Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Independent Auditor’s Report and Financial Statements

December 31, 2012 and 2011

Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

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December 31, 2012 and 2011

McConnell & Jones LLP
Certified Public Accountants

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the Plan), which comprise the Statements of Net Assets Available for Benefits as of December 31, 2012 and 2011, and the related Statements of Changes in Net Assets Available for Benefits for the years then ended, and the related Notes to Financial Statements.

Plan Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Plan management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3040 Post Oak Blvd., Suite 1600
Houston, TX 77056
Phone: 713.968.1600
Fax: 713.968.1601

WWW.MCCONNELLJONES.COM

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the years then ended, in accordance with US GAAP.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents as of December 31, 2012 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is 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. Such information is the responsibility of Plan management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McConnell & Jones LLP

Houston, Texas
October 7, 2013

Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Statements of Net Assets Available for Benefits

December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Assets		
Investments, at fair value	$ 765,132	$ 705,594
Notes receivable from participants	10,190	7,678
Other Assets		
Pending trades receivable	1,155	645
Cash	642	266
Employer contributions receivable	25	-
Total other assets	1,822	911
Total assets	777,144	714,183
Liabilities		
Pending trades payable	1,089	701
Net Assets, at Fair Value	776,055	713,482
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(17,694)	(14,822)
Net Assets Available for Benefits	$ 758,361	$ 698,660

See Notes to Financial Statements

Savings Program 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 Benefits

Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Additions		
Investment Income		
Net appreciation in fair value of investments	$ 49,370	$ -
Interest and dividends	12,264	10,129
Total investment income	61,634	10,129
Interest income on notes receivable from participants	402	433
Contributions		
Employer	11,918	11,643
Participants	30,301	29,975
Rollovers	13,223	2,397
Total contributions	55,442	44,015
Total additions	117,478	54,577
Deductions		
Net depreciation in fair value of investments	-	6,295
Benefits paid directly to participants	59,290	42,582
Administrative expenses	412	464
Total deductions	59,702	49,341
Net Increase Before Transfers	57,776	5,236
Transfers From (To) Other Plans	1,925	(376)
Net Increase	59,701	4,860
Net Assets Available for Benefits, Beginning of Year	698,660	693,800
Net Assets Available for Benefits, End of Year	$ 758,361	$ 698,660

Note 1: Description of the Plan

The following description of the Savings Program 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 more complete description of the Plan's provisions, which is available from the plan administrator.

General

The Plan is a defined contribution 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 with Babcock & Wilcox Technical Services Y-12, L.L.C. (B&W Y-12 or the Company) as the Plan sponsor.

Effective October 29, 2012, employees from Wackenhut Security started participating in the Plan. Participant and loan account balances from these participants that were rolled over to the Plan are included in the Rollovers Contribution and Transfers From Other Plans, respectively, in the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2012.

The Retirement and Savings Committee is responsible for the oversight of the Plan, and determines the appropriateness of the Plan's investment offerings, and monitors investment performance.

The Plan is subject to Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may contribute 2½ percent to 75 percent of eligible earnings (as defined by the Plan) each pay period (or 16 percent for highly compensated employees). Participants' contributions will be matched at a rate of 100 percent of the first 2 percent of eligible earnings and 50 percent of the next 4 percent of eligible earnings, regardless of credited service. Effective October 29, 2012, participants who are members of the International Guards union will be matched at a rate of 100 percent up to 6 percent of eligible earnings. Contributions above 6 percent are not eligible for Company matching contributions. All employee contributions to the Plan may be made on a before-tax, after tax or Roth basis up to the annual limits. Participants age 50 or older may also make catch-up contributions.

Effective January 1, 2012, B&W Y-12 added an employer non-discretionary contribution for certain eligible employees and clarified the eligibility provisions for an employer non-discretionary contribution for certain eligible employees.

Effective October 29, 2012, participants hired on or after this date and are a member of the International Guards union who did not take action to enroll in the Plan are automatically enrolled in the Plan approximately 45 days from the date of hire at a pre-tax savings rate of 2 percent.

Investment Options

Participants may direct contributions in increments of 1 percent to one or more of the available investment options offered by the Plan. The assets of the Plan are held in trust under an agreement between the Company and the Charles Schwab Trust Company (the Trustee).

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings, and charged with an allocation of administrative expenses. Earnings and revenue sharing allocations are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are 100 percent immediately vested in their contributions, as adjusted for investment earnings and losses on their contributions. Company matching contributions become 100 percent vested after three years of service; at age 65 while a Company employee; upon retirement and eligibility to receive an immediate pension; or upon departure from the Company because of permanent disability, death, or involuntary termination for reasons other than cause.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 minus their highest outstanding loan balance during the previous twelve months or 50 percent of their vested account balance at the time of the loan. The loans are collateralized by the balance in the participant's account and bear interest at the treasury rate plus 4 percent. Interest rates ranged from 4.10 percent to 10.00 percent and 4.10 percent to 10.00 percent during 2012 and 2011, respectively. The minimum loan term is 6 months and the maximum loan term is 4½ years for general loans, 5 years for general loans of members of the International Guards union, and 15 years for residential loans. Principal and interest are paid ratably through payroll deductions.

Forfeited Accounts

At December 31, 2012 and 2011, forfeited nonvested accounts totaled $116,597 and $36,522, respectively. These accounts will be used to reduce the matching contributions due from the participating employers and to reduce any corrective allocations or contributions and restorations due from the employers. Also, in 2012 and 2011, employer contributions were reduced by $343 and $4,718, respectively from forfeited nonvested accounts.

Administration of Plan Assets

The Plan incurs expenses related to general administration and record keeping. The cost of collecting and distributing amounts to and from participants, and of keeping the individual records for all investment fund options, are paid by the participants. The Company paid certain accounting and auditing fees relating to the Plan.

Plan Termination

Although it has not expressed an intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan’s gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. No allowance for credit losses has been recorded as of December 31, 2012 and 2011. Delinquent participant loans are reclassified as distributions based upon the terms of the plan document.

Payment of Benefits

Benefits are recorded when paid.

Plan Management's Review of Subsequent Events

In preparing the accompanying financial statements, Plan management has reviewed all known events that have occurred after December 31, 2012, and through October 7, 2013 the date the financial statements were available to be issued, for inclusion in the financial statements and footnotes.

Note 3: Investments

The following table presents the Plan's investments as of December 31, 2012 and 2011 (in thousands of dollars). Investments that represent 5% or more of the Plan's net assets are separately identified.

	2012	2011
Invesco Stable Value Fund (contract values, $345,672 and $336,435, respectively)	$ 363,367	$ 351,257
American Funds Growth Fund of America Fund	64,504	58,403
American Funds EuroPacific Growth Fund	50,358	43,215
Allianz NFJ Dividend Value Fund	63,145	61,042
Wells Fargo Advantage Total Return Bond Fund	71,154	54,952
Other investments (less than 5% individually)	152,604	136,725
Total Investments, at fair value	$ 765,132	$ 705,594

During the years 2012 and 2011, the Plan's investments (including gains and losses on investments bought, sold and held during the year) appreciated (depreciated) in value as follows (in thousands of dollars):

	2012	2011
Registered investment companies	$ 45,560	$ (15,565)
Common/collective trusts	3,810	9,270
Net Appreciation (Depreciation) in Fair Value of Investments	$ 49,370	$ (6,295)

Interest and dividends realized (in thousands of dollars) on the Plan's investments for the years ended December 31, 2012 and 2011 were $12,264 and $10,129, respectively.

Invesco Stable Value Fund

As of December 31, 2012 and 2011, the Plan held interest in the Invesco Stable Value Fund (SVF), a common/collective trust fund. The SVF invests in a high quality fixed income portfolio combined with investment contracts, commonly referred to as wrap contracts, issued by insurance companies and other financial institutions for a fee. The SVF is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The issuer of the wrap contract guarantees a minimum rate of return and provides full benefit responsiveness, provided that all terms of the wrap contract have been met. The fair value of the SVF equals the total of the fair value of the underlying assets plus the total wrap contract rebid value.

Certain events limit the ability of the Plan to transact at contract value with the wrap issuer. However, the Plan's management is not aware of the occurrence or likely occurrence of any such events, which would limit the Plan's ability to transact at contract value with participants. The issuer may terminate a wrap contract for cause at any time.

The average yields earned by all wrap contracts held by the Plan's common/collective trust fund for the years ended December 31, 2012 and 2011 for the Invesco Stable Value Fund and State Street Bank and Trust Company Stable Fixed Income Fund for Employee Benefit Trusts, respectively, were as follows:

	2012	**2011**
Based on actual income	0.98%	1.47%
Based on interest rates credited to participants	2.17%	2.43%

Note 4: Fair Value Measurements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (FASB ASC 820) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities.

Level 2
Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Registered investment companies and short term investment funds: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Common/Collective trust fund and collective fund: Valued at the NAV of shares held by the Plan at year end, which is based on the fair value of the underlying investments using information reported by the investment manager at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2012 and 2011 (in thousands of dollars):

	2012	2011
Level 1:		
Registered investment companies:		
Balanced funds	$ 25,265	$ 18,965
Growth funds	165,552	149,817
Fixed income funds	71,154	54,952
Large value funds	63,145	61,042
Small value funds	24,114	20,726
World stock funds	27,540	24,731
	376,770	330,233
Level 2:		
Common/collective trust fund		
Stable value fund	343,423	333,007
Collective fund		
Indexed equity fund	24,995	24,104
Short term investment fund	19,944	18,250
	388,362	375,361
Total Investments, at Fair Value	$ 765,132	$ 705,594

Note 5: NAV per Share

Under the amended guidance of FASB Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12), entities are permitted, as a practical expedient, to estimate the fair value of investments within its scope using the NAV per share of the investment as of the reporting entities' measurement dates. The amended guidance also requires additional disclosures to better enable users of the financial statements to understand the nature and risks of the reporting entity's investments that fall under these rules.

In accordance with ASU 2009-12, the Plan expanded its disclosure to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which the fair value is not readily determinable as of December 31, 2012 and 2011. For the Plan, such assets include investments in common/collective trust fund, collective fund and short term investment fund.

The following table sets forth a summary of the Plan's investments with a reported NAV as of December 31, 2012 and 2011 (in thousands of dollars):

	2012 *	2011 *	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Common/collective trust fund						
Stable value fund (a)	$ 343,423	$ 333,007	None	Immediate	None	None
Collective fund						
Common stock (b)	24,995	24,104	None	Immediate	None	None
Short term investment fund (c)	19,944	18,250	None	Immediate	None	None

* The fair value of the investment has been estimated using the NAV of the investment.

(a) The objective of the stable value fund is to provide a diversified group of investments offering competitive levels of yield consistent with stable fixed-income methodology and the careful and prudent assumption of investment risk providing for preservation of capital, stability, and predictability of returns, liquidity to pay Plan benefits, and high credit quality.

(b) The objective of the common stock fund is to select investments that replicate movements of an index of a specific financial market, in this case, the Standard & Poor's (S&P) 500 Index, regardless of market conditions.

(c) The short term investment fund is composed of high-grade money market instruments with short maturities. The fund's objective is to provide an investment vehicle for cash reserves while offering a competitive rate of return. Liquidity is emphasized to provide for redemption of units on any business day. Principal preservation is also a prime objective.

Note 6: Risks and Uncertainties

The Plan invests in various investment securities that are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Note 7: Plan Tax Status

The Plan obtained its latest determination letter on February 15 2013, 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 since receiving the determination letter. The plan administrator and the Plan’s tax counsel believe the Plan is being operated in compliance with the applicable provisions of the IRC.

US GAAP requires the plan administrator to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

Note 8: Party-In-Interest Transactions

The Plan holds notes receivable representing participant loans. Therefore, these transactions qualify as party-in-interest transactions; however, they are exempt from the prohibited transaction rules under ERISA.

Note 9: Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2012 and 2011 to net assets per Form 5500 (in thousands of dollars):

	2012	2011
Net assets available for benefits per the financial statements	$ 758,361	$ 698,660
Adjustment from contract value to fair value for fully benefit-responsive contracts	17,694	14,822
Net Assets per Form 5500	$ 776,055	$ 713,482

The following is a reconciliation of the changes in net assets available for benefits before transfers per the financial statements for the year ended December 31, 2012 to net income per Form 5500 (in thousands of dollars):

Increase in net assets available for benefits before transfers per the financial statement	$	57,776
Adjustment from contract value to fair value for fully benefit-responsive contracts in prior year		(14,822)
Adjustment from contract value to fair value for fully benefit-responsive contracts in current year		17,694
Net Income per Form 5500	$	60,648

Supplementary Information

Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee
EIN – 54-1987297   PN – 009

Schedule H: Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2012
(in thousands of dollars)

(a)	(b) Identity of issue, borrower, lessor or similar party)	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current Value
	IGT ING S.D. (**)	Common/ collective trust fund	#	$ 29,664
	IGT Invesco Short Term Bond (**)	Common/ collective trust fund	#	117,173
	IGT Jennison Int. G/C (**)	Common/ collective trust fund	#	64,772
	IGT Black Rock Core Fixed (**)	Common/ collective trust fund	#	9,086
	IGT Goldman Sachs Core (**)	Common/ collective trust fund	#	9,121
	IGT Invesco Core (**)	Common/ collective trust fund	#	9,106
	IGT PIMCO Core (**)	Common/ collective trust fund	#	9,100
	Metlife Separate Account - 378 (**)	Pooled separate account	#	19,233
	Metlife Separate Account - 628 (**)	Pooled separate account	#	38,632
	Metlife Separate Account - 655 (**)	Pooled separate account	#	37,536
	Fidelity Money Market Fund (**)	Short term investment fund	#	19,944
	State Street Global Advisors S&P 500 Indexed Equity Fund	Collective fund	#	24,995
	Allianz NFJ Dividend Value Fund	Mutual fund	#	63,145
	American Funds American Balanced Fund	Mutual fund	#	25,265
	American Funds Investment Company of America Fund	Mutual fund	#	32,682
	Wells Fargo Advantage Emerging	Mutual fund	#	18,008
	American Funds Growth Fund of America Fund	Mutual fund	#	64,504
	American Funds New Perspectives Fund	Mutual fund	#	27,540
	Goldman Sachs Small Cap Value Institutional Fund	Mutual fund	#	24,114
	American Funds EuroPacific Growth Fund	Mutual fund	#	50,358
	Wells Fargo Total Return Bond Fund	Mutual fund	#	71,154
	Total Investments			765,132
*	Participant Loans	Interest range from 4.10% to 10.00% with various maturity dates.	-0-	10,190
				$ 775,322

Column (a) - An asterisk (*) indicates the issuer on the line is identified as a person known to be a party-in-interest to the Plan.

Column (b) - A double asterisk (**) indicates these funds are included in the Invesco Stable Value Fund investment option.

Column (d) - Cost information may be omitted for participant or beneficiary-directed transactions under an individual account plan. A hash symbol (#) indicates that historical cost information in column (d) is not presented since the investments displayed are participant directed.