

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except shares in thousands and per share data in dollars)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,342	\$ 4,072
Premium and trade receivables	5,150	3,413
Short-term investments	722	531
Other current assets	784	687
Total current assets	11,998	8,703
Long-term investments	6,861	5,312
Restricted deposits	555	135
Property, software and equipment, net	1,706	1,104
Goodwill	7,015	4,749
Intangible assets, net	2,239	1,398
Other long-term assets	527	454
Total assets	<u>\$ 30,901</u>	<u>\$ 21,855</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liability	\$ 6,831	\$ 4,286
Accounts payable and accrued expenses	4,051	4,165
Return of premium payable	666	549
Unearned revenue	385	328
Current portion of long-term debt	38	4
Total current liabilities	11,971	9,332
Long-term debt	6,648	4,695
Other long-term liabilities	1,259	952
Total liabilities	19,878	14,979
Commitments and contingencies		
Redeemable noncontrolling interests	10	12
Stockholders' equity:		
Preferred stock, \$.001 par value; authorized 10,000 shares; no shares issued or outstanding at December 31, 2018 and December 31, 2017	—	—
Common stock, \$.001 par value; authorized 800,000 shares; 417,695 issued and 412,478 outstanding at December 31, 2018, and 360,758 issued and 346,874 outstanding at December 31, 2017	—	—
Additional paid-in capital	7,449	4,349
Accumulated other comprehensive loss	(56)	(3)
Retained earnings	3,663	2,748
Treasury stock, at cost (5,217 and 13,884 shares, respectively)	(139)	(244)
Total Centene stockholders' equity	10,917	6,850
Noncontrolling interest	96	14
Total stockholders' equity	11,013	6,864
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 30,901</u>	<u>\$ 21,855</u>

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

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data in dollars)

	Year Ended December 31,		
	2018	2017	2016
Revenues:			
Premium	\$ 53,629	\$ 43,353	\$ 35,399
Service	2,806	2,267	2,180
Premium and service revenues	56,435	45,620	37,579
Premium tax and health insurer fee	3,681	2,762	3,028
Total revenues	60,116	48,382	40,607
Expenses:			
Medical costs	46,057	37,851	30,636
Cost of services	2,386	1,847	1,864
Selling, general and administrative expenses	6,043	4,446	3,673
Amortization of acquired intangible assets	211	156	147
Premium tax expense	3,252	2,883	2,563
Health insurer fee expense	709	—	461
Total operating expenses	58,658	47,183	39,344
Earnings from operations	1,458	1,199	1,263
Other income (expense):			
Investment and other income	253	190	114
Interest expense	(343)	(255)	(217)
Earnings from operations, before income tax expense	1,368	1,134	1,160
Income tax expense	474	326	599
Net earnings	894	808	561
Loss attributable to noncontrolling interests	6	20	1
Net earnings attributable to Centene Corporation	\$ 900	\$ 828	\$ 562
Net earnings per common share attributable to Centene Corporation:			
Basic earnings per common share	\$ 2.31	\$ 2.40	\$ 1.76
Diluted earnings per common share	\$ 2.26	\$ 2.34	\$ 1.71

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

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net earnings	\$ 894	\$ 808	\$ 561
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	495	361	278
Stock compensation expense	145	135	148
Debt extinguishment costs	—	—	(7)
Deferred income taxes	(129)	(108)	92
Changes in assets and liabilities			
Premium and trade receivables	(1,173)	(50)	74
Other assets	(38)	(146)	167
Medical claims liabilities	1,325	359	145
Unearned revenue	(52)	19	43
Accounts payable and accrued expenses	(533)	53	402
Other long-term liabilities	258	68	(61)
Other operating activities, net	42	(10)	9
Net cash provided by operating activities	1,234	1,489	1,851
Cash flows from investing activities:			
Capital expenditures	(675)	(422)	(306)
Purchases of investments	(3,846)	(2,656)	(2,432)
Sales and maturities of investments	1,991	1,862	1,566
Investments in acquisitions, net of cash acquired	(2,055)	(50)	(1,297)
Other investing activities, net	—	12	—
Net cash used in investing activities	(4,585)	(1,254)	(2,469)
Cash flows from financing activities:			
Proceeds from the issuance of common stock	2,779	—	—
Proceeds from borrowings	6,077	1,400	8,946
Payment of long-term debt	(4,083)	(1,353)	(6,076)
Common stock repurchases	(71)	(65)	(63)
Purchase of noncontrolling interest	(74)	(66)	(14)
Debt issuance costs	(25)	(3)	(76)
Other financing activities, net	9	5	—
Net cash provided by (used in) financing activities	4,612	(82)	2,717
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(1)
Net increase in cash, cash equivalents and restricted cash	1,261	153	2,098
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of period	4,089	3,936	1,838
Cash, cash equivalents, and restricted cash and cash equivalents, end of period	\$ 5,350	\$ 4,089	\$ 3,936
Supplemental disclosures of cash flow information:			
Interest paid	\$ 323	\$ 237	\$ 165
Income taxes paid	\$ 448	\$ 496	\$ 556
Equity issued in connection with acquisitions	\$ 507	\$ —	\$ 3,105

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