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**USEC Reports Fiscal 2001 EPS of \$.51**  
**- EPS of \$.97 After Tax Credit -**

Bethesda, MD – USEC Inc. (NYSE: USU) today reported earnings of \$41.1 million or \$.51 per share, before an income tax credit, for its fiscal year ended June 30, 2001, compared to \$109.1 million or \$1.20 per share, before special charges and an inventory adjustment in the previous year. Including a non-cash income tax credit recorded in the third quarter, net income for fiscal 2001 was \$78.4 million or \$.97 per share. For the fourth quarter ended June 30, 2001, earnings were \$7.5 million or \$.09 per share, compared to \$37.8 million or \$.45 per share, before special charges and an inventory adjustment in the year earlier.

Revenue for fiscal 2001 declined 23 percent due to lower domestic SWU sales that followed aggressive pricing by USEC's foreign competitors and movement of customer nuclear reactor refueling orders. Revenue for the year totaled \$1,143.9 million, compared to \$1,489.4 million in fiscal 2000. SWU sales represented \$1,057.3 million of fiscal 2001 revenue, a \$330.5 million reduction from last year. The term "SWU" represents a standard unit of uranium enrichment contained in enriched uranium. Since January, spot SWU prices have increased approximately 20 percent. Because most USEC sales are under long-term contracts, the positive impact of higher SWU prices today will be recognized in future periods and will help offset lower-priced contracts signed in recent years.

Natural uranium sales totaled \$86.6 million for the year, a decrease of \$15 million from last year's \$101.6 million. The reduction results from lower average sale prices and lower volume sold. The Company continues to focus more on longer-term uranium sales where prices are higher. Prices for natural uranium improved during the fiscal year.

Cost of sales for the year was 20 percent lower than the previous year, primarily as a result of lower SWU volume. Cost of sales continued to be adversely affected by lower production volumes and higher unit production costs due to increased purchases from Russia and sales lost to aggressive and unfair pricing by foreign competitors. The Company uses a monthly moving average inventory method, and therefore these higher unit costs will continue to adversely affect cost of sales in future periods.

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## **Fiscal 2002 Outlook**

The Company reiterates its earnings guidance for fiscal 2002 in a range between \$35 million and \$40 million, despite a small loss anticipated in the first quarter. Earnings are driven by business performance and will be dependent on the following key factors:

- Implementing an agreement with Russia for market-based pricing under the HEU contract beginning in January 2002 and obtaining anticipated quantities of Russian SWU.
- 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 key factors could have an adverse impact on USEC's earnings and cash flow.

USEC ended the year with \$122.5 million in cash and no short-term debt after generating \$154.5 million in free cash flow (cash flow from operations after capital expenditures). The Company continues to forecast cash flow in fiscal 2002 in the range of negative \$30 to \$50 million as it pays severance benefits and other shutdown costs related to the Portsmouth plant and continues to prudently adjust SWU inventory. USEC has sufficient cash and borrowing capacity to meet anticipated corporate needs, such as dividend payments and capital expenditures. The Company believes that free cash flow in years subsequent to fiscal 2002 will return to historical levels.

## **Recent Events**

In May 2001, USEC completed the orderly cessation of uranium enrichment at the Portsmouth plant. The plant is being placed into "cold standby" at the request of the Department of Energy (DOE), the plant's owner. Cold standby is a condition under which the plant could be returned to a portion of its previous production in about two years if the DOE believed that additional domestic enrichment capacity was necessary. A significant number of employees remain on the USEC payroll at Portsmouth working under an agreement with DOE to maintain the plant in cold standby, winterize the facility and remove uranium deposits within the plant's production system. In addition, other USEC employees at Portsmouth are employed at the plant's transfer and shipping facility, which is the shipping point for all USEC deliveries.

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The Company is currently negotiating with the Paper, Allied-Industrial, Chemical and Energy Workers International Union (PACE) that represents 660 hourly employees at the Paducah plant. The collective bargaining agreement covering these workers expired July 31, 2001, and contract renewal negotiations are underway. A contract offer was submitted to union negotiators on July 30 and a vote on the Company's offer is scheduled for August 2. The Company remains optimistic that an agreement on a new contract can be reached, but has taken appropriate and prudent steps to ensure that plant operations at Paducah will be maintained.

Still pending is completion of the U.S. government's review of the agreement-in-principle that USEC reached with the Russian executive agent last year that includes 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 there is significant delay in the implementation of the new terms, or if USEC is not permitted to purchase anticipated quantities of Russian SWU at anticipated prices, earnings and cash flow in fiscal 2002 will be adversely affected.

In December 2000, the Company filed dumping and countervailing duty petitions with the Department of Commerce (DOC) and the International Trade Commission (ITC) regarding imports of low-enriched uranium (LEU) produced by USEC's foreign competitors. In a determination issued in May, the DOC preliminarily ruled that Cogema S.A., a French government-owned enricher, and Urenco Ltd., a British-Dutch-German enrichment consortium, had received subsidies from their home governments. In July, the DOC preliminarily ruled that imports of LEU from France and the United Kingdom had been sold at dumped prices. As a result of these determinations, the DOC estimated duty rates on imported LEU from these countries of 31.46 percent from France, 7.07 percent from the United Kingdom, and 3.72 percent from the Netherlands and from Germany.

The DOC schedule for the trade investigations calls for a final determination by the DOC in November, and if that ruling is affirmative, the ITC will then make a final determination regarding material injury to the domestic enrichment industry in early 2002. If duties are ultimately imposed, they would not preclude the importation of European-enriched uranium into the U.S. market but the duties would tend to offset the competitors' unfair pricing practices. The importers are now required to post bonds to cover the duties pending final determination.

"We are pleased that the Department of Commerce agreed that our competitors were selling unfairly priced enriched uranium," said William H. Timbers, USEC president and chief executive officer. "Trade laws are intended to restore fair pricing and fair competition to the U.S. market. The law helps the U.S. nuclear industry, our employees and their families by protecting domestic producers from unfair market practices and helps U.S. consumers by ensuring a stable market. We simply seek a level playing field."

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USEC will hold its quarterly earnings conference call on Thursday, August 2 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](http://www.usec.com). A link to the live call is located 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 enrichment markets, whether and at what level duties are imposed on imported LEU pursuant to the trade investigations now before the DOC and the ITC, implementation of the market-based pricing arrangement and deliveries under the Russian contract, the availability and cost of electric power, the Company's ability to execute successfully its internal performance plans, 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**  
**(millions, except per share data)**

	(Unaudited)			
	Three Months Ended June 30,		Fiscal Years Ended June 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue:				
Separative work units .....	\$260.7	\$ 472.4	\$1,057.3	\$1,387.8
Uranium .....	<u>26.2</u>	<u>56.7</u>	<u>86.6</u>	<u>101.6</u>
Total revenue.....	286.9	529.1	1,143.9	1,489.4
Cost of sales .....	248.0	446.5	991.7	1,236.3
Uranium inventory valuation adjustment.....	<u>-</u>	<u>19.5</u>	<u>-</u>	<u>19.5</u>
Gross profit .....	38.9	63.1	152.2	233.6
Special charges:				
Discontinue uranium enrichment at Portsmouth plant...	-	126.5 <sup>(1)</sup>	-	126.5 <sup>(1)</sup>
Workforce reductions .....	-	15.0 <sup>(2)</sup>	-	15.0 <sup>(2)</sup>
Suspension of development of AVLIS technology .....	-	(1.2)	-	(1.2)
Advanced technology development costs .....	3.4	4.7	11.4	11.4
Selling, general and administrative .....	<u>13.5</u>	<u>13.8</u>	<u>48.8</u>	<u>48.9</u>
Operating income (loss).....	22.0	(95.7)	92.0	33.0
Interest expense.....	9.2	8.9	35.2	38.1
Other (income) expense, net .....	<u>(1.2)</u>	<u>(2.2)</u>	<u>(8.1)</u>	<u>(10.5)</u>
Income (loss) before income taxes .....	14.0	(102.4)	64.9	5.4
Provision (credit) for income taxes .....	<u>6.5</u>	<u>(40.0)</u>	<u>(13.5)</u> <sup>(3)</sup>	<u>(3.5)</u>
Net income (loss) .....	<u>\$ 7.5</u>	<u>\$ (62.4)</u>	<u>\$ 78.4</u>	<u>\$ 8.9</u>
Net income (loss) per share – basic and diluted.....	\$.09	\$(.74)	\$.97	\$.10
Dividends per share .....	\$1.375	\$1.375	\$.55	\$.825
Average number of shares outstanding.....	80.5	84.7	80.7	90.7

- (1) The plan to cease uranium enrichment operations at the Portsmouth plant resulted in special charges of \$126.5 million (\$79.3 million or \$.87 per share after tax) in fiscal 2000, including asset impairments of \$62.8 million, severance benefits of \$30.2 million, and lease turnover and other exit costs of \$33.5 million.
- (2) Workforce reduction plans involving 575 employees resulted in special charges for severance benefits of \$15.0 million (\$9.4 million or \$.10 per share after tax) in fiscal 2000.
- (3) The provision for income taxes in fiscal 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 \$41.1 million (or \$.51 per share) in fiscal 2001 and reflects an effective income tax rate of 37%.

**USEC Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
**(millions)**

	<u>June 30,</u> <u>2001</u>	<u>June 30,</u> <u>2000</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents.....	\$ 122.5	\$ 73.0
Accounts receivable – trade.....	175.8	423.1
Inventories.....	1,137.5	865.3
Other.....	<u>15.6</u>	<u>23.0</u>
Total Current Assets.....	1,451.4	1,384.4
Property, Plant and Equipment, net.....	189.8	159.3
Other Assets		
Deferred income taxes.....	42.1	10.7
Deferred costs for depleted uranium.....	27.1	35.4
Prepaid pension costs.....	76.9	58.2
Inventories.....	<u>420.2</u>	<u>436.4</u>
Total Other Assets.....	566.3	540.7
Total Assets.....	<u><b>\$2,207.5</b></u>	<u><b>\$2,084.4</b></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Short-term debt.....	\$ -	\$ 50.0
Accounts payable and accrued liabilities.....	166.2	164.4
Payables under Russian contract.....	100.3	40.5
Deferred revenue and advances from customers.....	91.0	-
Accruals for discontinuing uranium enrichment at Portsmouth plant.....	48.0	60.9
Uranium owed to customers.....	<u>21.6</u>	<u>40.2</u>
Total Current Liabilities.....	427.1	356.0
Long-Term Debt.....	500.0	500.0
Other Liabilities		
Deferred revenue and advances from customers.....	57.5	70.3
Depleted uranium disposition.....	66.2	48.6
Postretirement health and life benefit obligations.....	124.7	106.5
Other liabilities.....	<u>59.2</u>	<u>55.7</u>
Total Other Liabilities.....	307.6	281.1
Stockholders' Equity.....	<u>972.8</u>	<u>947.3</u>
Total Liabilities and Stockholders' Equity.....	<u><b>\$2,207.5</b></u>	<u><b>\$2,084.4</b></u>

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

	<b>Fiscal Years Ended</b>	
	<b>June 30,</b>	
	<u><b>2001</b></u>	<u><b>2000</b></u>
<b>Cash Flows from Operating Activities</b>		
Net income .....	\$ 78.4	\$ 8.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	22.6	20.4
Depleted uranium disposition .....	25.9	26.1
Deferred revenue and advances from customers .....	78.2	51.1
Deferred income taxes .....	(31.4)	-
Special charges .....	(15.9)	141.5
Suspension of development of AVLIS technology.....	-	(33.0)
Uranium inventory valuation adjustment.....	-	19.5
Changes in operating assets and liabilities:		
Accounts receivable – (increase) decrease .....	247.3	(49.3)
Inventories – (increase) decrease.....	(274.0)	122.3
Payables under Russian contract – increase .....	59.8	17.5
Accounts payable and other – increase (decrease) .....	<u>16.7</u>	<u>(62.2)</u>
Net Cash Provided by Operating Activities .....	<u>207.6</u>	<u>262.8</u>
<b>Cash Flows Used in Investing Activities</b>		
Capital expenditures.....	<u>(53.1)</u>	<u>(75.9)</u>
<b>Cash Flows from Financing Activities</b>		
Repurchase of common stock .....	(13.0)	(124.6)
Dividends paid to stockholders .....	(44.3)	(75.9)
Repayment of short-term debt.....	(50.0)	-
Common stock issued .....	<u>2.3</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities .....	<u>(105.0)</u>	<u>(200.5)</u>
Net Increase (Decrease) .....	49.5	(13.6)
Cash and Cash Equivalents at Beginning of Fiscal Year .....	<u>73.0</u>	<u>86.6</u>
Cash and Cash Equivalents at End of Fiscal Year .....	<u><b>\$ 122.5</b></u>	<u><b>\$ 73.0</b></u>
<b>Supplemental Cash Flow Information:</b>		
Interest paid .....	\$ 34.4	\$ 40.2
Income taxes paid .....	12.7	3.9