

DRIL-QUIP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
Operating activities			
Net income	\$ 208,712	\$169,827	\$119,209
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	31,155	29,340	26,224
Stock-based compensation expense	11,856	8,900	5,748
Loss (gain) on sale of equipment	(146)	124	239
Deferred income taxes	(3,145)	(1,235)	338
Changes in operating assets and liabilities:			
Trade receivables, net	(102,696)	(17,250)	(81,566)
Inventories, net	(36,814)	(10,562)	(81,884)
Prepays and other assets	(13,239)	6,161	(8,510)
Excess tax benefits of stock options and awards	(558)	(2,863)	(1,487)
Accounts payable and accrued expenses	54,188	(20,213)	13,530
Net cash provided by (used in) operating activities	149,313	162,229	(8,159)
Investing activities			
Purchase of property, plant and equipment	(42,549)	(42,633)	(50,773)
Proceeds from sale of equipment	978	760	1,774
Net cash used in investing activities	(41,571)	(41,873)	(48,999)
Financing activities			
Repurchase of common stock	(190,234)	(10,002)	—
Principal payments on debt	—	—	(39)
Proceeds from exercise of stock options	2,849	10,506	10,809
Excess tax benefits of stock options and awards	558	2,863	1,487
Net cash provided by (used in) financing activities	(186,827)	3,367	12,257
Effect of exchange rate changes on cash activities	(6,566)	3,442	3,516
Increase (decrease) in cash and cash equivalents	(85,651)	127,165	(41,385)
Cash and cash equivalents at beginning of year	384,356	257,191	298,576
Cash and cash equivalents at end of year	<u>\$ 298,705</u>	<u>\$384,356</u>	<u>\$257,191</u>

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