



FOR IMMEDIATE RELEASE:

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USEC Inc. Reports Second Quarter Fiscal 2000 Earnings of \$.36 per Share
-- Current Operating Challenges to Result in Significantly Lower Earnings in Fiscal 2001 --
-- Reduces Dividend and Approves Substantial Share Buyback Program --
-- Announces 850 Worker Reduction at Production Plants --

Bethesda, MD – USEC Inc. (NYSE: USU) today reported earnings for its second quarter ended December 31, 1999 of \$32.6 million, or \$.36 per share, compared to \$32.1 million or \$.32 per share in the previous year. On a per share basis, earnings rose by 13 percent due to the Company's share repurchase program. During the six-month period ended December 31, 1999, the Company earned \$48.7 million or \$.52 per share, compared to \$40.7 million or \$.41 per share for the same period last year, excluding a special income tax benefit in the fiscal 1999 period.

Total revenue for the second quarter totaled \$447.6 million, compared to \$422.4 million in the second quarter of fiscal 1999. Revenue from the sales of SWU during the quarter increased \$18 million. However, the average SWU price billed to customers declined 9 percent and 5 percent in the three and six months ended December 31, 1999. The sale of natural uranium increased from \$8.6 million in the second quarter of fiscal 1999 to \$15.8 million this year. For the six months ended December 31, 1999, revenue was \$678.5 million compared to \$730.3 in the same period a year earlier.

Cost of sales increased 14 percent quarter-on-quarter between the two fiscal years. The cost of sales increase reflects higher sales volume of SWU and uranium.

Gross profit was \$114.7 million for the first six months of fiscal 2000, a 24 percent reduction from \$151.0 million in the same period in fiscal 1999. Gross margin was 17 percent for the period, compared to 21 percent in the first six months of fiscal 1999. The reduction reflects the decrease in the average SWU price billed to customers.

Project development costs during the quarter declined to \$2.6 million from \$27.2 million in the same period a year ago, following the suspension of AVLIS. Project development costs are expected to be about \$18 million for fiscal 2000, which includes costs for centrifuge development efforts, as well as recently announced milestone payments for SILEX research and development.

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USEC Inc.

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During the first half of the fiscal year, USEC aggressively implemented the share repurchase program approved by the Board of Directors on June 9, 1999. The Board authorized the repurchase of up to 10 million shares over a 24-month period. As of December 31, 1999, the Company had repurchased 9,624,700 shares.

Based on the results of the first half of its fiscal year, USEC management continues to expect net income of \$110 million to \$115 million for fiscal 2000.

USEC BUSINESS OUTLOOK FOR FISCAL 2001 AND BEYOND

Looking ahead to fiscal year 2001 and beyond, the Company expects that its financial condition and results of operations will continue to be adversely affected by unfavorable global market conditions for the sale of enriched uranium and the legal constraints placed on USEC's ability to reduce costs in response to these changed market conditions.

Global overcapacity for uranium enrichment, aggressive competitor pricing, unfavorable currency exchange rate movements and the liquidation by customers and countries of their SWU inventories have maintained significant downward pressure on market prices for enrichment services. With new contracts being signed at substantially lower prices, USEC's average price billed to customers has declined, and is expected to continue to decline, reducing future revenue. Also, the ongoing liquidation of worldwide SWU inventories by customers and countries is reducing the open demand for enrichment services and will negatively affect USEC sales volumes in fiscal 2001.

In the face of this declining market, USEC has recognized that it must reduce its operating costs to remain profitable. The Company's cost structure will continue to be adversely impacted by the substantial volume of Russian enriched uranium the Company must purchase at above-market prices and the resulting lower production volumes and associated higher unit production costs. In addition, notwithstanding the success of the Company's efforts to reduce its exposure to high-priced, non-firm power, the overall cost of power has been rising. Because electricity constitutes more than half of USEC's production costs, rising power prices have a significant negative impact on production costs.

USEC has been constrained in responding to these market conditions by its privatization agreement with the U.S. Treasury Department. This agreement restricts the actions that the Company can take to reduce operating costs. Within those constraints, however, the Company has and will continue to concentrate on cost reductions. For example, the Company is in discussions with one of its major power suppliers to conclude a new, one-year power supply agreement for the summer of 2000 with benefits similar to one signed last year that provided \$30 million in pre-tax savings.

During calendar year 2000, the Company expects to purchase 5.5 million SWU from Russia, which is almost half of expected sales. To balance production with expected SWU purchases from Russia, USEC will decrease production and expects to operate its two production plants at

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about one-quarter of their nameplate capacity in fiscal 2001. This will force the Company to implement a reduction in the workforce in July 2000 when one of the government restrictions ends. The Company expects to reduce the number of production employees by about 850, or 20 percent of USEC's work force.

The reductions will be divided approximately equally between the Company's two production plants. This will result in approximately \$39 million in annual production cost savings. A special charge will be taken this fiscal year to reflect the one-time cost associated with employee severance expense. USEC continues to strongly support government activities to carry out worker transition programs and create new jobs. The Company will make every effort to work closely with its unions, state and local officials, DOE and Congress to seek timely implementation of these transition programs. In addition, the Company will reduce its headquarters costs.

Negotiations are now underway to develop the framework for a market-based pricing mechanism for the purchase of Russian SWU. The Company hopes to conclude these negotiations this year, with implementation of market-based pricing in January 2002.

FISCAL 2001 GUIDANCE

Based on a review of the Company's operations, USEC expects fiscal year 2001 net income will be between \$35 million and \$45 million. These amounts depend upon the Company achieving additional one-year power supply agreements for summer power with benefits similar to the one signed last year. It also assumes the reduction in labor costs resulting from the planned July 2000 workforce reduction at the production plants.

Given this lower earnings expectation, the Board of Directors reduced the quarterly dividend to 13.75 cents per common share, beginning with the March 15 dividend. The Board took this action to bring the dividend in line with appropriate payout and yield ratios and to fund a substantial share buyback program. The Board announced the expansion of USEC's share repurchase plan, authorizing the buyback of up to an additional 20 million shares by June 2001.

Although net income in fiscal 2001 will be lower than fiscal 2000, the Company's cash flow from operations is expected to remain strong, aided by natural uranium sales from inventory.

"Several fundamentals of our business – most notably the market price for SWU – have continued to deteriorate. Low market price combined with higher per SWU production costs due to lower volumes at our two production facilities have caused our profitability to be severely squeezed," said William H. Timbers, USEC president and chief executive officer.

"The Company's financial picture is not static, however. The labor reductions we are announcing today, which are possible due to the expiration of the first operating restriction under the Treasury agreement, allow us to begin responding to these changed economic conditions. In addition, we continue to work on a number of initiatives that hold potential for improving the Company's competitive position in the future," Timbers said.

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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 uranium and the enrichment markets, deliveries and costs under the Russian contract, the availability and cost of electric power, the Company's ability to successfully execute its internal performance plans, the refueling cycles of the Company's customers, and the impact of any government regulation. Additional information regarding the foregoing factors is contained in the Company's filings with the Securities and Exchange Commission.

USEC Inc. is the world's leading supplier of enriched uranium fuel for commercial nuclear power plants. A global energy company, USEC has its headquarters in Bethesda, Maryland, and operates production plants in Kentucky and Ohio.

USEC Inc.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(millions, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	1999	1998	1999	1998
Revenue				
Separative Work Units	\$ 431.8	\$ 413.8	\$ 637.0	\$ 721.5
Uranium	<u>15.8</u>	<u>8.6</u>	<u>41.5</u>	<u>8.8</u>
Cost of sales	447.6	422.4	678.5	730.3
Gross profit	<u>377.4</u>	<u>330.7</u>	<u>563.8</u>	<u>579.3</u>
	70.2	91.7	114.7	151.0
Project development costs	2.6	27.2	4.0	58.8
Selling, general and administrative	<u>11.2</u>	<u>9.3</u>	<u>23.4</u>	<u>17.2</u>
Operating income	56.4	55.2	87.3	75.0
Interest expense	9.8	8.8	18.3	15.3
Other (income) expense, net	<u>(2.9)</u>	<u>(2.0)</u>	<u>(5.7)</u>	<u>(3.6)</u>
Income before income taxes	49.5	48.4	74.7	63.3 (a)
Provision (benefit) for income taxes	<u>16.9</u>	<u>16.3</u>	<u>26.0</u>	<u>(31.9) (b)</u>
Net income	<u>\$ 32.6</u>	<u>\$ 32.1</u>	<u>\$ 48.7</u>	<u>\$ 95.2</u> (b)
Net income per share – basic and diluted	\$.36	\$.32	\$.52	\$.95
Dividends per share	\$.275	\$.275	\$.55	\$.275
Average number of shares outstanding	90.6	100.0	94.2	100.0

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- a. USEC became subject to federal, state and local income taxes July 28, 1998, the date of the initial public offering, and the provision for income taxes in the first six months of fiscal 1999 includes a special income tax benefit of \$54.5 million (\$.54 per share) for deferred income tax benefits that arose from the transition to taxable status. Excluding the special tax benefit, the provision for income taxes was \$22.6 million in the first six months of fiscal 1999.
- b. Excluding the special tax benefit in the first six months of fiscal 1999, net income was \$40.7 million or \$.41 per share.
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USEC Inc.
CONSOLIDATED BALANCE SHEETS
(millions)

	(Unaudited) December 31, <u>1999</u>	June 30, <u>1999</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 20.9	\$ 86.6
Accounts receivable – trade	358.7	373.8
Inventories	983.3	933.4
Other	<u>34.2</u>	<u>79.3</u>
Total Current Assets	1,397.1	1,473.1
Property, Plant and Equipment, net	192.9	166.6
Other Assets		
Deferred income taxes	67.4	49.5
Inventories	494.4	574.4
Other	<u>92.2</u>	<u>96.6</u>
Total Other Assets	<u>654.0</u>	<u>720.5</u>
Total Assets	<u>\$2,244.0</u>	<u>\$2,360.2</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	\$ 198.3	\$ 50.0
Accounts payable and accrued liabilities	157.0	264.2
Other	<u>138.3</u>	<u>215.6</u>
Total Current Liabilities	493.6	529.8
Long-Term Debt	500.0	500.0
Other Liabilities	206.2	195.0
Stockholders' Equity	<u>1,044.2</u>	<u>1,135.4</u>
Total Liabilities and Stockholders' Equity	<u>\$2,244.0</u>	<u>\$2,360.2</u>

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