

FLOTEK INDUSTRIES INC/CN/  
Form 10QSB  
November 01, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10 - QSB**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

**Commission File Number 1-13270**

**FLOTEK INDUSTRIES, INC.**

(Exact name of small business issuer as specified in its charter)

**Delaware**

**90-0023731**

(State or other jurisdiction of incorporation)

(I.R.S. Employer Identification Number)

**7030 Empire Central Drive, Houston TX 77040**

(Address of Principal Executive Offices)

**(713) 849-9911**

(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. **YES  NO**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) **YES  NO**

There were 8,818,526 shares of the issuer's common stock, \$.0001 par value, outstanding as of November 1, 2006.

Transitional small business disclosure format: **YES  NO**

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### Forward-Looking Statements

Except for the historical information contained herein, the discussion in this Form 10-QSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. The words "anticipate", "believe", "expect", "plan", "intend", "project", "forecast", "could" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical facts included in this Form 10-QSB regarding the Company's financial position, business strategy, budgets and plans, and objectives of management for future operations are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from those in the forward-looking statements for various reasons, including, but not limited to, the effect of competition, the level of petroleum industry exploration and production expenditures, world economic and political conditions, prices of and the demand for crude oil and natural gas, weather, the legislative environment in the United States of America and other countries, adverse changes in the capital and equity markets, and other risk factors including those identified herein.

**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements**

**FLOTEK INDUSTRIES, INC.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**  
(in thousands, except share data)

	September 30, 2006 (Unaudited)	December 31, 2005
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 374	\$ 7,377
Accounts receivable, net	19,381	10,407
Inventories, net	14,205	10,658
Other current assets	848	234
Total current assets	34,808	28,676
Property, plant and equipment, net	16,853	9,961
Goodwill	24,465	12,388
Intangible and other assets, net	1,442	1,133
	\$ 77,568	\$ 52,158
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 7,651	\$ 3,805
Accrued liabilities	7,184	3,296
Current portion of long-term debt	2,486	2,016
Deferred tax liability, current	319	319
Total current liabilities	17,640	9,436
Long-term debt, less current portion	11,689	7,277
Deferred tax liability, noncurrent	254	240
Total liabilities	29,583	16,953
Stockholders' equity:		
Common stock, \$.0001 par value; 20,000,000 shares authorized; shares issued and outstanding: September 30, 2006 - 8,818,526 and December 31, 2005 - 8,317,265	1	1
Additional paid-in capital	45,024	39,744
Retained earning (accumulated deficit)	2,960	(4,540)
Total stockholders' equity	47,985	35,205
	\$ 77,568	\$ 52,158

The accompanying notes are an integral part of these consolidated condensed financial statements.

**FLOTEK INDUSTRIES, INC.**  
**CONSOLIDATED CONDENSED INCOME STATEMENTS**  
**(UNAUDITED)**  
**(in thousands, except share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Revenues</b>	\$ 29,196	\$ 13,304	\$ 67,370	\$ 36,805
<b>Cost of revenues</b>	17,253	7,576	40,059	21,746
Gross profit	11,943	5,728	27,311	15,059
<b>Expenses:</b>				
Selling, general and administrative	5,086	2,416	12,348	6,461
Depreciation and amortization	725	422	1,975	1,000
Research and development	172	163	484	441
Total expenses	5,983	3,001	14,807	7,902
<b>Income from operations</b>	5,960	2,727	12,504	7,157
<b>Other income (expense):</b>				
Interest expense	(327)	(215)	(750)	(653)
Other, net	69	(1)	91	39
Total other income (expense)	(258)	(216)	(659)	(614)
Income before income taxes	5,702	2,511		