

Summary Consolidated Balance Sheets as of September 30, 2010 and 2009 (in \$ millions)

	<u>2010</u>	<u>2009</u>
Current assets	\$ 375.3	\$ 408.9
Investments	435.5	427.8
Property and Equipment	397.0	337.5
Other	<u>19.8</u>	<u>21.5</u>
Total Assets	<u>\$ 1,227.6</u>	<u>\$ 1,195.7</u>
Current liabilities	\$ 213.6	\$ 230.6
Long term liabilities	182.6	182.5
Accrued pension and postretirement benefits	241.6	151.8
Equity	579.7	622.1
Noncontrolling interests	<u>10.1</u>	<u>8.7</u>
Total liabilities and equity	<u>\$ 1,227.6</u>	<u>\$ 1,195.7</u>

Summary Consolidated Statements of Income for fiscal years ended September 30, 2010 and 2009 (in \$ millions)

	<u>2010</u>	<u>2009</u>
Total revenues	\$ 5,547.2	\$ 4,878.8
Cost of operations	<u>5,511.2</u>	<u>4,816.6</u>
Operating margin	36.0	62.2
Research and development expense	(25.3)	(31.3)
Distributions	(10.7)	(21.2)
Interest expense	(7.3)	(6.6)
Investment income - net	12.8	10.9
Gain on sale of subsidiary		26.1
Other - net	<u>(4.3)</u>	<u>(6.3)</u>
Income before income taxes and noncontrolling interests	1.2	33.8
Income tax expense	(1.2)	(1.2)
Net income attributable to noncontrolling interests	<u>(2.5)</u>	<u>(0.9)</u>
Net income attributable to Battelle	<u>\$ (2.5)</u>	<u>\$ 31.7</u>

Overall, Battelle's financial structure as of the fiscal year ended September 30, 2010 continued to be strong. Assets exceeded \$1.2 billion, although equity decreased reflective of the impact of market conditions on pension and post retirement net liabilities. The debt to capitalization ratio continued to be favorable at 24%.

Revenue at \$5.5 billion increased by 13% with significant increases in laboratory management revenue partially offset by an approximate \$25 million decrease in revenue in the other global businesses and an approximate \$25M decrease in royalty income from the prior year in which there was a significant one-time royalty receipt.

Operating margin of \$36 million decreased by approximately \$26 million due primarily to the decrease in royalty income noted above. Increases in non-cash pension expense of approximately \$26 million were offset by improved performance in laboratory management and national security and overall cost control initiatives.

Net loss was (\$2.5) million compared to the prior year net income of \$31.7M due primarily to the decrease in operating margin. The impact of the prior year one time gain on sale of a subsidiary of \$26M was mostly offset by reduced spending on non-operating costs and improvement in net investment income.