



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 and power transmission 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 high-speed gear manufacturing.

- Strategic Capital Investments Expanding Capabilities.**
 Lufkin's strong balance sheet and cash position gives it the financial flexibility to continue to invest in its manufacturing capabilities for both oilfield and power transmission products. Recent acquisitions, including ILS and RMT, were consistent with Lufkin's long-term growth strategy of integrating strategic assets to leverage its position of industry leadership.

- Growing International Oilfield Services Markets.** The expansion of Lufkin's international business begun several years ago has provided a foundation for international growth that helps cushion the impact of a depressed domestic market. 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 its existing relationships. The ILS acquisition in March 2009 provides an entry into the offshore market, including international deepwater plays.

- Economic Malaise, Uncertain Commodity Prices Weigh On Second Quarter Results.** Given the soft economy and depressed natural gas prices, Lufkin's customers have reigned in spending, particularly in the U.S, and some projects have been delayed or canceled. Oil Field segment revenues fell 41% to \$75 million, reflecting a 1% decline in new Oil Field unit sales as well as a 38% drop in Automation Sales. However, Power Transmission posted a 1.6% year-over-year revenue gain driven by a 2% rise in new orders, particularly in France.

- Bookings Remain Depressed But Show Sequential Improvement.** Despite the challenging economic environment and constrained expenditures in the oil and gas markets, Lufkin posted quarter-over-quarter booking increases in both its Oil Field and Power Transmission businesses. Although bookings declined dramatically from last year's record levels to \$162.3 million (83% decline in Oil Field and 13% decline in Power Transmission), there have been signs of stabilization in orders for high-speed gearboxes and the international market continues to outshine the domestic market.

Price (August 10, 2009) \$48.13

Stock Data

Fiscal Year-End:	December
Symbol / Exchange:	LUFK / NASDAQ
52-Week Range:	\$26.96 – \$95.23
Common Shares O/S:	14.9mm
Market Capitalization:	\$717mm
Total Enterprise Value (TEV) ¹⁾ :	\$634mm
Average Daily Volume (L3M):	195,045
Insider Ownership ²⁾ :	4.4%
13F Institutional Ownership ³⁾ :	72.1%

Financial Data (\$ millions except per share data)

	12/31/08	6/30/09
Current Assets:	\$385.7	\$319.1
Total Assets:	\$530.7	\$519.1
Current Liabilities:	\$88.8	\$58.9
Shareholders' Equity:	\$413.9	\$418.9
Working Capital:	\$296.9	\$260.2
	6M08	6M09
Revenue (\$mm) ⁴⁾ :	\$315.6	\$276.9
Operating Income (\$mm) ⁴⁾ :	\$54.6	\$19.2
EPS ⁴⁾ :	\$2.50	\$0.93

Segment Data

Total Revenue Mix ⁴⁾	6M09
Power Transmission	33 %
Oil Field	67 %

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) As reported by Bigdough
 4) Revenue, operating income, EPS and revenue mix data is based on results from continuing operations. 6M09 income includes \$5MM in litigation reserve.

COMPANY OVERVIEW

Headquartered in Lufkin, Texas, **Lufkin Industries** is a global supplier of oilfield and power transmission products. Its 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. Its 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.

LUFK has an established market in most major oil producing basins and has local manufacturing capacity in many international markets to meet specific country requirements. Overseas, demand for oilfield equipment has been less volatile than in the U.S., and opportunities in international markets are expanding. Lufkin's acquisition of International Lift Systems (ILS) earlier this year expanded its presence in South America and the Middle East, which should materialize later this year.

The domestic oilfield business roughly tracks the U.S. rotary land rig count, which has fallen from its highs in September 2008. Demand for pumping unit equipment is dependent on the level of new onshore oil drilling and workover activity in addition to the reactivation and upgrading 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 the 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 (CBM) production operators to dewater the coal seams to release the gas. CBM production is a significant portion of U.S. gas supply and is garnering more attention worldwide.

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. LUFK 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.

Automation Reduces Production Costs and Enhances Output. As a natural extension of its pump business, Lufkin's Automation business designs, manufactures, installs and services computer control equipment and analytical services for pumping units. The operating and cost efficiencies provided by automating oilfield equipment make this business an attractive

value proposition for its customers. Since its inception in 1998, Automation has been LUFK's fastest growing product line, making up about 15% of Oil Field sales revenues.

Specializing in Highly Engineered Precision-Made Gears

LUFK's Power Transmission (PT) 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, and is the only high-speed gear manufacturer with a full range of manufacturing, sales, engineering and testing capabilities in both Europe and the U.S. The cornerstone of its European operations is located in eastern France. In both Europe and the U.S., opportunities exist in the renewable energy markets. During 2008, LUFK was contracted to repair wind turbine gearboxes, and future expected growth in products and services for public infrastructure should increase gearbox demand. For example, projects such as roads and bridges rely on high-performance gears to produce steel and cement.

As part of its strategic plan to enhance its capabilities and position the company for growth when the economy recovers, LUFK acquired Rotating Machinery Technology (RMT) in July. RMT specializes in the analysis, design, manufacture and servicing of precision, custom-engineered tilting-pad bearings and related components for high-speed turbo equipment.

From a competitive standpoint, LUFK is currently benefiting from its excellent reputation as a global design leader in addition to its advanced engineering skills, high-velocity manufacturing, and product performance levels. LUFK 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.

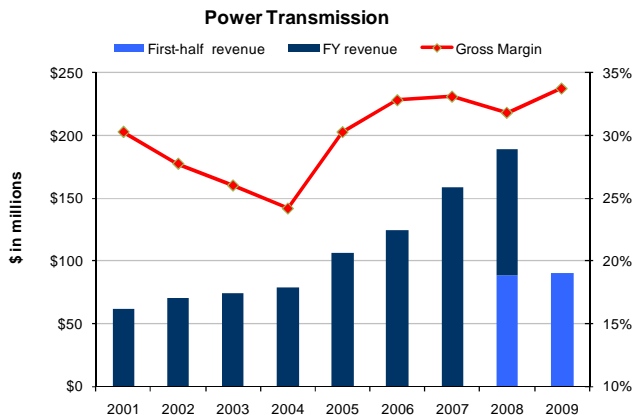
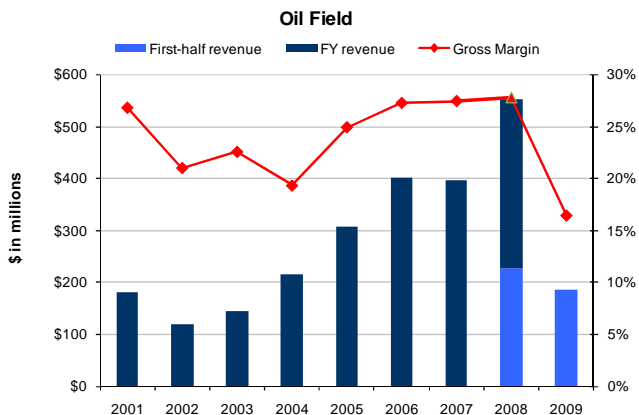
Strong Balance Sheet to Help Weather Economic Headwinds

Historically, Lufkin has relied on cash flows from operations and limited third-party borrowing to finance its acquisition activity, dividend payments and stock repurchases. Lufkin's strong cash position of over \$86 million, or about 17% of total assets, gives the company the financial flexibility to continue to pursue acquisitions and other initiatives. At the end of 2Q09, LUFK had \$2.3 million in long-term debt and had \$18 million outstanding on its \$40 million three-year credit facility.

Excluding a non-recurring litigation expense, net earnings in the 2009 second quarter were \$6 million or \$0.40 per share, down 57% from the same period last year. Reduced customer demand and pricing pressure for oil field equipment and services compressed companywide margins to 21.8% from 27.4% a year ago. However, sales of higher margin high-speed gear units increased during the quarter.

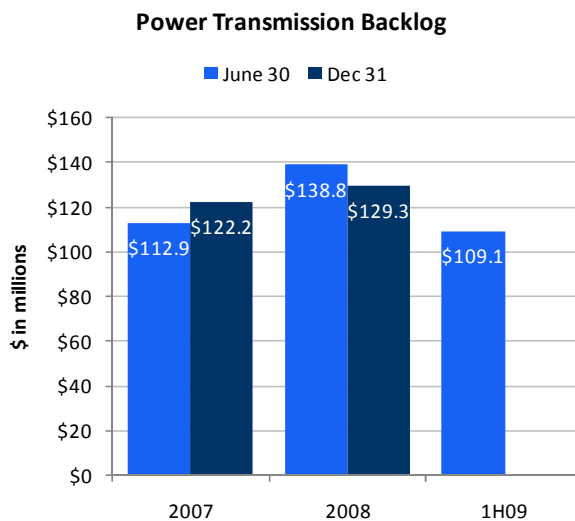
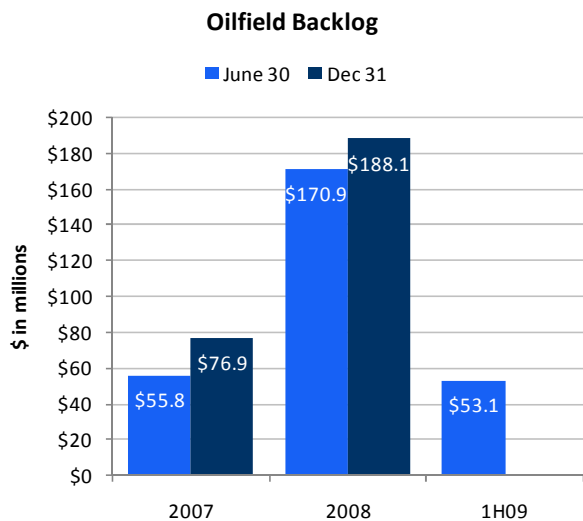
Responding to the difficult market, Lufkin has reduced its workforce by 16% year to date, and will continue to improve efficiencies. The Company had \$10 million of capital expenditures during the second quarter, and future spending will be focused on strategically positioning for growth, particularly in its manufacturing and servicing capabilities outside the U.S.

DEPRESSED GLOBAL ECONOMY CRIMPS FIRST-HALF '09 PERFORMANCE



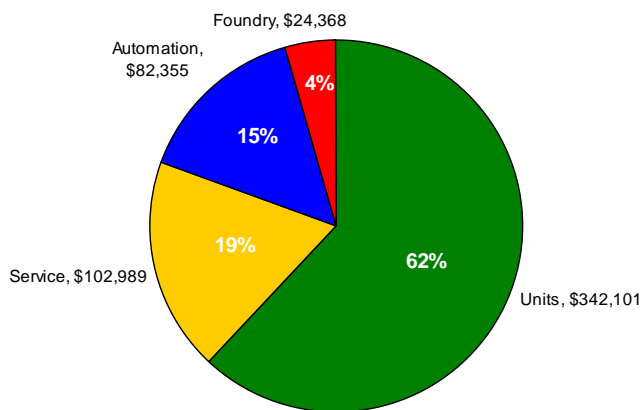
Source: Company Reports

2009 BACKLOGS AFFECTED BY COMMODITY PRICES; CUSTOMER CASH FLOWS

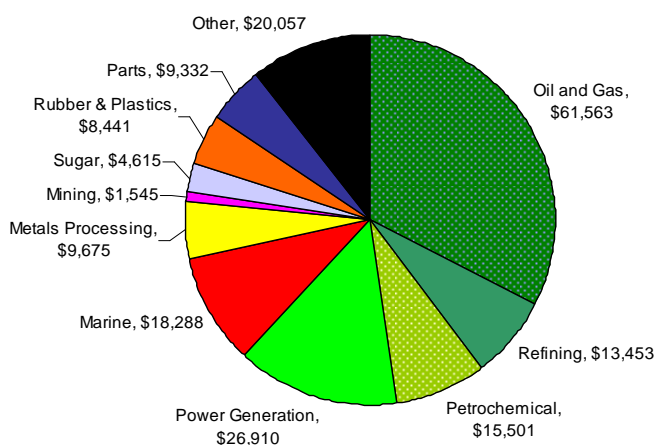


OIL FIELD AND POWER TRANSMISSION LEVERAGED TO ENERGY MARKETS

Oilfield
2008 Revenue by Product Line
\$ in thousands



Power Transmission
2008 Revenue by Product Line
\$ in thousands





Lufkin Industries, Inc.

NASDAQ: LUFK

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This document is issued by Lufkin Industries, Inc. and was prepared in conjunction with the firm of Dennard Rupp Gray & Easterly, LLC.

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, 2008, 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 August 10, 2009 and the Company undertakes no obligation to update this Fact Sheet.