SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 27, 1997

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ------------ to ------------

Commission File Number 0-15386

CERNER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	43-1196944
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2800 Rockcreek Parkway
Kansas City, Missouri 64117
(816) 221-1024

(Address of Principal Executive Offices, including zip code; registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) with the Commission, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

There were 32,981,126 shares of Common Stock, $.01 par value, outstanding at September 27, 1997.

CERNER CORPORATION AND SUBSIDIARIES

I N D E X

Part I. Financial Information

Item 1. Financial Statements

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)	September 27, 1997	December 28, 1996
Assets		
Current Assets:		
Cash and cash equivalents	$ 9,882	$ 6,905
Short-term investments	87,522	103,997
Receivables	106,879	96,238
Inventory	2,015	1,616
Prepaid expenses and other	2,604	3,660
Total current assets	208,902	212,416
Property and equipment, net	64,409	60,047
Software development costs, net	37,442	30,128
Intangible assets, net	3,573	3,973
Noncurrent receivables	2,314	3,637
Other assets	10,599	4,552
	$327,239	$314,753
Liabililties and Stockholders' Equipty		
Current Liabilities:		
Accounts payable	$ 7,781	$ 9,346
Current installments of long-term debt	-	104
Advanced billings	5,875	7,811
Accrued income taxes	19,514	13,654
Accrued payroll and tax withholdings	10,738	6,755
Other accrued expenses	2,190	3,542
Total Current Liabilities	46,098	41,212
Long-term debt, net	30,000	30,000
Deferred income taxes	12,805	12,806
Stockholders' Equity:		
Common stock, $.01 par value, 150,000,000 shares authorized, 33,684,144 shares issued in 1997 and 33,403,727 issued in 1996	337	334
Additional paid-in capital	145,844	144,941
Retained earnings	100,832	91,125
Treasury stock, at cost (703,018 shares in 1997 and 513,018 in 1996)	(8,593)	(5,693)
Foreign currency translation adjustment	(84)	28
Total stockholders' equity	238,336	230,735
	$327,239	$314,753

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

(In thousands, except per share data)	Three Months Ended September 27, 1997	Three Months Ended September 28, 1996	Nine Months Ended September 27, 1977	Nine Months Ended September 28, 1996
Revenues:				
System sales	$ 42,500	$ 26,420	$121,367	$ 93,427
Support and maintenance	17,167	14,372	49,890	42,093
Other	1,110	2,609	3,969	7,171
Total revenues	60,777	43,401	175,226	142,691
Costs and expenses:				
Cost of revenues	15,835	13,782	52,861	44,945
Sales and client service	20,743	15,811	59,798	48,464
Software development	12,034	9,235	32,250	26,478
General and administrative	5,508	4,194	16,216	13,905
Total costs and expenses	54,120	43,022	161,125	133,792
Operating earnings	6,657	379	14,101	8,899
Interest income, net	546	535	1,704	1,798
Earnings before income taxes	7,203	914	15,805	10,697
Income Taxes	2,758	144	6,099	4,016
Net earnings	$ 4,445	$ 770	$ 9,706	$ 6,681
Earnings per share	$ .13	$ .02	$ .29	$ .20
Weighted average shares outstanding	34,507	33,483	33,923	33,644

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Nine Months Ended September 27, 1997	Nine Months Ended September 28, 1996
Cash flows from operating activities:		
Net earnings	$ 9,706	$ 6,681
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	13,391	11,863
Issuance of stock as compensation	16	--
Provision for deferred income taxes	--	903
Loss on disposal of capital equipment	--	43
Provision for bad debt	--	20
Changes in assets and liabilities:		
Receivables	(9,318)	4,923
Inventory	(399)	(923)
Prepaid expenses and other	(5,215)	(158)
Accounts payable	(1,565)	(3,086)
Accrued income taxes	5,860	--
Other accrued liabilities	695	(278)
Total adjustments	3,465	13,312
Net cash provided by operating activities	13,171	19,993
Cash flows from investing activities:		
Purchase of capital equipment	(11,271)	(12,790)
Purchase of land, building and improvements	(74)	(378)
Capitalized software development costs	(13,098)	(9,532)
Net cash used in investing activities	(24,443)	(22,700)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	--	8
Repayment of long-term debt	(104)	(104)
Proceeds from exercise of options	890	744
Purchase of treasury stock	(2,900)	--
Net cash provided by financing activities	(2,114)	648
Foreign currency translation adjustment	(112)	95
Net decrease in cash, cash equivalents, and short-term investments	(13,498)	(1,964)
Cash, cash equivalents, and short-term investments at beginning of period	110,902	112,118
Cash, cash equivalents, and short-term investments at end of period	$ 97,404	$110,154

See notes to consolidated financial statements.

CERNER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Interim Statement Presentation

The consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at September 27, 1997 and December 28, 1996 and the results of operations and cash flows for the periods presented. The results of the three-month and nine-month periods are not necessarily indicative of the operating results for the entire year.

(2) Earnings Per Share

Net earnings per share for the three months and nine months ended September 27, 1997 and September 28, 1996 is based on the weighted average number of common shares and common share equivalents outstanding during those periods. Common share equivalents consist of shares issuable upon exercise of stock options using the treasury stock method.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Three Months Ended September 27, 1997 Compared to Three Months Ended September 28, 1996

The Company's revenues increased 40% from $43,401,000 for the three-month period ended September 28, 1996 to $60,777,000 for the three-month period ended September 27, 1997. Net earnings increased 477% from $770,000 in the 1996 period to $4,445,000 for the 1997 period.

In the 1997 period, revenues increased due to an increase in system sales and an increase in revenue recognized from existing contracts. System sales revenues increased 61% from $26,420,000 for the three-month period ended September 28, 1996 to $42,500,000 for the corresponding period in 1997. Total sales to the installed base including new systems, incremental hardware and software, support and maintenance services, and discrete services, were 71% of total revenues for the 1997 period compared to 77% in 1996. This lower percentage was primarily due to the increase in system sales to new clients.

At September 27, 1997, the Company had $171,156,000 in contract backlog and $128,194,000 in support and maintenance backlog, compared to $95,214,000 in contract backlog and $102,266,000 in support backlog at September 28,1996.

Support and maintenance revenues increased 19% from $14,372,000 during the third quarter of 1996 to $17,167,000 during the same period in 1997. This increase was due primarily to the increase in the Company's installed and converted client base.

Other revenues decreased from $2,609,000 in the third quarter of 1996 to $1,110,000 in the same period of 1997. This decrease is due primarily to a decrease in real estate lease revenues from the rental to outside tenants, as the Company utilizes more office space, and the reporting of certain services revenue as system sales revenue in 1997.

The cost of revenues includes the cost of computer hardware and sublicensed software purchased from computer and software manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to manufacturers. The cost of revenue was 26% of total revenues in the third quarter of 1997 and 32% of total revenues in the comparable period in 1996. Such costs, as a percent of revenues, typically have varied as the mix of revenue (software, hardware, maintenance, and support) components carrying different margin rates changes from period to period.

Sales and client service expenses include salaries of client service personnel, communications expenses and unreimbursed travel expenses. Also included are sales and marketing salaries, trade show costs and advertising costs. These expenses as a percent of total revenues were 34% and 36% in the third quarter of 1997 and 1996, respectively. The increase in total sales and client service expenses from $15,811,000 in 1996 to $20,743,000 in 1997 was attributable to the cost of a larger regional sales and services organization and marketing of new products.

Software development expenses include salaries, documentation and other direct expenses incurred in product development, as well as amortization of software development costs previously capitalized. Total expenditures for software development, including both capitalized and noncapitalized portions, for the third quarter of 1997 and 1996 were $14,462,000 and $10,936,000, respectively. These amounts exclude amortization of previously capitalized expenditures. Capitalized software costs were $4,352,000 and $3,246,000 for the third quarter of 1997 and 1996, respectively. The increase in aggregate expenditures for software development in 1997 was due to development of HNA Millennium products and development of community care products.

General and administrative expenses include salaries for corporate, financial, and administrative staffs, utilities, communications expenses, and professional fees. These expenses as a percent of total revenues were 9% and 10% in the third quarter of 1997 and 1996, respectively. Total general and administrative expenses for the third quarter of 1997 and 1996 were $5,508,000 and $4,194,000, respectively.

Net interest income increased 2% in the third quarter of 1997 compared to the same period in 1996.

The Company's effective tax rates were 38% and 16% for the third quarter of 1997 and 1996, respectively. The lower 1996 tax rate is due to the utilization of foreign net operating losses.

The Company's quarterly revenues and net earnings have historically been variable and cyclical. The variability is attributable primarily to the number and size of project milestone events in any fiscal quarter. The Company expects fluctuations in quarterly results to continue.

Nine Months Ended September 27, 1997 Compared to Nine Months Ended September 28, 1996

The Company's revenues increased 23% from $142,691,000 for the nine-month period ended September 28, 1996 to $175,226,000 for the nine-month period ended September 27, 1997. Net earnings increased 45% from $6,681,000 in the 1996 period to $9,706,000 for the 1997 period.

In the 1997 period, revenues increased due to an increase in system sales and support of installed systems and an increase in revenue recognized for existing contracts. System revenues increased 30% from $93,427,000 for the nine-month period ended September 28, 1996 to $121,367,000 for the corresponding period in 1997. Total sales to the installed base including new systems, incremental hardware and software, support and maintenance services, and discrete services, were 74% of total revenues for the first nine months of 1997 period compared to 80% in 1996. This lower percentage was primarily due to the increase in system sales to new clients.

At September 27, 1997, the Company had $171,156,000 in contract backlog and $128,194,000 in support and maintenance backlog, compared to $95,214,000 in contract backlog and $102,266,000 in support backlog at September 28, 1996.

Support and maintenance revenues increased 19% from $42,093,000 during the first nine months of 1996 to $49,890,000 during the same period in 1997. This increase was due primarily to the increase in the Company's installed and converted client base.

Other revenues decreased from $7,171,000 during the first nine months of 1996 to $3,969,000 in the same period of 1997. This decrease is due to a decrease in real estate lease revenues from the rental to outside tenants, as the Company utilizes more office space, and the reporting of certain services revenue as systems sales revenue in 1997.

The cost of revenues includes the cost of computer hardware and sublicensed software purchased from computer and software manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to manufacturers. The cost of revenue was 30% of total revenues in the first nine months of 1997 and 31% of total revenues in the comparable period in 1996. Such costs, as a percent of revenues, typically have varied as the mix of revenue (software, hardware, maintenance, and support) components carrying different margin rates changes from period to period.

Sales and client service expenses include salaries of client service personnel, communications expenses and unreimbursed travel expenses. Also included are sales and marketing salaries, trade show costs and advertising costs. These expenses as a percent of total revenues were 34% and 34% in the first nine months of 1997 and 1996, respectively. The increase in total sales and client service expenses from $48,464,000 in 1996 to $59,798,000 in 1997 was attributable to the cost of a larger field sales and service organization and marketing of new products.

Software development expenses include salaries, documentation and other direct expenses incurred in product development, as well as amortization of software development costs previously capitalized. Total expenditures for software development, including both capitalized and noncapitalized portions, for the first nine months of 1997 and 1996 were $39,496,000 and $31,526,000, respectively. These amounts exclude amortization of previously capitalized expenditures. Capitalized software costs were $13,098,000 and $9,532,000 for the first nine months of 1997 and 1996, respectively. The increase in aggregate expenditures for software development in 1997 was due to development of HNA Millennium products and development of community care products.

General and administrative expenses include salaries for corporate, financial, and administrative staffs, utilities, communications expenses, and professional fees. These expenses as a percent of total revenues were 9% and 10% in the first nine months of 1997 and 1996, respectively. Total general and administrative expenses for the first nine months of 1997 and 1996 were $16,216,000 and $13,905,000, respectively.

Net interest income decreased 5% in the first nine months of 1997 compared to the same period in 1996. This decrease is primarily due to a decrease in cash and cash equivalents and a decrease in interest rates.

The Company's effective tax rates were 39% and 38% for the first nine months of 1997 and 1996, respectively.

Capital Resources and Liquidity

The Company's liquidity position remains strong with total cash and cash equivalents of $9,882,000 and short term investments of $87,522,000 at September 27, 1997 and working capital of $162,804,000. The Company generated net cash from operations of $13,171,000 and $19,993,000 during the nine month periods ended September 27, 1997 and September 28, 1996, respectively. During the first nine months of 1997, the Company purchased 190,000 shares of the Company's common stock with a total cost of approximately $2,900,000. The Company has $18,000,000 of long-term, revolving credit from banks, all of which was available as of September 27, 1997.

Revenues provided under the Company's support and maintenance agreements represent recurring cash flows. The Company's revenue backlog at September 27, 1997 included $128,194,000 representing twelve months of equipment maintenance and software support associated with signed contracts.

The Company believes its present cash, cash equivalents and short-term investment position, together with cash generated from operations and available under its current bank borrowing facility, will be sufficient to meet anticipated cash requirements during the next twelve months.

Recent Accounting Pronouncement

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" (Statement 128) which revises the calculation and presentation provisions of Accounting Principles Board Opinion 15 and related interpretations. Statement No. 128 is effective for the Company's fiscal year ending January 3, 1998 and retroactive application will be required. The Company believes the adoption of Statement 128 will not have a significant effect on its reported earnings per share.

Part II. Other Information

Item 5. Other Information.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit 11 Computation of Earnings Per Share

Exhibit 27 Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended September 27, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CERNER CORPORATION

Registrant

November 11, 1997	By: /s/ Marc G. Naughton
- -----------------	------------------------
Date	Marc G. Naughton Chief Financial Officer

Exhibit 11

CERNER CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE

	Three Months Ended September 27, 1997	Three Months Ended September 28, 1996	Nine Months Ended September 27, 1997	Nine Months Ended September 28, 1996
Net earnings:	$ 4,445,000	$ 770,000	$ 9,706,000	$ 6,681,000
Weighted average number of common and common stock equivalent shares:				
Weighted average number of outstanding common shares	32,951,335	32,845,572	32,825,260	32,679,356
Dilutive effect (excess of number of shares issuable over number of shares assumed to be repurchased with the proceeds of exercised options based on the average market price during the period)	1,555,810	637,159	1,097,709	964,344
	34,507,145	33,482,731	33,922,969	33,643,700
Earnings per common and common stock equivalent shares:	$ .13	$ .02	$ .29	$ .20
Weighted average number of common and common stock equivalent shraes, assuming full dilution:				
Additional dilutive effect (reduction in number of shares assumed to be repurchased with the proceeds of exercised stock options and converted warrants based on the end of the period market price of the stock, if higher than the average price)	1,550,806	52,615	271,716	--
	36,057,951	33,535,346	34,194,685	33,643,700
Earnings per common and common stock equivalent shares assuming full dilution:	$ .12	$ .02	$ .28	$ .20

9-MOS
JAN-03-1998
SEP-27-1997
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