

WADDELL & REED, INC. AND SUBSIDIARIES
(An Indirect Wholly Owned Subsidiary of Waddell & Reed Financial, Inc.)

Consolidated Statement of Cash Flows

Year ended December 31, 2018

(In thousands)

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Net income | \$ 28,092 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 22,430 |
| Net purchases of trading securities | (20,322) |
| Investments loss, net | 88 |
| Deferred income taxes | 3,815 |
| Pension and postretirement plan benefits | (11,534) |
| Net change in trading securities held by consolidated sponsored funds | 74,645 |
| Other | 19,549 |
| Changes in assets and liabilities: | |
| Receivables from funds and separate accounts | 5,977 |
| Other receivables | (42,547) |
| Due from affiliates, net | 9,169 |
| Other assets | 11,756 |
| Accounts payable and payable to third party brokers | (1,191) |
| Payable to investment companies for securities and payable to customers | 76,017 |
| Accrued compensation | (16,080) |
| Income taxes payable | 745 |
| Other liabilities | (28,935) |
| Net cash provided by operating activities | <u>131,674</u> |
| Cash flows from investing activities: | |
| Additions to property and equipment, net of proceeds from sales | <u>(1,800)</u> |
| Net cash used in investing activities | <u>(1,800)</u> |
| Cash flows from financing activities: | |
| Dividends to parent | (110,367) |
| WRIMCO and WRCMG mergers | (18,629) |
| Net redemptions and distributions of redeemable noncontrolling interests in sponsored funds | (2,515) |
| Return of capital to parent | <u>(11,633)</u> |
| Net cash used in financing activities | <u>(143,144)</u> |
| Net decrease in cash and cash equivalents | (13,270) |
| Cash, cash equivalents, and restricted cash at beginning of year | <u>145,868</u> |
| Cash, cash equivalents, and restricted cash at end of year | <u>\$ 132,598</u> |
| Supplemental disclosure for cash flow information: | |
| Cash paid for: | |
| Income taxes, net | \$ 5,699 |
| Interest | \$ 69 |

See accompanying notes to consolidated financial statements.