



Flotek's Technology Portfolio

Flotek's portfolio consists of four primary technology groups: Energy Chemistry Technologies; Drilling Technologies; Production Technologies; and Consumer & Industrial Chemistry Technologies. Our Energy Chemistry Technologies add value in the drilling, completion and production stages of oil and gas wells; our Drilling Technologies provide solutions during the drilling stage of oil and gas wells; and our Production Technologies address a number of production challenges for oil and gas companies. Our diverse mix of products and services touch every stage of the life cycle of a well. Through the acquisition of Florida Chemical, we have added Consumer & Industrial Chemistry Technologies which provide cutting-edge, citrus-based chemistry to the flavor, fragrance and industrial services industries. While each technology requires unique technical expertise, all of our technologies share a commitment to our vision to provide best-in-class technology, cutting-edge innovation to address the ever-changing challenges of our customers and exceptional customer service.

Consumer and Industrial Chemistry Technologies

Consumer and Industrial Chemistry Technologies was added with the acquisition of Florida Chemical. The Company is one of the largest processors of citrus oils in the world. Consumer and Industrial Chemistry Technologies designs, develops and manufactures products that are sold to companies in the flavor and fragrance industry and specialty chemical industry. These technologies are used by beverage and food companies, fragrance companies, and companies providing household and industrial cleaning products.



Drilling Technologies

Drilling Technologies focus on designing, manufacturing and distributing a diverse inventory of downhole drilling equipment with applications in oil and gas drilling as well as mining, water and industrial drilling applications. In addition, we provide directional drilling telemetry services through our best-in-class Teledrift® technologies. We continue to introduce new product innovations including TelePulse™ and Stemulator®.

Production Technologies

Our Production Technologies are focused on assembling, distributing, installing and servicing a broad spectrum of pumping system components including electrical submersible pumps (ESPs), gas separators and other services. In addition, our Petrovalve™ patented production valve and components are used by a plethora of oil and gas producers in downhole production assemblies. Our Production Technologies continue to evolve to meet the needs of both maturing oil and natural gas production. Our acquisition of International Artificial Lift, LLC expands our unique production technologies to the hydraulic lift arena, providing next-generation lift technologies that are more efficient with a smaller environmental footprint that we intend to deploy globally.

Energy Chemistry Technologies

Energy Chemistry Technologies focus on developing, manufacturing and distributing a wide array of specialty chemistries used in both primary and secondary recovery efforts. Our unique and patented chemistries are used in cementing, stimulation, acidizing, drilling and production. Our best-in-class Complex nano-Fluid® chemistries have been shown to meaningfully increase production and well integrity in unconventional tight gas and oil formations. Moreover, our advanced reservoir modeling capabilities provide tailored chemistry solutions to address clients' proprietary completion and production challenges. We also provide Logistics Technologies which manage automated material handling, loading facilities and blending capabilities for energy services companies and build bulk storage facilities.

*"I alone cannot change the world, but I can cast a stone across the waters to create many ripples."
- Mother Teresa*



fell 21% and, as a result, the North American rig count slid over 62% during the twelve months that were 2015. To suggest that backdrop created challenges for our industry is, at best, a mild understatement.

While your company was not immune to the pressures of depressed oil and natural gas prices and the resulting evisceration of oilfield activity, our commitment to maintain a balance sheet with minimal leverage and our focus on Flotek's core, production-enhancing customized chemistries helped Flotek remain above the financial abyss and poised to take advantage of opportunities even in these most challenging times.

While our financial position has provided us a base from which to continue our growth, it is the unwavering dedication and effort of the Flotek team that create opportunities for future success. The day-in and day-out belief by each member of the Flotek team – from Wyoming to Williston, Midland to Marlow and new frontiers beyond our borders – that they can make a difference for all our stakeholders: our clients; our team members and their communities; the environment; and, most importantly, you, our shareholders, is the most important measure of our success.

There is little question that our resolve and resources have been and will continue to be put to the test as our industry addresses the challenges of supply, pricing and financial strength. Moreover, Flotek faces its own set of unique challenges resulting from missteps related to the development of its production measurement software system.

While some may believe such challenges are daunting, I assure you the Flotek team thrives on addressing the challenges directly,



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Fellow Flotek Shareholder:

On behalf of my colleagues at Flotek Industries, I am pleased to report to you on the progress of your Company.

By nearly any measure, 2015 was a challenging year for our industry and, as a result, your Company. The ripples that began in 2014 grew to waves of tsunamic proportion as the tumult created by rapidly declining hydrocarbon prices resulted in a marked deceleration in oilfield activity. By the time 2015 came to a close, many of our brethren were searching for answers as well as for stability in an environment that provided anything but.

Just how challenging is the current environment? Consider that in 2015 crude oil prices dropped over 30% (and were down over 65% from the June, 2014 peak), natural gas prices

with resolve that inside every challenge is an opportunity to be discovered and, through precise execution, harnessed to improve the value of your company. At the end of the day I am convinced our team will be judged more by how we respond and grow from these challenges than by the challenges themselves. And, we are up to the challenges.

My confidence comes from our belief that Flotek remains extremely well positioned as a leader in an energy services renaissance that will be driven by a new wave of technological innovation, focused on precision, customized chemistry that continues to improve production in new and existing wells and is conscious of the importance of environmental stewardship, a sense of obligation to leave the path of energy exploration as untarnished as possible, proving that energy development and environmental principals can coexist.

While the road ahead will be uneven, challenging and even uncomfortable, the prospective reward makes the journey necessary *and* the resolve of the entire Flotek team will make the journey possible. I have no doubt that, once we arrive at our destination, we will look back and view the challenges overcome as the motivation to make Flotek stronger, providing opportunity to further sharpen our focus on our core competencies, seek opportunities that exploit and expand our key strengths and gain market share and expand our reputation as a leading innovator of value-added oilfield technologies.

The theme of this year's annual report captures not only the tone of our current operating environment but also the impact of Flotek's evolving technology portfolio on our industry.

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Clearly, lower commodity prices have created a ripple effect on our business as well as the businesses of our peers and clients. The ripples have expanded around the globe and had profound effects on the way we operate our businesses, in many cases challenging our very existence.

However, as noted earlier, we view those challenging ripples as opportunities for Flotek to recreate, reinvent and reinvigorate our business, creating new products and services and forging new partnerships to ensure we not only remain relevant to our clients but create ripples of our own that improve our clients' operations and, as a result, create value for you, our shareholders.

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In 2015, we created several ripples of our own:

- Through the creation of the Flotek Store™, your company broke tradition with the long-standing yet antiquated business model of indirect distribution of oilfield chemistry, instead choosing to allow end-users – our exploration and production clients – to obtain products directly from Flotek. The ripple effects were numerous including more exposure to Flotek customers, increased sales and overall more efficient pricing from traditional distributors. We believe this is just the beginning of direct distribution opportunities for Flotek, providing opportunities for more direct collaboration with exploration and production clients, better market penetration and an expansion of precision, customized chemistry offerings to the industry.
- The decision to construct the Flotek Global Research & Innovation Center has positioned Flotek as a leader in global oilfield chemistry research. As a result, Flotek has expanded its collaborations with leading North American universities including Texas A&M University, the University of Kansas, the University of Wyoming, the University of Calgary, Rice University, the University of Oklahoma and the University of North Dakota among others. In addition our commitment to research has resulted in the need for an additional shift at our existing laboratory to meet the demand for Flotek analytical services. The ripples will continue into the coming year as we complete our global research facility and look forward to even more opportunities – both here and overseas – to help our clients optimize their drilling, completion and production chemistry and fluid systems.

- What started with a focus on Canadian opportunities, our international business has rippled around the globe, covering nearly every continent and dozens of countries from Argentina to the United Arab Emirates. We are grateful for the work of the recently retired Gary Flock – who spent three-decades toiling in the international oilfield services arena – who was instrumental in establishing Flotek’s global reach and look forward to riding the ripples of his vigorous efforts.
- We continued to build the infrastructure in our Production Technologies business through the January acquisition of International Artificial Lift, LLC, an emerging Texas-based business with new lift technologies that we believe will give Flotek a distinct product and service offering that is more efficient and less intrusive than traditional artificial lift products. We recently installed our first next-generation hydraulic lift systems and believe the success should create ripples across the business as operating results become available.

These are just a few examples of the efforts by the Flotek team that are both genuine and gallant, especially in an incredibly challenging operating environment.

In November, a report was released claiming Flotek’s production measurement software, FracMax[®], displayed certain incorrect data. Since the report was released, we have worked diligently to address the issues raised as well as independently validate the benefits of our precision, customized chemistries.



As is often the case in similar situations, the Securities and Exchange Commission has opened a fact-finding inquiry with which the Company is fully cooperating. There have not been any allegations of wrongdoing. Various shareholder lawsuits have also been filed, which the Company is actively defending and will seek to dismiss.

There is little doubt that the past twelve months have been some of the most challenging in recent memory. In fact, the relatively small number of my brethren in the oilfield that date back to the 1970s are challenged to recall a more arduous time in the business.

That said, it is incumbent on leaders – in the most challenging environment – to make the difficult decisions necessary to ensure the future of the

enterprise, balance conservation and opportunity and position the Company appropriately to be prepared to exploit opportunities as the cycle recovers. Those decisions are difficult, require resolve and a clear vision of the future, something that can be very difficult to envision in the daily struggle to survive.

I am confident that we have the right leaders in the right places to maximize our opportunities in this difficult operating environment. While we remain focused on liquidity, we also are focused on opportunities, confident that making strategic investments in technology can and will result in the creation of long-term value for our shareholders.

As a result, we will carefully evaluate all opportunities – both internal and extrinsic – that will result in a more robust and efficient enterprise, creating ripples of future value. Our eyes are wide open, exploring any and all value-creating opportunities including acquisitions, partnerships and divestitures that stand in support of our goal of making a difference for our clients, communities and shareholders.

An important part of the “Making a Difference” ethos for Flotek is giving back. Whether it is our work with Make a Wish®, veterans concerns or support for Eric Dickerson’s efforts to help boys and young men facing the challenges of growing up without their fathers, Flotek is unabashedly committed to giving back, being good stewards of our communities and making a difference in the lives of those we serve. Without that commitment, our commercial efforts seem less important. Our commitments to our communities give our daily efforts a greater sense of purpose and meaning and, we hope, create ripples into the communities that make our world a better place. That is what “Making a Difference” is all about.

I have told the Flotek team in recent weeks, while the challenges and uncertainties in front of us are significant, they still pale in comparison to what we faced in 2008 and 2009. Moreover, our team is the most talented in the history of Flotek. Given our track record of addressing, overcoming and excelling during periods of tumult, I am both confident and excited that the best is yet to come for Flotek.

And, if we cast the right “stones”, we have the ability to create the ripples that will continue to change our industry and create opportunities for all our stakeholders, especially you, our shareholders.

Finally, I am certain each of you will join me in acknowledging and thanking Todd Sanner, a friend and long-time Flotek team member for his dedication and service to Flotek. Todd, President of CESI Chemical, our chemistry research and production subsidiary, gave over three decades to the creation and growth of the cornerstone of today’s Flotek. His common-sense commitment to the business and his dedication to the people who worked with him are hallmarks of his leadership. While Todd’s leadership will be missed, his legacy will continue to live within Flotek for years to come.

I conclude this year’s missives with the same pledge I have made each year since becoming President of your Company: Along with all of my colleagues at Flotek, I pledge to you, our shareholders, that everything we do will be based on our belief that it is in the best interest of our stakeholders. First and foremost, we will work tirelessly to add value and continue to earn your trust.

In short, we will create ripples that make a difference.

Thank you for your continued interest and support of Flotek.

With appreciation,

A handwritten signature in black ink, appearing to read "John W. Chisholm". The signature is fluid and cursive, with a long horizontal stroke at the end.

John W. Chisholm

Chairman, President and

Chief Executive Officer



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