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USEC Reports Results for the First Fiscal Quarter Ended September 30, 1998

**Management Reaffirms Strong Returns, Margins and Dividends;
Sees FY99 Revenue on Target; Expects FY99 Earnings to be Below Analysts' Estimates
Due to Record High Midwest Electricity Costs and Downward Revision
in Department of Commerce's Inflation Index**

Bethesda, MD -- USEC Inc. (NYSE: USU) today reported revenue and earnings in line with analysts' expectations for the first fiscal quarter ended September 30, 1998, as follows:

| | Three Months Ended September 30, 1998 | |
|----------------------|--|--|
| | <u>before special tax benefit*</u> | <u>after special tax benefit*</u> |
| Revenue | \$307.9 million | \$307.9 million |
| Gross Profit | \$ 59.3 million | \$ 59.3 million |
| Net income | \$ 8.6 million | \$ 63.1 million |
| Net income per share | \$.09 per share | \$.63 per share |

* The quarter includes a special tax benefit of \$54.5 million for deferred income tax benefits that arise from the Company's transition to taxable status.

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Commenting on the Company's results, William H. Timbers, Jr., President and Chief Executive Officer of USEC said, "First quarter results are on target, and revenue for the fiscal year is anticipated to be in line with analysts' expectations. However, our fiscal year 1999 costs will be greater than previously estimated because the effects of record-high electric power costs have continued from early summer into the fall, an unanticipated downward revision in the inflation index by the Department of Commerce, and increased interest and income tax expenses. Despite these changes in this year's costs, we are confident that USEC will continue to generate strong returns, margins and dividends."

Persistent hot weather, high electricity demand in the Midwest and power generation shortages resulted in unexpected widespread continuation of higher power costs through August, September and into October with a resulting negative impact on the Company's Paducah, Kentucky plant's production costs. Management initially responded by curtailing production at Paducah to help reduce the impact of these higher power prices on production costs. Because the power costs continued to remain unusually high through August, September and into October, management has extended its response by restoring production at the Paducah plant over a longer period than contemplated earlier in the summer, and will be increasing total production over the remainder of the fiscal year to help meet production and cost targets.

Under the Company's average inventory cost method, most of the impact of higher power costs and lower production volumes on unit production costs is expected to affect cost of sales over the next several quarters. Additionally, as one of the largest consumers of electric power in the United States, with flexibility to shape its production schedules and use of power, the Company is aggressively pursuing opportunities to secure more favorable power arrangements and establish contingencies against a recurrence of this year's events.

During the quarter, the U.S. Commerce Department revised its inflation index downward, causing existing contract sales price appreciation to be slower than anticipated going forward. The

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Company also expects increased interest expense from additional borrowings during the year. In addition, the Company became a taxable entity in July and made sales at the end of that month, thereby incurring income tax expense sooner.

“While we expect revenue to be in line with current estimates, due to the factors previously identified, management currently believes the Company’s fiscal 1999 earnings could be about 25 percent below analysts’ consensus estimate of \$1.60 per share,” Timbers said. “Because of the unique timing and size of customer orders, USEC management gauges Company performance over the longer term, not on a quarter-to-quarter basis. This is based upon factors that include the refueling schedules for customer reactors (18 to 24 months) that are affected by the seasonal nature of electricity demand and reactor maintenance schedules. We reaffirm that USEC will continue to generate strong returns, margins and dividends,” Timbers concluded.

USEC Inc. is the world leader in production and sales of uranium fuel enrichment services for commercial nuclear power plants. A global energy company with customers in 14 countries, the Company’s operations involve approximately 5,000 people. With headquarters in Bethesda, Maryland, the Company manages production plants in Kentucky and Ohio, and is developing an advanced laser enrichment technology in California.

This news release includes certain forward-looking information (within the meaning of the Private Securities Litigation Reform Act of 1995) that involves risks and uncertainty, including certain assumptions regarding the future performance of the Company. Actual results and trends may differ materially depending upon a variety of factors, including, without limitation, market demand for the Company’s services, pricing trends in the enrichment market, the availability and cost of electric power, the Company’s ability to successfully execute its internal performance plans,

the cyclical nature of the Company’s business and the impact of any government regulation. Additional information regarding the foregoing factors is contained in the Company’s Registration Statement on Form S-1, as previously filed with the Securities and Exchange Commission.

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USEC Inc.
Condensed Statements of Income ^(a)
(millions, except per share data)

(Unaudited)
Three Months Ended
September 30,
1998 **1997**

| | | | | |
|--|----------------|-----|----------------|-----|
| Revenue | \$307.9 | | \$440.4 | |
| Cost of sales | <u>248.6</u> | | <u>342.1</u> | |
| Gross profit | 59.3 | | 98.3 | |
| Project development costs | 31.6 | | 32.2 | |
| Selling, general and administrative | <u>7.9</u> | | <u>8.1</u> | |
| Operating income | 19.8 | (b) | 58.0 | (b) |
| Interest expense | 6.5 | | - | |
| Other (income) expense, net | <u>(1.6)</u> | | <u>(2.0)</u> | |
| Income before income taxes | 14.9 | | 60.0 | |
| Provision (benefit) for income taxes | <u>(48.2)</u> | (c) | <u>-</u> | |
| Net income | <u>\$ 63.1</u> | (d) | <u>\$ 60.0</u> | |
| | | | | |
| Net income per share-basic and diluted | \$.63 | (d) | | |
| Average number of shares outstanding | 100.0 | | | |

- (a) Because of the unique timing and size of customer orders, USEC management gauges Company performance over the longer term, not on a quarter-to-quarter basis. This is based upon factors that include the refueling schedules for customer reactors (18 to 24 months) that are affected by the seasonal nature of electricity demand and reactor maintenance schedules.
- (b) Operating income currently includes product development costs for AVLIS. The Company intends to capitalize its future AVLIS project development costs as soon as appropriate.
- (c) At the time of the Offering, the Company became subject to federal, state and local income taxes. The provision for income taxes includes a special income tax benefit of \$54.5 million for deferred income tax benefits that arise from the Company's transition to taxable status. Deferred tax benefits represent differences between the carrying amounts for financial reporting purposes and the Company's estimate of the tax bases of its assets and liabilities.
- Excluding the special tax benefit, the provision for income taxes for the first fiscal quarter ended September 30, 1998, amounted to \$ 6.3 million.
- (d) Excluding the special tax benefit, net income was \$8.6 million or \$.09 per share.