RETIREMENT PROGRAM PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS AT THE U.S. DEPARTMENT OF ENERGY FACILITIES AT OAK RIDGE, TENNESSEE

Financial Statements and
Supplemental Schedules
December 31, 2002 and 2001

RETIREMENT PROGRAM PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS AT THE U.S. DEPARTMENT OF ENERGY FACILITIES AT OAK RIDGE, TENNESSEE
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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act ("ERISA") of 1974 have been omitted because they are not applicable.

Report of Independent Auditors

To the Participants and Administrator of
Retirement Program Plan for Employees of Certain Employers
at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

We have audited the accompanying statements of net assets available for benefits of Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the "Plan") as of December 31, 2002 and 2001 and the related statements of changes in net assets available for plan benefits for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as explained in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, investment assets held by Northern Trust Company, Prudential Insurance Company of America and Metropolitan Life Insurance Company, the trustee and insurance administrators of the Plan, and transactions in those assets were excluded from the scope of our audit of the Plan's 2001 financial statements, except for comparing the information provided by the trustee, which is summarized in Note 7, with the related information included in the financial statements.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the Plan's financial statements as of and for the year ended December 31, 2001. The form and content of the information included in the 2001 financial statements other than that derived from the information certified by the trustee, have been audited by us and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

In our opinion, the financial statements, referred to above, of the Plan as of December 31, 2002 and for the year then ended present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of Schedule of Assets, Held at End of Year and Schedule of Reportable Transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

July 28, 2003

RETIREMENT PROGRAM PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS AT THE U.S. DEPARTMENT OF ENERGY FACILITIES AT OAK RIDGE, TENNESSEE

Statements of Net Assets Available for Plan Benefits

December 31, 2002 and 2001

(In thousands of dollars)

	2002	2001
Assets		
Investments, at fair value (Note 7)		
United States Government securities	$ 713,876	$ 783,865
Corporate bonds and notes	122,363	112,884
Corporate bonds - preferred	204,747	157,648
Common stocks	795,301	919,276
Real estate	105,251	1,054
Common/collective trusts	586,439	627,047
Mutual funds	8,343	9,304
Cash and cash equivalents	1,840	3,229
	2,538,160	2,614,307
Receivables		
Due from broker	79,978	29,708
Accrued income	9,257	10,874
	89,235	40,582
Total assets	2,627,395	2,654,889
Liabilities		
Due to broker	269,494	75,425
Net assets available for plan benefits	$2,357,901	$ 2,579,464

The accompanying notes are an integral part of these financial statements.

RETIREMENT PROGRAM PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS AT THE U.S. DEPARTMENT OF ENERGY FACILITIES AT OAK RIDGE, TENNESSEE

Statements of Changes in Net Assets Available for Plan Benefits

For the years ended December 31, 2002 and 2001

(In thousands of dollars)

	2002	2001
Additions to net assets		
Dividend income	$ 12,288	$ 10,789
Interest income	48,257	54,206
Rental income	4,960	116
Net appreciation (depreciation) in fair value of investments	(108,754)	(184,938)
Total additions (deductions)	(43,249)	(119,827)
Deductions from net assets		
Benefits paid to participants	146,068	142,705
Administrative expenses	13,021	14,631
Total deductions	159,089	157,336
Net increase (decrease) before transfers	(202,338)	(277,163)
Net transfers to unaffiliated plans	(19,225)	(1,574)
Net assets available for benefits at beginning of year	2,579,464	2,858,201
Net assets available for benefits at end of year	$2,357,901	$2,579,464

The accompanying notes are an integral part of these financial statements.

1. Description of the Plan

General

The following description of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the "Plan") provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions. Information about the Plan agreement, the vesting and benefit provisions, administrative expenses, and the Pension Benefit Guaranty Corporation's (PBGC) benefit guarantee is also contained in the benefits handbook of each adopting employer, which are available at the benefit plan offices.

The Plan is a defined benefit plan, which covers all eligible employees of the adopting employers with contracts with the U.S. Department of Energy ("DOE") at the Oak Ridge, Tennessee facilities. By way of plan amendment, the plan became a multiple employer pension plan effective April 1, 2000, with the participating employers being Lockheed Martin Energy System, Inc. ("LMES"), and UT-Battelle, LLC ("UT-Battelle"). The Plan name was changed to the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee. Effective November 1, 2000, the contract between the Department of Energy and the Lockheed Martin Energy Systems, Inc., was terminated and BWXT Y-12, L.L.C. ("BWXT") became the successor employer. The plan was amended to name the new participating employers at that time.

The Companies have agreed to contribute such amounts as are necessary to provide assets sufficient to meet the benefit obligations to be paid to its Plan participants. Each Company has the right under the Plan to discontinue its contributions at any time and/or terminate its participation in the Plan. The Companies can also decide to discontinue contributions and/or terminate the Plan in its entirety at any time. In the event of termination, the Plan's net assets are to be used first for the payment of retirement benefits, next for the payment of vested benefits, and finally for the payment of accrued benefits for the remaining participants. If the net assets allocated for one of the above categories are not sufficient to pay all the benefits in such category, the available net assets shall be allocated pro-rata to all the benefits in that category. However, in the event of termination of the Plan, the PBGC guarantees the payment of all nonforfeitable retirement benefits subject to certain limitations prescribed by ERISA.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Plan maintains its records on the accrual basis of accounting.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation
Marketable securities are stated at fair value. Securities traded on national securities exchanges are valued at the last reported sales price on the last business day of the plan year. Net appreciation/depreciation of the fair value of investments consists of the unrealized appreciation or depreciation of investments held during the year and the realized gain or loss on investments sold during the year.

The fair value of the participation units owned by the Plan in common/collective trusts is based on quoted redemption values on the last business day of the plan year.

Funding Policy
Contributions by the Companies are made in amounts sufficient to meet the Employee Retirement Income Security Act of 1974 ("ERISA") minimum funding requirements utilizing the entry-age-normal actuarial cost method. The Company has met the ERISA minimum funding requirements.

Actuarial Present Value of Accumulated Plan Benefits
Accumulated plan benefits are those estimated future periodic payments that are attributable under the Plan's provisions to services rendered by the employees from their date of eligibility to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired and terminated employees or their beneficiaries, and (b) present employees or their beneficiaries. Benefits for retired and terminated employees or their beneficiaries are based on each employee's compensation during the highest three calendar years during the last ten calendar years of credited service. Accumulated plan benefits for active employees are based on their average compensation during the three calendar years preceding the valuation date. Benefits payable under all circumstances (retirement, death and terminations of employment) are included, to the extent they are deemed attributable, to employee service rendered to the valuation date.

Other
Certain reclassifications have been made to the 2001 financial statements to conform to the 2002 presentation.

3. Plan Termination
Although it has not expressed any intent to do so, the Companies have the right under the Plan to discontinue their contributions at any time and terminate the Plan subject to the provisions of ERISA.

4. Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits is the amount that results from applying actuarial assumptions to the accumulated plan benefits earned by the participants to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment. The actuarial present value of accumulated plan benefits as estimated by Towers Perrin, the actuary for the Plan, is as follows:

(in thousands of dollars)	**2002**	**2001**
Vested benefits:		
Participants currently receiving benefits	$ 1,190,827	$ 1,183,933
Other vested benefits	636,177	565,890
	1,827,004	1,749,823
Nonvested benefits	73,718	69,796
Total accumulated plan benefits	$ 1,900,722	$ 1,819,619

The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (1983 Group Annuity Mortality Table was used), (b) turnover based upon the termination experience of the Plan, (c) assumed retirement age probabilities based on the experience of the Plan, and (d) an annual discount rate of 6.85% and 6.21% for 2002 and 2001, respectively. The interest rate assumptions used to calculate the actuarial present value of accumulated plan benefits are adjusted annually to reflect current, rather than long-term, shifts in the economy. This can result in significant year-to-year fluctuations in the liability.

Factors affecting the change in the actuarial present value of accumulated plan benefits are as follows:

(In thousands of dollars)	**2002**	**2001**
Actuarial present value of accumulated plan benefits at beginning of year	$ 1,819,619	$ 1,746,100
Increase (decrease) during the year attributable to		
Benefits paid	(142,705)	(128,963)
Increase for interest due to the decrease in the discount period	108,634	106,172
Changes in accrued benefits and net actuarial gains and losses	39,294	62,662
Change in discount rate	(129,749)	33,648
Plan amendments	205,629	-
Net increase (decrease)	81,103	73,519
Actuarial present value of accumulated plan benefits at end of year	$ 1,900,722	$ 1,819,619

The actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

5. Changes in Pension Benefits

The Board of Members of BWXT Y-12, LLC and UT-Battelle, LLC approved two pension changes during 2001.

> Effective April 1, 2001, retirees (who retired before April 1, 1998) covered by the Pension Plan were provided an adjustment to their benefit. The adjustment was based on the period of time the participant had been retired and ranged from a low of 4 percent to a high of 23 percent. The adjustment applied to the first $40,000 of benefit paid annually. The adjustment from April 1, 2001 to June 30, 2001 was paid on July 1, 2001.
>
> Effective July 1, 2001, the benefit accrual factor was increased from 1.2% to 1.4%.

All participants retiring before June 30, 2001 will receive the highest benefit produced by all five existing formulas. After June 30, 2001, the benefit produced by the highest of the five formulas will become the minimum pension benefit and the three "original" formulas will no longer apply.

These changes are expected to increase the actuarial liability. This increase in liability is not expected to create a funding requirement for the plan. The calculation of the actual impact on the valuation of the liabilities was included in the valuation as of January 1, 2002.

6. Contracts with Trustee and Insurance Companies

Funds invested in separate accounts are subject to certain investment restrictions and standards set forth in the contract. Earnings of the assets invested in separate accounts are a function of the underlying assets of the separate account and not the assets of the general account. Assets invested in separate accounts are reported at the fair value of the participation units owned by the fund as of the last day of the plan year. Realized gains and losses occur at the date of sale, transfer or other disposition. Unrealized gains and losses are the result of a measurement of the change in participation unit value for assets not removed from the separate account. The assets invested in separate accounts are by contract, segregated from the general account, available for transfer between accounts under the contract at their market value and are not subject to the creditors of the insurance companies.

7. Investments

All investment information disclosed in the accompanying financial statements and supplemental schedules including investments held at December 31, 2002 and 2001, and net appreciation (depreciation) in fair value of investments, interest, and dividends for the years ended December 31, 2002 and 2001, were obtained or derived from information supplied to the plan administrator and certified as complete and accurate by the trustee and insurance administrators.

During 2002 and 2001, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

(In thousands of dollars)	**2002**	**2001**
Fair value as determined by quoted market price		
United States Government Securities	$ 71,773	$ 1,030
Corporate bonds and notes	(470)	2,896
Corporate bonds - preferred	12,566	9,299
Common stocks	(130,446)	(175,132)
Real estate	668	414
Common/collective trusts	(54,556)	(25,340)
Mutual funds	(7,919)	2,396
Cash and cash equivalents	(370)	(501)
	$ (108,754)	$ (184,938)

The fair value of individual investments that represent 5% or more of the Plan's net assets are as follows:

(In thousands of dollars)	**2002**	**2001**
Arronson and Partners Fund	does not exceed 5%	$ 159,818
Capital Guardian International Equity Fund	$ 122,652	144,850
Northern Trust Collective Short-Term Investment Fund	269,464	does not exceed 5%
Prudential Jennison Intermediate Fund	303,925	does not exceed 5%
Prudential Jennison Long-term Fund	146,145	271,646
Prudential Pridex Fund	183,930	does not exceed 5%
Prudential PRIFORM Stock Fund	does not exceed 5%	192,525
SSGA Russell Fund	does not exceed 5%	166,862

Certain of the Plan's investments are in non-pooled separate accounts. The following table presents the fair value of investments in non-pooled separate accounts at:

(In thousands of dollars)	**2002**	**2001**
Investments, at fair value		
United States Government securities	$ 713,876	$ 783,865
Corporate bonds and notes	122,363	112,884
Corporate bonds - preferred	204,747	157,648
Common stocks	795,301	919,276
Real estate	105,251	1,054
	$ 1,941,538	$ 1,974,727

Investment income for non-pooled separate accounts is as follows:

(In thousands of dollars)	**2002**	**2001**
Net (depreciation) appreciation in fair value as determined by quoted market price		
United States Government securities	$ 71,820	$ 1,030
Corporate bonds and notes	12,095	12,195
Common stocks	(130,294)	(174,718)
Real estate	668	414
	(45,711)	(161,079)
Interest income	46,441	50,063
Dividend income	4,066	4,215
	$ 4,796	$ (106,801)

8. Tax Status

The Plan obtained its latest determination letter on August 7, 2002, in which the Internal Revenue Service ("IRS") stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the "IRC"). The Plan has been amended and restated since receiving the determination letter. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, no provision for income taxes has been included in the Plan's financial statements.

During 2002, the Plan was amended to apply the minimum distribution requirements of IRC Section 401(a)(9) and to meet compliance requirements of the *Economic Growth and Tax Relief Reconciliation Act of 2001.* It is the Plan Administrator's understanding that the Plan remains qualified with the adoption of these standard amendments, without further IRS review.

RETIREMENT PROGRAM PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS AT THE U.S. DEPARTMENT OF ENERGY FACILITIES AT OAK RIDGE, TENNESSEE

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
For the year ended December 31, 2002

Employer Identification Number: 54-1987297, Plan Number 001

Pages 11 – 69 present the assets held for investment purposes at the end of year of the Retirement Program Plan for Employees of Certain Employers at the U.S Department of Energy Facilities at Oak Ridge, Tennessee as of December 31, 2002.

RETIREMENT PROGRAM PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS AT THE U.S. DEPARTMENT OF ENERGY FACILITIES AT OAK RIDGE, TENNESSEE

Schedule H, Line 4j – Schedule of Reportable Transactions
For the year ended December 31, 2002

Employer Identification Number: 54-1987297, Plan Number 001

II. Series of non-security transactions with same party in excess of 5%.

Pages 70 – 184 present the reportable transactions for the year ended December 31, 2002 of the Retirement Program Plan for Employees of Certain Employers at the U.S Department of Energy Facilities at Oak Ridge, Tennessee.

RETIREMENT PROGRAM PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS
AT THE U.S. DEPARTMENT OF ENERGY FACILITIES AT OAK RIDGE, TENNESSEE
Schedule H, Line 4j - Schedule of Reportable Transactions
For the year ended December 31, 2002 (in thousands of dollares)

Employer Identification Number: 54-1987297, Plan Number 001

I. Single transactions in excess of 5%.

a Identity of Party Involved	b Description of Asset	c Purchase Price	d Selling Price	g Cost of Asset	h Current Value of Asset on Transaction Date	i Net Gain or (Loss)
Northern Trust	Short-term Investment Fund	130,333	-	130,333	130,333	-
Northern Trust	Short-term Investment Fund	142,057	-	142,057	142,057	-
Northern Trust	Short-term Investment Fund	-	133,949	133,949	133,949	-

II. Series of non-security transactions in excess of 5%.

Please see pages 71 through 184.

III. Series of transactions in excess of 5%.

a Identity of Party Involved	b Description of Asset	c Purchase Price	d Selling Price	g Cost of Asset	h Current Value of Asset on Transaction Date	i Net Gain or (Loss)
Northern Trust	Short-term Investment Fund	1,819,224	-	1,819,224	1,819,224	-
		-	1,681,241	1,681,241	1,681,241	(137,983)
FNMA	Mortgage-backed Securities	70,213	-	70,213	70,213	-
		-	70,420	70,213	70,420	207
FNMA	Mortgage-backed Securities	75,817	-	75,817	75,817	-
		-	75,836	75,817	75,836	19
FNMA	Mortgage-backed Securities	102,494	-	102,494	102,494	-
		-	103,306	102,494	103,306	812
FNMA	Mortgage-backed Securities	87,133	-	87,133	87,133	-
		-	88,440	87,133	88,440	1,307
FNMA	Mortgage-backed Securities	83,686	-	83,686	83,686	-
		-	84,166	83,686	84,166	480
FNMA	Mortgage-backed Securities	67,858	-	67,858	67,858	-
		-	65,184	65,044	65,184	140
FNMA	Mortgage-backed Securities	65,128	-	65,128	65,128	-
		-	66,346	65,128	66,346	1,218
FNMA	Mortgage-backed Securities	110,490	-	110,490	110,490	-
		-	112,179	110,490	112,179	1,689
FNMA	Mortgage-backed Securities	73,928	-	73,928	73,928	-
		-	73,994	73,928	73,994	66
FNMA	Mortgage-backed Securities	73,583	-	73,583	73,583	-
		-	74,043	73,583	74,043	460
FNMA	Mortgage-backed Securities	77,722	-	77,722	77,722	-
		-	78,154	77,722	78,154	432
U.S. Treasury	Long-term Bonds	63,276	-	63,276	63,276	-
		-	80,310	73,362	80,310	6,948
U.S. Treasury	Long-term Bonds	44,087	-	44,087	44,087	-
		-	108,960	109,468	108,960	(508)
U.S. Treasury	Long-term Bonds	150,460	-	150,460	150,460	-
		-	159,282	155,007	159,282	4,275
U.S. Treasury	Long-term Bonds	96,333	-	96,333	96,333	-
		-	56,708	60,425	56,708	(3,717)
U.S. Treasury	Long-term Bonds	58,739	-	58,739	58,739	-
		-	78,087	79,568	78,087	(1,481)
U.S. Treasury	Long-term Notes	88,710	-	88,710	88,710	-
		-	89,314	88,989	89,314	325