

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

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,072	\$ 3,930
Premium and trade receivables	3,413	3,215
Short-term investments	531	505
Other current assets	687	715
Total current assets	8,703	8,365
Long-term investments	5,312	4,545
Restricted deposits	135	138
Property, software and equipment, net	1,104	797
Goodwill	4,749	4,712
Intangible assets, net	1,398	1,545
Other long-term assets	454	95
Total assets	<u>\$ 21,855</u>	<u>\$ 20,197</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liability	\$ 4,286	\$ 3,929
Accounts payable and accrued expenses	4,165	3,763
Return of premium payable	549	614
Unearned revenue	328	313
Current portion of long-term debt	4	4
Total current liabilities	9,332	8,623
Long-term debt	4,695	4,651
Other long-term liabilities	952	869
Total liabilities	14,979	14,143
Commitments and contingencies		
Redeemable noncontrolling interests	12	145
Stockholders' equity:		
Preferred stock, \$.001 par value; authorized 10,000 shares; no shares issued or outstanding at December 31, 2017 and December 31, 2016	—	—
Common stock, \$.001 par value; authorized 400,000 shares; 180,379 issued and 173,437 outstanding at December 31, 2017, and 178,134 issued and 171,919 outstanding at December 31, 2016	—	—
Additional paid-in capital	4,349	4,190
Accumulated other comprehensive loss	(3)	(36)
Retained earnings	2,748	1,920
Treasury stock, at cost (6,942 and 6,215 shares, respectively)	(244)	(179)
Total Centene stockholders' equity	6,850	5,895
Noncontrolling interest	14	14
Total stockholders' equity	6,864	5,909
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 21,855</u>	<u>\$ 20,197</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,		
	2017	2016	2015
Revenues:			
Premium	\$ 43,353	\$ 35,399	\$ 19,389
Service	2,267	2,180	1,876
Premium and service revenues	45,620	37,579	21,265
Premium tax and health insurer fee	2,762	3,028	1,495
Total revenues	48,382	40,607	22,760
Expenses:			
Medical costs	37,851	30,636	17,242
Cost of services	1,847	1,864	1,621
Selling, general and administrative expenses	4,446	3,676	1,802
Amortization of acquired intangible assets	156	147	24
Premium tax expense	2,883	2,563	1,151
Health insurer fee expense	—	461	215
Total operating expenses	47,183	39,347	22,055
Earnings from operations	1,199	1,260	705
Other income (expense):			
Investment and other income	190	114	35
Interest expense	(255)	(217)	(43)
Earnings from continuing operations, before income tax expense	1,134	1,157	697
Income tax expense	326	599	339
Earnings from continuing operations, net of income tax expense	808	558	358
Discontinued operations, net of income tax expense (benefit)	—	3	(1)
Net earnings	808	561	357
(Earnings) loss attributable to noncontrolling interests	20	1	(2)
Net earnings attributable to Centene Corporation	\$ 828	\$ 562	\$ 355
Amounts attributable to Centene Corporation common shareholders:			
Earnings from continuing operations, net of income tax expense	\$ 828	\$ 559	\$ 356
Discontinued operations, net of income tax expense (benefit)	—	3	(1)
Net earnings	\$ 828	\$ 562	\$ 355
Net earnings (loss) per common share attributable to Centene Corporation:			
Basic:			
Continuing operations	\$ 4.80	\$ 3.50	\$ 2.99
Discontinued operations	—	0.02	(0.01)
Basic earnings per common share	\$ 4.80	\$ 3.52	\$ 2.98
Diluted:			
Continuing operations	\$ 4.69	\$ 3.41	\$ 2.89
Discontinued operations	—	0.02	(0.01)
Diluted earnings per common share	\$ 4.69	\$ 3.43	\$ 2.88

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

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net earnings	\$ 808	\$ 561	\$ 357
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	361	278	111
Stock compensation expense	135	148	71
Debt extinguishment costs	—	(7)	—
Deferred income taxes	(108)	92	(17)
Gain on contingent consideration	(1)	(5)	(44)
Goodwill and intangible adjustment	—	—	38
Changes in assets and liabilities			
Premium and trade receivables	(50)	74	(360)
Other assets	(146)	167	(102)
Medical claims liabilities	359	145	536
Unearned revenue	19	43	(27)
Accounts payable and accrued expenses	53	402	39
Other long-term liabilities	68	(61)	51
Other operating activities, net	(9)	14	5
Net cash provided by operating activities	<u>1,489</u>	<u>1,851</u>	<u>658</u>
Cash flows from investing activities:			
Capital expenditures	(422)	(306)	(150)
Purchases of investments	(2,704)	(2,450)	(1,321)
Sales and maturities of investments	1,899	1,656	669
Investments in acquisitions, net of cash acquired	(50)	(1,297)	(18)
Other investing activities, net	12	—	7
Net cash used in investing activities	<u>(1,265)</u>	<u>(2,397)</u>	<u>(813)</u>
Cash flows from financing activities:			
Proceeds from borrowings	1,400	8,946	1,925
Payment of long-term debt	(1,353)	(6,076)	(1,583)
Common stock repurchases	(65)	(63)	(53)
Purchase of noncontrolling interest	(66)	(14)	—
Debt issuance costs	(3)	(76)	(4)
Other financing activities, net	5	—	20
Net cash (used in) provided by financing activities	<u>(82)</u>	<u>2,717</u>	<u>305</u>
Effect of exchange rate changes on cash and cash equivalents	<u>—</u>	<u>(1)</u>	<u>—</u>
Net increase in cash and cash equivalents	142	2,170	150
Cash and cash equivalents, beginning of period	<u>3,930</u>	<u>1,760</u>	<u>1,610</u>
Cash and cash equivalents, end of period	<u>\$ 4,072</u>	<u>\$ 3,930</u>	<u>\$ 1,760</u>
Supplemental disclosures of cash flow information:			
Interest paid	\$ 237	\$ 165	\$ 55
Income taxes paid	\$ 496	\$ 556	\$ 328
Equity issued in connection with acquisitions	\$ —	\$ 3,105	\$ 12

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