MAVERICK TUBE CORPORATION Financial Highlights 2002-1998

The Company changed its fiscal year in 2000 from a September 30 year-end to a December 31 year-end. Set forth below are the financial highlights of Maverick Tube Corporation as of and for the years ended December 31, 2002, 2001 and 2000. Also included are the pro forma financial highlights as of and for the years ended December 31, 1999 and 1998 as if the fiscal year-end had been December 31 for all periods presented:

(In thousands, except per share data and employees)	Year Ended December 31, 2002	2001	2000	Pro Forma 1999	Pro Forma 1998
INCOME STATEMENT DATA:					
Net sales	**$452,913**	$544,933	$562,023	$342,612	$347,677
Cost of goods sold	**409,916**	441,843	488,397	322,434	308,285
Gross profit	**42,997**	103,090	73,626	20,178	39,392
Selling, general and administrative	**34,032**	30,372	25,466	22,715	20,327
Restructuring charges	**1,186**	8,061	—	—	—
Partial trade case relief	**(2,709)**	—	—	—	—
Start-up costs	**—**	1,101	267	283	775
Income (loss) from operations	**10,488**	63,556	47,893	(2,820)	18,290
Transaction costs	**—**	—	11,253	—	—
Interest expense	**3,961**	3,090	3,177	1,678	1,565
Income (loss) from continuing operations before income taxes	**6,527**	60,466	33,463	(4,498)	16,725
Provision (benefit) for income taxes	**3,414**	21,228	14,736	(13)	5,894
Income (loss) from continuing operations	**$ 3,113**	$ 39,238	$ 18,727	$ (4,485)	$ 10,831
Diluted earnings (loss) per share from continuing operations	**$ 0.08**	$ 1.15	$ 0.54	$ (0.14)	$ 0.34
Average shares deemed outstanding	**38,492**	34,117	34,525	31,703	31,499
OTHER DATA:					
Depreciation and amortization	**$ 19,954**	$ 14,841	$ 12,602	$ 10,983	$ 8,804
Capital expenditures	**22,809**	25,784	51,780	28,017	31,010
EBITDA(1)	**30,442**	78,397	49,242	8,163	27,094
U.S. rig count (year-end average)(2)	**831**	1,157	918	624	827
Canadian rig count (year-end average)(2)	**262**	341	344	244	263
Energy tons shipped	**560,459**	680,230	666,702	421,857	351,399
Industrial tons shipped	**180,393**	206,761	224,528	200,874	199,984
Total tons shipped	**740,852**	886,991	891,230	622,731	551,383
BALANCE SHEET DATA:					
(End of period)					
Working capital	**$201,195**	$142,316	$118,828	$108,632	$ 96,819
Total assets	**595,883**	357,447	390,818	323,255	242,650
Current maturities of long-term debt	**2,977**	938	866	723	667
Short-term revolving credit facility	**—**	3,219	20,766	10,067	6,133
Long-term revolving credit facility	**132,927**	62,000	62,038	27,150	20,000
Other long-term debt (less current maturities)	**2,742**	5,991	6,929	7,300	8,026
Stockholders' equity	**338,286**	225,383	213,256	200,566	170,782
Employees	**2,098(3)**	1,569	2,079	1,706	1,104

(1) EBITDA represents earnings (loss) before interest, income taxes, depreciation and amortization (the EBITDA data presented above can be calculated by taking income (loss) from operations less transaction costs plus depreciation and amortization). The Company believes EBITDA is a widely accepted, supplemental financial measurement used by many investors and analysts to analyze and compare companies' performances. However, EBITDA should not be considered as an alternative to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with accounting principles generally accepted in the United States. Because EBITDA excludes some, but not all, items that affect net income and because these measures may vary among companies, the EBITDA data presented above may not be comparable to similarly titled measures of other companies.
(2) As reported by Baker Hughes, Inc.
(3) Includes employees from the acquisition of the tubular division of The LTV Corporation.

Letter to Stockholders

The good news for 2002 is that we managed to make some money. The bad news is that it was not very much. While I would like to quickly put 2002 behind us and begin talking about what we see ahead, I will take some time to review what happened last year and why.

Just one year ago, we were coming off a very profitable year. However, as we stated at the time, we were quite concerned about the outlook on commodity prices and what impact they would likely have on drilling rates. Our concerns were certainly well placed regarding our energy business. Due to weak oil and gas prices, primarily early in the year, drilling levels fell by 28% in the United States and by 23% in Canada. In turn, with weaker demand, pricing fell for our energy products by about 11% in the U.S. and by 1.3% in Canada. The combination of weak demand and reduced pricing caused our 2002 energy sales to fall by $116 million from a year ago. And, as if this wasn't enough to deal with, our steel costs shot up by 30% year over year, as a result of government tariffs and reduced domestic capacity. These three factors were the main reason that our profitability reduced from $1.15 per diluted share from continuing operations in 2001 to $0.08 per diluted share from continuing operations in 2002.

Gregg Eisenberg
Chief Executive Officer

Let me share some of my beliefs about Maverick. First, I feel that Maverick's earnings may be the most sensitive in the oil service industry to changes in pricing and spreads over our steel costs. Second, I feel that Maverick's cost structure and our position in other markets, including Canada, allows us to break even or to remain slightly profitable, even when our competitors did not. Finally, we have always looked for ways to make our business grow, regardless of what is going on in the U.S. energy segment of our business. I believe 2002 showed just how true these views are. I will come back to these points a little later.

> "Finally, we have always looked for ways to make our business grow, regardless of what is going on in the U.S. energy segment of our business."

Looking in the rear view mirror, we saw the rig count trend down sharply early in the year, and then just sit there. The U.S. energy industry reacted quickly to the low energy prices we had just a year ago. In late December 2001, oil prices were about $19 per barrel while gas prices were down to $2.46 per MCF. By spring, the rig count had fallen to around 800 from a beginning level of 1,000 rigs and an average the year before of 1,157 rigs. While oil and gas prices later recovered (to $29 per barrel for oil and $4.09 per MCF for natural gas), the recovery came too late to allow activity to rebound until late in 2002.

With lower drilling levels came reduced needs for inventories. Inventories, held by all channels, were reduced by about 16% from those levels on hand at the beginning of the year. Distributors were cautious with their inventories and, when the hoped-for recovery in the fourth quarter of 2002 did not materialize, they lost faith and pulled inventory levels down even lower. The inventory reductions during the year decreased an already anemic demand for new pipe by over 9%. Said another way, Maverick and its competitors, both foreign and domestic, were fighting over the demand from only approximately 754 rigs.

Because of the reduced demand for pipe and weaker OCTG pricing, the quantities of imports were almost cut in half. With the import level declining more than demand, imports lost market share from 30% in 2001 to 22% in 2002. Although the reduction in imports and import market share softened the blow from reduced demand and inventory liquidations, the net result of these factors was a decline in domestic shipments of OCTG by 27% from those levels we enjoyed during 2001.

In Canada, inventory levels moved down slightly because distributors were anticipating a strong winter drilling program. As a result, Canadian shipments of OCTG were only reduced by 12%. Moreover, line pipe shipments declined as well, with shipments being off by almost 40% from the previous year. The decline in Canadian line pipe demand was caused by both the type of wells being drilled and where they were drilled, resulting in some shift toward plastic pipe products.

Pricing of energy products moved lower both in the U.S. and in Canada. Product prices averaged about 11% lower in the U.S. and about 1.3% lower in Canada. We believe the reason prices declined is due to domestic capacity utilization falling in the U.S. from an average of 70% during 2001 to 55% during 2002. They might have fallen even more, without the added pressure from higher steel costs. At year-end, OCTG prices were about 7% lower than a year ago.

My assessment is that in last year's environment, Maverick performed better than the broader market. With U.S. industry-wide shipments being down by 27% in 2002, Maverick's domestic OCTG shipments were down 22%. In Canada, where producer shipments were down by 12%, our OCTG shipments were up by 2%. As a result, our OCTG market share improved in both the U.S. and Canada by about 11%. The factors that contributed to this increased market share were tighter alignment with customers that remained busy in slow periods and more end-user focus than spot business focus. I also think the increased share was partly due to the expanded product offering from our 16-inch mill. Our price movements mirrored those of the industry as a whole, so we did not pick up market share at the expense of pricing.

With the reduced level of energy shipments in the U.S. and Canada, coupled with the reduced selling prices and increased steel costs, we operated in an environment of collapsed energy margins in the U.S. and reduced margins in Canada. We lost $71 million in energy-related gross profit from the levels we achieved the year before, of which $25 million was attributable to volume, $28 million was attributable to reduced selling prices and the balance was attributable to increased steel costs.

Our performance in our industrial product area was a bright spot. For these products, pricing movements kept up with steel cost movements. However, our volumes, while still good, were down 10% from a year ago. Overall, margins for the year improved, as we were able to bring conversion costs down, particularly on products manufactured on our 16-inch mill. The increase in our margin offset some of the decline in gross profit from our energy business. While this business has not always been the most exciting one we have, this year was rewarding.

Our new coiled tubing operations, acquired at the end of March, contributed to the Company. Overall, revenues in the coiled tubing business for the year fell from $55 million in 2001 to $41 million in 2002 and cash flows fell from $13 million to $5 million. A good share of the decline in the coiled tubing business was the result of significantly reduced sales of coiled line pipe, down over 50% from a year ago. The remainder of the decline occurred principally due to the reduced level of drilling and completion activity in North America.

Looking ahead to 2003, we anticipate a partial rebound in activity. Much of our optimism is fueled by what has happened recently in the oil and gas markets. In March 2003, oil and gas prices were very high, with the twelve-month strip pricing around $29 per barrel for oil and $5.36 per MCF for natural gas. Again, this is in sharp contrast to the $19 per barrel oil prices and $2.46 per MCF gas prices of a year ago. Industry-wide cash flows should be up by 35% to 40% in 2003, assuming that all the benefits of the higher prices flow to producers. Historically, higher cash flows have been spent on increased activity. Drilling costs entered the year 10% below those of last year. We believe that producers will be somewhat conservative to begin with, but after they assure themselves of the price sustainability, they should go to work. With these factors in mind, we believe drilling could move past the 1,000 rig level later in the year, and bring the average for the year up 15% or more from 2002.

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Because we are entering the year with relatively low inventories by any measure, we think inventory should turn from being a competitor back to being a customer again, perhaps adding as much as 5% to overall demand. The combination of higher drilling and an inventory swing could cause capacity utilization to climb towards the 80% range by year-end. That would suggest improvement for both volumes and pricing. More volume and higher pricing could allow our U.S. energy margins to move

Maverick Officers **Gregg Eisenberg**, Chairman of the Board, President and Chief Executive Officer *(standing). Seated from left:* **Sudhakar Kanthamneni**, Senior Vice President – Manufacturing and Technology; **Pamela G. Boone**, Vice President – Finance and Administration, Treasurer, Secretary and Chief Financial Officer; **T. Scott Evans**, Senior Vice President – Sales and Marketing; **Richard W. Preckel**, Vice President – Strategic Services.

back toward the 20% range we enjoyed during 2001. In addition, we are hoping for a better year in our coiled tubing business, with revenues higher and cash flows increasing substantially.

Another key factor in discussing our projections for 2003 is steel costs. As you know, steel costs make up approximately two-thirds of our cost of goods sold. We think that overall, there will be improvements in that area as well. To properly understand where this optimism comes from, look at the factors that drove up our costs in 2002. Starting in mid-2001, almost 20% of the domestic capacity to make flat rolled steel, including our hot rolled raw material, was shut down. Normally, a higher import rate would have offset some of the tightness this caused. However, the 30% tariffs placed on these products certainly diminished the ability of imports to fill the gap. As a result of both the plant closures and high tariffs on imports, operating rates tightened causing near term shortages. This gave our suppliers the latitude to increase pricing by 30% over late 2001 costs to the highest levels seen in a long time.

Steel costs during 2003 and beyond should be different. First, we believe approximately 80% of the capacity idled during 2001 should be fully back on-line in early 2003 as it has been purchased by new owners. This should reduce operating rates at our suppliers and put downward pressure on steel prices. Spot prices, which shot up during 2002, have already retraced a portion of their upward movement in early 2003. Larger contract purchase prices had increased similarly in 2002, but also have moved down this year in a similar pattern. Therefore, we believe our cost structure should improve from 2002 levels, perhaps by 10% to 20% during 2003.

We were very active in the acquisition arena during 2002, closing two acquisitions during the year and a third one in February 2003. The businesses acquired are Precision Tube and SeaCAT's coiled tubing businesses and the tubular division of The LTV Corporation. The aggregate purchase price for these businesses will be approximately $200 million, and based on the full year of 2002, these acquisitions bring annual revenues of approximately $283 million and cash flows of $36 million. Funding for these purchases was obtained through a combination of debt and equity financing. Maverick's debt ratio at the end of the year was still in the 30% range, which we believe is reasonable for our business. There is more discussion of the acquired businesses beginning on page 6 of this report.

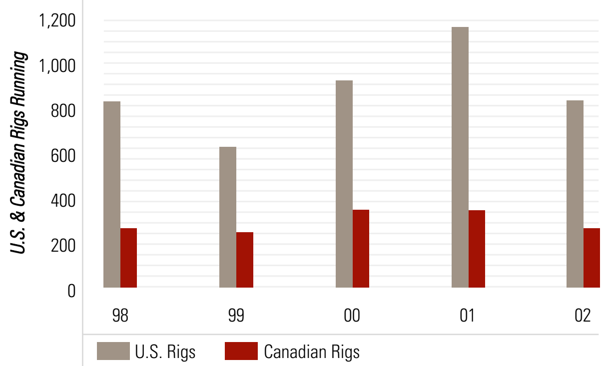
In summary, 2002 was a challenging year for Maverick, yet it was a year that demonstrated many of the things we believe in—significant leverage to changes in the oil service market in North America, sensitivity to spread over steel costs, a favorable cost structure and an appetite for future growth. As we enter 2003, Maverick has continued to transition into a very different company than a few years ago—a company with more diverse product offerings, participation in better markets and a premier position in the North American energy market. Assuming a rebound in the energy industry, we believe Maverick's traditional businesses in the U.S. and Canada are set for a nice recovery. Volume, pricing, our margins and especially lower steel costs will all contribute. We also think that Maverick's newly acquired businesses will be complementary to our existing businesses as the energy sector and the overall economy recovers. I am proud of our record of growth and attention to the details that make companies successful. Hopefully, our markets will cooperate more for us in 2003 and make it a much more rewarding year for our stockholders. Thank you for your continued interest and support.

Gregg Eisenberg

Gregg Eisenberg

Maverick By The Numbers

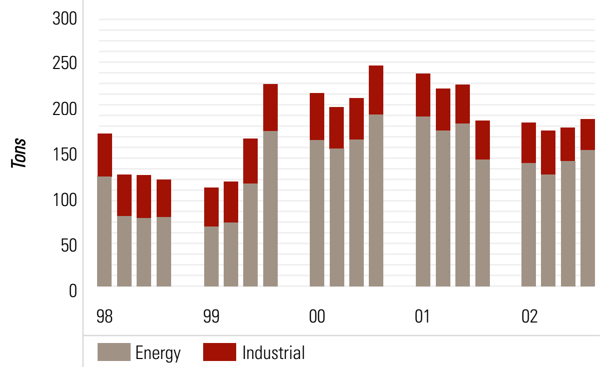
U.S. & Canadian Drilling Activity



Source: Baker Hughes

The Company's Shipments

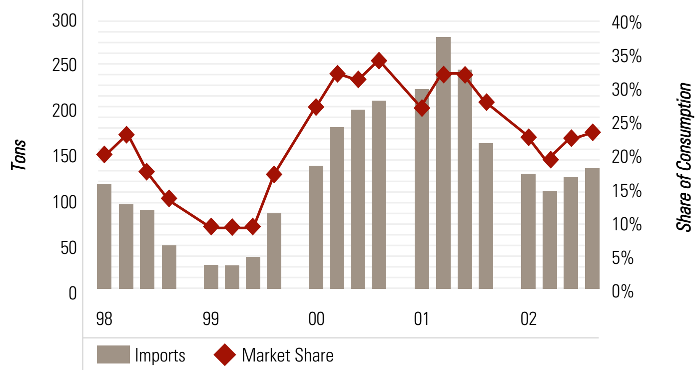
Tons in Thousands



Source: Historical Data

U.S. OCTG Imports & Market Share

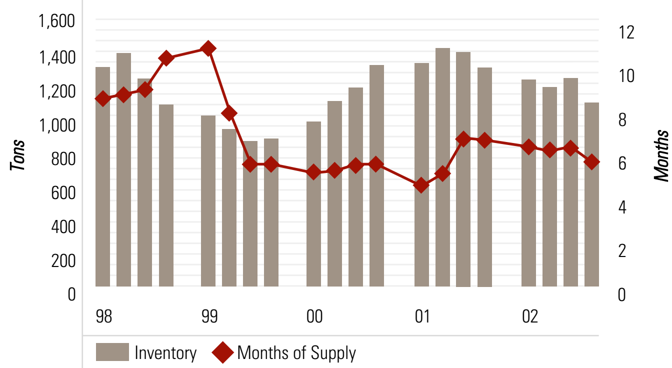
Tons in Thousands



Source: U.S. Census Bureau, Management Estimates

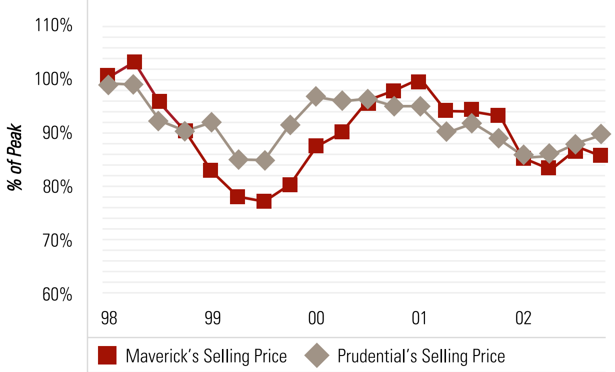
U.S. OCTG Industry Inventory & Months of Supply

Tons in Thousands



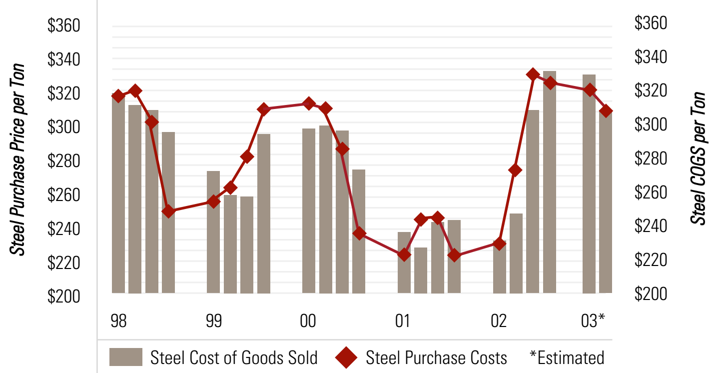
Source: Duane Murphy Situation Report, Management Estimates

OCTG Product Pricing



Source: Historical Data

Maverick Steel Costs



Source: Historical Data, Management Estimates