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USEC Inc. Reports Third Quarter Operating Earnings of \$.10 per Share

*– Special Item Raises EPS to \$.56 for Quarter –
– Operating Earnings Outlook for Fiscal 2001 Increases to \$35-\$40 Million –*

Bethesda, MD – USEC Inc. (NYSE:USU) today reported operating earnings for its third quarter ended March 31, 2001 of \$8.1 million, or \$.10 per share, compared to \$22.6 million, or \$.25 per share, in the previous year. During the nine-month period ended March 31, 2001, USEC earned \$33.6 million, or \$.42 per share before a special tax credit, compared to \$71.3 million, or \$.77 per share, in the same period last year.

During the quarter, USEC recorded a special income tax credit of \$37.3 million due to a change in estimate for deferred income taxes that arose from the transition to taxable status at privatization. Including the effect of this income tax credit, USEC's earnings for the third quarter were \$45.4 million, or \$.56 per share. For the nine-month period, earnings were \$70.9 million, or \$.88 per share.

“This quarter we again exceeded our financial expectations, and we are well on track to meet the improved guidance for the year that we are setting today,” said William H. Timbers, USEC president and chief executive officer. “We are building a foundation of solid performance that we intend to continue in fiscal 2002.”

Fiscal 2001 Earnings and Cash Flow Update

Based on performance to date and the outlook for the remainder of the year, USEC anticipates earnings for the year to be in the range of \$35 to \$40 million, before special items. This exceeds the previous guidance of \$30 to \$35 million. The Company's financial performance is above previous guidance due to lower costs and lower net interest expense. Third quarter results are also above previous guidance due to the same factors.

– more –

USEC expects cash flow from operations, after capital expenditures, for fiscal 2001 to be in a range of \$125 to \$130 million. This amount is lower than previous guidance due primarily to the acceleration of a Russian SWU delivery. In addition, lower SWU and uranium sales were offset by the timing of customer payments. During the last 12 months, USEC repaid the \$85 million of short-term debt outstanding at March 31, 2000.

Quarterly Performance

Revenue for the third quarter totaled \$243.1 million, compared to \$281.8 million in the third quarter of fiscal 2000, a 14 percent decline. Revenue for the nine-month period ended March 31, 2001 was \$857.0 million, compared to \$960.3 million in the same period last year, an 11 percent decline. Year-to-date, SWU sales accounted for 93 percent of revenue. This decline in revenue was due to lower SWU sales volume and lower average prices billed to customers. The Company previously noted that it anticipated lower SWU sales for fiscal 2001. The term "SWU" represents a standard unit of uranium enrichment.

Revenue from the sale of natural uranium was \$21.2 million, compared to \$3.4 million in the same quarter of fiscal 2000. Year-to-date uranium revenue totaled \$60.4 million, compared with \$44.9 million in fiscal 2000. However, uranium revenue for the full fiscal year will be lower than last year due to lower market prices and USEC's decision to limit uranium spot sales and instead focus on longer-term contracts. Prices for uranium on both the spot market and longer-term contract market have firmed in recent months.

Cost of sales continues to be adversely affected by lower production volumes and higher unit costs due to increased purchases of SWU from Russia and long-term sales lost to aggressive and unfair pricing by European competitors. As executive agent for the U.S. government, USEC purchased higher volumes of SWU for resale from Russia during the nine-month period ending March 31, 2001 than in the same period last year. The additional volume was a result of making up shipments in the current fiscal year that were interrupted by Russia in late fiscal 2000.

Update on Trade Action and Other Events

The trade action involving USEC's European competitors continued during the quarter. The Department of Commerce and the International Trade Commission (ITC) are investigating allegations of dumping and subsidization by USEC's foreign competitors. The Commerce Department extended the date for its preliminary determination on subsidization until early May and on dumping until early July. A final decision is expected near the end of the year. The ITC will subsequently issue its final determination of injury if Commerce finds positively for USEC.

The Company is evaluating several options for replacing its bank credit facility. The increase in shareholders' equity from the special income tax benefit and better than forecasted operating earnings provides an expanded timeframe for USEC to fully explore options for the eventual replacement of this credit facility.

In December 2000, USEC reported to the Department of Energy (DOE) that limited samples of certain natural uranium transferred to USEC from DOE prior to privatization contain elevated levels of technetium that puts the material out of specification. USEC and DOE will be conducting further tests to determine the actual amount of material affected. The total amount of uranium inventory that may be impacted, if further testing shows that all the material in these transfers is affected, is approximately 9,500 metric tons, which represents 50 percent of USEC's uranium inventory asset costs. The material transferred was to conform to the specification for natural uranium, and while no agreement has been reached yet with DOE, USEC expects DOE to replace any non-conforming material once the testing program is concluded. USEC has sufficient other inventories on hand to meet delivery commitments to customers for the next two to three years.

In February, the U.S. government announced that it would review terms of the agreement-in-principle that USEC reached with the Russian executive agent in May 2000 that includes a new market-based pricing agreement and an agreement to purchase a fixed quantity of Russian commercial SWU. The pricing agreement with the Russian executive agent is for the period of calendar year 2002 through 2013. Implementation of the agreement is subject to adoption of an amendment to the antidumping suspension agreement with the Russian Federation to permit importation of the commercial SWU. The timing and conditions, if any, for approval by the U.S. and Russian governments are uncertain. The Company expects the pricing agreement will be finalized before January 2002.

USEC's share repurchase program continued for most of the third quarter, but the Company decided to pause in its buy back as USEC's stock price showed a marked increase. Authorization for the repurchase program ends in June 2001.

Fiscal 2002 Earnings and Cash Flow Outlook

Earnings next year will be driven by business performance and will be dependent upon the following factors:

- Implementing an agreement with Russia for market-based pricing under the HEU contract beginning in January 2002 and for commercial SWU.
- Continuing the current improvement in SWU and uranium market prices.
- Meeting targets for lower production costs, and selling, general and administrative expenses.

The Company's preliminary view of fiscal 2002 earnings is a range between \$35 million and \$40 million. The current outlook assumes that cost reductions from the initial year of plant consolidation and a half-year's benefit of purchasing Russian SWU at market-based prices will offset a decline in average SWU selling prices from lower-priced contracts signed in previous years. A shift in any of the key factors described above could have an adverse impact on USEC's earnings and cash flow.

During the past year, USEC has taken a number of significant steps to restructure its business, some of which have required one-time special charges. In the coming year, cash payments will be made 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. An integral element of the consolidation of production at a single plant is a build-up of SWU inventory to meet customer deliveries. Year-to-date cash flow reflects a substantial increase of almost \$270 million in SWU inventories, and in the coming year, additional cash outlays of almost \$100 million will be invested in inventory. Together, these factors are the primary drivers for USEC's initial guidance for cash flow next fiscal year. USEC expects cash flow after capital expenditures in a range of negative \$30 to \$50 million in fiscal 2002 with cash on hand at June 30, 2001 of approximately \$90 million with no short-term debt. Therefore, the company has sufficient cash and borrowing capacity to meet corporate needs, such as dividend payments and capital expenditures. It is anticipated that cash flows will return to normal levels after fiscal 2002.

Paducah Assay Upgrade, Portsmouth Shut Down

In March 2001, the Nuclear Regulatory Commission amended USEC's operating certificate for the Paducah production facility to allow the plant to enrich uranium up to the levels required by customers, which is generally an assay between 4 and 5 percent.

"The efforts of our employees at both production facilities in recent months has been outstanding," Timbers said. "The tasks involved in gaining the NRC's approval of the Paducah upgrade were accomplished under a rigorous schedule and through a cooperative working relationship with the NRC. We are currently producing enriched uranium at Paducah at nearly 5 percent assay, the level needed to meet customer requirements. Concurrently, our employees at the Portsmouth facility are working with a high degree of professionalism as they reduce enrichment operations there."

USEC will hold its quarterly earnings conference call with the financial community on Thursday, April 26 at 8:30 a.m. ET. The call will be simultaneously webcast and will be open to listeners who log in through the Company's website, www.usec.com. A link to the live call is available in the Investor Relations section of the website. A replay will be available on USEC's website about an hour after the call's completion.

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 the enrichment markets, the Company prevailing in its trade actions now before the Department of Commerce and the ITC, implementation of the market-based pricing arrangement under the Russian contract, 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 and negotiate a new credit facility, 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.

USEC Inc.
CONSOLIDATED BALANCE SHEETS
(millions)

	<u>(Unaudited)</u> <u>March 31,</u> <u>2001</u>	<u>June 30,</u> <u>2000</u>
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 64.6	\$ 73.0
Accounts receivable – trade	177.8	423.1
Inventories	1,108.0	865.3
Other	<u>14.1</u>	<u>23.0</u>
Total Current Assets	1,364.5	1,384.4
Property, Plant and Equipment, net.....	183.6	159.3
Other Assets		
Deferred income taxes	41.3	10.7
Deferred costs for depleted uranium.....	29.2	35.4
Prepaid pension costs.....	72.1	58.2
Inventories	<u>420.0</u>	<u>436.4</u>
Total Other Assets	<u>562.6</u>	<u>540.7</u>
Total Assets	<u>\$2,110.7</u>	<u>\$2,084.4</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	\$ -	\$ 50.0
Accounts payable and accrued liabilities	156.4	164.4
Payables under Russian contract.....	33.6	40.5
Deferred revenue and advances from customers.....	37.2	-
Accruals for discontinuing plant operations	60.9	60.9
Uranium owed to customers	<u>37.1</u>	<u>40.2</u>
Total Current Liabilities	325.2	356.0
Long-Term Debt.....	500.0	500.0
Other Liabilities		
Deferred revenue and advances from customers.....	68.3	70.3
Depleted uranium disposition	64.5	48.6
Postretirement health and life benefit obligations.....	119.4	106.5
Other liabilities.....	<u>57.7</u>	<u>55.7</u>
Total Other Liabilities.....	309.9	281.1
Stockholders' Equity	<u>975.6</u>	<u>947.3</u>
Total Liabilities and Stockholders' Equity.....	<u>\$2,110.7</u>	<u>\$2,084.4</u>

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue:				
Separative work units.....	\$221.9	\$ 278.4	\$796.6	\$915.4
Uranium.....	<u>21.2</u>	<u>3.4</u>	<u>60.4</u>	<u>44.9</u>
Total revenue	243.1	281.8	857.0	960.3
Cost of sales	<u>211.5</u>	<u>226.0</u>	<u>743.7</u>	<u>789.8</u>
Gross profit.....	31.6	55.8	113.3	170.5
Advanced technology development costs.....	2.9	2.7	8.0	6.7
Selling, general and administrative	<u>11.2</u>	<u>11.7</u>	<u>35.3</u>	<u>35.1</u>
Operating income	17.5	41.4	70.0	128.7
Interest expense	8.6	10.9	26.0	29.2
Other (income) expense, net.....	<u>(2.2)</u>	<u>(2.6)</u>	<u>(6.9)</u>	<u>(8.3)</u>
Income before income taxes	11.1	33.1	50.9	107.8
Provision (credit) for income taxes	<u>(34.3)*</u>	<u>10.5</u>	<u>(20.0)*</u>	<u>36.5</u>
Net income	<u>\$ 45.4</u>	<u>\$ 22.6</u>	<u>\$ 70.9</u>	<u>\$ 71.3</u>
Net income per share – basic and diluted.....	\$.56	\$.25	\$.88	\$.77
Dividends per share	\$.1375	\$.1375	\$.4125	\$.6875
Average number of shares outstanding	80.4	89.6	80.8	92.7

* The provision for income taxes in the three and nine months ended March 31, 2001, includes a special income tax credit of \$37.3 million (or \$.46 per share) resulting from changes in the estimated amount of deferred income tax benefits that arose from the transition to taxable status. USEC transitioned to taxable status in July 1998 at the time of the initial public offering of common stock. The change in estimate resulted from a reassessment of certain deductions for which related income tax savings were not certain.

Excluding the special income tax credit, net income was \$8.1 million (or \$.10 per share) in the three months and \$33.6 million (or \$.42 per share) in the nine months ended March 31, 2001, and reflects an effective income tax rate of 34% in the nine months ended March 31, 2001 and 2000.

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

	Nine Months Ended March 31,	
	2001	2000
Cash Flows from Operating Activities		
Net income	\$ 70.9	\$ 71.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16.5	14.7
Depleted uranium disposition.....	22.1	26.4
Deferred revenue and advances from customers	35.2	55.0
Deferred income taxes.....	(30.6)	(17.3)
Suspension of development of AVLIS technology	-	(32.8)
Changes in operating assets and liabilities:		
Accounts receivable – decrease.....	245.3	188.5
Inventories – (increase)	(229.4)	(116.4)
Payables under Russian contract – (decrease).....	(6.9)	(10.2)
Accounts payable and other – increase (decrease).....	<u>5.5</u>	<u>(18.0)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>128.6</u>	<u>161.2</u>
Cash Flows Used in Investing Activities		
Capital expenditures	<u>(40.8)</u>	<u>(55.9)</u>
Cash Flows from Financing Activities		
Repurchase of common stock.....	(13.0)	(103.3)
Dividends paid to stockholders.....	(33.2)	(64.4)
Net proceeds from (repayment of) short-term debt	<u>(50.0)</u>	<u>35.0</u>
Net Cash Provided by (Used in) Financing Activities.....	<u>(96.2)</u>	<u>(132.7)</u>
Net (Decrease).....	(8.4)	(27.4)
Cash and Cash Equivalents at Beginning of Period	<u>73.0</u>	<u>86.6</u>
Cash and Cash Equivalents at End of Period.....	<u>\$ 64.6</u>	<u>\$ 59.2</u>
Supplemental Cash Flow Information:		
Interest paid	\$ 34.4	\$ 38.8
Income taxes paid.....	3.1	.9

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