



FOR IMMEDIATE RELEASE

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CONTACT:

Ron Seeholzer (301) 564-3225
Steve Wingfield (301) 564-3354
USEC Internet Site: www.usec.com

USEC Inc. Reports First Quarter Fiscal 2002 Results
-- 6 Cents per Share Loss, In Line With Forecast --

Bethesda, MD – USEC Inc. (NYSE: USU) today reported a loss for its first quarter ended September 30, 2001 of \$(4.7) million, or \$(.06) per share, compared with a profit of \$4.6 million or \$.06 per share in the same period last year. The result was in line with guidance provided in August, and the Company's full-year guidance of \$35 to \$40 million net income has not changed, as described more fully below. The size and timing of customer orders and the seasonal nature of costs can cause fluctuations in quarterly results and therefore USEC's performance should be evaluated over a series of quarters.

Revenue for the quarter totaled \$300.5 million, compared with \$226.8 million in the first quarter of fiscal 2001. The increase reflects significantly higher SWU volumes offset by lower average prices billed to customers, primarily due to the timing and mix of customer orders. This pattern of higher quarter-over-quarter SWU sales volume is anticipated to continue during fiscal 2002. Shifts in the timing and mix of upcoming customer orders may create higher than anticipated average SWU prices billed to customers during the remainder of fiscal 2002. However, the average SWU price billed to customers will decline as older contracts with higher prices expire and the sales backlog becomes more heavily weighted with contracts negotiated in recent years with lower prices. These lower prices were the result of aggressive selling by European competitors. The term "SWU" represents a standard unit of uranium enrichment contained in enriched uranium.

To obtain the best operating economics, production levels are kept quite low in the summer months when energy costs are highest. Accordingly, cost of sales this quarter was adversely affected by significantly higher unit costs resulting from low-volume summer operation with just one plant, combined with the carry-over effect of last fiscal year's less-than-optimal two-plant operation. Under USEC's monthly moving average inventory cost method, increases and decreases in production or purchase costs in prior periods have an effect on costs in current and future periods. As a result of these factors and a 38 percent increase in the volume of SWU sold, cost of sales in the first quarter was sharply higher than the same quarter last year. Cost of sales for the remainder of the year will benefit from lower unit costs as production volumes dramatically increase. Cost of sales in future periods will decline to the

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extent that further production efficiencies can be implemented and favorable market-based pricing can be secured under a new Russian HEU contract. The Company continues to explore ways to increase productivity and efficiency in production and delivery of enriched uranium.

The actions to consolidate production at the Paducah plant were completed safely and in line with management's plan. These included the assay upgrade at the Paducah plant, ceasing enrichment operations at the Portsmouth plant, operating at low power levels again this summer at Paducah and ramping up Paducah's production at summer's end.

Russian HEU Agreement

Still pending is completion of the U.S. and Russian governments' review of new market-based pricing under the Russian HEU contract beginning in January 2002 and the purchase of additional quantities of Russian SWU. As described previously, USEC's fiscal 2002 earnings and cash flow estimates are based on timely implementation of the new terms. If USEC is not permitted to purchase anticipated quantities of Russian SWU at anticipated prices, earnings and cash flow in fiscal 2002 and thereafter will be adversely affected.

Advanced Enrichment Technology

During the quarter, USEC announced that it is prepared to go forward with a demonstration of U.S. centrifuge technology. For the past two years, the Company has evaluated centrifuge technology used by two competitors, as well as technology developed by the U.S. government. Through the use of new materials and improved manufacturing processes, USEC expects that production costs using its newly designed centrifuge machine would be less than competing centrifuges. USEC is currently working with the Department of Energy to extend a Cooperative Research and Development Agreement and to obtain the necessary agreements from DOE to enable the Company to move forward with the demonstration program. Once a demonstration program begins, it would be expected to last several years and precede a deployment decision. USEC will continue to evaluate SILEX, a laser-based enrichment technology, at a pace consistent with its stage of development.

"We have a clear, strategic vision for our advanced enrichment technology path. USEC is committed to being a successful, economical uranium enrichment company over the long term," said William H. Timbers, USEC president and chief executive officer. "We are excited about the prospect of demonstrating the improved centrifuge machine that USEC has designed."

Fiscal 2002 Outlook

USEC is not changing its earnings guidance for fiscal 2002 in a range from \$35 million to \$40 million. Efforts continue to resolve some key issues that will affect the level of earnings in fiscal 2002. USEC's guidance is dependent on the following:

- Implementing an agreement with Russia for market-based pricing under the HEU contract beginning in January 2002 and obtaining anticipated quantities of low-enriched uranium containing Russian SWU.

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- Meeting targets for revenue, which is expected to return to fiscal 2000 levels.
- Meeting targets for lower production costs and lower SG&A expenses

This outlook assumes that cost reductions from the initial year of single-plant operations and six months of benefit from purchasing Russian SWU at market-based prices will offset a decline in average SWU selling prices from lower-priced contracts signed in previous years. This outlook also assumes consideration of a change in inventory costing methodology in an effort to improve the matching of inventory costs with sales revenue in a new single operating plant environment. A shift in any of the factors described above could have an adverse impact on USEC's earnings and cash flow.

Also, the Company is not changing its forecast for fiscal 2002 free cash flow (cash flow from operations after capital expenditures) in the range of negative \$30 to \$50 million. USEC has taken a number of significant steps to restructure its business, some of which have required one-time special charges in fiscal 2000. Cash payments are being made in fiscal 2002 as these restructuring steps are implemented. For example, severance benefits and other shutdown costs connected with the cessation of enrichment at the Portsmouth plant will be paid in fiscal 2002, as well as a prudent build-up of SWU inventory to meet customer deliveries. The timing of customer deliveries and collections will also reduce cash flow for the year. USEC has sufficient cash and borrowing capacity to meet anticipated corporate needs, such as dividend payments and capital expenditures. USEC ended the quarter with \$39.9 million in cash and no short-term debt. The Company expects that free cash flow in years subsequent to fiscal 2002 will return to historical levels.

This news release includes certain forward-looking information 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 products, pricing trends in the uranium and enrichment markets, whether and at what level duties are imposed in the pending U.S. government antidumping and countervailing duty investigations of low-enriched uranium from France, Germany, the Netherlands and the United Kingdom, implementation of a market-based pricing arrangement and deliveries under the Russian contract, the availability and cost of electric power, obtaining necessary agreements with DOE regarding use of advanced technology and facilities, satisfactory performance of the technology at various stages of demonstration, the Company's ability to execute successfully its internal performance plans and maintain access to short-term funding, the refueling cycles of the Company's customers, resolving inventory issues with the Department of Energy, the outcome of litigation, and the impact of any government regulation. Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. Additional information regarding the foregoing factors is contained in the Company's filings with the Securities and Exchange Commission.

USEC Inc., a global energy company, is the world's leading supplier of enriched uranium fuel for commercial nuclear power plants.

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

	Three Months Ended	
	September 30,	
	2001	2000
Revenue:		
Separative work units.....	\$294.5	\$223.0
Uranium.....	<u>6.0</u>	<u>3.8</u>
Total revenue	300.5	226.8
Cost of sales.....	<u>287.3</u>	<u>197.0</u>
Gross profit.....	13.2	29.8
Advanced technology development costs	2.5	3.1
Selling, general and administrative.....	<u>11.2</u>	<u>13.0</u>
Operating income (loss).....	(.5)	13.7
Interest expense	9.3	8.6
Other (income) expense, net	<u>(2.4)</u>	<u>(2.1)</u>
Income (loss) before income taxes	(7.4)	7.2
Provision (credit) for income taxes.....	<u>(2.7)</u>	<u>2.6</u>
Net income (loss)	<u>\$ (4.7)</u>	<u>\$ 4.6</u>
Net income (loss) per share – basic and diluted.....	\$ (.06)	\$.06
Dividends per share.....	\$.1375	\$.1375
Average number of shares outstanding	80.8	81.3

USEC Inc.
CONSOLIDATED BALANCE SHEETS
(millions)

	(Unaudited) September 30, 2001	June 30, 2001
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 39.9	\$ 122.5
Accounts receivable – trade	213.0	175.8
Inventories	1,108.2	1,137.5
Other	<u>18.2</u>	<u>15.6</u>
Total Current Assets.....	1,379.3	1,451.4
Property, Plant and Equipment, net.....	191.8	189.8
Other Assets		
Deferred income taxes.....	48.6	42.1
Deferred costs for depleted uranium	25.0	27.1
Prepaid pension costs.....	78.3	76.9
Inventories	<u>442.4</u>	<u>420.2</u>
Total Other Assets.....	<u>594.3</u>	<u>566.3</u>
Total Assets.....	<u>\$2,165.4</u>	<u>\$2,207.5</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 148.9	\$ 166.2
Payables under Russian contract	106.6	100.3
Deferred revenue and advances from customers.....	76.1	91.0
Discontinue uranium enrichment at Portsmouth plant.....	34.6	48.0
Uranium owed to customers	<u>28.2</u>	<u>21.6</u>
Total Current Liabilities.....	394.4	427.1
Long-Term Debt	500.0	500.0
Other Liabilities		
Deferred revenue and advances from customers.....	58.1	57.5
Depleted uranium disposition	64.3	66.2
Postretirement health and life benefit obligations.....	130.7	124.7
Other liabilities	<u>59.3</u>	<u>59.2</u>
Total Other Liabilities.....	312.4	307.6
Stockholders' Equity	<u>958.6</u>	<u>972.8</u>
Total Liabilities and Stockholders' Equity	<u>\$2,165.4</u>	<u>\$2,207.5</u>

USEC Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(millions)

	Three Months Ended September 30,	
	2001	2000
Cash Flows from Operating Activities		
Net income (loss)	\$ (4.7)	\$ 4.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5.6	5.1
Depleted uranium disposition.....	.2	3.5
Deferred revenue and advances from customers	(14.3)	-
Deferred income taxes	(6.5)	-
Discontinue uranium enrichment at Portsmouth plant	(13.4)	-
Changes in operating assets and liabilities:		
Accounts receivable – (increase) decrease	(37.2)	116.8
Inventories – (increase) decrease	13.7	(159.0)
Payables under Russian contract – increase (decrease).....	6.3	89.2
Accounts payable and other – net	<u>(14.9)</u>	<u>(32.0)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>(65.2)</u>	<u>28.2</u>
Cash Flows Used in Investing Activities		
Capital expenditures.....	<u>(7.6)</u>	<u>(15.1)</u>
Cash Flows from Financing Activities		
Repurchase of common stock.....	-	(10.1)
Dividends paid to stockholders.....	(11.1)	(11.1)
Repayment of short-term debt	-	(50.0)
Common stock issued	<u>1.3</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities.....	<u>(9.8)</u>	<u>(71.2)</u>
Net (Decrease).....	(82.6)	(58.1)
Cash and Cash Equivalents at Beginning of Period.....	<u>122.5</u>	<u>73.0</u>
Cash and Cash Equivalents at End of Period.....	<u>\$ 39.9</u>	<u>\$ 14.9</u>
Supplemental Cash Flow Information:		
Interest paid.....	\$ 16.6	\$ 17.2
Income taxes paid (refund).....	-	(4.9)