

FINANCIAL SUMMARY

Summary Consolidated Statement of Income for the Fiscal Year Ended September 30, 2007

(\$ Millions)	2007
Total Revenue	\$4,180.7
Cost of Operations	<u>4,144.2</u>
Operating Margin	36.5
Research and Development Expense*	(26.9)
Distributions	(20.2)
Interest Expense	(9.1)
Investment Income – Net	32.9
Other – Net	<u>(4.8)</u>
Income Before Income Taxes and Minority Interests	8.4
Income Tax Benefit	0.2
Minority Interests	<u>(0.2)</u>
Net Income	\$ 8.4

Summary Consolidated Balance Sheet as of September 30, 2007

Current Assets	\$ 365.7
Investments	515.4
Property and Equipment	293.6
Prepaid Pension Costs	259.7
Other	<u>24.0</u>
Total Assets	\$1,458.4
Current Liabilities	\$ 241.8
Long-Term Liabilities	183.8
Minority Interests in Subsidiaries	8.3
Equity	<u>1,024.5</u>
Total Liabilities and Equity	\$1,458.4

In Fiscal Year 2007, Battelle implemented FASB 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans and also changed to a preferable accounting methodology for recording pension and postretirement benefits. Based on this, Battelle is presenting only one year of financial statements. The change to the preferable accounting methodology resulted in recognition of approximately \$13 million in additional expense for FY07.

Overall, financial performance for the fiscal year ended September 30, 2007, continued to be positive.

Revenue was \$4.2 billion, reflecting growth in nearly all aspects of operations.

Operating margin was \$36.5 million generated primarily by Laboratory Operations, National Security, and Health and Life Sciences in approximately equal portions.

Net income was \$8.4 million after significant investments in research and development and after distributions of \$20.2 million, which were significantly in excess of distribution formula obligations.

The balance sheet continued to be very strong, with total assets of nearly \$1.5 billion and equity of slightly more than \$1 billion. The ratio of debt to capital was 10%.

Separate audited financial statements are available upon request from the Office of Corporate Relations in Columbus, Ohio.

*Internal research and development expense to develop new technologies, processes, products and services.