

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of January 3, 2015 and December 28, 2013

(In thousands, except share data)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 635,203	\$ 202,377
Short-term investments	785,663	677,004
Receivables, net	672,778	582,926
Inventory	23,789	32,299
Prepaid expenses and other	209,278	175,488
Deferred income taxes, net	22,075	91,614
Total current assets	2,348,786	1,761,708
Property and equipment, net	924,260	792,781
Software development costs, net	420,199	347,077
Goodwill	320,538	307,422
Intangible assets, net	126,636	144,132
Long-term investments	231,147	554,873
Other assets	158,999	190,371
Total assets	\$ 4,530,565	\$ 4,098,364
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 160,285	\$ 145,019
Current installments of long-term debt and capital lease obligations	67,460	54,107
Deferred revenue	209,655	209,746
Accrued payroll and tax withholdings	140,230	147,986
Other accrued expenses	56,685	83,574
Total current liabilities	634,315	640,432
Long-term debt and capital lease obligations	62,868	111,717
Deferred income taxes and other liabilities	256,601	170,392
Deferred revenue	10,813	8,159
Total liabilities	964,597	930,700
Shareholders' Equity:		
Common stock, \$.01 par value, 500,000,000 shares authorized, 346,985,811 shares issued at January 3, 2015 and 344,338,030 shares issued at December 28, 2013	3,470	3,443
Additional paid-in capital	933,446	812,853
Retained earnings	2,918,481	2,393,048
Treasury stock, 4,652,515 shares at January 3, 2015 and 570,616 shares at December 28, 2013	(245,333)	(28,251)
Accumulated other comprehensive loss, net	(44,096)	(13,429)
Total shareholders' equity	3,565,968	3,167,664
Total liabilities and shareholders' equity	\$ 4,530,565	\$ 4,098,364

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended January 3, 2015, December 28, 2013 and December 29, 2012

	For the Years Ended		
	2014	2013	2012
<i>(In thousands, except per share data)</i>			
Revenues:			
System sales	\$ 945,858	\$ 847,809	\$ 902,799
Support, maintenance and services	2,366,959	1,992,830	1,707,329
Reimbursed travel	89,886	70,109	55,308
Total revenues	3,402,703	2,910,748	2,665,436
Costs and expenses:			
Cost of system sales	314,089	302,374	427,456
Cost of support, maintenance and services	200,402	142,239	125,433
Cost of reimbursed travel	89,886	70,109	55,308
Sales and client service	1,395,568	1,173,051	1,020,640
Software development (Includes amortization of \$103,447, \$94,688 and \$81,731, respectively)	392,805	338,786	301,370
General and administrative	246,869	308,177	163,567
Total costs and expenses	2,639,619	2,334,736	2,093,774
Operating earnings	763,084	576,012	571,662
Other income, net	11,090	12,042	16,046
Earnings before income taxes	774,174	588,054	587,708
Income taxes	(248,741)	(189,700)	(190,476)
Net earnings	\$ 525,433	\$ 398,354	\$ 397,232
Basic earnings per share	\$ 1.54	\$ 1.16	\$ 1.16
Diluted earnings per share	\$ 1.50	\$ 1.13	\$ 1.13
Basic weighted average shares outstanding	342,150	343,636	341,861
Diluted weighted average shares outstanding	350,386	352,281	351,394

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended January 3, 2015, December 28, 2013 and December 29, 2012

	For the Years Ended		
	2014	2013	2012
(In thousands)			
Net earnings	\$ 525,433	\$ 398,354	\$ 397,232
Foreign currency translation adjustment and other (net of tax benefits of \$1,111, \$3,604 and \$1,396, respectively)	(30,145)	(8,185)	6,511
Change in net unrealized holding gain (loss) on available-for-sale investments (net of taxes (benefits) of \$(331), \$10 and \$125, respectively)	(522)	11	201
Comprehensive income	\$ 494,766	\$ 390,180	\$ 403,944

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended January 3, 2015, December 28, 2013 and December 29, 2012

	For the Years Ended		
	2014	2013	2012
(In thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	\$ 525,433	\$ 398,354	\$ 397,232
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	302,353	263,538	222,580
Share-based compensation expense	59,292	46,295	36,113
Provision for deferred income taxes	106,905	(22,647)	8,342
Changes in assets and liabilities (net of businesses acquired):			
Receivables, net	(74,786)	(9,599)	(83,705)
Inventory	8,117	(8,111)	(279)
Prepaid expenses and other	(14,625)	(36,038)	(2,224)
Accounts payable	2,974	4,130	35,265
Accrued income taxes	(21,764)	14,694	(22,784)
Deferred revenue	4,346	18,053	33,277
Other accrued liabilities	(51,218)	27,196	84,497
Net cash provided by operating activities	847,027	695,865	708,314
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital purchases	(276,584)	(352,877)	(183,429)
Capitalized software development costs	(177,800)	(174,649)	(100,189)
Purchases of investments	(1,214,036)	(1,106,819)	(1,286,997)
Sales and maturities of investments	1,404,846	1,070,598	932,394
Purchase of other intangibles	(13,517)	(56,805)	(22,870)
Acquisition of businesses, net of cash acquired	(7,476)	(67,877)	(40,540)
Net cash used in investing activities	(284,567)	(688,429)	(701,631)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term debt and capital lease obligations	(14,930)	(24,700)	(17,083)
Proceeds from excess tax benefits from share-based compensation	39,532	39,927	48,370
Proceeds from exercise of options	31,879	31,403	38,147
Treasury stock purchases	(217,082)	(170,042)	—
Contingent consideration payments for acquisition of businesses	(10,617)	(800)	(3,400)
Cash grants	48,000	—	—
Other	2,894	4,823	—
Net cash provided by (used in) financing activities	(120,324)	(119,389)	66,034
Effect of exchange rate changes on cash and cash equivalents	(9,310)	(2,790)	1,257
Net increase (decrease) in cash and cash equivalents	432,826	(114,743)	73,974
Cash and cash equivalents at beginning of period	202,377	317,120	243,146
Cash and cash equivalents at end of period	\$ 635,203	\$ 202,377	\$ 317,120
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	\$ 5,682	\$ 6,973	\$ 6,448
Income taxes, net of refunds	144,323	175,377	158,871
Summary of acquisition transactions:			
Fair value of net tangible assets (liabilities) acquired (assumed)	\$ (1,509)	\$ 2,550	\$ (6,375)
Fair value of intangible assets acquired	3,800	25,489	18,559
Fair value of goodwill	16,785	59,570	35,281
Less: Fair value of contingent liability payable	(11,600)	(18,982)	(1,916)