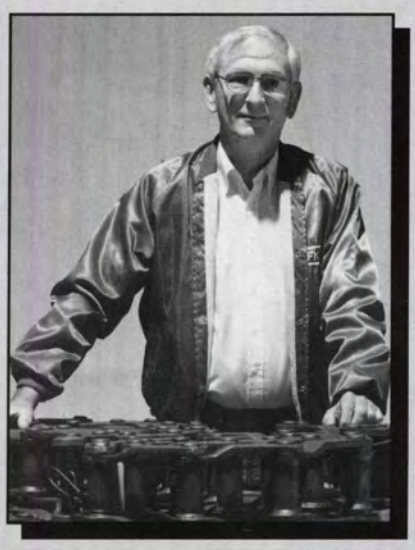
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LUFKIN

ROUNDUP

APRIL 1990

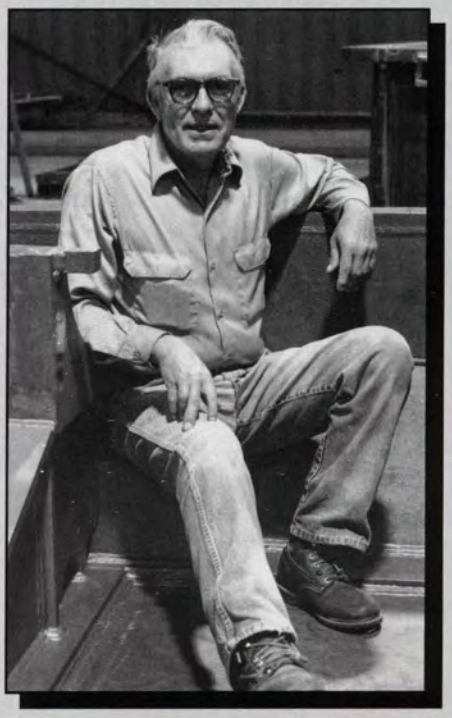
1989 Employee Annual Report



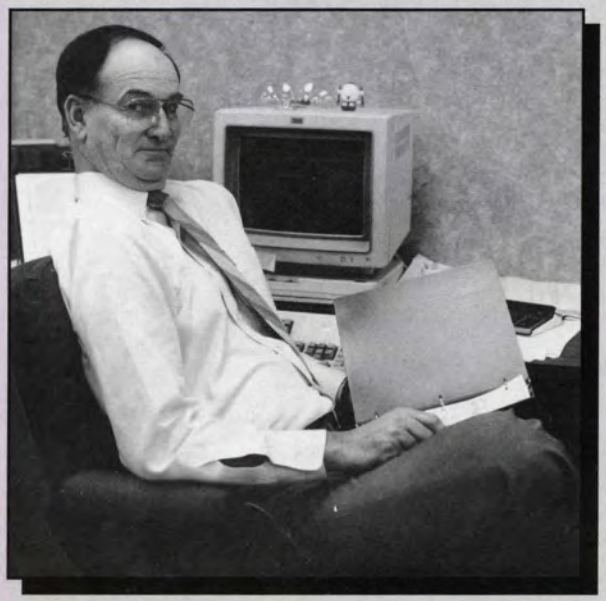
Phil Huber .....1 year



Keith Brown.....3 months



George Branton .....35 years



Ron Jackson .....34 years



Alvaro Alvarez .....10 years

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Walking around LUFKIN



...I have the opportunity to see our products at all stages of completion. This issue of the Roundup mainly deals with the facts and figures about our products as seen in our corporate Annual Report for 1989. Much of this information is reflected in numbers, percentages and by charts (as can be seen on the facing page), but this tells only the accounting side of the LUFKIN picture.

What I also have the opportunity to see when I'm walking around LUFKIN is people. People rushing... people working... people studying... people laughing... people making up the most important part of LUFKIN — it's spirit.

By now you have all had the chance to get a copy of the official 1989 Annual Report. I think this information is important enough to warrant using a full issue of the Roundup to re-emphasize where LUFKIN is today and where LUFKIN is heading tomorrow. We could have used numerous product pictures to emphasize the facts and figures reported in this issue, but we chose instead to use pictures of *you*. At face value it may appear that the pictures and the stories don't match, but when you look at it as I do you see that they are the perfect match. Everything that LUFKIN has achieved over the years has come from those employees who have worked through the hard and good times, and everything LUFKIN hopes to achieve in the future rests in the hands of our employees, some of whom are just now starting their careers with LUFKIN.

Diversification is a management strategy which has helped LUFKIN through the hard times in the oil field — we added other product lines to help take up the slack — and diversity is what has made LUFKIN's people a driving force in the continuing efforts toward quality, timeliness and profitability.

It is incredible to realize that the products from a small East Texas town are known and respected around the world for quality, dependability and real value. In each of these products is a part of each and every LUFKIN Team Member — the spirit — the pride — the thrill of accomplishment.

It is also incredible to work for a Company whose primary objective is "to help people succeed." Whether it be owners, customers or employees, the single thread that makes all of this possible is that each of us needs to be generators of inspired teamwork and realize that it's not just a job — it's an adventure.

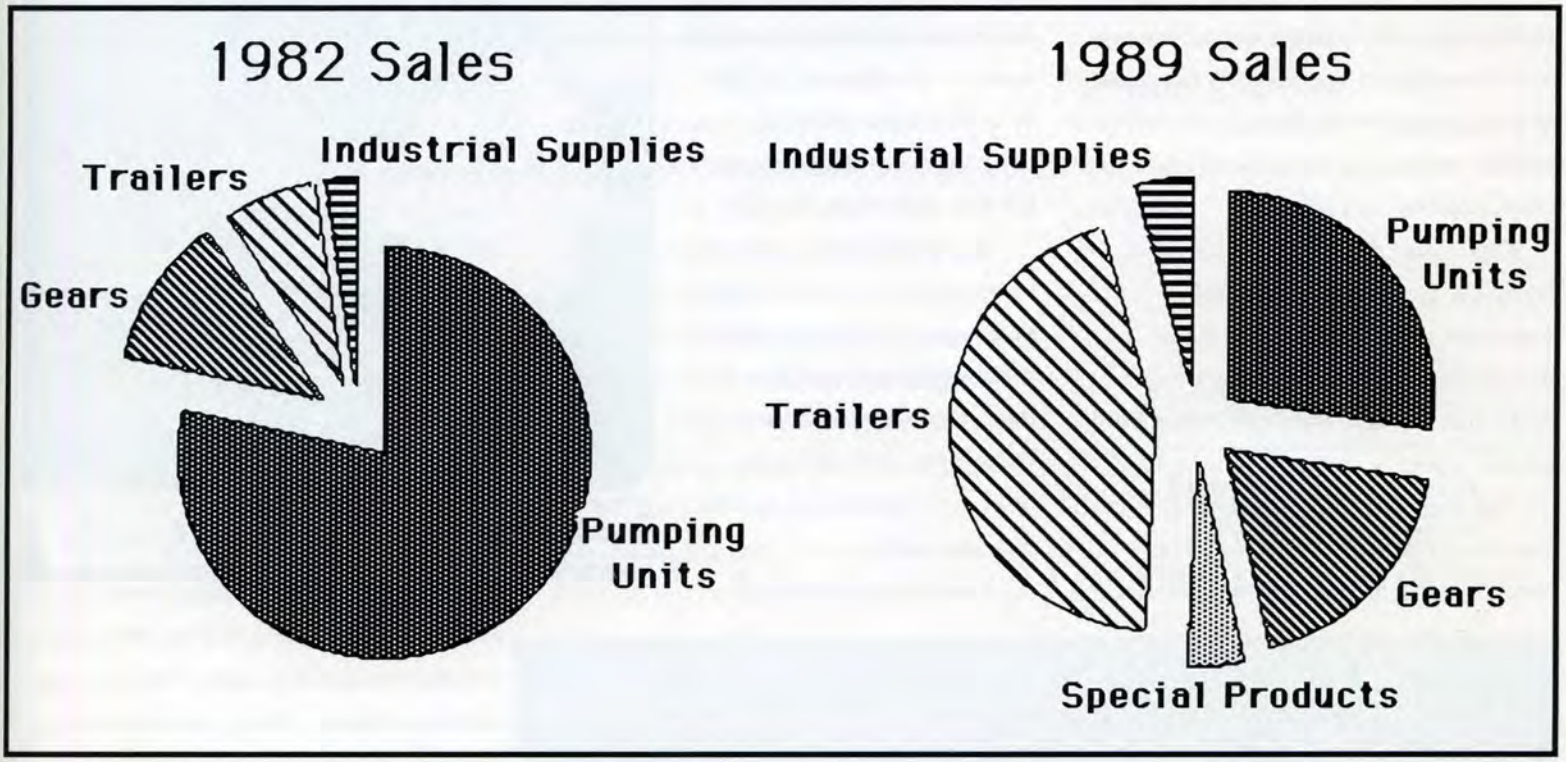
As we look back on 1989, we realize that it was the slowest period for oil field drilling since 1940. Hopefully, we have seen the difficult times and your help is greatly appreciated — now, let's look forward to the future and the things that we can do in 1990 to truly make LUFKIN a better, stronger company and a better place to work.

F B Stevenson

Frank B. Stevenson

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"...shifting from a one-product Company to a broadly diversified Company..."



Shown above are two pie charts; one shows the breakout by product line of total sales for 1982 and one shows the same information for last year, 1989. As can easily be seen, pumping unit sales made up the largest slice of the 1982 pie (78.8%), with the other product lines amounting to only slivers. Now look at last year's pie. While trailer sales is the largest slice, the important point is that the pie is much more evenly divided. No single product line dominated the pie as it had in the past — this is diversification.

Should the 1982 pie not have been so lopsided? Not necessarily — remember what business conditions were like at the start of 1982. At that time it didn't look like the pumping unit business would ever slacken. We know now that it did, but it just made sense to go with the business at hand, and that's what LUFKIN did in 1982 — and what LUFKIN did in 1989. Last year trailer sales were excellent, so emphasis was put on them; if another product line moves to the front this year, then emphasis should be put on that line. It's logical to sell what's hot, and fortunately for LUFKIN we have a number of truly different product lines, so when one line is in a down-trend we can count on the other lines to help pick up the slack.

Looking back again to 1982, remember how, after the fast start, pumping unit sales dropped off dramatically by the end of the year. A "one-product Company" would have quickly gone under, but fortunately LUFKIN was/is "a broadly diversified Company" and has been able to weather the continuing storms. That, of course, isn't to say that life has been easy at LUFKIN since 1982 or that it will be "easy" again, but LUFKIN is still a strong, viable Company — thanks to diversification.

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1989 At-a-Glance

Reprinted from the 1989 Annual Report - Letter to Stockholders.

The year 1989 was one of transition and change. We continued our strategy of shifting from a one-product Company to a broadly diversified Company with primary strengths in engineering, manufacturing and sales.

There were many cross currents in our Company in 1989 as some markets continued to decline, yet we made significant progress and growth in many of the markets that we serve. Although we had a loss from operations in 1989, we had a significant improvement in cash flow from operating activities. The primary cause for the loss was the decline in the oil field business which was due to the decrease in oil field activity. The drilling rig count, which is the primary driver for the oil field business, was at a 40-year low in 1989. As a result, our oil field products were at the lowest level in more than 40 years.

The good news is that we increased the growth in other areas, and have continued to build a strong foundation for the future growth of other businesses. Following is a brief summary of our various business units:



Lisa Thompson .....8 months

• Oil Field Equipment — We continued to improve our product and make further penetration into all of the markets that we serve. We have introduced many innovative services such as a portable pumping unit for rental/lease/purchase, used units, rebuilt units and sales and service on a worldwide basis.



Brown Hays .....34 years

• Trailer Division — The Trailer Division recorded an 11 percent increase in sales to an all-time record of $81.5 million and continued to improve and broaden its entire product line. Many low cost improvements were made in the manufacturing facilities to increase efficiencies, shorten lead time and improve material handling. Although we are seeing a downturn in the transportation industry, we will make adjustments in our operating plan in order to continue to improve the profitability of the Trailer Division.

• Industrial Gears — We experienced another very good growth year in industrial gears as volume expanded

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approximately 27 percent to $33.5 million. Incoming orders remain strong, and we expect to have about the same growth rate in 1990. We are moving to expand our industrial gear business in all areas, particularly in high speed units, repairs and parts. We will continue aggressively to pursue this market.

• Special Products — We experienced dramatic growth in this market of approximately 90 percent to $8.5 million. Special products comprise casting, fabrication, machining and assembly operations. This segment of our business is an extremely important growth area, and we are moving forcefully to capture new markets and broaden our presence in all of these areas.

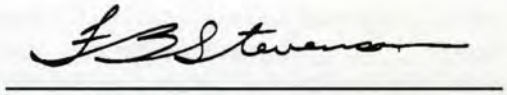
• Industrial Supplies Division — Sales totaled approximately $8.0 million, and the business continues its steady growth in the regional markets that it serves. We continue to improve the product lines and service as we serve the industrial base of East Texas. In addition to the regional market, the Industrial Supplies Division performs an important service to the manufacturing groups within the Company by providing supplies and services to all of our operations.

• More Efficient and Competitive — We have continued to position and shape our organization to respond better to the various markets that we serve. As the oil field business has continued to decline, we have moved to accelerate the growth of our gears, trailers and special products businesses. This has required many organizational changes and shifts in responsibility and focus. Many LUFKIN team members are availing themselves of the educational activities offered by the Company and are improving their skills to help build a better, stronger Company for the future.

• Outlook for the Future — We will continue to face tough competitive conditions in all of the markets that we serve in the 1990's. We are hopeful that the oil field industry will begin a gradual recovery, and we are well-positioned to take advantage of any improvement in that market. Industrial gears are a strong growth market, and we intend to increase our position to be a worldwide force in this market. Although we face a temporary downturn in the trailer industry, we are continuing to improve our efficiency and our capability, and we are determined to be profitable at any level of operation.

We will continue to improve our core business and to build on our traditional strengths while we use our resources to develop and improve many new markets.

We are a strong engineering, manufacturing and sales organization with a sound technology base and exceptional financial strength. We will build on this base in the future to continue to improve our total operation. We are blessed with a dedicated group of hardworking, energetic and creative people. It is their commitment to the LUFKIN values which has enabled us to make the transition during this difficult time, and it is the driving force that will enable us to continue to build a better and stronger company. Our primary corporate objective is to continue to improve the long-term growth and profitability of your company.



Frank B. Stevenson
President and
Chief Executive Officer



Rex Jones .....39 years

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On The Road To Success

CORPORATE

Herb Green.....V-P Manufacturing to Senior V-P

FABRICATION

Leroy Adams.....Helper to Welder B
Alvaro Alvarez.....Helper to Welder B
Brent Husband.....Helper to Welder B
Eddie Mask.....Assembler Class A Spec to Loader/Checker
Roy Traweek.....Laborer to Assembler Class B

FOUNDRY

Rodney King.....Designer B/Comp Graphics to CAD Designer A
Guadalupe Luna.....General Foundryman to Fork Lift Tow Motor Op

INDUSTRIAL SUPPLIES

Phil Huber, Jr. .....Power Transmission Spec to Industrial Sales Rep

GEAR SALES

Shawn Calhoun.....Sales Trainee to Salesman B
Christopher Peterson.....Salesman B to Salesman A

MACHINE SHOP

Charles Bernard.....Service Rep Trainee to Service Rep
Cedric Brown.....Laborer to Truck Operator
Danny Casanova.....Laborer to Machinist Helper
Gary Day, Jr.....Machinist Helper to Machine Operator Trainee
Darvin Dominey, Jr. .....Laborer to Truck Operator
Luis Garcia.....Laborer to Machinist Helper
Zebby Gray.....Laborer to Heat Treat Helper
J.C. Higgins.....Machinist Helper to Machine Operator Trainee
David Hodges .....Laborer to Machinist Helper
Eric Houston.....Truck Operator to Machine Operator Trainee
Rickey Innerarity .....Laborer to Maintenance Mechanic C
Paul Lakey.....Electronic Trainee to Electronics Technician
Ernesto Lopez.....Machine Operator Trainee to Machine Operator A
Juan Lopez.....Laborer to Machine Operator Trainee
Ricky Marrs.....Machinist Helper to Maintenance Mechanic A
Rosalio Moreno.....Laborer to Machine Operator Trainee
Steven Redd.....Electrician C to Electrician B
Richard Rosas .....Machine Operator Trainee to Machine Operator B
Barry Saucier .....Spray Painter to Machine Operator Trainee
Derrick Stewart.....Laborer to Machine Operator Trainee
Mark Winthrop .....Laborer to Machine Operator Trainee
David Yount.....Machine Operator Trainee to Machine Operator A

PUMPING UNIT SALES

Ralph Bassett.....Operatives, P/T to Shop Serviceman

14th Annual Fishing Tournament
Friday, April 13, 1990
Sign-in at Trailer Plant parking lot between 4:30 a.m - 7:00 a.m.
For tournament information call John Havard, ext. 5405

Green Named Senior Vice-President

The Board of Directors of Lufkin Industries, Inc. elected Herb Green Senior Vice-President at their quarterly meeting, February 19, 1990. He will have overall responsibility for the Machinery Division, which involves the industrial gear, pumping unit, commercial casting and commercial fabrication product lines along with related manufacturing and support functions.

Green, who has served Lufkin Industries in the capacity of Materials & Information Systems Manager, Vice-President of Foundry Operations and most recently as Vice-President of the Machinery Division Manufacturing, has been with LUFKIN approximately eight years. He holds B.S. and M.S. degrees in accounting from Oklahoma State University and is a Certified Public Accountant.



Showing the diversification of his background, Green is a member of the American Institute of Certified Public Accountants, the American Production Inventory Control Society and the American Foundryman Society. He is also a member of Phi Kappa Phi and Beta Alpha Sigma honorary societies.

Locally, Green is a member of the Board of Directors for the Wilson-McKewen Rehabilitation Center, is on the Finance Committee of the Memorial Medical Center of East Texas and with wife, Vicky, and children, Angela (18), Aaron (16) and Anna (11) is a member of the 1st Baptist Church of Lufkin.

Green served in Vietnam in the Army and was awarded the Bronze Star..

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APRIL ANNIVERSARIES

Accounting
John Cantrell 16
Tim Coker....14
Judy Cain 13
Art Lozano 10
Sara Callahan 8
Mike Cauble....1

Canada
Tan Nguyen....9
Katherine Schurek....5
Balnarine Kurkut 2

Engineering
Michael Lannan 2

Fabrication
Smith Malone, Jr. 28
Roger Williams 28
Robert Lewis 25
Benny Wilson 24
A. D. Whisenant....18
Harold Woods 15
Alfonso Compean 15
Martin Walden 15
Ray Montgomery 12
Brent Husband....11
Roy Traweek 11
William Bardwell 10

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Eddie Sowell....28
George Yarbrough 26
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Lester Gilder 18
Johnny Miller....17
Dudley Flenoy....14
Loy Williams....13
Jimmy Suell....13
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Jose Garcia 11
Stephen Reynolds....9
Roman Cardenas 3
Guadalupe Luna 3
Robert Drouet 3
Vickie Oates 3
Florentino Lopez....3
Juan Bermea....3
Esteban Garcia 3
Wayland Quisenberry....3
Zeferino Cruz 3
Juan Hernandez....3
Carl Russell....3
Raimundo Luna....3
Grose Kiel 3
Raul Castillo 2

Gear Sales
Inocencio Reyes 13
Lorraine Gregory 12
Cathy Salagaj....12

Industrial Supplies
Dawn Cirillo 3
Sammy Read 3

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Leroy Garner 27
Leslie Durham 25
Ray McCalister....25
Darvin Dominey, Sr. 25
James Eddings 24
David Jinkins, Sr.....24
Doyle Robertson....23
Donald Smith....22
James Williams....22
James Pate 20
Don Allen 18
Michael Doss 17
Dal Johnson....16
Edgar Ditsworth 15
Donald Jackson....13
Temple Farr....13
Larry Jackson....12
Tom Spencer....12
Michael Burley....11
Steven Carlin 11
Gary Reppond....11
Albert Larabell....11
William Poe....11
Coy Taylor....10
Tom Brewer....10
Steve Whitaker 10
Roy Williams 10
Jerold Runnels....10
Carl Phillips 9
Darvin Dominey, Jr. 3
Caroll Benge....3
David Palmer....3
Floyd Jacks 3
Onetta Hamilton 3
Linda Dunn....3
Robby Malone 3
Oran Calmese 3
Jeffery Yount....3
David Holley....3
James Windham 3
Carolyn Havard....3
Jose Morales....3
Randy Baker....3
Virgil Berwick 3
Curtis Smith 2
Greg Alexander....2
Jerry Bowers....2
Luis Garcia 2
Sherman Snelson 2
William Brown....2
John Dykes 2
Larry Mayo....1
William Yount 1

Machinery Sales
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Gary Seaton....24
Doris Jones....21
Mary Phillips....10
Julie Jacobs 8
Duane Pritzel 6

Trailer
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Prentice Brooks 18
Ewell Jackson....17
Linley Ham 16
Bobby Smith 16
Sue Massingill....14
Tommie Fox 13
Anthony Niosi....13
Margaret Sowell 11
John Oliver....11
Stephen Jayroe 6
Jay Schwartz 5
Charles Mettlen....3
Ronald Edwards....2
Randall Collins....2

Trailer Branches
Johnny Rhodes....18
James Holton 17
Louise Boyles 14
Walter Shaw....14
Roland Reynolds 5
Ralph Evans....4
John Myrick....4
Charles Lyons....3
Guadalupe Lozano....2
David Warren....1

Didn't get your Roundup last month? Maybe it's being sent to the wrong address. Check with Personnel to make sure your correct address is on file -- and if you change address, please inform Personnel.

Let's Get Acquainted



Danny Walley is the Shop Foreman at the Machinery Sales Office in Oklahoma City. He supervises and schedules daily work and trains employees in the intracacies of individual pumping unit types. He also calls on field customers and inspects units in the field.

A native of the area, Walley attended Capital Hill High School. He and wife, Lowana, have five children, Lisa, 16, Brian, 14, Steve, 11, J.R., 9, and Danny, 6.



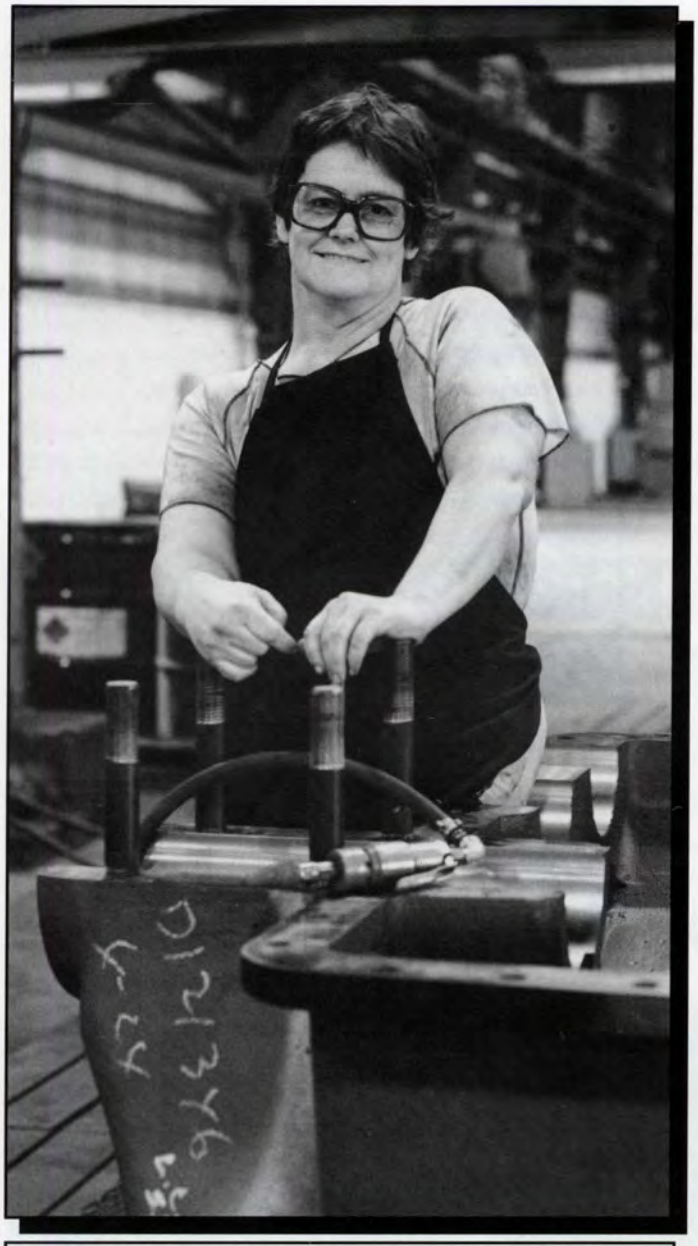
Garry Campbell .....2 years

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Address Correction Requested



Joyce Basey.....3 months



Eddie McFarland.....34 years



David Silva .....7 months

THE ROUNDUP

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