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USEC Inc. Reports First Quarter Fiscal 2003 Results

– Net Income of \$1.2 Million; Gross Margin Improves –

Bethesda, MD – USEC Inc. (NYSE: USU) today reported net income of \$1.2 million or 1 cent per share for the first quarter ended September 30, 2002, compared to a loss of \$4.7 million or 6 cents per share in the same period last year. Earnings were higher due to improved SWU prices in the quarter, increased volumes sold and higher other income, partially offset by higher spending on advanced technology. Earnings were in line with quarterly guidance provided in July.

Revenue for the quarter totaled \$360.8 million, compared with \$300.5 million in the first quarter of fiscal 2002. The increase reflects higher average prices billed to customers and 14 percent higher SWU volumes, quarter over quarter. For the full year, SWU volume is expected to be about the same compared to fiscal 2002 while average SWU prices billed to customers are expected to decline 2 percent. Invoiced prices will be lower as older contracts with higher prices expire and the sales backlog becomes more heavily weighted with lower-priced contracts negotiated at the end of the 1990s. The term “SWU” represents a standard unit of measurement of uranium enrichment.

Cost of sales for the quarter totaled \$336.2 million, compared to \$287.3 million in the first quarter of fiscal 2002, primarily due to the higher volume of SWU sold. Cost of sales is based on the amount of SWU and uranium sold during the period and is determined by a combination of inventory levels and costs, production costs, and purchase costs under the Russian Contract. Cost of sales per SWU benefited from lower costs for depleted uranium disposition resulting from the DOE-USEC Agreement signed in June 2002 and a significant increase in production in the summer of 2002, compared with the same period last year. Gross margin for the quarter improved to 6.8 percent from 4.4 percent in the same period a year ago.

To improve operating efficiency and to facilitate a more rapid return to full production this fall, USEC substantially boosted production in the summer of 2002 over the low level maintained during the prior two summers. Although USEC used more electric power, it was more attractively priced compared to previous years. Because USEC kept most of the production

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equipment on-line during the summer, more SWU were produced and unit costs in the quarter were lower. USEC expects to reach full production levels sooner during the production ramp up this fall compared to last year. In addition, year-round production allows the Company to better align production and sales, which was a factor in a \$200 million permanent reduction in SWU inventory in fiscal 2002.

USEC reiterates its fiscal 2003 earnings guidance of \$9 million to \$12 million. The Company expects the next two quarters' financial results will be breakeven to a loss, with nearly all of the year's net income being earned in the fourth quarter. Earnings in fiscal 2003 will be driven by USEC's business performance and are dependent upon the following key factors:

- Meeting fiscal 2003 targets for revenue; approximately 95 percent of projected revenue is under contract.
- Further reductions in production costs at the Paducah, Kentucky plant that depend on the timing and completion of cost-reduction initiatives.
- Meeting targets for other income that are primarily dependent on definitization of the cold standby contract at the Portsmouth, Ohio plant, including fee negotiations; and legislative approval of DOE funding levels.

At September 30, USEC's cash balance was \$111.1 million, not including restricted cash. The \$12 million of restricted cash was used to secure outstanding letters of credit. In October, the banks under USEC's new revolving credit facility replaced the letters of credit and the security was returned. USEC anticipates a cash balance on June 30, 2003 in a range of \$80-\$100 million.

For fiscal 2003, USEC anticipates free cash flow before dividends (cash flow from operations reduced by capital expenditures) to be in a range of negative \$130-\$150 million. Cash flow in fiscal 2003 is lower due to USEC catching up on Russian SWU purchases in the July to December 2002 period, customer collections for deliveries late in the fourth quarter that will not be received until fiscal 2004, payment of costs related to consolidation of production at a single plant, and deliveries against advances from customers that result in non-cash revenue.

Update on Advanced Enrichment Technology and Russian Deliveries

Under the DOE-USEC Agreement reached in June regarding a variety of domestic issues, USEC is moving ahead with its plan to demonstrate, and before the end of the decade deploy, U.S. advanced enrichment technology. USEC and DOE are working to implement the agreement, and DOE has approved a five-year Cooperative Research and Development Agreement (CRADA) that provides USEC with continued access to DOE centrifuge technology and facilities. Preliminary work at centrifuge test facilities in Oak Ridge, Tennessee is underway to support meeting the first two milestones under the DOE-USEC Agreement. Fabrication of a key centrifuge component is complete, and component testing will begin in January.

In addition, USEC has received competing proposals from the states of Kentucky and Ohio to locate the lead cascade at the Paducah or Portsmouth plant. USEC plans to announce selection of its lead cascade site later this year. The Company is adding staff to its

advanced technology group, which is preparing a license application for the lead cascade that USEC expects to file in early 2003 with the Nuclear Regulatory Commission. Advanced technology costs totaled \$6 million during the quarter, compared to \$2.5 million in the same period a year earlier. USEC expects to begin construction of its lead cascade facility in 2004, with start up of the first centrifuges beginning in 2005. Deployment of a full-scale commercial plant will follow later this decade.

“USEC has continued to make important progress towards deploying this U.S. gas centrifuge enrichment technology by the end of the decade,” said William H. Timbers, USEC president and chief executive officer. “The CRADA, facility refurbishment, centrifuge engineering and manufacturing work are clear signs of our commitment to meeting or exceeding every milestone in our plan to deploy the lowest cost production technology.”

In June, the U.S. and Russian governments approved new market-based pricing terms under the Russian HEU Agreement that extend through 2013. Purchases of the SWU component of low-enriched uranium derived from dismantled Soviet nuclear weapons have increased to ensure that the full 5.5 million SWU ordered will be delivered in calendar year 2002. Because purchases were delayed in the first half of this calendar year pending governmental approvals, the Company will buy SWU at an accelerated rate from Russia from July to December 2002, resulting in USEC buying 6.5 million SWU in fiscal 2003. Beginning January 1, prices paid in calendar 2003 to Russia for the SWU component of low-enriched uranium will be significantly lower than the \$90.42 per SWU being paid in calendar 2002.

Update on Other Matters

In September, USEC replaced a \$150 million bank facility with a new three-year agreement syndicated by financial institutions led by JPMorgan Chase Bank. The new revolving credit facility is secured by collateral including accounts receivable, natural uranium and SWU inventory. The Company had not drawn upon the bank facility since December 2000 and does not anticipate borrowings in the near future, but believes it is prudent to have a working capital facility in place.

Also during the quarter, the unions representing guard employees at Paducah and Portsmouth agreed to separate five-year contracts that provide for competitive pay and benefits.

During the quarter, SWU market activity increased and there has been active competition for new sales. USEC has received commitments for SWU deliveries in the 2003 to 2008 timeframe. Published reports indicate that market prices are in a range of \$105 to \$108 per SWU. Prior to this quarter market activity had been restrained as utility customers took advantage of incentive clauses that allowed for additional SWU sales under existing contracts.

“USEC has been focused on strengthening and improving our customer relationships. We are pleased to see an increase in market activity for uranium enrichment. Competition has been keen and USEC has been winning new business at price levels that support a strong nuclear industry,” Timbers said.

This news release contains forward-looking information that involves risks and uncertainty, including certain assumptions regarding the future performance of USEC. Actual results and trends may differ materially depending upon a variety of factors, including, without limitation, market demand for USEC's products, pricing trends in the uranium and enrichment markets, deliveries under the Russian Contract, the availability and cost of electric power, implementing agreements with DOE regarding uranium inventory remediation and the use of advanced technology and facilities, satisfactory performance of the technology at various stages of demonstration, USEC's ability to successfully execute its internal performance plans, the refueling cycles of USEC's customers, 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.

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 CONDENSED STATEMENTS OF INCOME (Unaudited)
(millions, except per share data)

	Three Months Ended September 30,	
	2002	2001
Revenue:		
Separative work units.....	\$ 343.8	\$294.5
Uranium	<u>17.0</u>	<u>6.0</u>
Total revenue	360.8	300.5
Cost of sales	<u>336.2</u>	<u>287.3</u>
Gross profit	24.6	13.2
Advanced technology development costs	6.0	2.5
Selling, general and administrative	<u>11.7</u>	<u>11.2</u>
Operating income (loss).....	6.9	(.5)
Interest expense.....	9.3	9.3
Other (income) expense, net	<u>(4.4)</u>	<u>(2.4)</u>
Income (loss) before income taxes.....	2.0	(7.4)
Provision (credit) for income taxes	<u>.8</u>	<u>(2.7)</u>
Net income (loss)	<u>\$ 1.2</u>	<u>\$ (4.7)</u>
Net income (loss) per share – basic and diluted.....	\$.01	\$ (.06)
Dividends per share.....	\$.1375	\$.1375
Average number of shares outstanding.....	81.5	80.8

USEC Inc.
CONSOLIDATED CONDENSED BALANCE SHEETS
(millions)

	<u>(Unaudited) September 30, 2002</u>	<u>June 30, 2002</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 111.1	\$ 279.2
Restricted cash	11.9	-
Accounts receivable – trade	250.1	185.1
Inventories	893.7	889.7
Other	<u>35.5</u>	<u>26.7</u>
Total Current Assets	1,302.3	1,380.7
Property, Plant and Equipment, net	187.4	191.5
Other Assets		
Deferred income taxes	47.7	51.5
Prepayment and deposit for depleted uranium	46.1	46.0
Prepaid pension benefit costs	84.3	82.8
Inventories	<u>402.2</u>	<u>415.5</u>
Total Other Assets	<u>580.3</u>	<u>595.8</u>
Total Assets	<u>\$2,070.0</u>	<u>\$2,168.0</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 162.6	\$ 192.8
Payables under Russian Contract	127.7	156.4
Deferred revenue and advances from customers	43.7	74.9
Liabilities accrued for consolidating plant operations	24.2	25.6
Uranium owed to customers	<u>5.8</u>	<u>5.8</u>
Total Current Liabilities	364.0	455.5
Long-Term Debt	500.0	500.0
Other Liabilities		
Deferred revenue and advances from customers	23.9	23.4
Depleted uranium disposition	57.9	58.0
Postretirement health and life benefit obligations	136.1	135.1
Other liabilities	<u>47.4</u>	<u>46.7</u>
Total Other Liabilities	265.3	263.2
Stockholders' Equity	<u>940.7</u>	<u>949.3</u>
Total Liabilities and Stockholders' Equity	<u>\$2,070.0</u>	<u>\$2,168.0</u>

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

	Three Months Ended September 30,	
	2002	2001
Cash Flows from Operating Activities		
Net income (loss).....	\$ 1.2	\$ (4.7)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	6.5	5.6
Deferred revenue and advances from customers	(30.7)	(14.3)
Deferred income taxes	3.8	(6.5)
Liabilities accrued for consolidating plant operations	(1.4)	(13.4)
Changes in operating assets and liabilities:		
Accounts receivable – (increase)	(65.0)	(37.2)
Inventories – decrease	9.3	13.7
Payables under Russian Contract – increase (decrease).....	(28.7)	6.3
Accounts payable and other – net (decrease)	<u>(30.3)</u>	<u>(14.7)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>(135.3)</u>	<u>(65.2)</u>
Cash Flows Used in Investing Activities		
Capital expenditures	(5.9)	(7.6)
Restricted cash	<u>(11.9)</u>	<u>-</u>
Net Cash (Used in) Investing Activities	<u>(17.8)</u>	<u>(7.6)</u>
Cash Flows Used in Financing Activities		
Dividends paid to stockholders.....	(11.2)	(11.1)
Deferred financing costs	(4.7)	-
Common stock issued	<u>.9</u>	<u>1.3</u>
Net Cash (Used in) Financing Activities	<u>(15.0)</u>	<u>(9.8)</u>
Net (Decrease)	(168.1)	(82.6)
Cash and Cash Equivalents at Beginning of Period.....	<u>279.2</u>	<u>122.5</u>
Cash and Cash Equivalents at End of Period.....	<u>\$ 111.1</u>	<u>\$ 39.9</u>
Supplemental Cash Flow Information:		
Interest paid.....	\$ 16.8	\$ 16.6
Income taxes paid (refund)	(6.2)	-