



**FOR IMMEDIATE RELEASE:**

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**USEC Inc. Reports Stub Year Results Due to Change in Fiscal Year**  
**– Company Reports \$14.7 Million Net Loss or \$.18 Per Share in Six-Month Period –**  
**– Improving Gross Profit Margins Seen in 2003 as Costs Decline –**  
**– \$171 Million Cash at December 31, 2002 –**

Bethesda, MD – USEC Inc. (NYSE: USU) today reported a loss of \$14.7 million or \$.18 per share for the six-month period ended December 31, 2002, compared to earnings of \$4.8 million or \$.06 per share in the same period last year. As previously announced, the Company changed to a calendar fiscal year effective January 1, 2003. This report covers the six-month stub period ended December 31, 2002.

In comparison to the same six-month period last year and the Company's previous guidance, earnings were reduced by lower SWU and uranium sales volume, lower average SWU prices billed to customers, accelerated spending on advanced technology, increased SG&A, and an accrual for the environmental cleanup of a bankrupt contractor's disposal facility. Additionally, the lack of a definitized contract for cold standby services at the Portsmouth plant continued to negatively impact earnings for this period.

For the quarter ended December 31, 2002, USEC reported a loss of \$15.9 million or \$.19 per share, compared to earnings of \$9.5 million or \$.12 per share in the same quarter last year.

“Although we recorded a loss for the six-month period, we've taken a number of steps to lower our costs, and we've begun to invest more heavily for our future – the American Centrifuge technology,” said William H. Timbers, USEC president and chief executive officer.

“These steps include lower, market-based prices that we negotiated under the Russian Contract took effect in January and will lower our purchase costs significantly. Second, we have substantially reduced production costs and additional steps are expected to be completed this year. Third, the market price for our product has rebounded from the lower levels experienced when our competitors were engaging in unfair pricing practices. We are signing commitments for future deliveries at today's improved prices. Fourth, we have a clear path for deploying an advanced uranium enrichment technology that will ensure our long-term competitive position. Our investment in the American Centrifuge technology during the stub year was equivalent to \$10 million in earnings. These fundamental changes should position us to improve our profitability,” Timbers said.

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“Despite the significant downturn in the stock market during 2002, particularly in the energy sector, USEC’s total return to shareholders for the year continued to outperform all of the major indexes,” Timbers said. “We will continue our strategy for reducing costs and investing in the future through advanced uranium enrichment technology – the American Centrifuge technology that will maintain USEC’s leadership position in the nuclear fuel industry.”

## **Revenue**

Revenue for the six-month period ended December 31, 2002, was \$707.8 million, compared to \$860.6 million in the same period last year. As anticipated, sales volume was lower as a result of reduced commitments from domestic customers, and the timing and movement of customer orders that is typical in the nuclear fuel industry. The trend in recent years of lower average SWU prices billed to customers continued during the six-month period. Most of USEC’s sales are under long-term contracts, and new contracts being signed at today’s higher prices will help to offset lower priced contracts in USEC’s backlog. Sales of natural uranium are included in revenue and totaled \$49.3 million for the six-month period, compared to \$84.8 million in the previous year. The difference between the two periods was due to the timing of deliveries.

Unit production costs improved by 13 percent reflecting more efficient operations and a more rapid return to full production following the summer of 2002. Cost of sales for the six-month period declined by 16 percent due to lower SWU and uranium sales volume, compared to the same period a year earlier. Cost of sales was increased by an accrual for an environmental cleanup caused by the bankruptcy of a contractor operating a depleted uranium disposal facility. The gross profit margin was 4.6 percent compared to 6.3 percent in the same period last year.

Because USEC’s customers place orders under their long-term contracts generally on a 12- to 24-month cycle, quarterly or six-month comparisons of USEC’s financials are not necessarily indicative of the Company’s longer-term results.

At December 31, 2002, USEC’s cash balance was \$171.1 million. For the quarter, cash flow from operating activities was \$65.8 million. During the six-month period, net cash outflow from operating activities amounted to \$69.5 million. The Company has no short-term debt or near-term plans to access its bank credit facility, and the debt to total capitalization remained a modest 35 percent.

## **Further Progress Made on Advanced Technology**

USEC is moving forward in its plan to deploy the American Centrifuge technology by the end of the decade. In December, the Company selected its Portsmouth, Ohio plant site as the location for its Lead Cascade centrifuge demonstration facility. The Company will showcase USEC enhancements to U.S. centrifuge uranium enrichment technology at a building that was built specifically for centrifuge machines. Hundreds of centrifuges operated in the building during the 1980s.

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In addition, USEC leased two facilities in Oak Ridge, Tennessee for testing and fabrication of the American Centrifuge. The Company has begun refurbishing the buildings, which contain centrifuge test equipment and related infrastructure. USEC has fabricated a key component of the new centrifuge machines and has begun testing it, which marks the completion of the second in a series of USEC milestones. The next milestone is the submission of a license application to the U.S. Nuclear Regulatory Commission for the Lead Cascade. USEC expects to submit the application in the first quarter of 2003.

### **Production Costs Reduced, Labor Agreement Expired**

As part of its continuing effort to reduce production costs at its Paducah, Kentucky plant, USEC announced a voluntary early retirement program in November 2002. USEC intends to reduce employee headcount at the plant by 200 in early 2003. Approximately 90 employees volunteered for the early retirement program and the remaining workforce reduction will be accomplished through layoffs this spring. In order to support needed increases in productivity, the Company has taken a variety of steps to increase operational efficiency and cost effectiveness that will allow it to operate the Paducah plant safely with fewer employees.

The labor agreement with the Paper, Allied-Industrial, Chemical and Energy Workers International Union, Local 5-550 ("PACE") expired on January 31, 2003. On January 31, after several weeks of negotiations, the bargaining unit which represents approximately 635 Paducah employees or about half of the Paducah workforce voted not to accept the Company's latest offer for a new contract. In the event that the bargaining unit decides to strike, the Company will continue to operate its Paducah facility at current levels under a production continuity plan, which maintains safe operations by using trained employees. USEC is prepared to continue negotiations with PACE to reach a new contract. USEC does not expect any interruption of its product deliveries to its customers.

### **Lower-Priced Russian Purchases Begin**

According to the terms of the Russian HEU Agreement, during calendar 2002 USEC purchased 5.5 million SWU from its Russian partner, Tenex. Under terms of the new pricing agreement that went into effect January 1, 2003, USEC will pay Russia a discounted market-based price established each year. The full effect of the lower purchase costs on average inventory costs and cost of sales will come in future periods due to the Company's average inventory cost methodology and significant SWU inventories.

### **Outlook**

For calendar year 2003, the Company expects revenue to be approximately \$1.3 billion, including natural uranium sales of about \$110 million. Due to lower priced contracts signed in the past, average prices billed to customers are expected to decline about 1.5 percent compared to calendar 2002. USEC remains focused on signing contracts at today's higher market prices to reverse this decline.

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USEC reiterates its calendar 2003 earnings guidance of \$14 to \$16 million. This forecast reflects a continued emphasis on controlling production costs and realizing lower purchase costs from Russia that will improve the Company's gross margin. In addition, USEC will continue its investment in advanced technology that will position the Company to deploy the American Centrifuge technology by the end of the decade.

USEC is investing a substantial portion of its profits in this advanced uranium enrichment technology program that will position the Company to deploy the world's most efficient enrichment technology. These costs are being expensed for accounting purposes through the demonstration phase of the program. Therefore, USEC's earnings guidance for 2003 would be approximately \$20 million greater without this investment in the American Centrifuge technology.

USEC expects quarterly earnings patterns in 2003 to be approximately breakeven in the first quarter, roughly equal net income in the second and fourth quarters, and a loss in the third quarter. Earnings in 2003 will be driven by business performance and are dependent upon a number of key factors, including:

- Meeting targets for revenue; a substantial amount of the projected revenue is under contract.
- Continuing to reduce production costs at the Paducah plant in a timely manner.
- Concluding the definization of the cold standby contract at the Portsmouth plant, including fee negotiations; and legislative approval of DOE funding levels for cold standby work.
- Maintaining costs according to plan.

Net cash provided by operating activities in 2003 is expected to be in a range of \$60 million to \$80 million. USEC expects capital spending to be in a range of \$20 million to \$25 million, and anticipates ending 2003 with a cash balance of at least \$150 million.

"During 2003 and over the next few years, USEC will make a substantial investment in the American Centrifuge. It will be several more years after that before we reap the fruits of these investments, but we are confident the rewards will be worth the investment of time and resources," Timbers said. "We are committed to continue as a leader in the nuclear industry and to our leadership role for the increasingly important Megatons to Megawatts non-proliferation program. We believe in the nuclear industry and its growing potential."

### **Annual Meeting Date Set**

USEC's 2003 annual meeting of shareholders will be held on April 28, 2003 in Bethesda, Maryland. In accordance with USEC's bylaws, proposals intended to be brought before the annual meeting of shareholders must be received by USEC no later than February 13, 2003 in order to be considered timely. More information on the time and location of the annual meeting will be included in USEC's proxy statement to be mailed to shareholders.

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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 centrifuge technology at various stages of demonstration, USEC's ability to successfully execute its internal performance plans, the refueling cycles of USEC's customers, final determinations of environmental and other costs that USEC accrues, 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 (LOSS)**  
(millions, except per share data)

	(Unaudited) Three Months Ended December 31,		Six-Month Periods Ended December 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue:				(Unaudited)
Separative work units .....	\$314.7	\$481.3	\$658.5	\$775.8
Uranium.....	<u>32.3</u>	<u>78.8</u>	<u>49.3</u>	<u>84.8</u>
Total revenue.....	347.0	560.1	707.8	860.6
Cost of sales .....	<u>338.8</u>	<u>519.4</u>	<u>675.0</u>	<u>806.7</u>
Gross profit.....	8.2	40.7	32.8	53.9
Advanced technology development costs .....	10.0	3.2	16.0	5.7
Selling, general and administrative .....	<u>15.9</u>	<u>13.0</u>	<u>27.6</u>	<u>24.2</u>
Operating income (loss) .....	(17.7)	24.5	(10.8)	24.0
Interest expense.....	9.3	9.1	18.6	18.4
Other (income) expense, net.....	<u>(2.4)</u>	<u>.4</u>	<u>(6.8)</u>	<u>(2.0)</u>
Income (loss) before income taxes.....	(24.6)	15.0	(22.6)	7.6
Provision (credit) for income taxes .....	<u>(8.7)</u>	<u>5.5</u>	<u>(7.9)</u>	<u>2.8</u>
Net income (loss) .....	<b><u>\$ (15.9)</u></b>	<b><u>\$ 9.5</u></b>	<b><u>\$ (14.7)</u></b>	<b><u>\$ 4.8</u></b>
Net income (loss) per share – basic and diluted....	<u>\$ (.19)</u>	<u>\$ .12</u>	<u>\$ (.18)</u>	<u>\$ .06</u>
Dividends per share.....	\$.1375	\$.1375	\$.275	\$.275
Average number of shares outstanding .....	81.7	81.0	81.6	80.9

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

	<u>December 31,</u> <u>2002</u>	<u>June 30,</u> <u>2002</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents .....	\$ 171.1	\$ 279.2
Accounts receivable – trade .....	225.4	185.1
Inventories .....	862.1	889.7
Other .....	<u>29.1</u>	<u>26.7</u>
Total Current Assets .....	1,287.7	1,380.7
Property, Plant and Equipment, net .....	190.9	191.5
Other Assets		
Deferred income taxes .....	50.8	51.5
Prepayment and deposit for depleted uranium .....	46.1	46.0
Prepaid pension benefit costs .....	83.8	82.8
Inventories .....	<u>390.2</u>	<u>415.5</u>
Total Other Assets .....	<u>570.9</u>	<u>595.8</u>
Total Assets .....	<b><u>\$2,049.5</u></b>	<b><u>\$2,168.0</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities .....	\$ 195.7	\$ 198.6
Payables under Russian Contract .....	106.6	156.4
Deferred revenue and advances from customers .....	45.0	74.9
Liabilities accrued for consolidating plant operations .....	<u>22.8</u>	<u>25.6</u>
Total Current Liabilities .....	370.1	455.5
Long-Term Debt .....	500.0	500.0
Other Liabilities		
Deferred revenue and advances from customers .....	21.2	23.4
Depleted uranium disposition .....	57.9	58.0
Postretirement health and life benefit obligations .....	137.8	135.1
Other liabilities .....	<u>48.1</u>	<u>46.7</u>
Total Other Liabilities .....	265.0	263.2
Stockholders' Equity .....	<u>914.4</u>	<u>949.3</u>
Total Liabilities and Stockholders' Equity .....	<b><u>\$2,049.5</u></b>	<b><u>\$2,168.0</u></b>

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

	Six-Month Periods Ended December 31,	
	2002	2001
		(Unaudited)
<b>Cash Flows from Operating Activities</b>		
Net income (loss) .....	\$(14.7)	\$ 4.8
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization .....	13.0	8.5
Deferred revenue and advances from customers.....	(32.1)	(57.0)
Deferred income taxes.....	.7	(14.3)
Liabilities accrued for consolidating plant operations.....	(2.8)	(16.7)
Changes in operating assets and liabilities:		
Accounts receivable – (increase).....	(40.3)	(167.7)
Inventories – decrease .....	52.9	217.7
Payables under Russian contract – (decrease).....	(49.8)	(.5)
Accounts payable and other – net.....	<u>3.6</u>	<u>17.1</u>
Net Cash Provided by (Used in) Operating Activities .....	<u>(69.5)</u>	<u>(8.1)</u>
<b>Cash Flows Used in Investing Activities</b>		
Capital expenditures.....	(12.4)	(14.6)
Insurance deposit.....	<u>-</u>	<u>(21.4)</u>
Net Cash (Used in) Investing Activities.....	<u>(12.4)</u>	<u>(36.0)</u>
<b>Cash Flows from Financing Activities</b>		
Dividends paid to stockholders .....	(22.4)	(22.3)
Deferred financing costs .....	(4.7)	-
Common stock issued .....	<u>.9</u>	<u>1.3</u>
Net Cash Provided by (Used in) Financing Activities .....	<u>(26.2)</u>	<u>(21.0)</u>
Net (Decrease).....	(108.1)	(65.1)
Cash and Cash Equivalents at Beginning of Period.....	<u>279.2</u>	<u>122.5</u>
Cash and Cash Equivalents at End of Period .....	<b><u>\$171.1</u></b>	<b><u>\$ 57.4</u></b>
Supplemental Cash Flow Information:		
Interest paid.....	\$ 16.7	\$ 16.6
Income taxes paid (refund).....	(6.2)	17.5