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

Independent Auditors' Report and Financial Statements

December 31, 2011 and 2010

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, 2011 and 2010

McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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:

We have audited the accompanying statements of net assets available for benefits of the Savings Program for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the Plan) as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of Plan management. 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 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 Plan management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in net assets available for benefits for the years then ended 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 supplementary information listed in the table of contents 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, as amended. 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 audit of the basic 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 to 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

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October 10, 2012

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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, 2011 and 2010

(in thousands of dollars)

	2011	2010
Assets		
Investments, at fair value	$ 705,594	$ 693,613
Notes receivable from participants	7,678	7,653
Other assets		
Pending trades receivable	645	96
Cash	266	258
Total other assets	911	354
Total assets	714,183	701,620
Liabilities		
Pending trades payable	701	331
Net Assets, at Fair Value	713,482	701,289
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(14,822)	(7,489)
Net Assets Available for Benefits	$ 698,660	$ 693,800

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, 2011 and 2010

(in thousands of dollars)

	2011	2010
Additions		
Investment Income		
Net appreciation in fair value of investments	$ -	$ 30,964
Interest and dividends	10,129	28,827
Total investment income	10,129	59,791
Interest income on notes receivable from participants	433	786
Contributions		
Employer	11,643	20,667
Participants	29,975	54,282
Rollovers	2,397	3,517
Total contributions	44,015	78,466
Total additions	54,577	139,043
Deductions		
Net depreciation in fair value of investments	6,295	-
Benefits paid directly to participants	42,582	58,866
Administrative expenses	464	1,558
Total deductions	49,341	60,424
Net Increase Before Transfer	5,236	78,619
Transfer to Savings Plan for Employees at ORNL	(376)	(842,964)
Net Increase (Decrease)	4,860	(764,345)
Net Assets Available for Benefits, Beginning of Year	693,800	1,458,145
Net Assets Available for Benefits, End of Year	$ 698,660	$ 693,800

See Notes to Financial Statements

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 *Summary Plan Description* 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. The Plan was originally established on July 1, 1996 for salaried and hourly employees of Lockheed Martin Energy Systems, Inc., Lockheed Martin Utility Services, Inc., and Lockheed Martin Energy Research, Inc., who provided contract management services for the DOE.

Effective April 1, 2000, the Plan became a multiple employer pension plan with the participating employers being Lockheed Martin Energy Systems, Inc. and UT-Battelle, LLC (UTB). The Plan name was changed to the Savings Program 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 Lockheed Martin Energy Systems, Inc., was terminated and Babcock & Wilcox Technical Services Y-12, L.L.C. (B&W Y-12) became the successor employer and Plan sponsor. The Plan was amended to name the new participating employers, UTB and B&W Y-12 (the Company), at that time.

Effective September 2, 2010, UTB was no longer a participating employer of the Plan.

The Plan is subject to Employee Retirement Income Security Act of 1974, as amended (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. 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.

Investment Options

Participants may direct contributions in increments of 1 percent to one or more of the following available investment options: Invesco Stable Value Fund, Allianz NFJ Dividend Value Fund, State Street Global Advisors S&P 500 Indexed Equity Fund, American Funds American Balanced Fund, American Funds Investment Company of America Fund, American Funds Growth Fund of America Fund, American Funds New Perspectives Fund, Goldman Sachs Small Cap Value Institutional Fund, Wells Fargo Advantage Emerging Fund, Wells Fargo Advantage Total Return Bond Fund, and

American Funds EuroPacific Growth Fund. 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 approximately 4.10 percent to 10.00 percent and 4.22 percent to 10.50 percent during 2011 and 2010, respectively. The minimum loan term is 6 months and the maximum loan term is 4½ years for general loans and 15 years for residential loans. Principal and interest are paid ratably through payroll deductions.

Forfeited Accounts

At December 31, 2011 and 2010, forfeited nonvested accounts totaled $36,522 and $14,133, 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 2011 and 2010, employer contributions were reduced by $4,718 and $155,299, 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, 2011 and 2010. 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, 2011, and through October 10, 2012 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 (in thousands of dollars). Investments that represent 5% or more of the Plan's net assets are separately identified.

	2011	2010
Invesco Stable Value Fund (contract values, $336,435 and, $321,493, respectively)	$ 351,257	$ 328,982
American Funds Growth Fund of America Fund	58,403	64,734
American Funds New Perspective Fund	24,731	30,312
American Funds EuroPacific Growth Fund	43,215	49,338
Allianz NFJ Dividend Value Fund	61,042	61,801
Wells Fargo Advantage Total Return Bond Fund	54,952	45,900
Other investments (less than 5% individually)	111,994	112,546
Total Investments	$ 705,594	$ 693,613

During the years 2011 and 2010, 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):

	2011	2010
Registered investment companies	$ (15,565)	$ 26,599
Common/collective trusts	9,270	4,365
Net (Depreciation) Appreciation in Fair Value of Investments	$ (6,295)	$ 30,964

Interest and dividends realized (in thousands of dollars) on the Plan's investments for the years ended December 31, 2011 and 2010 were $10,129 and $28,827, respectively.

As of December 31, 2011 and 2010, 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, 2011 and 2010 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:

	2011	2010
Invesco Stable Value Fund		
Based on actual income	1.47%	1.91%
Based on interest rates credited to participants	2.43%	2.71%

Note 4: Fair Value Measurements

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, formerly FASB 157, (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, 2011 and 2010.

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, 2011and 2010 (in thousands of dollars):

	2011	2010
Level 1:		
Registered investment companies:		
Balanced funds	$ 18,965	$ 17,484
Growth funds	149,817	164,206
Fixed income funds	54,952	45,900
Large value funds	61,042	61,802
Small value funds	20,726	18,737
World stock funds	24,731	30,312
	330,233	338,441
Level 2:		
Common/collective trust fund		
Stable value fund	333,007	316,649
Collective fund		
Common stock	24,104	26,190
Short term investment fund	18,250	12,333
	375,361	355,172
Total Investments, at Fair Value	$ 705,594	$ 693,613

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, 2011 and 2010. For the Plan, such assets include investments in common/collective trust fund, collective fund and short term investment fund.

The following tables for December 31, 2011 and 2010, sets forth a summary of the Plan's investments with a reported NAV (in thousands of dollars).

	Fair Value Estimated Using NAV per Share December 31, 2011				
	Fair Value *	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Common/collective trust fund					
Stable value fund (a)	$ 333,007	None	Immediate	None	None
Collective fund					
Common stock (b)	24,104	None	Immediate	None	None
Short term investment fund (c)	18,250	None	Immediate	None	None

	Fair Value Estimated Using NAV per Share December 31, 2010				
	Fair Value *	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Common/collective trust fund					
Stable value fund (a)	$ 316,649	None	Immediate	None	None
Collective fund					
Common stock fund (b)	26,190	None	Immediate	None	None
Short term investment fund (c)	12,333	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 October 29, 2009, 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, 2011, 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 2008.

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, 2011 and 2010, to Form 5500 (in thousands of dollars):

	2011	2010
Net assets available for benefits per the financial statements	$ 698,660	$ 693,800
Adjustment from contract value to fair value for fully benefit-responsive contracts	14,822	7,489
Net Assets Available for Benefits per Form 5500	$ 713,482	$ 701,289

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

Increase in net assets available for benefits per the financial statement	$ 4,860
Adjustment from contract value to fair value for fully benefit-responsive contracts in prior year	(7,489)
Adjustment from contract value to fair value for fully benefit-responsive contracts in current year	14,822
Increase in Net Assets Available for Benefits per Form 5500	$ 12,193

Note 10: Subsequent Event

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.

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, 2011
(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	#	$ 29,200
	IGT Invesco Short Term Bond (**)	Common/ collective trust fund	#	114,058
	IGT Jennison Int. G/C (**)	Common/ collective trust fund	#	62,302
	IGT Black Rock Core Fixed (**)	Common/ collective trust fund	#	8,884
	IGT Goldman Sachs Core (**)	Common/ collective trust fund	#	8,846
	IGT Invesco Core (**)	Common/ collective trust fund	#	8,849
	IGT PIMCO Core (**)	Common/ collective trust fund	#	8,861
	Metlife Separate Account - 378 (**)	Pooled separate account	#	18,563
	Metlife Separate Account - 628 (**)	Pooled separate account	#	37,001
	Metlife Separate Account - 655 (**)	Pooled separate account	#	36,443
	Fidelity Money Market Fund (**)	Short term investment fund	#	18,250
	State Street Global Advisors S&P 500 Indexed Equity Fund	Collective fund	#	24,104
	Allianz NFJ Dividend Value Fund	Mutual fund	#	61,042
	American Funds American Balanced Fund	Mutual fund	#	18,965
	American Funds Investment Company of America Fund	Mutual fund	#	28,908
	Wells Fargo Advantage Emerging	Mutual fund	#	19,291
	American Funds Growth Fund of America Fund	Mutual fund	#	58,403
	American Funds New Perspectives Fund	Mutual fund	#	24,731
	Goldman Sachs Small Cap Value Institutional Fund	Mutual fund	#	20,726
	American Funds EuroPacific Growth Fund	Mutual fund	#	43,215
	Wells Fargo Advantage Total Return Bond Fund	Mutual fund	#	54,952
	Total Investments			705,594
*	Participant Loans	Interest range from 4.10% to 10.00% with various maturity dates.	-0-	7,678
				$ 713,272

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.