

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)		2016	2015
Assets			
Current assets:			
Cash and cash equivalents	\$	170,861	\$ 402,122
Short-term investments		185,588	111,059
Receivables, net		944,943	1,034,084
Inventory		14,740	15,788
Prepaid expenses and other		303,229	264,780
Total current assets		1,619,361	1,827,833
Property and equipment, net		1,552,524	1,309,214
Software development costs, net		719,209	562,559
Goodwill		844,200	799,182
Intangible assets, net		566,047	688,058
Long-term investments		109,374	173,073
Other assets		219,248	202,065
Total assets	\$	5,629,963	\$ 5,561,984
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	\$	238,134	\$ 215,510
Current installments of long-term debt and capital lease obligations		26,197	41,797
Deferred revenue		311,839	278,443
Accrued payroll and tax withholdings		211,554	184,225
Other accrued expenses		57,677	57,891
Total current liabilities		845,401	777,866
Long-term debt and capital lease obligations		537,552	563,353
Deferred income taxes and other liabilities		306,263	324,516
Deferred revenue		12,800	25,865
Total liabilities		1,702,016	1,691,600
Shareholders' Equity:			
Common stock, \$.01 par value, 500,000,000 shares authorized, 353,731,237 shares issued at December 31, 2016 and 350,323,367 shares issued at January 2, 2016		3,537	3,503
Additional paid-in capital		1,230,913	1,075,782
Retained earnings		4,094,327	3,457,843
Treasury stock, 24,089,737 shares at December 31, 2016 and 10,364,691 shares at January 2, 2016		(1,290,665)	(590,390)
Accumulated other comprehensive loss, net		(110,165)	(76,354)
Total shareholders' equity		3,927,947	3,870,384
Total liabilities and shareholders' equity	\$	5,629,963	\$ 5,561,984

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended		
	2016	2015	2014
<i>(In thousands, except per share data)</i>			
Revenues:			
System sales	\$ 1,265,962	\$ 1,281,890	\$ 945,858
Support, maintenance and services	3,441,966	3,070,575	2,366,959
Reimbursed travel	88,545	72,802	89,886
Total revenues	4,796,473	4,425,267	3,402,703
Costs and expenses:			
Cost of system sales	412,066	430,335	314,089
Cost of support, maintenance and services	278,505	247,644	200,402
Cost of reimbursed travel	88,545	72,802	89,886
Sales and client service	2,071,926	1,838,600	1,395,568
Software development (Includes amortization of \$140,232, \$119,195 and \$103,447, respectively)	551,418	539,799	392,805
General and administrative	392,454	423,424	233,393
Amortization of acquisition-related intangibles	90,546	91,527	13,476
Total costs and expenses	3,885,460	3,644,131	2,639,619
Operating earnings	911,013	781,136	763,084
Other income, net	7,421	244	11,090
Earnings before income taxes	918,434	781,380	774,174
Income taxes	(281,950)	(242,018)	(248,741)
Net earnings	\$ 636,484	\$ 539,362	\$ 525,433
Basic earnings per share	\$ 1.88	\$ 1.57	\$ 1.54
Diluted earnings per share	\$ 1.85	\$ 1.54	\$ 1.50
Basic weighted average shares outstanding	337,740	343,178	342,150
Diluted weighted average shares outstanding	343,653	350,908	350,386

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended		
	2016	2015	2014
(In thousands)			
Net earnings	\$ 636,484	\$ 539,362	\$ 525,433
Foreign currency translation adjustment and other (net of taxes (benefit) of \$2,092, \$(3,201) and \$(1,111), respectively)	(33,871)	(32,171)	(30,145)
Change in net unrealized holding gain (loss) on available-for-sale investments (net of taxes (benefits) of \$37, \$(46) and \$(331), respectively)	60	(87)	(522)
Comprehensive income	\$ 602,673	\$ 507,104	\$ 494,766

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended		
	2016	2015	2014
(In thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 636,484	\$ 539,362	\$ 525,433
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	504,236	452,225	302,353
Share-based compensation expense	74,536	70,121	59,292
Provision for deferred income taxes	(11,517)	65,245	106,905
Changes in assets and liabilities (net of businesses acquired):			
Receivables, net	78,258	(160,124)	(74,786)
Inventory	(666)	12,951	8,117
Prepaid expenses and other	(66,658)	(55,363)	(14,625)
Accounts payable	(13,197)	7	2,974
Accrued income taxes	12,170	(690)	(21,764)
Deferred revenue	1,555	9,450	4,346
Other accrued liabilities	(59,589)	14,342	(51,218)
Net cash provided by operating activities	1,155,612	947,526	847,027
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital purchases	(459,427)	(362,132)	(276,584)
Capitalized software development costs	(293,696)	(264,656)	(177,800)
Purchases of investments	(482,078)	(487,981)	(1,214,036)
Sales and maturities of investments	463,899	1,208,387	1,404,846
Purchase of other intangibles	(18,472)	(21,432)	(13,517)
Acquisition of businesses	—	(1,478,129)	(7,476)
Net cash used in investing activities	(789,774)	(1,405,943)	(284,567)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term debt issuance	—	500,000	—
Repayment of long-term debt and capital lease obligations	—	(14,325)	(14,930)
Proceeds from excess tax benefits from share-based compensation	51,903	55,959	39,532
Proceeds from exercise of options	63,794	51,475	31,879
Treasury stock purchases	(700,275)	(345,057)	(217,082)
Contingent consideration payments for acquisition of businesses	(2,074)	(11,012)	(10,617)
Cash grants	—	—	48,000
Other	—	(791)	2,894
Net cash provided by (used in) financing activities	(586,652)	236,249	(120,324)
Effect of exchange rate changes on cash and cash equivalents	(10,447)	(10,913)	(9,310)
Net increase (decrease) in cash and cash equivalents	(231,261)	(233,081)	432,826
Cash and cash equivalents at beginning of period	402,122	635,203	202,377
Cash and cash equivalents at end of period	\$ 170,861	\$ 402,122	\$ 635,203
Summary of acquisition transactions:			
Fair value of tangible assets acquired	\$ (10,200)	\$ 532,625	\$ 184
Fair value of intangible assets acquired	(25,000)	637,980	3,800
Fair value of goodwill	46,940	485,387	16,785
Less: Fair value of liabilities assumed	(11,740)	(176,863)	(1,693)
Less: Fair value of contingent liability payable	—	(1,000)	(11,600)
Net cash used	\$ —	\$ 1,478,129	\$ 7,476