



TECHNOLOGIES AND SERVICES FOR A CLEANER, SAFER WORLD

GTS Duratek Completes Investment in Vitrification Technology, Begins to Shut Down M-Area Melter

by Jim Pope

“The M-Area project resulted in GTS Duratek building and operating the largest radioactive waste glass melter in the world. As a result of the technological advances and experience gained on the project, we are a key player on the BNFL Inc. team to support the \$6.9 billion Hanford cleanup for which our vitrification technology is the centerpiece.”

Robert E. Prince, President and CEO, GTS Duratek

In 1998, GTS Duratek's team at the U.S. Department of Energy's (DOE) Savannah River Site in South Carolina finished processing over 600,000 gallons of mixed waste (radioactive and hazardous), completing its obligation under a \$14 million fixed-price contract that began in 1994. To complete this contract, GTS Duratek built and operated the world's largest radioactive waste glass melter. The DuraMelter 5000A™, which the Company designed and built in 1997 after the original DuraMelter 5000™ failed prematurely, performed exceptionally well. It exceeded its design capacity, producing over two million pounds of glass with over 80 percent availability. The melter outperformed all other radioactive thermal treatment systems that GTS

Duratek owns. Its levels of glass production, reliability, and cost-effectiveness have never before been achieved. This facility is capable of processing additional waste streams at the Savannah River Site, and the melter potentially has years of additional life. However, as a result of changing waste treatment priorities, no additional waste processing contracts have been awarded. Thus, GTS Duratek has begun the process of shutting down the DuraMelter 5000A™.

Commercializing GTS Duratek's vitrification technology has proven to be a challenge. This \$14 million Savannah River M-Area fixed-price contract cost the Company \$32

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Navy Contract Wins Boost 1999 Waste Receipts

by Ellen Gray

“The strategic value of these important contracts assures our leadership in the Department of Defense metals market segment.”

Dave Grayewski, Manager of Marketing & Sales, Bear Creek Processing

GTS Duratek has won contracts from Navy shipyards throughout the United States that will keep a steady stream of metals and other radioactive materials coming into Bear Creek Processing during 1999. The contracts were awarded by the Puget Sound Naval Shipyard in Bremerton, Washington; Pearl Harbor Naval Shipyard in Pearl Harbor, Hawaii; Portsmouth Naval Shipyard in Portsmouth, New Hampshire; and the Norfolk Naval Shipyard in Portsmouth, Virginia. Each contract is for one base year, with at least one additional year which can be added to extend the contract. These contracts will utilize a full range of Bear Creek services: metal melting, supercompaction, incineration, broker services, container supply, and transportation (via GTS Duratek's wholly-owned

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Navy Metals, cont'd.

subsidiary Hittman Transport Services). The major impact of the contracts will be in Bear Creek's metal processing operations. The Navy estimates that it will send over 2.2 million pounds of metals to Bear Creek during 1999. Much of this amount will be processed in the metal melt facility, for recycling into shield blocks for transfer to Department of Energy laboratories. As of mid-April, over 500,000 pounds of Navy materials had been received at Bear Creek for processing.

Dave Grayewski, Manager of Marketing and Sales for Bear Creek Processing, stated: "These are very important contracts for Bear Creek. Their strategic value assures our leadership in the Department of Defense metals market segment." 

GTS Duratek Welcomes Dr. Francis J. Harvey to Its Board of Directors

by Diane Brown

In February, Dr. Francis J. Harvey joined GTS Duratek's Board of Directors. Dr. Harvey is the former Chief Operating Officer of Westinghouse Electric Corporation's Industries and Technologies Group. During his 28-year career with Westinghouse, Dr. Harvey gained a broad base of experience in terms of industries, functions, and markets, including both domestic and international. He has in-depth experience in the energy, environmental services, aerospace, defense, and government facilities management industries.

Through ownership of GTS Duratek's preferred stock, The Carlyle Group is responsible for filling four of the seven seats on the Board. Dr. Harvey will join Mr. J.A. Fred Brothers, Executive Vice President of Ashland Inc.; Mr. Earle C. Williams, former President and CEO of BDM International, Inc.; and Mr. Daniel A. D'Aniello, one of the founding partners of The Carlyle Group as Directors appointed by The Carlyle Group. Also currently serving as Directors elected by the Common Stockholders are Mr. George McGowan, former Chairman and CEO of Baltimore Gas & Electric; Admiral James D. Watkins, former Secretary of Energy and Chief of Naval Operations; and Mr. Robert E. Prince, President and CEO of GTS Duratek.

Dr. Harvey fills a seat that Mr. William E. Conway, Jr. of The Carlyle Group has held since 1995. "We thank Mr. Conway for the outstanding support that he has provided to the Company and we are pleased to have such an appropriate replacement in Dr. Harvey. I am positive that the Company will benefit from this distinguished addition to the Board," said Robert E. Prince, President and CEO. 

DuraTherm Sets New Records

by Joyce Frassanito

DuraTherm's first quarter of 1999 has seen records tumble for revenues, waste tonnage processed, and safety performance.

First quarter revenue for GTS Duratek's 80-percent-owned DuraTherm subsidiary was up over 60 percent from the same period last year. DuraTherm received and processed a total of 3,071 tons of waste material in March, the highest monthly volume in its history. This increase in waste tonnage processed resulted from a windfall anomaly in market demand and continuing plant capacity enhancements.

"DuraTherm's sales and operations staff performed an extraordinary feat in

accomplishing these records," said Brad Hogan, Vice President/COO. "Additionally, the maintenance team executed a valiant effort by keeping the equipment operational and delaying the first quarter's normally scheduled maintenance turnaround in order to accommodate this market anomaly. We look forward to the commencement of proposed new service lines which we hope to have in place next year. These new service lines will allow us to routinely



Technician monitors conditions inside the desorber drum.

meet or beat these revenue and profit levels regardless of market condition swings, while better serving our customer base."

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Hanford TWRS-P Pilot Test Melter Commences Operational Testing

by Mark Clements



Left: Panoramic view of off-gas system of BNFL pilot test melter with control room at end of walkway

Top: (left to right) Ian McCourty, BNFL Project Engineer; Jim Owendoff, DOE Acting Assistant Secretary of Energy; and Mark Clements, GTS Duratek Project Director

In August 1998, the BNFL/GTS Duratek team was awarded the second phase of the \$6.9 billion Hanford Tank Waste Remediation System Privatization Project (TWRS-P), which involves the stabilization of ten percent of the radioactive waste (approximately 20,000 cubic meters) stored in the underground tanks on the U.S. Department of Energy's (DOE) Hanford site in Richland, Washington. Early in 1998, BNFL committed \$17 million to design and construct the pilot test melter at GTS Duratek's corporate headquarters. This facility is being used to validate design concepts and provide engineering data that will be used to design the full-scale vitrification systems for use at Hanford.

Recently, the operations team began feeding the test melter surrogate waste—a mixture of nonradioactive, nonhazardous materials that simulates the Hanford tank waste—combined with the glass-forming chemicals needed to produce a good glass product. This event followed completion of the melter bakeout in January and functional testing of the melter subsystems to ensure proper function-

ing prior to commencing development testing. The feed, off-gas, and electrical subsystems were operated and checked satisfactorily. In order to further test the melter and its associated subsystems, water runs were completed before introducing surrogate feed into the melter. Testing will continue through the spring and into the summer to determine the optimum operating conditions and parameters for the melter. At that point, sustained full power operations will be conducted to confirm throughput of the melter.

On March 10, 1999, GTS Duratek hosted an Open House at its headquarters to celebrate the startup of the pilot test melter. The event included a ceremony with speeches by Jim Owendoff, DOE Acting Assistant Secretary of Energy; Mike Lawrence, BNFL Inc. Executive Vice President and Chief Operating Officer; Dick Peebles, BNFL Inc. Senior Vice President for Waste Management; Robert Prince, GTS Duratek President and CEO; and Mark Clements, GTS Duratek Hanford TWRS-P Project Director. 🌐

Idaho AMWTP Update

by Mark Clements

In January 1997, the BNFL/GTS Duratek team was awarded the Idaho Advanced Mixed Waste Treatment Project (AMWTP), which calls for the initial cleanup of 65,000 cubic meters of radioactive waste currently stored at the Idaho National Engineering and Environmental Laboratory in Idaho Falls, Idaho. The BNFL/GTS Duratek team has been contracted to design, construct, and operate a facility to retrieve and stabilize the waste. Currently, the project team is awaiting permit approval to begin construction of the waste treatment facility.

The AMWTP team made the initial submission of the Permit

(... continued on page 5)

Financial Highlights

Common Stock Ownership:

Market: NASDAQ

Symbol: DRTK

Shares Outstanding: 13,833,412

(as of May 6, 1999)

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	Years ended December 31,		First quarter ended March 31,	
	1998	1997	1999	1998
Revenues	\$160,313,077	\$136,552,821	\$38,885,254	\$37,230,952
Net Income (loss)	(2,429,352)	(281,039)	1,803,959	1,342,454
Cash	\$5,944,274	\$ 7,026,249	\$982,237	\$ 6,514,688
Current Assets	52,583,052	49,578,276	52,494,567	51,536,614
Total Assets	128,534,632	132,298,181	129,183,913	133,811,669
Current Liabilities	37,224,109	41,215,062	28,795,536	41,330,900
Total Liabilities	58,233,960	60,816,492	58,234,282	61,284,026
Preferred Stock & Common Stockholders' Equity	\$70,300,672	\$ 71,481,689	\$70,949,631	\$72,527,643
Total Shares Outstanding and Common Stock Equivalents ⁽¹⁾	13,137,188	12,618,538	20,840,041	14,326,182

⁽¹⁾ Includes the dilutive effect of stock options and warrants that would be converted to common stock where the average exercise price is less than the average market value of the Company's common stock for the measurement period.

“Having the M-Area contract completed and the associated losses of that contract behind us, is key to realizing the full benefit of our improving financial performance.”

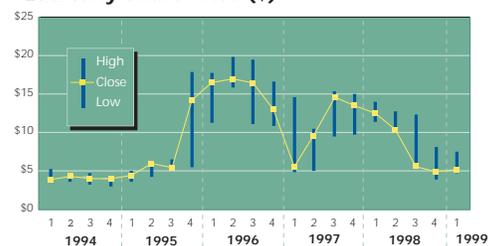
Robert F. Shawver, Executive Vice President and CFO

Revenues increased by \$1.7 million or 4.4% from \$37.2 million in the first quarter of 1998 as compared to \$38.9 million for the first quarter of 1999. Net income, excluding the restatement of the prior year first quarter results for the adoption of SOP 98-5 “Reporting on Start-Up Costs,” increased 34% over the same quarter in the prior year. On a diluted per share basis, net earnings after preferred dividends was \$.09 for the first quarter of 1999 as compared to a net loss of (\$.05) for the same period in 1998.

Robert E. Prince, GTS Duratek President and CEO said, “I am very pleased with the continued improvement in our financial performance. We have made significant progress over 1998. I believe that this, combined

with our recent successes in winning work in the emerging market for decommissioning commercial nuclear power plants, has the Company very well positioned for future growth.”

Quarterly Share Price (\$)



Quarterly Share Volume (000s)



GTS Duratek Increases Credit Facility to \$60 Million

by Diane Brown

In January, GTS Duratek announced that it has entered into a \$60 million credit facility underwritten and arranged by First Union Capital Markets Corporation. Participants in the facility include First Union Commercial Corporation, National Bank of Canada, and Wachovia Bank.

“We are pleased to have extended our relationship with these prestigious financial institutions. The increased credit facility will provide the necessary resources to fuel our long-term strategy and enable us to take advantage of growth opportunities, such as potential acquisitions, as they arise.” said Robert E. Prince, President and CEO, GTS Duratek.

Robert F. Shawver, Executive Vice President and CFO of GTS Duratek added, “Coupled with the strong cash position generated from our operations, management believes that GTS Duratek is uniquely positioned to capitalize on these market opportunities by its size, breadth, and technologies.” David Sozio, Managing Director of First Union Capital Markets Corporation said, “First Union is pleased to arrange this financing. We believe that this new credit facility represents a major step in the evolution of the Company and positions them well for further growth.” The increased credit facility includes the following:

- \$35 million revolving line of credit, based on the amount of eligible accounts receivable, to refinance existing indebtedness and to fund working capital requirement
- \$20 million acquisition line of credit to finance acquisitions or stock repurchases
- \$5 million equipment line of credit to finance up to 75 percent of the Company’s acquisition cost of new equipment purchases.

Substantially all of GTS Duratek’s assets, excluding real property and inventory, are pledged as collateral under the credit facility. The credit facility has a five-year term. In connection with this new facility, GTS Duratek has agreed to seek stockholder approval at its 1999 annual meeting of stockholders to extend the mandatory redemption date of its outstanding convertible preferred stock beyond the maturity date of this new facility. If this approval is not obtained, the credit facility converts to a three-year term. 🌐

M-Area Close-Out, cont’d.

million (\$7 million of which was written off in 1997, and \$11 million in 1998). The good news is that the Company’s investment in commercializing this technology is now complete. Going forward, GTS Duratek expects to see returns on that investment from the multi-decade, \$6.9 billion Hanford Tank Waste Remediation System Privatization Project (TWRS-P) at the DOE’s Hanford Site in Washington.

Due to its reliability and proven performance, the DuraMelter 5000A™ will be the basis for GTS Duratek’s design of the vitrification units it will supply to BNFL for the Hanford TWRS-P project.

During 1998, the TWRS-P project team, led by BNFL, was awarded the next \$250 million phase of that 20-year effort. As a result, GTS Duratek was awarded a contract by BNFL to design, build, and operate a 3.3-ton-per-day pilot test melter and to perform various other technology development and design tasks, which will result in \$17 to \$20 million in revenue in 1999. 🌐

Idaho AMWTP, cont’d.

to Construct to the Idaho Department of Environmental Quality in late 1998. Several questions about the design of the facility have been generated by the State. The project team responded with additional data to support answers. The third set of questions has recently been issued by the State and the project team is preparing the responses to be submitted in late May. Currently, the permit is out for public comment by the people of Idaho. Permit approval is still scheduled for September 1999. At that time, Boise-headquartered Morrison-Knudsen, the architect-engineer for the AMWTP team, will begin site

construction activities.

GTS Duratek will perform development and design activities for the plant’s thermal treatment process. A radioactive waste incinerator with feed shredding, ash transfer, and an off-gas system will be designed for the project. The Columbia-based project team has recently received initial funding to begin the development tasks proposed to support the design of the thermal treatment system. A technical and cost proposal for the development, design, and management of this system is being prepared. 🌐

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Editor
Angela M. Roe

GTS Duratek Signs Agreement to Provide Radioactive Waste Services at Los Alamos National Laboratory

by Troy Eshleman



Technician characterizes mixed (radioactive and hazardous) waste at LANL.

In February, GTS Duratek received a basic ordering agreement from the University of California's Los Alamos National Laboratory (LANL) to provide radioactive waste services. GTS Duratek has already received its first four task orders under this contract totaling \$539,000 for radioactive waste processing and on-site technical support services. It is anticipated that up to \$3 million of task orders will be issued over the next three years under this basic ordering agreement.

The services include dismantling and recycling several lead-containing items and lead-shielded glove boxes, volume reducing depleted uranium and nonhazardous fluids for

disposal at LANL, and providing specialty mixed waste technical support to LANL operations.

"This agreement is in addition to the existing subcontracts that GTS Duratek has in place at Los Alamos for waste management and decommissioning planning support," said Robert E. Prince, President and CEO. "We are delighted with this expanded relationship, which reflects our unique ability to provide an integrated capability for on-site technical support, waste processing, and transportation services." 🌐

DuraTherm, cont'd.

DuraTherm has also continued its safety success story, passing the two-year mark for no lost-time accidents. At the close of March, this record reached 799 days. 🌐