



The Differentiator in the Global Energy Service Sector

WWW.LUFKIN.COM

- Global Supplier of Oilfield and Gearbox Products.**
 Founded in 1902, Lufkin Industries (LUFK) is a vertically-integrated supplier of oilfield equipment, primarily pumping units, and power transmission (PT) products. Reliability and long service life are the hallmarks of its products, and LUFK has the unique ability to bundle its products, services and automation in the oil patch with its high-quality engineering, superior customer service, and strong sales support in gear manufacturing.
- Strategic Capital Investments Expanding Capabilities.**
 Lufkin's strong balance sheet and cash position give it the financial flexibility to continue to invest in its manufacturing capabilities for both oilfield and power transmission products. The three strategic acquisitions of the past two years have been consistent with Lufkin's long-term goal of integrating quality and complementary assets to leverage its position of industry leadership.
- Continued Expansion in International Oilfield Markets.**
 The expansion of Lufkin's international business that began several years ago has provided a foundation for additional growth opportunities. Significant upside exists in the international oilfield industry in the form of new business, the broadening of products and services to underserved markets, and the opportunity to leverage existing relationships. Lufkin's acquisition of International Lift Systems (ILS) in March 2009 expanded the Company's reach in the gas lift markets, and during the 2011 second quarter, ILS's revenues rose 75% from a year ago, reflecting strength in the Rocky Mountains, South Texas and the Mid-Continent.
- Strong Top-Line and Margin Growth.** Oilfield sales were up 57% from a year ago to \$178.9 million, driven primarily by North American pumping unit sales (up 79%) and automation sales (up 114%). Oilfield gross margins expanded to 24.3% sequentially from 22.7% in the first quarter, despite overall lower productivity and weather disruptions in the U.S. PT sales rose 24% from a year ago to \$47.8 million, driven by strong international sales and domestic shipments. PT gross margins increased to 29.0% sequentially from 27.6%, reflecting process improvements and increased utilization of new machine tools.
- Bookings Continue to Gain Momentum.** New order bookings in the second quarter rose 47% to \$246.0 million. Oilfield bookings were up 3% sequentially and 51% year-over-year to \$195 million, driven mostly by strength in North America and international markets. PT bookings rose 28% from a year ago to \$50 million but were down sequentially by 16% from the record first quarter high. PT orders were primarily driven by demand for gear drives from the oil and gas and power generation sectors, representing about 38% of the new business.

Price (July 20, 2011) \$82.93

Stock Data

Fiscal Year-End:	December
Symbol / Exchange:	LUFK / NASDAQ
52-Week Range:	\$35.13 - \$97.05
Diluted Common Shares O/S:	30.8mm
Market Capitalization:	\$2,550mm
Total Enterprise Value (TEV) ¹⁾ :	\$2,465mm
Average Daily Volume (L3M):	407,185
Insider Ownership ²⁾ :	4.8%
Dividend / Yield	\$0.50 / 0.6%

Financial Data (\$ millions except per share data)

Balance Sheet	6/30/11	12/31/10
Current Assets:	\$380.1	\$345.2
Total Assets:	\$695.0	\$621.1
Current Liabilities:	\$117.8	\$84.6
Shareholders' Equity:	\$522.2	\$486.0
Working Capital:	\$262.3	\$260.6

Income Statement	2Q11	2Q10
Revenue:	\$226.8	\$152.8
Operating Income:	\$29.016	\$17.0
Diluted EPS ⁴⁾ :	\$0.60	\$0.35

Backlog	6/30/11	12/31/10
Oilfield	\$195.3	\$131.4
Power Transmission	\$125.3	\$103.1

Stock Price (12-month price performance)



1) Total Enterprise Value (TEV) defined as market capitalization plus total debt less cash
 2) As reported by ThomsonOne Financial
 3) Revenue, operating income, EPS and revenue mix data is based on results from continuing operations.
 4) 2009 EPS includes \$0.02 per share impact from class-action lawsuit provision

COMPANY OVERVIEW

Lufkin Industries, Inc. (“Lufkin” or the “Company”) is a global supplier of oilfield equipment, generating about 75% of total revenues, and power transmission products. The Company’s Oilfield segment designs, services and repairs beam pumping units, a component of reciprocating rod lift systems and related products used in artificial lift to extract crude oil and other liquids from wells. Its Power Transmission business designs, manufactures and services both high-speed turbo and low-speed gearboxes for industrial and marine applications, primarily in the energy industry.

Leading Supplier of Oilfield Pumping Equipment

Lufkin’s oilfield pumping units set the industry standard worldwide. The Company’s global success has been driven by its production engineering capabilities and the integrated services provided by its iron foundry and automation group. Its goal is to reduce production lead times and improve product quality for its customers.

Lufkin has an established market in most major oil producing basins and has local manufacturing capacity in many international markets to meet specific country requirements. Opportunities are growing overseas where demand for oilfield equipment has been less volatile than in the U.S. Lufkin expanded its presence in South America and the Middle East with its acquisition of ILS in early 2009 and is currently constructing a \$126 million manufacturing facility in Romania to serve growing markets in the eastern hemisphere. In the first quarter, Lufkin opened a new sales office in Moscow to support new markets in Russia and the FSU countries.

The domestic oilfield business roughly tracks the U.S. rotary land rig count, although demand for artificial lift orders has been lagging the growth in the rig count over the recent past primarily due to a shortage of frac crews needed to stimulate and complete the wells. Though frac units have increased, there remains an overhang of drilled but uncompleted wells. Demand for pumping unit equipment is also dependent on the level of new onshore oil drilling and workover activity in addition to the pgrading of existing wells and the redevelopment of mature fields. Thus, energy commodity prices play a role in equipment orders as well.

Reciprocating Rod Lift Systems Optimize Production and Maximize Reservoir Recovery. Pumping units are primarily used in oilfields for artificial lift, which helps to maximize reservoir recovery and optimize field production. Artificial lift is typically used when the reservoir pressure is too low to lift the oil to the surface, but it is also used in naturally flowing wells to increase flow rates. Beam pumping units are also used by coalbed methane production operators to dewater the coal seams to release the gas.

Lufkin is an industry leader in the manufacture of rod lift systems. A reciprocating rod lift system consists of a surface pumping unit powered by an electric motor or gas engine prime mover, a rod string, and a positive displacement pump. Lufkin manufactures the top side of the rod pump system, which consists of a gear-driven walking beam pumping unit seen at the surface of an artificial lift system. Other components are sourced from third parties. Advantages of reciprocating rod lift systems over other artificial lift systems include high system efficiency, economical repairs and service, flexibility, and a high salvage value for surface and downhole equipment.

In November 2010, Lufkin acquired Petro Hydraulic Lift Systems (PHL), which manufactures and leases hydraulic rod pumping systems, offering an attractive option both for producing low volume oil wells and for dewatering low pressure gas wells.

Automation Reduces Production Costs and Enhances Output. As a natural extension of its pumping unit business, Lufkin’s Automation business designs, manufactures, installs and services computer control equipment and analytical services for the units. Automating oilfield equipment creates operating and cost efficiencies, making it an attractive value proposition, and since its inception in 1998, Automation has been Lufkin’s fastest growing product line, making up about 20% of Oilfield sales revenues in the 2011 first quarter.

Specializing in Highly Engineered Precision-Made Gears

Lufkin’s Power Transmission business is the industry leader in high-speed turbo gearing, and it services many diverse markets. The energy industry is the primary user of high-speed gearing services which are typically used in large-scale, capital intensive projects with long lead times, and thus, less sensitive to changes in commodity prices. PT’s low-speed gearing caters to the marine, metal processing, mining, sugar, plastics and other non-energy industries, each with their own set of drivers.

In the late 1990s, the Company established a major presence in Europe by acquiring COMELOR, a French gear manufacturer, making Lufkin the only high-speed gear manufacturer with a full range of manufacturing, sales, engineering and testing capabilities. RMT, acquired in July 2009, enhanced Lufkin’s capabilities in high-speed turbo equipment. Future growth is expected in the oil and gas sector and from public infrastructure projects, which rely on high-performance gears to produce steel and cement, and the repair of wind turbine gearboxes.

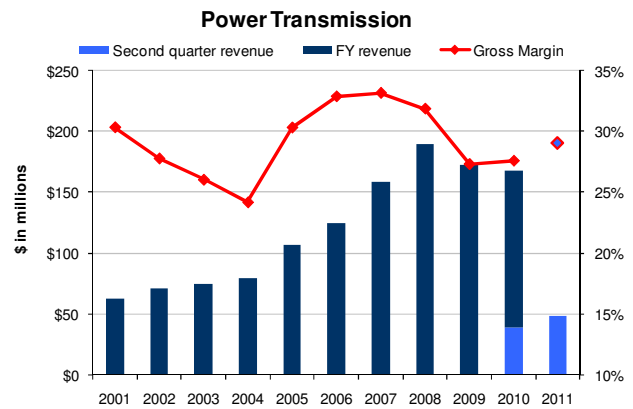
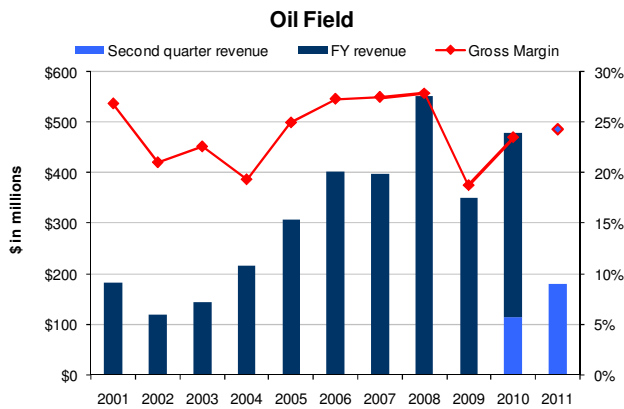
From a competitive standpoint, Lufkin benefits from its strong reputation as a global design leader, its advanced engineering skills, high-velocity manufacturing, and product performance levels. Lufkin is also noted for its domestic and international sales and support, specifically regarding its repair and service capability, its high-speed mechanical test capabilities, and its comprehensive design and engineering support team.

Strong Financial Position Adds Stability, Flexibility

Historically, Lufkin has relied on cash flows from operations and limited borrowing to finance its acquisition activity, dividend payments and stock repurchases. Lufkin’s strong cash position of about \$65.6 million, over 9% of total assets, gives it the financial flexibility to continue to pursue acquisitions and other initiatives. At the end of the 2011 second quarter, Lufkin had no debt on its balance sheet.

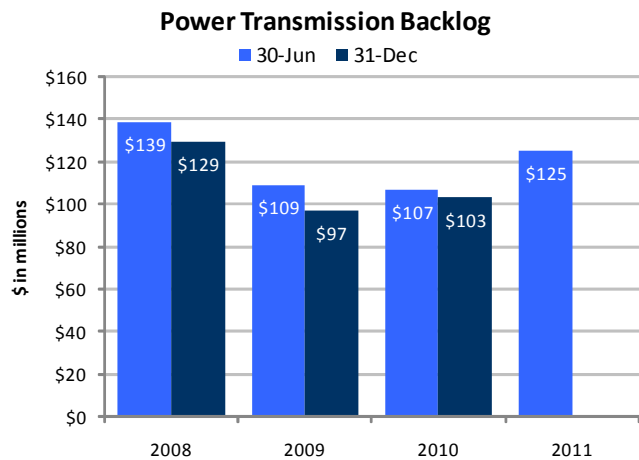
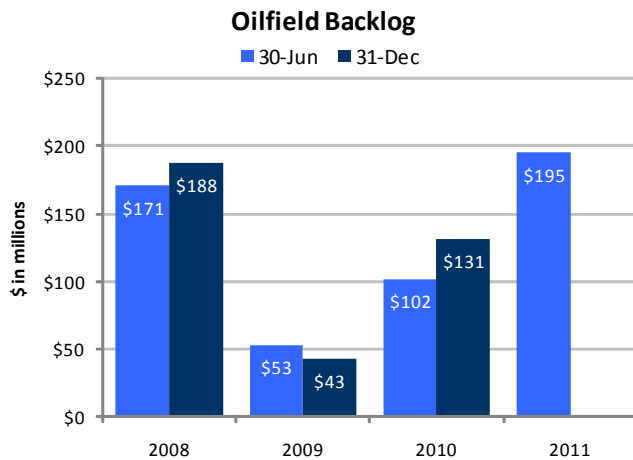
Second quarter 2011 net earnings were \$18.5 million or \$0.60 per diluted share, , exceeding 2010 second quarter net income of \$10.6 million or \$0.35 per diluted share. EPS was reduced \$0.11 by unanticipated production ramp-up issues, the impact of labor unrest in Argentina, legal expenses and higher LIFO expenses. The overhang of these issues is expected to continue into the third quarter, and while management retained its full-year revenue guidance of \$890-\$930 million, EPS guidance was lowered to \$2.50-\$2.80 from \$2.70-\$3.00. Consolidated backlog of \$320.5 million rose 54% from a year ago and over 6% sequentially, and bookings are expected to remain healthy through the year.

OILFIELD AND PT POSITIONED TO BUILD ON 2010 MOMENTUM



Source: Company Reports

BACKLOG GROWTH SIGNALS SIGNS OF RECOVERY

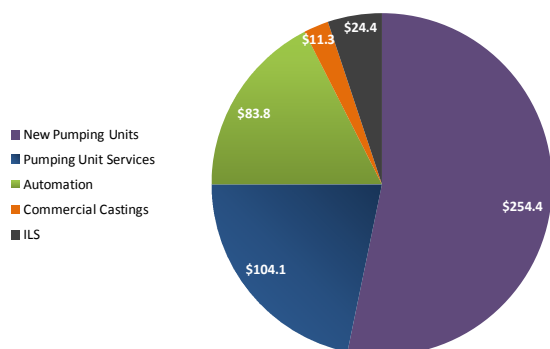


Source: Company Reports

OILFIELD AND POWER TRANSMISSION LEVERAGED TO ENERGY MARKETS

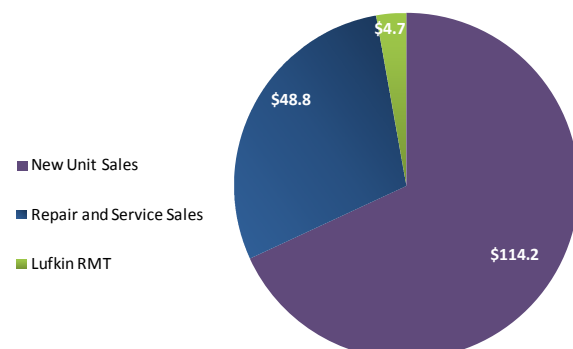
Oilfield Revenue
(\$ in millions)

\$477.9 million of total revenues in 2010



Power Transmission Revenue
(\$ in millions)

\$167.8 million of total revenues in 2010



Source Company Reports



Lufkin Industries, Inc.

NASDAQ: LUFK

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Reader Advisory and Forward Looking Statements

This Fact Sheet is presented as a brief company overview for the information of investors, analysts and other parties with an interest in the Company. Lufkin's management hopes that this Fact Sheet will encourage analysts and investors to investigate more about the Company through its Securities and Exchange Commission (SEC) filings, press releases and other public materials. This Fact Sheet does not constitute an offer to sell or a solicitation of an offer to buy any securities of the Company. This Fact Sheet contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act that are based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including statements about Lufkin's strategy for growth, product development, market position, expected expenditures and financial results are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects," "anticipates," "plans," "intends," "projects," "indicates," and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, including those discussed more fully elsewhere in this Fact Sheet and in documents filed with the Securities and Exchange Commission by Lufkin, particularly its Annual Report on Form 10-K for the year ended December 31, 2010, as well as others, could cause results to differ materially from those stated. These factors include, but are not limited to, the investigation of certain accounting matters by the Securities and Exchange Commission; changes in the laws, regulations, policies and economic conditions, including inflation, interest and foreign currency exchange rates, of countries in which Lufkin does business; competitive pressures; successful integration of structural changes, including restructuring plans, acquisitions, divestitures and alliances; cost of raw materials, research and development of new products, including regulatory approval and market acceptance; and seasonality of sales of Lufkin products. Lufkin's filings with the Securities and Exchange Commission can be obtained at no charge at <http://www.sec.gov>, as well as through our website at <http://www.lufkin.com>. This Fact Sheet does not purport to be all-inclusive or to contain all of the information that a reader may desire regarding the structure or the affairs of the Company. The information contained in this Fact Sheet is only current as of July 25, 2011 and the Company undertakes no obligation to update this Fact Sheet.