GROUP WELFARE BENEFIT PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS AT THE U.S. DEPARTMENT OF ENERGY AT OAK RIDGE, TENNESSEE

Financial Statements

December 31, 2002 and 2001
with
Report of Independent Auditors

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Report of Independent Auditors

To the Participants and Administrator of
Group Welfare Benefit Plan for Employees of Certain Employers
At the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

In our opinion, the accompanying statements of plan benefit obligations and net assets available for plan benefits and the related statement of changes in plan benefit obligations and net assets available for plan benefits present fairly, in all material respects, the financial status of the Group Welfare Benefit Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the "Plan") at December 31, 2002 and 2001, and the changes in its financial status for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America. 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. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

July 28, 2003

GROUP WELFARE BENEFIT PLAN FOR EMPLOYEES OF CERTAIN EMPLOYERS AT THE U.S. DEPARTMENT OF ENERGY AT OAK RIDGE, TENNESSEE

Notes to Financial Statements

1. Description of the Plan

General - The following description of the Group Welfare Benefit 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 Summary Plan Description and the insurance contract for a complete description of the Plan's provisions.

The Plan became a multiple employer welfare arrangement benefit plan ("MEWA") on April 1, 2000, with Lockheed Martin Energy Systems, Inc. ("LMES") and UT-Battelle LLC as the adopting employers. In connection with the MEWA, LMES and UT-Battelle established the Oak Ridge Benefits Insurance Trust (the "ORBIT") effective as of April 1, 2001, to hold the insurance policies issued to insure the benefits provided under the Group Health, Group Life, Group Dental, Special Accident, and Travel Accident MEWAs ("MEWAs"). Insurance policy premiums are collected by the ORBIT and are submitted to the insurance providers. The ORBIT was established by a trust agreement entered into among UT-Battelle, LMES, and the individuals serving as trustees. Effective as of November 1,2000, the contract between DOE and LMES terminated and most of the LMES employees transferred to BWXT Y-12, L.L.C. ("BWXT"). LMES withdrew from the MEWAs and the ORBIT, and BWXT adopted the MEWAs and the ORBIT, all effective as of November 1, 2000.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

Effective as of January 1, 2001, the Group Life, Group Dental, Special Accident and Travel Accident plans which were maintained as MEWAs and for which the insurance policies were held in ORBIT were merged into the Group Health Benefit Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee, resulting in one MEWA effective as of January 1, 2001. The resulting combined MEWA was renamed the Group Welfare Benefit Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee.

2. Summary of Significant Accounting Policies

General - The financial statements of the Plan are prepared on the accrual method of accounting. Administrative expenses are paid by the Plan.

Postretirement Benefit Obligations – The postretirement benefit obligation (Note 3) represents the actuarially determined present value of those estimated future benefits that are attributable to employee service rendered to December 31. Postretirement benefits include future benefits expected to be paid to (i) currently retired employees and their beneficiaries and (ii) active employees and their beneficiaries after retirement. Prior to an active employee's full eligibility date, the postretirement benefit obligation is the portion of the expected postretirement benefit obligation that is attributed to that employee's service rendered to the valuation date.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Actual results could differ from those estimates.

Benefits – The Plan provides health and postretirement health benefits (medical, hospital, surgical and major medical), death and postretirement death benefits, dental, special accident and travel accident benefits to employees and retirees of the Companies and their dependents and to certain retirees of LMUS and their beneficiaries. Current claims of active and retired participants and their dependents are provided for under group contracts with CIGNA, Healthsource, Pittman, United Healthcare and Metropolitan Life Insurance Company (the "Insurance Companies").

Contributions – The Companies' policy is to contribute those amounts necessary and allowed by the Internal Revenue Code for current premium and claims costs. Employees and retirees contribute to the Plan in accordance with schedules determined periodically by the insurance companies.

Benefits paid to participants and their dependents are covered by insurance contracts maintained by the Plan. It is the present intention of the Companies and the Plan to continue obtaining insurance coverage for benefits. Insurance premiums for future years in respect of the Plan's postretirement benefit obligation will be funded by contributions from the Companies and participants to the Plan in those later years. The insurance policies are held in the ORBIT.

Retirees under age 65 contribute 25 percent of the Plan's estimated cost of providing postretirement health benefits. Retirees over age 65 contribute 50 percent of the Plan's estimated cost of providing postretirement health benefits.

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

3. Benefit Obligations

The actuarial present value of the expected postretirement benefit obligation is determined by an actuary, and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment, and to reflect the portion of those costs expected to be borne by Medicare, the retired participants, and other providers.

The trend rate for health care inflation ranges from 11.5 percent to 12.5 percent for 2002 and 9.50 percent to 12.50 percent for 2001, trending down to 5.775 percent by 2012.

Other significant assumptions are as follows:

	December 31, 2002	December 31, 2001
Weighted-average discount rate	6.50%	7.25%
Average retirement age	61	61
Mortality	1994 GAM Mortality Table	1994 GAM Mortality Table

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

The postretirement benefit obligation is as follows:

	December 31, 2002	December 31, 2001
Current retirees	$ 640,289,000	$ 561,856,000
Active employees, fully eligible	295,663,000	214,836,000
Other active participants	168,207,000	134,582,000
Postretirement benefit obligation	$ 1,104,159,000	$ 911,274,000

The increase in the postretirement benefit obligation is primarily the net result of the increase in the health care cost trend rates and the normal accrual of benefits.

A 1 percent increase in the health care cost trend rate would increase the postretirement benefit obligation by approximately 12 percent for 2002 and 2001.

4. Tax Status

An IRS determination letter has not been applied for to date. Currently, the Plan administrator believes the Plan is designed and is being operated in compliance with the applicable requirements of the Internal Revenue Code.