

(\$Millions)	<u>2001*</u>	<u>2000*</u>
Total Revenue	\$1,049.3	\$971.4
Cost of Operations	(1,037.7)	(958.5)
Operating Margin	11.6	12.9
Research and Development Expense	(29.9)	(20.7)
Net Investment Income	18.0	17.9
Gain on Sale	53.8	183.7
Interest Expense	(22.8)	(6.6)
Distributions	(10.8)	(21.5)
Other Income (Expense)	(5.2)	-
Income Before Taxes and Minority Interests	14.7	165.7
Income Tax Expense	(11.5)	(60.6)
Minority Interests	1.1	0.1
Net Income	<u>\$4.3</u>	<u>\$105.2</u>

*Note: Fiscal year ends September 30.

Revenue for the year ended September 30, 2001 was \$1.0 billion, an increase of 8% over the prior fiscal year, reflecting strong growth in contract research revenue in the Government Market Sectors and at Pacific Northwest National Laboratory.

Operating margin for 2001 decreased by \$1.3 million, or 10%, reflecting continued increases in investments in technology and intellectual property commercialization initiatives.

Net income for 2001 was \$4.3 million compared to \$105.2 million for 2000. The 2000 result was significantly impacted by a gain of \$183.7 million on the sale of Battelle's minority interest in an operating affiliate. This gain also caused higher distribution and income tax expenses in 2000 relative to 2001. Factors that affected net income in 2001 include a) an increase of \$21.4 million in imputed interest and other expenses primarily attributable to an equity collar hedge contract related to the 2000 asset sale, b) a gain of \$53.8 million related to the sale of property in Geneva, Switzerland, and c) an increase of \$9.2 million in research and development expenses related principally to commercialization initiatives.

A separate audited financial statement is available upon request through the Office of Corporate Communications in Columbus, Ohio.