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USEC Inc. Reports Second Quarter Earnings of \$.12 per Share
-- Government Supports USEC in Fair Trade Decisions; Russian Negotiation Continues --
-- FY 2002 Earnings Will Be Lower, Cash Flow Higher Than Forecast --

Bethesda, MD – USEC Inc. (NYSE: USU) today reported earnings for its second quarter ended December 31, 2001 of \$9.5 million, or \$.12 per share, compared to \$20.9 million or \$.26 per share in the second quarter last year. During the six-month period ended December 31, 2001, USEC earned \$4.8 million or \$.06 per share, compared to \$25.5 million or \$.31 per share in the same period last year.

Revenue for the second quarter totaled \$560.1 million, compared with \$387.1 million in the same quarter a year earlier. The substantially higher sales volume was due to the timing and movement of customer orders. A trend of lower average SWU prices billed to customers will continue as older contracts with higher prices expire and the sales backlog becomes more heavily weighted with contracts negotiated in recent years with lower prices. Since most of USEC's sales are under long-term contracts, new contracts signed at the higher prices seen in the past year will be recognized in future periods and will help offset lower-priced contracts signed previously. Because USEC's customers refuel their reactors and place orders generally on a 12- to 24-month cycle, longer-term comparisons of the Company's financials are more appropriate than quarterly comparisons.

Sales of natural uranium are included in revenue and totaled \$78.8 million in the second quarter, compared to \$35.4 million in the same quarter a year earlier. For the six months ended December 31, 2001, uranium sales totaled \$84.8 million compared to \$39.2 million in the same period last year. For the full year, sales of natural uranium are expected to be at a level similar to fiscal 2000.

With a 38 percent increase in volume of SWU sold, cost of sales in the second quarter was sharply higher than the same quarter last year. Average cost of sales per unit continues to reflect the significantly higher unit production costs resulting from the low-volume summer operation with a single plant, combined with the carry-over effect of the less than optimal two-plant operations in fiscal 2001. Unit costs should decline for the remainder of the fiscal year because production levels in the second half of the year are expected to be significantly higher

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than the first six months. Looking forward, the average cost of sales per unit will decline to the extent that further production efficiencies can be implemented and market-based pricing can be secured under the Russian HEU Contract.

As anticipated, inventory levels declined substantially during the first six months, reflecting the high volume of customer deliveries and lower production in the summer. In addition, Russian purchases were lower than expected. Inventory levels are being adjusted throughout the fiscal year to reflect anticipated patterns of customer deliveries, purchases from Russia and production levels. USEC continues to explore ways to reduce its inventory.

Russian HEU Contract

USEC is the executive agent of the U.S. government under the Russian HEU Contract to purchase the SWU component of low-enriched uranium (LEU) recovered from dismantled nuclear weapons for use as fuel in commercial nuclear power plants. In November 2001, the U.S. government authorized USEC to conclude negotiations on a new market-based pricing contract with the Russian executive agent, Tenex, for calendar year 2002 and beyond. The two executive agents had concluded an agreement in principle in May 2000 for market-based pricing. Delays in governmental review and approval, and the U.S. government's indication that it would not approve the purchase of Russian commercially produced SWU as requested by Russia, caused the two executive agents to restart negotiations regarding prices and quantities of SWU to be purchased by USEC in calendar year 2002 and beyond. USEC is working diligently with its Russian counterpart to conclude new terms. If the parties are unable to agree on new contract terms, USEC can purchase 5.5 million SWU in calendar 2002 at calendar 2001 prices.

"Over the past nine years, we have faced challenges in implementing the Russian HEU Contract. We and our Russian counterpart have consistently met these challenges and achieved our primary goals on a mutually acceptable basis. Current discussions regarding a long-term, market-based pricing contract are proceeding in a manner similar to our previous, successful negotiations," said William H. Timbers, USEC president and chief executive officer.

"While it is in everyone's best interest to reach agreement soon, this new pricing arrangement is for the next 12 years and represents about half of our anticipated supply. The proper path is to take the time needed to secure the best agreement possible for both sides and to continue USEC's role in this important national security program," Timbers said.

Foreign Trade Case

The Department of Commerce (DOC) issued a final ruling December 14 that two European uranium enrichers had received unfair subsidies from their governments for the production of LEU, and one of these enrichers had dumped LEU in the United States. On January 22, the International Trade Commission ruled that these actions materially injured or threatened to materially injure the U.S. enrichment industry. USEC is the sole domestic uranium enricher.

These rulings will result in tariffs being placed on imported LEU produced by these European enrichers ranging from 32.1 percent to 2.2 percent. This is equivalent to estimated duties on the value of the SWU component of LEU of 53.5 percent to 3.7 percent. According to industry publications, the price of SWU increased by about 20 percent during 2001.

“The long-term stability of the nuclear fuel marketplace was harmed by the actions of these European competitors who were intent on unfairly increasing their market share in the United States at the expense of the U.S. industry and its workers. I am pleased that the U.S. government has set tariffs that help to level the playing field,” Timbers said. “Going forward, I believe this trade action will begin to restore a vibrant marketplace, reasonable prices and a diverse, international supply of enriched uranium.”

Recent Events

On November 26, 2001, members of the Paper, Allied-Industrial, Chemical and Energy Workers International Union, Local 5-550, (PACE) ratified a new labor relations contract. The contract covers members of the union working at the Company’s plant in Paducah, KY and covers an 18-month period retroactive to July 31, 2001 and ending January 31, 2003. The PACE union represents 675 employees out of a total 1,500 at the Paducah plant.

Separately, under Nuclear Regulatory Commission regulations, USEC is required to provide financial assurances regarding the cost of the eventual disposition of depleted uranium generated during its production process. With respect to depleted uranium generated to date, USEC entered into a long-term financial arrangement that included an insurance deposit of \$21.4 million in December 2001.

Over the past year, the Bush Administration has been engaged in a review of a number of issues related to the domestic uranium enrichment industry. During the quarter, USEC began discussions with the government regarding an agreement that could address the maintenance of domestic enriched uranium production, the deployment of an advanced technology enrichment facility in the United States and extension of the Cooperative Research and Development Agreement relating to USEC’s development of the government’s centrifuge technology, DOE’s responsibility for remedying any technetium-contaminated uranium transferred to USEC, and certain financial obligations of DOE to USEC.

Fiscal 2002 Outlook

USEC previously forecast earnings of \$35 million to \$40 million and free cash flow (cash flow from operations less investing activities) of negative \$30 million to \$50 million in fiscal 2002. These forecasts were based on implementation before January 2002 of the agreement in principle for market-based pricing that USEC had reached with the Russian executive agent in May 2000, the purchase of commercial SWU under the Russian HEU Contract, cash payments for workforce reductions and ceasing enrichment at the Portsmouth plant, and other factors.

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Because of the delay in implementing a new pricing provision under the Russian HEU Contract and the exclusion of commercial SWU from the agreement, USEC's earnings for fiscal 2002 will be lower and its free cash flow will be higher than the ranges previously forecast.

However, because the Russian contract negotiations continue, USEC currently is not in a position to provide further clarity in its fiscal 2002 outlook. As soon as new terms for the Russian contract have been agreed to and receive approval by the two governments, USEC will provide an updated forecast for its fiscal 2002 results.

In addition to the impact of Russian SWU purchases, earnings for fiscal 2002 are being affected by other factors. Robust sales and lower unit production costs should positively influence earnings for the year. On the other hand, USEC may spend more on advanced technology development as it begins to ramp up its technology program, and likely will not meet its target for reduced selling, general and administrative expenses primarily due to the Russian contract negotiations and related negotiations with the U.S. government, and the trade case recently concluded in USEC's favor. Also, USEC has not made a change in inventory costing methodology at this time.

USEC ended the quarter with \$57.4 million in cash. Free cash flow for the remainder of fiscal 2002 will be affected by the timing of a new pricing agreement under the Russian HEU Contract. Depending on the schedule of Russian deliveries, USEC will not use as much cash as previously forecast in making Russian purchases in fiscal 2002. In addition, cash flow is expected to benefit from the timing of collections from customers, offset by increased power costs to support higher production levels and the insurance deposit referenced above.

"While we work to conclude a new pricing agreement with Russia, we continue to seek new, innovative methods to improve operations that will enhance financial performance," Timbers said.

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, completion of a market-based pricing agreement and deliveries under the Russian HEU 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)

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Six Months Ended</u> <u>December 31,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue:				
Separative work units.....	\$481.3	\$ 351.7	\$775.8	\$574.7
Uranium	<u>78.8</u>	<u>35.4</u>	<u>84.8</u>	<u>39.2</u>
Total revenue	560.1	387.1	860.6	613.9
Cost of sales	<u>519.4</u>	<u>335.2</u>	<u>806.7</u>	<u>532.2</u>
Gross profit	40.7	51.9	53.9	81.7
Advanced technology development costs	3.2	2.0	5.7	5.1
Selling, general and administrative	<u>13.0</u>	<u>11.1</u>	<u>24.2</u>	<u>24.1</u>
Operating income	24.5	38.8	24.0	52.5
Interest expense	9.1	8.8	18.4	17.4
Other (income) expense, net	<u>.4</u>	<u>(2.6)</u>	<u>(2.0)</u>	<u>(4.7)</u>
Income before income taxes	15.0	32.6	7.6	39.8
Provision for income taxes	<u>5.5</u>	<u>11.7</u>	<u>2.8</u>	<u>14.3</u>
Net income	<u>\$ 9.5</u>	<u>\$ 20.9</u>	<u>\$ 4.8</u>	<u>\$ 25.5</u>
Net income per share – basic and diluted	<u>\$.12</u>	<u>\$.26</u>	<u>\$.06</u>	<u>\$.31</u>
Dividends per share	\$.1375	\$.1375	\$.275	\$.275
Average number of shares outstanding	81.0	80.6	80.9	81.0

USEC Inc.
CONSOLIDATED BALANCE SHEETS
(millions)

	<u>(Unaudited)</u> <u>December 31,</u> <u>2001</u>	<u>June 30,</u> <u>2001</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 57.4	\$ 122.5
Accounts receivable – trade	389.3	175.8
Inventories	895.9	1,137.5
Other	<u>10.5</u>	<u>15.6</u>
Total Current Assets	1,353.1	1,451.4
Property, Plant and Equipment, net	195.9	189.8
Other Assets		
Deferred income taxes	56.4	42.1
Prepayments and deposits for depleted uranium	44.3	27.1
Prepaid pension costs	79.7	76.9
Inventories	<u>390.9</u>	<u>420.2</u>
Total Other Assets	<u>571.3</u>	<u>566.3</u>
Total Assets	<u>\$2,120.3</u>	<u>\$2,207.5</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 159.1	\$ 160.9
Payables under Russian contract	99.8	100.3
Deferred revenue and advances from customers	52.2	91.0
Workforce reductions and ceasing uranium enrichment at Portsmouth plant .	36.6	53.3
Uranium owed to customers	<u>14.1</u>	<u>21.6</u>
Total Current Liabilities	361.8	427.1
Long-Term Debt	500.0	500.0
Other Liabilities		
Deferred revenue and advances from customers	39.3	57.5
Depleted uranium disposition	67.3	66.2
Postretirement health and life benefit obligations	134.3	124.7
Other liabilities	<u>59.7</u>	<u>59.2</u>
Total Other Liabilities	300.6	307.6
Stockholders' Equity	<u>957.9</u>	<u>972.8</u>
Total Liabilities and Stockholders' Equity	<u>\$2,120.3</u>	<u>\$2,207.5</u>

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

	Six Months Ended December 31,	
	2001	2000
Cash Flows from Operating Activities		
Net income	\$ 4.8	\$ 25.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8.5	10.7
Depleted uranium disposition.....	5.3	13.9
Deferred revenue and advances from customers.....	(57.0)	13.0
Deferred income taxes.....	(14.3)	-
Workforce reductions and ceasing uranium enrichment at Portsmouth plant.....	(16.7)	(8.0)
Changes in operating assets and liabilities:		
Accounts receivable – (increase) decrease	(167.7)	113.7
Inventories – (increase) decrease.....	217.7	(239.3)
Payables under Russian contract – increase (decrease).....	(.5)	79.4
Accounts payable and other – net.....	<u>11.8</u>	<u>25.4</u>
Net Cash Provided by (Used in) Operating Activities	<u>(8.1)</u>	<u>34.3</u>
Cash Flows Used in Investing Activities		
Capital expenditures.....	(14.6)	(29.0)
Insurance deposit.....	<u>(21.4)</u>	<u>-</u>
Net Cash (Used in) Investing Activities.....	<u>(36.0)</u>	<u>(29.0)</u>
Cash Flows from Financing Activities		
Repurchase of common stock	-	(11.6)
Dividends paid to stockholders	(22.3)	(22.2)
Repayment of short-term debt.....	-	(40.0)
Common stock issued	<u>1.3</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>(21.0)</u>	<u>(73.8)</u>
Net (Decrease).....	(65.1)	(68.5)
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>\$ 57.4</u>	<u>\$ 4.5</u>
Supplemental Cash Flow Information:		
Interest paid.....	\$ 16.6	\$ 17.3
Income taxes paid (refund).....	17.5	(4.3)