



USEC Updates Progress on the American Centrifuge Plant

August 5, 2008

- \$3.5 billion project budget complete, including spending to date but excluding financing costs and financial assurance
- USEC applies for financing under DOE Loan Guarantee program
- Initial machine design drawings released, allowing strategic suppliers to build first AC100 centrifuges
- Component production begins at Oak Ridge, Tenn.; substantial plant construction continues at Piketon, Ohio
- Lead Cascade operates for more than 100,000 machine hours

BETHESDA, Md.--(BUSINESS WIRE)--Aug. 5, 2008--USEC Inc. (NYSE:USU) has completed its review of the cost and schedule for the American Centrifuge Plant and affirmed its previously disclosed estimate of completing the project at \$3.5 billion, which includes amounts spent to date but excludes financing costs and financial assurance.

Based on the maturity of our centrifuge and plant design, USEC has undergone a rigorous process over the past several months to develop a comprehensive budget. The budget reflects a bottom-up, roll-up of detailed work-breakdown structure activities and reflects extensive input from our suppliers.

We refer to our production centrifuge design as the AC100 series, a design that reflects improvements learned during individual machine testing and subsequent integrated testing. Each AC100 series centrifuge machine is designed to produce about 350 SWU per year, which is substantially greater than any other commercially deployed centrifuge. The initial AC100 machine design is final, and all drawings have been released to our strategic suppliers to begin manufacturing components.

The strategic suppliers have begun manufacturing parts for the 40 to 50 AC100 machines that will be installed in the AC100 Lead Cascade in Piketon, Ohio. This cascade is expected to be operational by the end of the first quarter of 2009. This cascade of AC100 machines is intended to provide additional data on equipment operation and reliability and identify opportunities to further optimize the machine and cascade design. In addition, improved AC100 components and design features will be incrementally introduced into the current cascade during the remainder of 2008.

"In the first half of 2008, we've made tremendous progress in several areas. The current Lead Cascade provided invaluable data that has been integrated into the design of the AC100. We completed the initial design and our strategic suppliers will be building the centrifuge components for the cascade of AC100 machines over the next several months," said John K. Welch, USEC president and chief executive officer.

"We have finalized a project budget and project control process that provides management with the tools we need to closely monitor and control costs in all phases of the plant build out. We have continued to execute contracts with our suppliers that narrow the cost risk of the project. And we have applied for a loan guarantee from the Department of Energy for financing needed to complete the plant," he said.

"We are entering an exciting phase of the project as we work with industry-leading suppliers to build the first AC100 machines and prepare for high-volume manufacturing," Welch said. "And we continue to see opportunity for improving the productivity of our centrifuge technology during the build-out of the American Centrifuge Plant."

Lead Cascade Operations

We have been operating the Lead Cascade integrated testing program using prototype machines since August 2007. These machines have demonstrated the ability of the cascade to generate product assays in a range useable by commercial nuclear power plants. During the past year, we obtained data on machine-to-machine interactions, verified cascade performance models under a variety of operating conditions, and obtained operating experience for our plant operators and technicians.

The centrifuge machines involved in the current Lead Cascade integrated testing program have operated for over 100,000 total machine hours, providing data on equipment reliability and identifying opportunities to further optimize the machine and cascade design. These prototype machines confirmed centrifuge design and performance targets while verifying the predictions of our analytical performance models.

Over the past 12 months, we strenuously tested the centrifuge machines in operating conditions unlikely to be seen in normal plant operations, and in some cases we encountered issues that we systematically evaluated and addressed. We took additional time for this evaluation, which diverted resources from our value engineering efforts. Resolution of these issues gives us additional confidence in the robust nature of the technology, the deterministic approach we have taken to assure reliability and the potential for future machine performance improvements. The deterministic approach focuses on identifying failure modes and designing the components and systems with safety margins exceeding expected stresses during operations. The months of Lead Cascade operation have also given our employees experience in operating a cascade of machines that has refined operating and maintenance procedures.

Work continues on the design for the value-engineered AC100 machine, which is expected to be completed in March 2009. The value-engineered AC100 machine is the machine we expect to deploy in the commercial plant.

Re-establishing America's Manufacturing Base

In addition to operating the current Lead Cascade and finalizing the initial design of the AC100, a major focus for our American Centrifuge team has been re-establishing the highly specialized U.S. manufacturing base needed to build the AC100. This high-tech manufacturing base has been established throughout the United States. For example, we have significantly refurbished a facility we purchased in Oak Ridge, Tenn. and renamed it the American Centrifuge Technology and Manufacturing Center. We made substantial capital improvements to the site during the second quarter as we installed new production machining equipment, robotics, and computer controls and testing systems to support the ramp-up to manufacturing centrifuge components. We have contracted with a subsidiary of Babcock and Wilcox Co. to manufacture upper suspension assemblies, lower suspension assemblies, cap assemblies and column parts at this facility, as well as assembling rotors and procuring unclassified metal parts.

Another key component for the AC100 is its carbon-fiber rotor tubes. A subsidiary of Alliant Techsystems Inc., or ATK, is expanding its facilities at the Allegany Ballistics Laboratory in Rocket Center, W. Va., to produce the approximately 40-foot-tall rotor tubes for the centrifuges. Separately, Major Tool & Machine, Inc. is significantly expanding facilities at its Indianapolis, Ind., plant to fabricate the steel casings for the machines.

During the second quarter, we awarded a contract to Teledyne Brown Engineering, Inc. to manufacture service modules for the ACP. These steel framed structures hold pipe headers and valves, control and instrument cabling, electrical distribution cables and other controls. Each service module can serve up to 20 centrifuges. Teledyne Brown expanded a manufacturing facility in Huntsville, Ala., to accommodate this work.

As noted earlier, these suppliers will be manufacturing the various components of the AC100 machines that will be assembled later this year into a cascade of 40 to 50 machines, which we expect will be operational by the end of the first quarter of 2009. The manufacturing infrastructure that we are putting into place to deploy the initial plant capacity will be available to support any future expansion beyond 3.8 million SWU. Because an expansion would not require creating this manufacturing infrastructure or another demonstration of the technology, the cost of any expansion is anticipated to be less than the initial project.

Building the American Centrifuge Plant

Following receipt of a construction and operating license from the NRC in April 2007, we began renovating and building the ACP in Piketon, Ohio. We continue to build out the ACP balance of plant. Contractors completed preparing one production building floor for machine mounts and are preparing to begin work in the second production building. We also made substantial progress on a new boiler building. Other work includes demolition within the feed and withdrawal facility in advance of work to install new equipment. This facility will house equipment where uranium hexafluoride is heated to a gaseous state before introduction into the centrifuge cascades, and the subsequent withdrawal of the low enriched uranium product.

Project budget

We have completed a thorough, bottom-up review of the cost to build the ACP. In line with our expectations communicated earlier this year, we have established a project budget of \$3.5 billion. This budget includes expenditures to date but does not include financing costs or financial assurance.

The expenditures to date and budget at completion follow (in millions):

	Cumulative as of June 30, 2008	Project Budget at Completion
Machine technology, lead cascade and program management	\$ 321.2	\$ 464.2
Machine manufacturing and assembly	287.5	1,592.5
Commercial plant	266.2	1,442.1
Project development, deployment and construction	\$ 874.9	\$ 3,498.8
Other costs:		
Capitalized interest	15.5	
Capitalized asset retirement obligations	9.3	
Total ACP expenditures, including accruals	\$ 899.7	

Based on the maturity of the AC100 and plant design, we have undergone a rigorous process to develop this budget over the past several months. The budget reflects a bottom-up, roll-up of detailed work-breakdown structure activities and reflects extensive input from our suppliers. We have built into the budget a management reserve and a structured process to manage any potential changes in scope, budget or schedule.

While our project budget includes some degree of embedded contingency with respect to labor and materials cost assumptions, we remain subject to cost escalation risk. We estimate that each 1 percent change in labor cost from our budget would change the project's cost by approximately \$10 million and each 1 percent change in commodity cost would change the project's cost by approximately \$8 million. If project management determines that costs will exceed the budget (including the built-in management reserve), and such costs cannot otherwise be offset or financed, we may elect to deploy fewer centrifuge machines in the plant to mitigate such potential cost growth. The modular nature of the plant structure and its construction permit normal operation even if the scale is reduced from the current planned size.

We have been pursuing a phased approach to contracting, with work generally divided into three stages: demonstration, initial AC100 machine manufacturing, and the balance of commercial plant construction and final machine production. Currently, we are working with our strategic suppliers primarily under cost-reimbursement agreements. As we proceed with the project, we intend for contracts with suppliers to transition from a cost-reimbursement model to a fixed-price or incentive-based model, as appropriate.

Schedule

We also reviewed our schedule and have identified a schedule going forward that allows for some additional time to reduce risks in design and demonstration, manufacturing and construction, and startup and operations, while still keeping us within our earlier target of having the ACP completed in 2012. We anticipate receiving the first AC100 machines from our manufacturers in the fourth quarter of 2008 and beginning AC100 Lead Cascade operation by the end of the first quarter of 2009. These operations will continue through 2009 and these machines may be integrated into a commercial cascade.

We are working to re-establish a manufacturing infrastructure in the United States for building these highly sophisticated machines. Our suppliers have been focused on building the facilities necessary to be in position to build several hundred AC100 machines per month. Progress on building the production facilities is on track to support the production schedules for both the initial AC100 and value-engineered AC100 machines. Finally, in terms of plant startup and operations, we anticipate beginning commercial operations at the end of the first quarter of 2010, and reaching 1 million SWU capacity in the first quarter of 2011 and the full 3.8 million SWU capacity at the end of 2012.

Our testing program continues to demonstrate the opportunity for machine productivity beyond 350 SWU per year. We anticipate being able to assemble and install machines with greater SWU capacity at a discrete point in the deployment of centrifuges for our initial two production buildings, which have space for approximately 11,500 centrifuges.

Financing

We must still raise the remainder of the capital needed to build the ACP and this has been and will continue to be a focus of management. Current financial market conditions have significantly reduced the availability of public market financing for high-yield issuers and large capital projects such as the American Centrifuge. We currently view the DOE loan guarantee program as the path for obtaining debt financing to complete the American Centrifuge project.

The loan guarantee program was created by the Energy Policy Act of 2005 and in December 2007, federal legislation authorized funding levels of up to \$38.5 billion, including up to \$2 billion for advanced facilities for the front end of the nuclear fuel cycle, which includes uranium enrichment. DOE released its solicitation for the loan guarantee program on June 30 and we applied in July. We believe that our project is ideally suited for the loan guarantee program and are actively seeking a prompt review of our application and a commitment from DOE.

However, USEC may not be selected to move forward in the program and it could take an extended period for the loan guarantee and funding to be finalized. Accordingly, on a parallel path, we continue to evaluate alternative sources of capital. If we are not able to obtain timely action from DOE or obtain an alternate capital commitment, we will be forced to slow spending on the project, which will result in potentially significant schedule delays and increased costs, or take other actions to ensure that we have adequate liquidity for our ongoing operations.

Our marketing and sales staff has engaged in discussions with our customers to sell the output of the ACP. By waiting until now to sell this production, we believe we are in a better position to structure proposals for long-term sales to customers in ways that will provide stronger support for our financing and earn an appropriate return on our capital. We have received accepted offers from customers and are in the process of negotiating and signing long-term contracts for commitments totaling approximately \$900 million for deliveries beginning in 2013. We will continue to meet with customers to continue the process of selling ACP output. Sales contracts for this initial output represent a strategic commitment by customers to ensure a reliable, U.S.-based source of nuclear fuel that will be available for decades to come.

Virtual Tour Available

Our website now includes a virtual tour of the American Centrifuge Demonstration Facility. The tour provides a step-by-step guide to current operations at the facility and a preview of the future site activities for the American Centrifuge Plant. You may view the virtual tour at www.usec.com by clicking on the American Centrifuge tab.

USEC Inc., a global energy company, is a leading supplier of enriched uranium fuel for commercial nuclear power plants.

Forward Looking Statements

This news release contains "forward-looking statements" - that is, statements related to future events. In this context, forward-looking statements may address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "will" and other words of similar meaning. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For USEC, particular risks and uncertainties that could cause our actual future results to differ materially from those expressed in our forward-looking statements include, but are not limited to: the success of the demonstration and deployment of our American Centrifuge technology including our ability to meet our performance targets and schedule for the American Centrifuge Plant, the cost of the American Centrifuge Plant and our ability to timely secure a loan guarantee or other financing; the cost of electric power used at our gaseous diffusion plant; our dependence on deliveries under the Russian Contract and on a single production facility; our inability under existing long-term contracts to pass on to customers increases in SWU prices under the Russian contract resulting from significant increase in market prices; changes in existing restrictions on imports of Russian enriched uranium, including the imposition of duties on imports of enriched uranium under the Russian Contract; the elimination of duties charged on imports of foreign-produced low enriched uranium; pricing trends in the uranium and enrichment markets and their impact on our profitability; changes to, or termination of, our contracts with the U.S. government and changes in U.S. government priorities and the availability of government funding, including loan guarantees; the impact of government regulation; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits; the competitive environment for our products and services; changes in the nuclear energy industry; and other risks and uncertainties discussed in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K/A and subsequent quarterly Form 10-Qs. Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. We do not undertake to update our forward-looking statements except as required by law.

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