





## **FLOTEK INDUSTRIES IN SUMMARY**

Flotek Industries, Inc is a diversified global supplier of drilling and production related products and services to the energy and mining industries. Our core focus is oilfield specialty chemicals and logistics, downhole drilling tools and downhole production tools. We serve major and independent companies in the domestic and international oil industry. The company's stock is traded on the American Stock Exchange under the stock symbol "FTK."



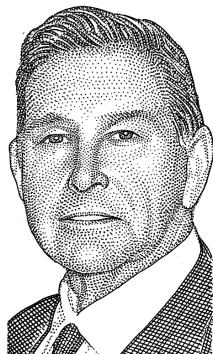


## HIGHLIGHTS

<i>(dollars in thousands)</i>	2006	2005	2004
Revenue	\$ 100,642	\$ 52,869	\$ 21,881
Income from Operations	\$ 18,853	\$ 10,114	\$ 3,012
Net Income	\$ 11,350	\$ 7,720	\$ 2,154
Diluted Earnings Per Share	\$ 1.22	\$ 0.94	\$ 0.31
Weighted Average Common Shares (fully diluted)	9,293,865	8,255,293	7,013,137
Total Assets	\$ 82,890	\$ 52,158	\$ 15,957
Long Term Debt	\$ 8,185	\$ 7,277	\$ 5,272
Capital Expenditures	\$ 9,201	\$ 2,397	\$ 113



## — Letter to Shareholders —



*Jerry D. Dumas, Sr.*

It is with much pleasure that I present this report to you. We continue to build a firm foundation that will accommodate our vision of building a growth company with emphasis on profitability and shareholder value.

During the year many decisions were made and executed that continue to fulfill our long-term vision. Both organic and strategic acquisition growth was consummated that strengthened our domestic market penetration and established the genesis of an active international marketing effort.

Our future is a time of achievement, which is being undertaken by a committed team laden with experience and entrepreneurial spirit. The right people have brought Flotek to this level and will continue their quest to be a great company.

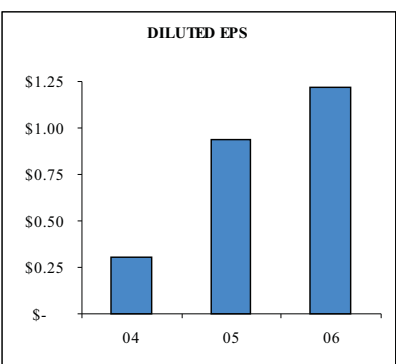
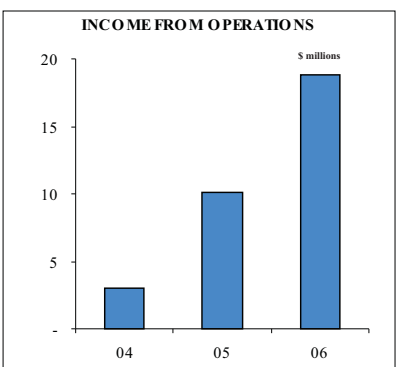
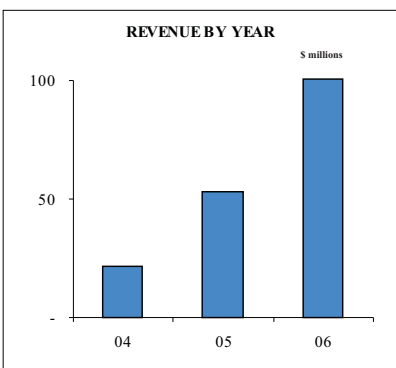
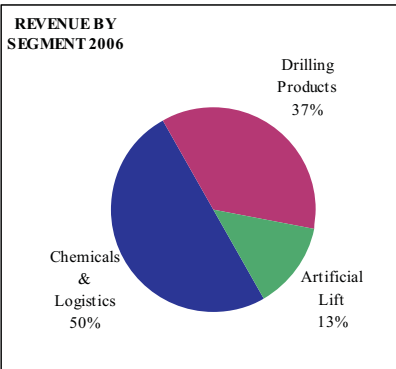
The purchase of five private downhole drilling tool sales and rental firms established Flotek as a leader in the field of “bottom hole assembly” rental equipment to the mining and oil and gas industries. Our plan to become a formidable player in the “artificial lift” market of downhole production equipment was solidified by the acquisition of two companies primarily in the coal bed methane fields. Addition of these firms made our downhole products in the Artificial Lift segment a material part of Flotek's revenue and profitability. Combining our Petrovalve with the patented gas separator and a full line of ESP's gives us introduction into new geographic areas as well as the traditional oil & gas production arena.

Revenue and profits of the specialty chemical group continued to increase rapidly fueled by their outstanding growth. The further penetration of CESI's proprietary products has resulted in unprecedented growth with profit margins hitting a new high. The development and maturing of our Micro Emulsion technology has led to several new product formulations that the industry has and is accepting at a rapid pace.

Our Chemical and Logistics segment increased revenue from \$29.6 million in 2005 to \$50.5 million in 2006, a 71% gain. Gross profit margins were elevated to 45% from the previous year of 40%.

The acceptance of our “green” chemistry was especially pleasing as the formulations derived from this micro emulsion chemistry approach weekly sales of \$1,000,000.





We established our first international facility in The Netherlands to offer chemicals to the North Sea and the European mainland. With this international presence we anticipate increased foreign sales for the segment.

Due to the growth that has been generated by R & D activity, management has committed to triple the budget for this effort and is moving the laboratory from Denver to Houston. A closer proximity to our customers with an expanded staff of degreed chemist will accelerate our product development.

Efforts to make the Artificial Lift segment significant was proven as revenue and gross profit increased in 2006 to \$13.3 million and \$3.3 million respectively. This compares to the prior year of \$1.4 million and \$0.5 million, an increase of approximately 850% and 600%, respectively, year over year. Potential growth will see this division become one of our fastest growing segments in revenue and profits.

Our downhole drilling tool sales and rental segment showed great progress through organic growth and acquisitions. Flotek is a leader in the domestic market for bottom hole assembly rental and sales. We now have inventory to accommodate customer needs for equipment used to drill, stabilize and centralize casing prior to cementing.

Our Drilling Products segment increased revenue from \$ 21.9 million in 2005 to \$36.8 million in 2006, a 68% gain. Gross profit increased to \$15.2 million for 2006 from \$9.4 million in the previous year. Our drilling tool acquisitions in 2005 and 2006 coupled with downhole mud motor rentals and higher centralizer sales contributed to these increases.

Your Company acquired five downhole rental companies and 50% ownership of a premier “mud motor” firm giving us the capacity to provide the equipment utilized from the drill pipe to the drill bit. The future of this segment bodes well as we consolidate and optimize the respective products and services into a cohesive unit. Not the least of assets acquired were the strong management personnel, all of whom remain with Flotek.

Aside from the additional products and tools we added, the Company's coverage now includes all of the North American market from the Gulf of Mexico to the Canadian border and Mexico.

It is a privilege to serve as your Chairman and Chief Executive Officer. My thanks go out to all who so diligently contributed to our success. I look forward with positive anticipation to the future of your Company.

**Jerry D. Dumas, Sr.**  
*Chairman & Chief Executive Officer*



# **CORPORATE DIRECTORY**

## **Board of Directors**

Jerry D. Dumas, Sr. (1998)  
Chairman of the Board

John W. Chisholm (1999)  
Member, Compensation Committee

Gary M. Pittman (1997)  
Chairman, Compensation Committee  
Member, Audit Committee

Barry E. Stewart (2001)  
Chairman, Audit Committee  
Member, Governance and Nominating Committee

Richard O. Wilson (2003)  
Member, Audit Committee  
Member, Governance and Nominating Committee

William R. Ziegler (1997)  
Chairman, Governance and Nominating Committee  
Member, Compensation Committee

## **Corporate Officers**

Jerry D. Dumas, Sr.  
Chief Executive Officer, President

Lisa G. Meier  
Chief Financial Officer, Vice President

Rosalie T. Melia  
Corporate Secretary



## **SHAREHOLDER INFORMATION**

### **Annual Meeting**

The Company's Annual Meeting of Stockholders will be held at 2:00 p.m. CST on May 18, 2007, at the Houston Racquet Club  
10709 Memorial  
Houston, Texas 77024

### **Stock Exchange Listing**

The Company's common stock trades on the American Stock Exchange, under the symbol "FTK."

### **Transfer Agent**

American Stock Transfer & Trust Company  
6201 15th Ave.  
Brooklyn, New York 11219  
800-937-5449

### **Independent Auditors**

UHY LLP  
12 Greenway Plaza, Suite 1202  
Houston, Texas 77046  
(713)960-1706

For more information, please write to our Corporate Office:  
Investor Relations  
7030 Empire Central Drive  
Houston, Texas 77040  
Contact us at (713) 849-9911, or visit our website at  
[www.flotekind.com](http://www.flotekind.com)





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