involuntary termination from Ingersoll-Rand within the five years from your

date of hire for other than gross cause, as consideration for your release of whatever claims might be made, you will receive severance of eighteen month's base salary plus whatever Annual Incentive Matrix (AIM) award is earned at the conclusion of the year of separation.

14. This offer is conditional upon satisfactorily passing a drug test and fulfilling the requirements of the Immigration Reform and Control Act of 1986.

Mike, we all believe that you can make a significant contribution in this new role and would very much like to have you on our executive team. I am confident that you have the potential for significant advancement in the Company, and I look forward to establishing a development plan and regular mentoring sessions with you to facilitate our aspirations for your career at Ingersoll Rand.

In the meantime, please contact Sharon Elliott (201 573-3563), or myself, if you have any questions.

Sincerely,

Herbert L. Henkel
Chairman, President and Chief Executive Officer

cc: R. C. Butler - Executive Director Compensation and Benefits

Attachments: Elected Officer Supplemental (Pension) Program
Ingersoll-Rand's Key Benefits Summary
Executive Health Program Summary

Offer Accepted By:

/s/ Michael Lamach
Michael Lamach

Date: _____