
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14287

USEC Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

52-2107911
(I.R.S. Employer Identification No.)

**2 Democracy Center
6903 Rockledge Drive, Bethesda, Maryland 20817
(301) 564-3200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).
Yes No

As of April 15, 2009, there were 112,350,000 shares of Common Stock issued and outstanding.

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This quarterly report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2, 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: risks related to the deployment of the American Centrifuge technology, including our ability to meet targets for performance, cost and schedule and to obtain financing; our success in obtaining a loan guarantee for the American Centrifuge Plant and the impact of delays in financing on project spending, cost and schedule; uncertainty regarding 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 most existing long-term contracts to directly pass on to customers increases in our costs; the decrease or 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; the potential impact of volatile financial market conditions on our pension assets and credit and insurance facilities; and other risks and uncertainties discussed in this and our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K. We do not undertake to update our forward-looking statements except as required by law.

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

	March 31,	December 31,
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 37.9	\$ 248.5
Accounts receivable	259.4	154.1
Inventories	1,089.1	1,231.9
Deferred income taxes	61.2	67.9
Other current assets	218.5	188.3
Total Current Assets	1,666.1	1,890.7
Property, Plant and Equipment, net	864.1	736.1
Other Long-Term Assets		
Deferred income taxes	282.0	273.3
Deposits for surety bonds	156.0	135.1
Bond financing costs, net	11.5	12.0
Goodwill	6.8	6.8
Other long-term assets	1.3	1.3
Total Other Long-Term Assets	457.6	428.5
Total Assets	<u>\$ 2,987.8</u>	<u>\$ 3,055.3</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ —	\$ 95.7
Accounts payable and accrued liabilities	150.4	172.3
Payables under Russian Contract	—	121.5
Inventories owed to customers and suppliers	225.3	130.2
Deferred revenue and advances from customers	251.1	196.7
Total Current Liabilities	626.8	716.4
Long-Term Debt	575.0	575.0
Other Long-Term Liabilities		
Depleted uranium disposition	126.1	119.5
Postretirement health and life benefit obligations	170.9	168.1
Pension benefit liabilities	226.9	223.1
Other liabilities	97.9	90.8
Total Other Long-Term Liabilities	621.8	601.5
Commitments and Contingencies (Note 10)		
Stockholders' Equity	1,164.2	1,162.4
Total Liabilities and Stockholders' Equity	<u>\$ 2,987.8</u>	<u>\$ 3,055.3</u>

See notes to consolidated condensed financial statements.

USEC Inc.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)
(millions, except per share data)

	Three Months Ended	
	March 31,	
	2009	2008
Revenue:		
Separative work units	\$ 427.9	\$ 245.1
Uranium	28.6	47.2
U.S. government contracts and other	49.1	51.0
Total revenue	505.6	343.3
Cost of sales:		
Separative work units and uranium	414.9	260.7
U.S. government contracts and other	48.5	43.8
Total cost of sales	463.4	304.5
Gross profit	42.2	38.8
Advanced technology costs	31.4	23.9
Selling, general and administrative	14.5	12.0
Operating income (loss)	(3.7)	2.9
Interest expense	0.5	6.3
Interest (income)	(0.6)	(10.8)
Income (loss) before income taxes	(3.6)	7.4
Provision (benefit) for income taxes	(1.5)	3.0
Net income (loss)	<u>\$ (2.1)</u>	<u>\$ 4.4</u>
Net income (loss) per share — basic	\$ (.02)	\$.04
Net income (loss) per share — diluted	\$ (.02)	\$.04
Weighted-average number of shares outstanding:		
Basic	110.7	109.9
Diluted	110.7	110.2

See notes to consolidated condensed financial statements.

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

	Three Months Ended	
	March 31,	
	2009	2008
Cash Flows from Operating Activities		
Net income (loss)	\$ (2.1)	\$ 4.4
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7.1	10.6
Deferred income taxes	(3.2)	(18.3)
Changes in operating assets and liabilities:		
Accounts receivable — (increase) decrease	(105.3)	10.3
Inventories — (increase) decrease	237.9	(53.4)
Payables under Russian Contract — (decrease)	(121.5)	(16.6)
Deferred revenue, net of deferred costs — increase	15.4	49.3
Accrued depleted uranium disposition	6.6	6.6
Accounts payable and other liabilities — increase (decrease)	(21.8)	27.5
Other, net	10.7	0.3
Net Cash Provided by Operating Activities	<u>23.8</u>	<u>20.7</u>
Cash Flows Used in Investing Activities		
Capital expenditures	(117.1)	(91.5)
Deposits for surety bonds	(20.6)	—
Net Cash (Used in) Investing Activities	<u>(137.7)</u>	<u>(91.5)</u>
Cash Flows Used in Financing Activities		
Borrowings under credit facility	—	37.8
Repayments under credit facility	—	(37.5)
Repayment and repurchases of senior notes	(95.7)	(9.9)
Common stock issued (purchased), net	(1.0)	(0.4)
Net Cash (Used in) Financing Activities	<u>(96.7)</u>	<u>(10.0)</u>
Net (Decrease)	(210.6)	(80.8)
Cash and Cash Equivalents at Beginning of Period	248.5	886.1
Cash and Cash Equivalents at End of Period	<u>\$ 37.9</u>	<u>\$ 805.3</u>
Supplemental Cash Flow Information:		
Interest paid, net of amount capitalized	\$ 1.8	\$ 3.7
Income taxes paid	2.2	4.2

See notes to consolidated condensed financial statements.

USEC Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

The unaudited consolidated condensed financial statements as of and for the three months ended March 31, 2009 and 2008 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The unaudited consolidated condensed financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial results for the interim period. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been omitted pursuant to such rules and regulations.

Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. The unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes and management's discussion and analysis of financial condition and results of operations included in the annual report on Form 10-K for the year ended December 31, 2008.

New Accounting Standard

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements." This statement clarifies the definition of fair value, establishes a framework for measuring fair value when required or permitted under other accounting pronouncements, and expands the disclosures on fair value measurements. SFAS No. 157 is effective January 1, 2008 for financial assets and liabilities and January 1, 2009 for non-financial assets and liabilities. The implementation of SFAS No. 157 did not have a material impact on USEC's financial position and results of operations.

2. INVENTORIES

	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	(millions)	
Current assets:		
Separative work units	\$ 708.1	\$ 813.0
Uranium	365.6	402.1
Materials and supplies	15.4	16.8
	<u>1,089.1</u>	<u>1,231.9</u>
Current liabilities:		
Inventories owed to customers and suppliers	<u>(225.3)</u>	<u>(130.2)</u>
Inventories, net	<u>\$ 863.8</u>	<u>\$ 1,101.7</u>

Inventories Owed to Customers and Suppliers

Generally, title to uranium provided by customers as part of their enrichment contracts does not pass to USEC until delivery of low enriched uranium ("LEU"). In limited cases, however, title to the uranium passes to USEC immediately upon delivery of the uranium by the customer. Uranium provided by customers for which title passed to USEC is recorded on the balance sheet at estimated fair values of \$1.4 million at March 31, 2009 and \$1.6 million at December 31, 2008.

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Additionally, USEC owed separate work units (“SWU”) and uranium inventories to fabricators with a cost totaling \$223.9 million at March 31, 2009 and \$128.6 million at December 31, 2008. Fabricators process LEU into fuel for use in nuclear reactors. Under inventory optimization arrangements between USEC and domestic fabricators, fabricators order bulk quantities of LEU from USEC based on scheduled or anticipated orders from utility customers for deliveries in future periods. As delivery obligations under actual customer orders arise, USEC satisfies these obligations by arranging for the transfer to the customer of title to the specified quantity of LEU on the fabricator’s books. Fabricators have other inventory supplies and, where a fabricator has elected to order less material from USEC than USEC is required to deliver to its customers at the fabricator, the fabricator will use these other inventories to satisfy USEC’s customer order obligations on USEC’s behalf. In such cases, the transfer of title of LEU from USEC to the customer results in quantities of SWU and uranium owed by USEC to the fabricator. The amounts of SWU and uranium owed to fabricators are satisfied as future bulk deliveries of LEU are made.

Uranium Provided by Customers and Suppliers

USEC held uranium with estimated fair values of approximately \$3.0 billion at March 31, 2009, and \$3.8 billion at December 31, 2008, to which title was held by customers and suppliers and for which no assets or liabilities were recorded on the balance sheet. The reduction reflects a 14% decline in the uranium spot price indicator and a 9% decline in quantities. Utility customers provide uranium to USEC as part of their enrichment contracts. Title to uranium provided by customers remains with the customer until delivery of LEU at which time title to LEU is transferred to the customer, and title to uranium is transferred to USEC.

3. PROPERTY, PLANT AND EQUIPMENT

A summary of changes in property, plant and equipment follows (in millions):

	December 31, 2008	Capital Expenditures (Depreciation)	Transfers and Retirements	March 31, 2009
Construction work in progress	\$ 617.5	\$ 134.2	\$ (5.7)	\$ 746.0
Leasehold improvements	176.8	—	1.3	178.1
Machinery and equipment	234.3	—	3.9	238.2
	1,028.6	134.2	(0.5)	1,162.3
Accumulated depreciation and amortization	(292.5)	(6.2)	0.5	(298.2)
	<u>\$ 736.1</u>	<u>\$ 128.0</u>	<u>\$ —</u>	<u>\$ 864.1</u>

Capital expenditures include items in accounts payable and accrued liabilities at March 31, 2009 for which cash is paid in the following period.

USEC is working to construct and deploy the American Centrifuge Plant. Construction work in progress related to the American Centrifuge Plant, none of which has yet been placed in service, totaled \$738.4 million at March 31, 2009 and \$601.8 million at December 31, 2008. Capitalized asset retirement obligations included in construction work in progress totaled \$19.2 million at March 31, 2009 and \$13.0 million at December 31, 2008.

4. DEFERRED REVENUE AND ADVANCES FROM CUSTOMERS

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
	(millions)	
Deferred revenue	\$ 250.7	\$ 196.3
Advances from customers	0.4	0.4
	<u>\$ 251.1</u>	<u>\$ 196.7</u>

Related costs associated with deferred revenue, reported in other current assets, totaled \$150.4 million at March 31, 2009 and \$111.4 million at December 31, 2008.

5. DEBT

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
	(millions)	
3.0% convertible senior notes, due October 1, 2014	\$ 575.0	\$ 575.0
6.75% senior notes, due January 20, 2009	—	95.7
	<u>\$ 575.0</u>	<u>\$ 670.7</u>

The 3.0% convertible senior notes, issued in September 2007, bear interest payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2008. At March 31, 2009, the fair value of the convertible notes, based on the most recent trading price, was \$322.0 million. The notes were not eligible for conversion to common stock as of March 31, 2009.

USEC repaid the remaining balance of the 6.75% senior notes amounting to \$95.7 million on the scheduled maturity date of January 20, 2009.

There were no short-term borrowings under the \$400.0 million revolving credit facility at March 31, 2009 or December 31, 2008. Letters of credit issued under the facility amounted to \$42.0 million at March 31, 2009 and \$48.0 million at December 31, 2008. Borrowings under the credit facility are subject to limitations based on established percentages of qualifying assets such as eligible accounts receivable and inventory. Available credit under the facility after letters of credit outstanding was \$358.0 million at March 31, 2009 and \$343.0 million at December 31, 2008.

6. STOCKHOLDERS' EQUITY

Changes in stockholders' equity were as follows (in millions, except per share data):

	<u>Common Stock, Par Value \$.10 per Share</u>	<u>Excess of Capital over Par Value</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Accumulated Other Compre- hensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>	<u>Compre- hensive Income (Loss)</u>
Balance at December 31, 2008	\$ 12.3	\$ 1,184.2	\$ 263.9	\$ (84.1)	\$ (213.9)	\$ 1,162.4	
Restricted and other stock issued, net	—	(6.9)	—	8.2	—	1.3	—
Amortization of actuarial losses and prior service costs (credits), net of income tax of \$1.2 million	—	—	—	—	2.6	2.6	2.6
Net (loss)	—	—	(2.1)	—	—	(2.1)	(2.1)
Balance at March 31, 2009	<u>\$ 12.3</u>	<u>\$ 1,177.3</u>	<u>\$ 261.8</u>	<u>\$ (75.9)</u>	<u>\$ (211.3)</u>	<u>\$ 1,164.2</u>	<u>\$ 0.5</u>

Amortization of actuarial losses and prior service costs (credits), net of tax, are those related to pension and postretirement health and life benefits as presented on a pre-tax basis in note 7.

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7. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

The components of net benefit costs (income) for pension and postretirement health and life benefit plans were as follows (in millions):

	Defined Benefit Pension Plans		Postretirement Health and Life Benefit Plans	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2009	2008	2009	2008
Service costs	\$ 4.7	\$ 4.3	\$ 1.2	\$ 1.1
Interest costs	11.9	11.4	3.2	3.0
Expected returns on plan assets (gains)	(10.7)	(15.3)	(0.8)	(1.3)
Amortization of prior service costs (credit)	0.4	0.4	(3.6)	(3.6)
Amortization of actuarial losses	6.0	0.2	1.0	0.2
Net benefit costs (income)	<u>\$ 12.3</u>	<u>\$ 1.0</u>	<u>\$ 1.0</u>	<u>\$ (0.6)</u>

USEC expects total cash contributions to the plans in 2009 will be as follows: \$23.6 million for the defined benefit pension plans and \$5.3 million for the postretirement health and life benefit plans. Of those amounts, contributions made as of March 31, 2009 were \$2.2 million and \$0.8 million related to the defined benefit pension plans and postretirement health and life benefit plans, respectively.

8. STOCK-BASED COMPENSATION

	Three Months Ended March 31,	
	2009	2008
	(millions)	
Total stock-based compensation costs:		
Restricted stock and restricted stock units	\$ 2.0	\$ 0.6
Stock options, performance awards and other	0.7	0.3
Less: costs capitalized as part of inventory	(0.1)	(0.1)
Expense included in selling, general and administrative	<u>\$ 2.6</u>	<u>\$ 0.8</u>
Total after-tax expense	<u>\$ 1.7</u>	<u>\$ 0.5</u>

Stock-based compensation in the three months ended March 31, 2008 reflects a credit of \$1.0 million due to a reduction in USEC's stock price. There were no stock options exercised in the three months ended March 31, 2009 or the three months ended March 31, 2008.

Assumptions used in the Black-Scholes option pricing model to value option grants follow.

	Three Months Ended March 31,	
	2009	2008
Risk-free interest rate	1.4%	1.8%
Expected dividend yield	—	—
Expected volatility	65%	50%
Expected option life	3.8 years	3.5 years
Weighted-average grant date fair value	\$ 1.81	\$ 2.23
Options granted	1,091,300	800,150

As of March 31, 2009, there was \$8.0 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock-based payments granted, of which \$5.4 million relates to restricted shares and restricted stock units, and \$2.6 million relates to stock options. That cost is expected to be recognized over a weighted-average period of 1.9 years.

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9. NET INCOME PER SHARE

Basic net income per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period, excluding any unvested restricted stock.

In calculating diluted net income per share, the numerator is increased by interest expense on the convertible notes, net of amount capitalized and net of tax, and the denominator is increased by the weighted average number of shares resulting from potentially dilutive stock compensation awards and the convertible notes, assuming full conversion.

	Three Months Ended March 31,	
	2009	2008
	(millions)	
Numerator:		
Net income (loss)	\$ (2.1)	\$ 4.4
Net interest expense on convertible notes (a)	(b)	(c)
Net income if-converted	<u>\$ (2.1)</u>	<u>\$ 4.4</u>
Denominator:		
Weighted average common shares	112.0	110.8
Less: Weighted average unvested restricted stock	1.3	0.9
Denominator for basic calculation	<u>110.7</u>	<u>109.9</u>
Weighted average effect of dilutive securities:		
Convertible notes	(b)	(c)
Stock compensation awards	(b)	0.3
Denominator for diluted calculation	<u>110.7</u>	<u>110.2</u>
Net income (loss) per share — basic	<u>\$ (.02)</u>	<u>\$.04</u>
Net income (loss) per share — diluted	<u>\$ (.02) (b)</u>	<u>\$.04(c)</u>

(a) Interest expense on convertible notes net of amount capitalized and net of tax.

(b) No dilutive effect of convertible notes or stock compensation awards is recognized in a period in which a net loss has occurred. Net interest expense on convertible notes was \$0.2 million in the three months ended March 31, 2009, and the weighted average number of shares for the convertible notes and stock compensation awards was 48.1 million and 0.5 million, respectively.

(c) No effect of the convertible notes is recognized since the effect of full conversion is antidilutive. Convertible debt is antidilutive if foregone interest on the notes (net of tax and nondiscretionary adjustments) per common share obtainable upon full conversion exceeds basic net income per share. Net interest expense on the convertible notes was \$2.8 million in the three months ended March 31, 2008, and the weighted average number of shares for the convertible notes was 48.1 million.

Options to purchase shares of common stock having an exercise price greater than the average share market price are excluded from the calculation of diluted earnings per share (options in millions):

	Three Months Ended March 31,	
	2009	2008
Options excluded from diluted earnings per share	1.9	1.2
Exercise price of excluded options	\$5.23 to \$16.90	\$6.88 to \$16.90

10. COMMITMENTS AND CONTINGENCIES

American Centrifuge Plant

Milestones under the 2002 DOE-USEC Agreement

USEC is working to construct and deploy the American Centrifuge Plant as a replacement for the Paducah gaseous diffusion plant (“GDP”). In 2002, USEC and DOE signed an agreement (such agreement, as amended, the “2002 DOE-USEC Agreement”) in which USEC and DOE made long-term commitments directed at resolving issues related to the stability and security of the domestic uranium enrichment industry. The 2002 DOE-USEC Agreement contains specific project milestones relating to the American Centrifuge Plant. At USEC’s request, the last four milestones were amended in January 2009 to replace milestones that were not aligned with USEC’s deployment schedule for the American Centrifuge Plant. The first of the new milestones requires that USEC secure firm financing commitment(s) by November 2009 for the construction of the commercial American Centrifuge Plant with an annual capacity of approximately 3.5 million SWU per year.

Until USEC has met the November 2009 financing milestone, DOE has full remedies under the 2002 DOE-USEC Agreement. However, if a delaying event beyond the control and without the fault or negligence of USEC occurs which would affect USEC’s ability to meet a milestone, DOE and USEC will jointly meet to discuss in good faith possible adjustments to the milestones as appropriate to accommodate the delaying event. Once USEC has met the November 2009 financing milestone, DOE’s remedies under the 2002 DOE-USEC Agreement are limited to those circumstances where USEC’s gross negligence in project planning and execution is responsible for schedule delays or in the circumstance where USEC constructively or formally abandons the project or fails to diligently pursue the financing commitment(s).

The 2002 DOE-USEC Agreement provides DOE with specific remedies if USEC fails to meet a milestone that would materially impact USEC’s ability to begin commercial operations of the American Centrifuge Plant on schedule. These remedies could include terminating the 2002 DOE-USEC Agreement, revoking USEC’s access to DOE’s U.S. centrifuge technology that USEC requires for the success of the American Centrifuge project and requiring USEC to transfer its rights in the American Centrifuge technology and facilities to DOE, and requiring USEC to reimburse DOE for certain costs associated with the American Centrifuge project. DOE could also recommend that USEC be removed as the sole U.S. Executive Agent under the Megatons-to-Megawatts program, which could reduce or terminate USEC’s access to Russian LEU. Any of these actions could have a material adverse impact on USEC’s business.

Project Funding

USEC needs to raise a significant amount of additional capital to continue funding and to complete the American Centrifuge Plant. USEC does not believe public market financing for a large capital project such as American Centrifuge is available given current financial market conditions. In July 2008, USEC applied to the DOE Loan Guarantee Program as the path for obtaining \$2 billion in debt financing to complete the American Centrifuge Plant. Areva, a company majority owned by the French government, also applied for funding under this program and is also being considered by DOE. USEC is seeking an expeditious funding commitment by DOE and financial closing later this year. However, USEC has no assurance that its project will move forward in the program, and even if it does, it could still take an extended period for the loan guarantee and funding to be finalized. Accordingly, in February 2009, USEC initiated steps to conserve cash and reduce the planned escalation of project construction and machine manufacturing activities until USEC gains greater certainty on potential funding for the project through the DOE Loan Guarantee Program. In addition, on a parallel path, USEC continues to evaluate the potential for third-party investment.

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Based on USEC's current rate of project spending and other anticipated cash needs and without a DOE loan guarantee or other financing, USEC anticipates that its cash, expected internally generated cash flow from operations and available borrowings under its revolving credit facility are sufficient to meet its cash needs for approximately 9-12 months. If USEC determines that a loan guarantee or alternative financing is not forthcoming or available in the near term, USEC will take additional steps to implement further project spending reductions to ensure sufficient liquidity. However, additional funds may be necessary sooner than USEC currently anticipates if USEC is not successful in its efforts to conserve cash or in the event of increases in the cost of the American Centrifuge project, unanticipated prepayments to suppliers, increases in financial assurance, unanticipated costs under the Russian Contract, increases in power costs or any shortfall in USEC's estimated levels of operating cash flow or available borrowings under the revolving credit facility, or to meet other unanticipated expenses.

Legal Matters

DOE Contract Services Matter

The U.S. Department of Justice ("DOJ") asserted in a letter to USEC dated July 10, 2006 that DOE may have sustained damages in an amount that exceeds \$6.9 million under USEC's contract with DOE for the supply of cold standby services at the Portsmouth GDP. DOJ indicated that it was assessing possible violations of the Civil False Claims Act ("FCA"), which allows for treble damages and civil penalties, and related claims in connection with invoices submitted under that contract. USEC responded to DOJ's letter in September 2006, stating that the government does not have a legitimate basis for asserting any FCA or related claims under the cold standby contract, and has been cooperating with DOJ and the DOE Office of Investigations with respect to their inquiries into this matter. In a supplemental presentation by DOJ and DOE on October 18, 2007, DOJ identified revised assertions of alleged overcharges of at least \$14.6 million on the cold standby and two other cost-type contracts, again potentially in violation of the FCA. USEC has responded to these assertions and has provided several follow-up responses to DOJ and DOE in response to their requests for additional data and analysis. USEC believes that the DOJ and DOE analyses are significantly flawed, and no loss has been accrued. USEC intends to defend vigorously any FCA or related claim that might be asserted against it. As part of USEC's continuing discussions with DOJ, USEC and DOJ have agreed several times to extend the statute of limitations for this matter, most recently to July 6, 2009.

Other Legal Matters

USEC is subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, USEC does not believe that the outcome of any of these legal matters will have a material adverse effect on its results of operations or financial condition.

11. SEGMENT INFORMATION

USEC has two reportable segments: the LEU segment with two components, SWU and uranium, and the U.S. government contracts segment. The LEU segment is USEC's primary business focus and includes sales of the SWU component of LEU, sales of both the SWU and uranium components of LEU, and sales of uranium. The U.S. government contracts segment includes work performed for DOE and its contractors at the Portsmouth and Paducah GDPs, as well as nuclear energy services and technologies provided by NAC International Inc. Gross profit is USEC's measure for segment reporting. Intersegment sales between the reportable segments were less than \$0.1 million in each period presented below and have been eliminated in consolidation.

	Three Months Ended	
	March 31,	
	2009	2008
	(millions)	
Revenue		
LEU segment:		
Separative work units	\$ 427.9	\$ 245.1
Uranium	28.6	47.2
	456.5	292.3
U.S. government contracts segment	49.1	51.0
	<u>\$ 505.6</u>	<u>\$ 343.3</u>
Segment Gross Profit		
LEU segment	\$ 41.6	\$ 31.6
U.S. government contracts segment	0.6	7.2
Gross profit	42.2	38.8
Advanced technology costs	31.4	23.9
Selling, general and administrative	14.5	12.0
Operating income (loss)	(3.7)	2.9
Interest expense (income), net	(0.1)	(4.5)
Income (loss) before income taxes	<u>\$ (3.6)</u>	<u>\$ 7.4</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated condensed financial statements and related notes set forth in Part I, Item 1 of this report as well as the risks and uncertainties presented in the annual report on Form 10-K for the year ended December 31, 2008.

Overview

USEC, a global energy company, is a leading supplier of low enriched uranium ("LEU"), for commercial nuclear power plants. LEU is a critical component in the production of nuclear fuel for reactors to produce electricity. We:

- supply LEU to both domestic and international utilities for use in about 150 nuclear reactors worldwide,
- are deploying what we anticipate will be the world's most advanced uranium enrichment technology, known as the American Centrifuge,
- are the exclusive executive agent for the U.S. government under a nuclear nonproliferation program with Russia, known as Megatons to Megawatts,
- perform contract work for the U.S. Department of Energy ("DOE") and its contractors at the Paducah and Portsmouth gaseous diffusion plants ("GDPs"), and
- provide transportation and storage systems for spent nuclear fuel and provide nuclear and energy consulting services.

Low Enriched Uranium

LEU consists of two components: separative work units ("SWU") and uranium. SWU is a standard unit of measurement that represents the effort required to transform a given amount of natural uranium into two components: enriched uranium having a higher percentage of U²³⁵ and depleted uranium having a lower percentage of U²³⁵. The SWU contained in LEU is calculated using an industry standard formula based on the physics of enrichment. The amount of enrichment deemed to be contained in LEU under this formula is commonly referred to as the SWU component and the quantity of natural uranium used in the production of LEU under this formula is referred to as its uranium component.

We produce or acquire LEU from two principal sources. We produce LEU at the Paducah GDP in Paducah, Kentucky. Under the Megatons to Megawatts program, we acquire LEU from Russia under a contract, which we refer to as the Russian Contract, to purchase the SWU component of LEU recovered from dismantled nuclear weapons from the former Soviet Union for use as fuel in commercial nuclear power plants.

Our View of the Business Today

The long-term outlook for the nuclear industry continues to strengthen as environmental concerns about climate change and volatility in the price of fossil fuels have encouraged utilities to increase the generation of nuclear power. There are approximately 440 nuclear power reactors worldwide in operation today, and international agencies report that more than 100 reactors are on order or planned to be built over the next two decades. U.S. utilities have filed 17 applications for construction and operating licenses for 26 new reactors with the U.S. Nuclear Regulatory Commission ("NRC").

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To fuel potential new reactors, uranium enrichment capacity will need to double by 2030, according to the World Nuclear Association. New uranium enrichment plants, including our American Centrifuge Plant and other competing projects in the United States and worldwide, are being proposed and built to meet this new demand and to replace remaining higher production cost gaseous diffusion plants.

We believe the growth in potential demand for nuclear fuel over the next two decades provides a strong foundation for our substantial investment in the American Centrifuge Plant (“ACP”). Nonetheless, we face significant challenges in 2009 as we seek additional financing needed to continue the ACP, and over the next several years as we transition our sources of LEU supply.

Even as we build our new production facility, we have substantial current operations at the gaseous diffusion plant we lease from the U.S. government in Paducah, Kentucky. Today, we produce about half of our supply of low enriched uranium at the Paducah GDP and purchase half from Russia under a highly successful, nonproliferation program known as “Megatons to Megawatts.” Over the next several years we expect to transition the source of our LEU supply to production from the ACP.

Our Paducah plant requires a large amount of electric power, and prices for electricity and related fuel have been very volatile during the past year. During non-summer months of 2009, we expect to purchase 2,000 megawatts of power from TVA. We have a fixed-price contract that sets the base price for most of the power we purchase, but our costs fluctuate above or below the base contract price based on fuel and purchased power costs experienced by TVA. In 2008, this fuel cost adjustment increased our power cost over the base contract price by about 15%, which had a significant effect on our net income and cash flow from operations. The impact of current economic conditions on energy prices has lowered recent weekly power invoices compared to 2008 and market prices for electric power for the summer of 2009 are lower than last summer. Volatility in power prices and TVA’s cost of fuel continue, which results in uncertainty in our financial projections.

American Centrifuge Plant Update

We have been developing and demonstrating a highly efficient uranium enrichment gas centrifuge technology that we call the American Centrifuge. We are deploying this technology in the American Centrifuge Plant being built in Piketon, Ohio. Since August 2007 we have operated a cascade of prototype machines in our Lead Cascade test program that has provided valuable data on operational characteristics of the machine, aided in developing improvements to the design of the commercial production machines and given staff operational experience.

We refer to our production centrifuge machine design as the AC100 series centrifuge machine. The AC100 series machine is designed to produce 350 SWU per year, which output is substantially greater than our competitors’ machines. Within this overall AC100 design, we have finalized two design releases. The first was released to our strategic suppliers in 2008 in preparation for installing a test cascade of these AC100 series machines in Piketon in 2009. In late March 2009, we completed a second design release for the AC100 series machines, which we refer to as the AC100 Mod 1 machine. We are continuing to value engineer the centrifuge design to reduce the cost of manufacturing the machine and simplify subsystems, which will result in future versions of the AC100 series.

The American Centrifuge uranium enrichment technology has demonstrated performance above our current target of 350 SWU per machine, per year. Our plan is to seek sustained improvement in centrifuge design that will be integrated into the commercial plant over time. Before a new version of the machine is introduced into the ACP, a design review board will determine through a disciplined process if the improvements provide sufficient cost and performance improvement to implement.

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At our state-of-the-art test facilities in Oak Ridge, Tennessee we have been testing individual centrifuge machines with improved operating characteristics and a lower cost to manufacture. We intend to integrate these improvements in future versions of the AC100. We have several test stands operating now with AC100 centrifuges. We believe these facilities provide the environment for testing future, improved versions of the machine.

Our strategic suppliers have been manufacturing parts for the initial AC100 machines since 2008. In manufacturing parts for the AC100, suppliers must replicate on a commercial basis manufacturing that we previously self-performed in building our prototype machines. We are working with leading companies to create a world-class industrial infrastructure needed to build components for the AC100 machines and supporting equipment. The specialized U.S. manufacturing base needed to build the AC100 did not exist but is being established with our leadership. Under contract arrangements with USEC, our suppliers are also helping to create the manufacturing base for a revitalized U.S. nuclear fuel industry in a dozen states.

A cascade of initial AC100 machines is expected to be operational early in the third quarter of 2009. This cascade will be in a closed-loop configuration as required under our demonstration license from the NRC but will otherwise operate under commercial plant conditions. During this continuation of our Lead Cascade testing program we expect to obtain data on machine-to-machine interactions, plant design, subsystem performance, various support systems such as the service module, and cascade electronic control systems. Many of the initial machines for this cascade have been assembled, are operating and are being conditioned with uranium hexafluoride gas in preparation for cascade operations. Additional machines will be added during the summer until we reach 40 to 50 AC100 machines in Lead Cascade testing. These 40 to 50 machines are expected to operate into 2010.

We expect the first machines in the initial AC100 series cascade will have a throughput somewhat less than 350 SWU per year as we continue to optimize the AC100 series machine. However, we remain confident that the AC100 series machines that are deployed in the commercial plant will achieve an average performance level of 350 SWU per year, supporting an annual SWU production capacity of the ACP of 3.8 million SWU.

During the first quarter of 2009, we announced that we began taking steps to conserve cash and reduce the planned escalation of project construction and machine manufacturing activities until we gain greater certainty on potential funding for the project through the DOE Loan Guarantee Program. However, we continue to invest as planned in engineering design, machine value engineering and the initial AC100 series cascade deployment.

The reduction in the planned escalation principally affected construction of the plant's interior infrastructure that had been expected to ramp up significantly in 2009. Construction of the ACP includes various systems including electric, telecommunications, cooling, and water distribution. Although plant construction has slowed to conserve cash, we have continued with engineering and design for the commercial plant by Fluor Corporation. The design is approximately 75% complete. The two existing production buildings have space for approximately 11,500 centrifuges. The availability of machine mounts that anchor the centrifuges in place is complete in one production building and about 90% complete in the second building. Work continues on the total refurbishment of the feed and withdrawal facility, and installation of the piping between this facility and the production buildings is expected to begin in the third quarter. Other activities include refurbishing the machine assembly area, constructing a new boiler building and related equipment, and building a monorail system in the machine assembly building during the second half of 2009.

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Our decision to slow spending until a decision is made by the DOE Loan Guarantee Program will increase costs and extend the schedule for the completion of the project. We are currently engaged with our strategic suppliers in assessing the potential impact on cost and schedule and the potential impact will depend on the length and severity of our spending slowdown. We expect to provide an update as we gain greater certainty on potential funding through the DOE Loan Guarantee Program.

Our Marketing and Sales department continues to meet with customers to sell ACP output, which is important to our financing efforts for ACP. 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. Leading nuclear utilities in the United States, Europe and Asia have committed to purchase a substantial portion of the plant's output through both accepted offers and signed contracts for terms of varying lengths extending as far as 2026. At the end of the first quarter of 2009, we announced that we have commitments from 10 customers to purchase more than half of the planned, initial sales of the ACP. These commitments are valued at \$3.3 billion.

We continue to anticipate a potential expansion of the ACP beyond the initial 3.8 million SWU plant, which could be done incrementally once the initial ACP construction phase is complete. The manufacturing infrastructure that we are putting into place to deploy the initial plant capacity will facilitate any future expansion. 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.

Revenue from Sales of SWU and Uranium

Revenue from our LEU segment is derived primarily from:

- sales of the SWU component of LEU,
- sales of both the SWU and uranium components of LEU, and
- sales of uranium.

The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting approximately 30% of revenue from our LEU segment in 2008. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers are obligated to purchase a specified quantity of SWU from us or long-term requirements contracts under which our customers are obligated to purchase a percentage of their SWU requirements from us. Under requirements contracts, a customer only makes purchases when its reactor has requirements. The timing of requirements is associated with reactor refueling outages. Our agreements for uranium sales are generally shorter-term, fixed-commitment contracts.

Our revenues and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year. Customer demand is affected by, among other things, reactor operations, maintenance and the timing of refueling outages. Utilities typically schedule the shutdown of their reactors for refueling to coincide with the low electricity demand periods of spring and fall. Thus, some reactors are scheduled for annual or two-year refuelings in the spring or fall, or for 18-month cycles alternating between both seasons. Customer payments for the SWU component of LEU typically average approximately \$15 million per order. As a result, a relatively small change in the timing of customer orders for LEU due to a change in a customer's refueling schedule may cause operating results to be substantially above or below expectations. Customer requirements and orders are more predictable over the longer term, and we believe our performance is best measured on an annual, or even longer, business cycle. Our revenue could be adversely affected by actions of the NRC or nuclear regulators in foreign countries issuing orders to modify, delay, suspend or shut down nuclear reactor operations within their jurisdictions.

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Our financial performance over time can be significantly affected by changes in prices for SWU and uranium. The long-term SWU price indicator, as published by TradeTech, LLC in *Nuclear Market Review*, is an indication of base-year prices under new long-term enrichment contracts in our primary markets. Since our backlog includes contracts awarded to us in previous years, the average SWU price billed to customers typically lags behind the current price indicators. Following are the long-term SWU price indicator, the long-term price for uranium hexafluoride (“UF6”), as calculated using indicators published in *Nuclear Market Review*, and the spot price indicator for UF6:

	March 31, 2009	December 31, 2008	March 31, 2008
Long-term SWU price indicator (\$/SWU) UF6:	\$ 161.00	\$ 159.00	\$ 145.00
Long-term price composite (\$/KgU)	192.54	195.15	260.47
Spot price indicator (\$/KgU)	121.00	140.00	195.00

A substantial portion of our earnings and cash flows in recent years has been derived from sales of uranium, including uranium generated by underfeeding the production process at the Paducah GDP. We may also purchase uranium from suppliers in connection with specific customer contracts, as we have in the past. Underfeeding is a mode of operation that uses or feeds less uranium but requires more SWU in the enrichment process, which requires more electric power. In producing the same amount of LEU, we vary our production process to underfeed uranium based on the economics of the cost of electric power relative to the prices of uranium and enrichment. Spot market prices for uranium declined in the past year while electric power costs generally increased, pressuring the economics of underfeeding the enrichment process to obtain uranium for resale. Given supply and demand conditions in the spot uranium market, we see fewer opportunities for near-term spot sales. We will continue to monitor and optimize the economics of our production based on the cost of power and market conditions for SWU and uranium.

We supply uranium to the Russian Federation for the LEU we receive under the Russian Contract. We replenish our uranium inventory with uranium supplied by customers under our contracts for the sale of SWU and through underfeeding our production process. Our older contracts give customers the flexibility to determine the amounts of natural uranium that they deliver to us, which can result in our receiving less uranium from customers than we transfer from our inventory to the Russian Federation under the Russian Contract. Our new SWU sales contracts and certain older contracts that we have renegotiated require customers to deliver a greater amount of natural uranium to us.

Under the terms of many uranium sale agreements, title to uranium is transferred to the customer and we receive payment under normal credit terms without physically delivering the uranium to the customer. The recognition of revenue and earnings for such uranium sales is deferred until LEU associated with such uranium is physically delivered to the customer rather than at the time title to uranium transfers to the customer. The timing of revenue recognition for uranium sales is uncertain.

Revenue from U.S. Government Contracts

We perform and earn revenue from contract work for DOE and DOE contractors at the Paducah and Portsmouth GDPs, including a contract for maintenance of the Portsmouth GDP in cold shutdown. DOE and USEC have periodically extended the Portsmouth GDP cold shutdown contract, most recently through June 30, 2009. DOE has announced its intention to negotiate a sole-source extension of the cold shutdown contract through September 30, 2010. Continuation of U.S. government contracts is subject to DOE funding and Congressional appropriations. Revenue from U.S. government contracts is based on allowable costs determined under government cost accounting standards. Allowable costs include direct costs as well as allocations of indirect plant and corporate overhead costs and are subject to audit by the Defense Contract Audit Agency. Also refer to “DOE Contract Services Matter” in note 10 to the consolidated condensed financial statements. Revenue from the U.S. government contracts segment includes revenue from our subsidiary NAC International Inc. (“NAC”).

Cost of Sales

Cost of sales for SWU and uranium is based on the amount of SWU and uranium sold and delivered during the period and is determined by a combination of inventory levels and costs, production costs, and purchase costs. Production costs consist principally of electric power, labor and benefits, long-term depleted uranium disposition cost estimates, materials, depreciation and amortization, and maintenance and repairs. The quantity of uranium that is added to uranium inventory from underfeeding is accounted for as a byproduct of the enrichment process. Production costs are allocated to the uranium added to inventory based on the net realizable value of the uranium, and the remainder of production costs is allocated to SWU inventory costs. Under the monthly moving average inventory cost method that we use, coupled with our inventories of SWU and uranium, an increase or decrease in production or purchase costs will have an effect on inventory costs and cost of sales over current and future periods.

We have agreed to purchase approximately 5.5 million SWU each calendar year for the remaining term of the Russian Contract through 2013. Purchases under the Russian Contract are approximately one-half of our supply mix. Prices are determined using a discount from an index of international and U.S. price points, including both long-term and spot prices. A multi-year retrospective view of the index is used to minimize the disruptive effect of short-term market price swings. Increases in these price points in recent years have resulted in increases to the index used to determine prices under the Russian Contract. There were no deliveries under the Russian Contract in the three months ended March 31, 2009. In April 2009, deliveries resumed after the Russian government approved the price for 2009. The purchase cost per SWU for 2009 is expected to be 11% higher compared to 2008.

The pricing methodology under the Russian Contract for deliveries in 2010 through 2013 was amended in February 2009. The U.S. government has approved the amendment and approval by the Russian government is pending. The new pricing methodology is intended to enhance the stability of future pricing for both parties through a formula that combines a different mix of price points and other pricing elements. We expect that prices paid under the Russian Contract, as amended, will continue to increase year over year, and that the total amount paid to the Russian Federation for the SWU component of the LEU delivered under the Russian Contract over the 20 year term of the contract will substantially exceed \$8 billion by the time the contract is completed in 2013. Officials of the Russian government have announced that Russia will not extend the Russian Contract or the government-to-government agreement it implements, beyond 2013. Accordingly, we do not anticipate that we will purchase Russian SWU after 2013.

We provide for the remainder of our supply mix from the Paducah GDP. The gaseous diffusion process uses significant amounts of electric power to enrich uranium. Costs for electric power are approximately 70-75% of production costs at the Paducah GDP. We purchase most of the electric power for the Paducah GDP under a power purchase agreement with TVA that expires May 31, 2012. The base price under the TVA power contract increases moderately based on a fixed, annual schedule, and is subject to a fuel cost adjustment provision to reflect changes in TVA's fuel costs, purchased power costs, and related costs. The impact of the fuel cost adjustment has been negative for USEC, imposing an average increase over base contract prices of about 15% in 2008 and 8% in 2007. The impact of future fuel cost adjustments, which is substantially influenced by coal prices and hydroelectric power availability, is uncertain and our cost of power could fluctuate in the future above or below the agreed increases in the base energy price. We expect the fuel cost adjustment to continue to cause our purchase cost to remain above base contract prices, but the impact is uncertain given volatile energy prices.

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Advanced Technology Costs

Costs relating to the American Centrifuge technology are charged to expense or capitalized based on the nature of the activities and estimates and judgments involving the completion of project milestones. Costs relating to the demonstration of American Centrifuge technology are charged to expense as incurred. Demonstration costs historically have included NRC licensing of the American Centrifuge Demonstration Facility in Piketon, Ohio, engineering activities, and assembling and testing of centrifuge machines and equipment at centrifuge test facilities located in Oak Ridge, Tennessee and at the American Centrifuge Demonstration Facility.

Capitalized costs relating to the American Centrifuge technology include NRC licensing of the American Centrifuge Plant in Piketon, Ohio, engineering activities, construction of centrifuge machines and equipment, leasehold improvements and other costs directly associated with the commercial plant. Capitalized centrifuge costs are recorded in property, plant and equipment as part of construction work in progress. The continued capitalization of such costs is subject to ongoing review and successful project completion. During the second half of 2007, we moved from a demonstration phase to a commercial plant phase in which significant expenditures are capitalized based on management's judgment that the technology has a high probability of commercial success and meets internal targets related to physical control, technical achievement and economic viability. If conditions change and deployment were no longer probable, costs that were previously capitalized would be charged to expense.

Expenditures related to American Centrifuge technology for the three months ended March 31, 2009 and 2008, as well as cumulative expenditures as of March 31, 2009, follow (in millions):

	Three Months Ended		Cumulative as of March 31, 2009
	March 31,		
	2009	2008	
Amount expensed as part of advanced technology costs	\$ 31.4	\$ 23.5	\$ 573.5
Amount capitalized as part of property, plant and equipment (A)	130.2	110.3	774.5
Prepayments to suppliers for services not yet performed	0.1	4.7	24.8
Total ACP expenditures, including accruals (B)	<u>\$ 161.7</u>	<u>\$ 138.5</u>	<u>\$ 1,372.8</u>

(A) Cumulative capitalized costs as of March 31, 2009 include interest of \$30.7 million.

(B) Total expenditures are all American Centrifuge costs including, but not limited to, demonstration facility, licensing activities, commercial plant facility, program management, interest related costs and accrued asset retirement obligations capitalized. This includes \$43.5 million of accruals at March 31, 2009.

For discussions of the financing plan for the American Centrifuge project, see "Management's Discussion and Analysis — Liquidity and Capital Resources." Risks and uncertainties related to the financing, construction and deployment of the American Centrifuge Plant are described in Item 1A, "Risk Factors" of our 2008 Annual Report on Form 10-K.

Advanced technology costs also include research and development efforts undertaken for NAC, relating primarily to its new generation MAGNASTOR™ dual-purpose dry storage system for spent fuel. On February 4, 2009, MAGNASTOR was added to the NRC's list of dry storage casks approved for use under a general license. MAGNASTOR has the largest capacity of any cask system approved to date. NAC will submit an amendment for the storage of damaged fuel and an application for a transport license including damaged fuel in 2009.

Results of Operations — Three Months Ended March 31, 2009 and 2008**Segment Information**

We have two reportable segments measured and presented through the gross profit line of our income statement: the LEU segment with two components, SWU and uranium, and the U.S. government contracts segment. The LEU segment is our primary business focus and includes sales of the SWU component of LEU, sales of both SWU and uranium components of LEU, and sales of uranium. The U.S. government contracts segment includes work performed for DOE and its contractors at the Portsmouth and Paducah GDPs, as well as nuclear energy services and technologies provided by NAC. Intersegment sales between our reportable segments were less than \$0.1 million in each period presented below and have been eliminated in consolidation.

	Three Months Ended		Change	%
	March 31,			
	2009	2008		
	(millions)			
LEU segment				
Revenue:				
SWU revenue	\$ 427.9	\$ 245.1	\$ 182.8	75%
Uranium revenue	28.6	47.2	(18.6)	(39)%
Total	456.5	292.3	164.2	56%
Cost of sales	414.9	260.7	(154.2)	(59)%
Gross profit	<u>\$ 41.6</u>	<u>\$ 31.6</u>	<u>\$ 10.0</u>	32%
U.S. government contracts segment				
Revenue	\$ 49.1	\$ 51.0	\$ (1.9)	(4)%
Cost of sales	48.5	43.8	(4.7)	(11)%
Gross profit	<u>\$ 0.6</u>	<u>\$ 7.2</u>	<u>\$ (6.6)</u>	(92)%
Total				
Revenue	\$ 505.6	\$ 343.3	\$ 162.3	47%
Cost of sales	463.4	304.5	(158.9)	(52)%
Gross profit	<u>\$ 42.2</u>	<u>\$ 38.8</u>	<u>\$ 3.4</u>	9%

Revenue

The volume of SWU sales increased 66% in the three months ended March 31, 2009, compared to the corresponding period in 2008, due to the timing of utility customer refuelings. Because a majority of the reactors served by USEC are refueled on an 18-to-24 month cycle, we anticipate an increase in the volume of SWU sales of approximately 40% in the full year 2009 compared with 2008. The average price billed to customers for sales of SWU increased 5% in the three months ended March 31, 2009, compared to the corresponding period in 2008, reflecting the particular contracts under which SWU were sold during the periods as well as the general trend of higher prices under contracts signed in recent years.

The volume of uranium sold declined 66% and the average price increased 77% in the three months ended March 31, 2009, compared to the corresponding period in 2008, reflecting the timing of customer orders and the particular price mix of contracts under which uranium was sold.

Revenue from the U.S. government contracts segment declined \$1.9 million in the three months ended March 31, 2009, compared to the corresponding period in 2008, following completion of processing out-of-specification uranium for DOE in 2008. This decline in contract work was largely offset by an increase in revenue related to cold shutdown services at the Portsmouth GDP and dry cask storage services performed by NAC.

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Cost of Sales

Cost of sales for SWU and uranium increased \$154.2 million (or 59%) in the three months ended March 31, 2009, compared to the corresponding period in 2008, due to higher SWU sales volumes and higher SWU unit costs, partially offset by lower uranium sales volume. Cost of sales per SWU was 16% higher in the three months ended March 31, 2009 compared to the corresponding period in 2008. Under our monthly moving average cost method, new production and acquisition costs are averaged with the cost of inventories at the beginning of the period.

Production costs declined \$16.0 million (or 7%) in the three months ended March 31, 2009 compared to the corresponding period in 2008. Production volume declined 9% following record production in the prior period. Ice storms in Paducah, Kentucky in January 2009 resulted in reduced electric power availability and partial loss of enrichment capacity for several weeks, although production volume in the first quarter of 2009 remained within the range of normal capacity. The unit production cost increased 3% reflecting an increase in benefit costs and the greater impact of fixed costs on reduced volume. The sharp downturn in the fair value of pension and postretirement benefit plan assets in 2008 resulted in higher net benefit costs in the first quarter of 2009 which will continue for the remainder of the year compared to 2008. The cost of electric power declined by \$20.1 million in the first quarter of 2009 compared to the same period in 2008 due to a 7% decline in megawatt hours purchased and a 5% decline in the average cost per megawatt hour, driven by a decline in TVA fuel cost adjustments. Production costs allocated to SWU inventories increased 28% on a SWU unit cost basis. Declines in the net realizable value of uranium resulted in a lower allocation of production costs to uranium added from underfeeding.

We purchase approximately 5.5 million SWU per year under the Russian Contract. There were no deliveries in the three months ended March 31, 2009, resulting in a \$96.3 million decline in purchase costs under the Russian Contract compared to the corresponding period in 2008. Deliveries resumed in April 2009 after the Russian government approved the price for 2009.

Cost of sales for the U.S. government contracts segment increased \$4.7 million (or 11%) in the three months ended March 31, 2009, compared to the corresponding period in 2008, due to costs incurred for anticipated new contract work at the Portsmouth GDP for which revenue has not yet been earned and changes in the mix of contract services performed. On May 1, 2009, we entered into an agreement with DOE related to additional services at the Portsmouth GDP.

Gross Profit

Gross profit increased \$3.4 million (or 9%) in the three months ended March 31, 2009, compared to the corresponding period in 2008. Our gross profit margin was 8.3% in the three months ended March 31, 2009, compared to 11.3% in the corresponding period in 2008.

Gross profit for SWU and uranium increased \$10.0 million (or 32%) in the three months ended March 31, 2009, compared to the corresponding period in 2008, due to higher SWU sales volumes and prices, partially offset by higher SWU inventory costs.

Gross profit for the U.S. government contracts segment declined \$6.6 million (or 92%) in the three months ended March 31, 2009, compared to the corresponding period in 2008, due to costs incurred for anticipated new contract work at the Portsmouth GDP for which revenue has not yet been earned and changes in the mix of contract services performed.

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Non-Segment Information

The following table presents elements of the accompanying consolidated condensed statements of operations that are not categorized by segment (amounts in millions):

	Three Months Ended		Change	%
	March 31,			
	2009	2008		
Gross profit	\$ 42.2	\$ 38.8	\$ 3.4	9%
Advanced technology costs	31.4	23.9	(7.5)	(31)%
Selling, general and administrative	14.5	12.0	(2.5)	(21)%
Operating income (loss)	(3.7)	2.9	(6.6)	(228)%
Interest expense	0.5	6.3	5.8	92%
Interest (income)	(0.6)	(10.8)	(10.2)	(94)%
Income (loss) before income taxes	(3.6)	7.4	(11.0)	(149)%
Provision (benefit) for income taxes	(1.5)	3.0	4.5	150%
Net income (loss)	<u>\$ (2.1)</u>	<u>\$ 4.4</u>	<u>\$ (6.5)</u>	(148)%

Advanced Technology Costs

The increase in advanced technology costs reflects increased research and development activities associated with value engineering the AC100 centrifuge machine to lower its capital cost as well as additional efforts required to prepare the Lead Cascade for installation and operation of initial AC100 series machines. In addition, commercial plant activities have increased compared to efforts in the corresponding period in 2008, including training and procedure development and facility turnover preparations. Advanced technology costs include expenses by NAC to develop its MAGNASTOR storage system of less than \$0.1 million in the three months ended March 31, 2009 and \$0.4 million in the corresponding period of 2008.

Selling, General and Administrative

Selling, general and administrative (“SG&A”) expenses increased \$2.5 million (or 21%) in the three months ended March 31, 2009 compared to the corresponding period in 2008. The prior period included a \$1.0 million credit to stock-based compensation expense based on a decline in our stock price from December 31, 2007 to March 31, 2008. There was no corresponding credit in the current period. Expenses for grants of stock options and restricted stock increased \$0.6 million period-over-period, consulting expenses increased \$0.4 million, and employee benefit expenses increased \$0.3 million.

Interest Expense and Interest Income

Interest expense declined \$5.8 million (or 92%) in the three months ended March 31, 2009, compared to the corresponding period in 2008. Interest capitalized for American Centrifuge increased from \$2.2 million last period to \$5.7 million in the current period, or an increase of \$3.5 million in interest that was not expensed as a period cost. In addition, interest expense declined based on our repurchase of 6.75% senior notes during 2008 and repayment of the remaining principal balance of \$95.7 million on the scheduled maturity date of January 20, 2009.

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Interest income declined \$10.2 million (or 94%) in the three months ended March 31, 2009, reflecting reduced cash and investment balances resulting from American Centrifuge expenditures. Interest income on accounts receivable of \$1.0 million was earned under contract in the three months ended March 31, 2008 and there was no corresponding amount in the current period.

Provision (Benefit) for Income Taxes

The income tax benefit and effective tax rate in the three months ended March 31, 2009 was \$(1.5) million and 42%, respectively. The provision for income taxes in the corresponding three month period in 2008 was \$3.0 million which included the effects of approximately \$0.4 million of benefits due to the reversal of previously accrued amounts under accounting guidance provided in the Financial Accounting Standards Board's Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). Excluding the reversal, the overall effective tax rate was 46%. The overall effective rate for the year ended December 31, 2008, excluding the effects of FIN 48 and 2007 research credit related adjustments, was 38% based on actual earnings for 2008. The significant changes between the overall effective tax rates for 2008 of 38% compared to 2009 of 42% include the decrease in income before income taxes in 2009 and the decrease in the federal research credit.

Net Income (Loss)

Net income declined \$6.5 million (or \$0.06 per share-basic and diluted) in the three months ended March 31, 2009, compared with the corresponding period in 2008, reflecting the after-tax impact of lower interest income and higher advanced technology expenses, partially offset by lower interest expense. An increase in gross profits in the LEU segment was partially offset by a decline in gross profits in the government contracts segment.

2009 Outlook

We are reiterating our guidance issued February 25, 2009. Specifically, in 2009 we expect revenue of approximately \$2.2 billion, net income in a range of \$25 to \$50 million, and cash flows from operations in a range of \$240 to \$275 million. We expect our gross profit margin to be in a range of approximately 10% to 12%.

Our financial results guidance is subject to a number of assumptions and uncertainties that could affect results either positively or negatively. Variations from our expectations could cause substantial differences between our guidance and ultimate results. Among the factors that could affect net income and cash flows are:

- Movement and timing of customer orders;
- Changes to the electric power fuel cost adjustment from our current projection;
- The potential for significant reductions in ACP spending in order to ensure sufficient liquidity;
- The amount of spending on the ACP that is classified as an expense;
- The timing of recognition of previously deferred revenue, particularly related to the sale of uranium;
- Changes in SWU and uranium market price indicators, and changes in inflation that can affect the price of SWU billed to customers; and
- Additional uranium sales made possible by underfeeding the production process at the Paducah GDP.

Liquidity and Capital Resources

We provide for our liquidity requirements through our cash balances, working capital and access to our bank credit facility. We need to raise a significant amount of additional capital to continue funding and to complete the American Centrifuge Plant. We do not believe public market financing for a large capital project such as the American Centrifuge Plant is available to us given current financial market conditions. In July 2008, we applied to the DOE Loan Guarantee Program as the path for obtaining \$2 billion in debt financing to complete the American Centrifuge Plant. Areva, a company majority owned by the French government, also applied for funding under this program for a proposed plant in the U.S. and is also being considered by DOE. We are seeking an expeditious funding commitment by DOE and financial closing later this year. However, we have no assurance that our project will move forward in the program, and even if it does, it could still take an extended period for the loan guarantee and funding to be finalized. Accordingly, in February 2009, we initiated steps to conserve cash and reduce the planned escalation of project construction and machine manufacturing activities until we gain greater certainty on potential funding for the project through the DOE Loan Guarantee Program. In addition, on a parallel path, we continue to evaluate the potential for third-party investment.

To ensure that we have adequate liquidity for our ongoing operations, we have reduced our planned escalation of project spending in 2009 to work within the combination of our expected funds available through our cash from operations and available borrowings under our credit facility. Under our deployment schedule for the ACP, spending was expected to peak in 2009 with spending of approximately \$800 million, including a substantial ramp up involving the hiring of plant construction workers and preparing facilities that would provide key components for the AC100 centrifuge machines. Our initial steps to slow the growth of project spending in 2009 include sharply reducing the ramp up in hiring construction and craft workers for the ACP and deferring select procurements. We are working with our suppliers to identify and implement actions that can be taken to reduce costs while mitigating the impact on project cost and schedule. We may also take other actions to ensure that we have adequate liquidity for our ongoing operations and remain in compliance with covenants under our debt agreements. Further details are provided in Item 1A, "Risk Factors" of our 2008 Annual Report on Form 10-K.

Without a DOE loan guarantee or other financing and without taking into account any further reductions in our current rate of project spending, we anticipate that our cash, expected internally generated cash flow from operations and available borrowings under our revolving credit facility are sufficient to meet our cash needs for approximately 9-12 months. If we determine that a loan guarantee or alternative financing is not forthcoming or available in the near term, we will take additional steps to implement further project spending reductions to maintain sufficient liquidity. However, additional funds may be necessary sooner than we currently anticipate if we are not successful in our efforts to conserve cash or in the event of increases in the cost of the American Centrifuge project, unanticipated prepayments to suppliers, increases in financial assurance, unanticipated costs under the Russian Contract, increases in power costs or any shortfall in our estimated levels of operating cash flow or available borrowings under our revolving credit facility, or to meet other unanticipated expenses.

We believe the Paducah GDP provides a meaningful operational backstop during the ACP deployment period and we have the flexibility to extend its operations as part of any alternative planning we may evaluate as the most prudent path for deploying the ACP.

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The change in cash and cash equivalents from our consolidated statements of cash flows are as follows on a summarized basis (in millions):

	Three Months Ended	
	March 31,	
	2009	2008
Net Cash Provided by Operating Activities	\$ 23.8	\$ 20.7
Net Cash (Used in) Investing Activities	(137.7)	(91.5)
Net Cash (Used in) Financing Activities	(96.7)	(10.0)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (210.6)</u>	<u>\$ (80.8)</u>

Operating Activities

Cash flow provided by operating activities in the three months ended March 31, 2009 was derived in large part from monetization of inventory built up in the prior year. Inventories declined \$237.9 million in the current period, although the cash impact is partially delayed by an increase in accounts receivable of \$105.3 million. Payment of the Russian Contract payables balance of \$121.5 million was a significant use of cash flow in the three months ended March 31, 2009.

Investing Activities

Capital expenditures were \$117.1 million in the three months ended March 31, 2009, compared with \$91.5 million in the corresponding period in 2008. Capital expenditures during these periods are principally associated with the American Centrifuge Plant, including prepayments made to suppliers for services not yet performed. Cash deposits of \$20.6 million were made in the three months ended March 31, 2009 as collateral for surety bonds in connection with financial assurance requirements for the American Centrifuge Plant.

Financing Activities

We repaid the remaining principal balance of the 6.75% senior notes of \$95.7 million on the scheduled maturity date of January 20, 2009 with available cash. There was no borrowing under the \$400.0 million revolving credit facility as of March 31, 2009 or during the quarter.

There were 123.3 million shares of common stock outstanding at both March 31, 2009 and December 31, 2008.

Working Capital

	March 31,	December 31,
	2009	2008
	(millions)	
Cash and cash equivalents	\$ 37.9	\$ 248.5
Accounts receivable	259.4	154.1
Inventories, net	863.8	1,101.7
Current portion of long-term debt	—	(95.7)
Other current assets and liabilities, net	(121.8)	(234.3)
Working capital	<u>\$ 1,039.3</u>	<u>\$ 1,174.3</u>

The decline in working capital of \$135.0 million reflects cash used for capitalized expenditures associated with the American Centrifuge Plant, a reduction in payables under the Russian Contract, and deposits for surety bonds. The decrease in net inventories reflects the high volume of SWU sales in the first quarter of 2009 and the temporary suspension of SWU purchases under the Russian Contract pending the April 2009 finalization of the calendar year 2009 price.

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Capital Structure and Financial Resources

At March 31, 2009, our long-term debt consisted of \$575.0 million in 3.0% convertible senior notes due October 1, 2014. These notes are unsecured obligations and rank on a parity with all of our other unsecured and unsubordinated indebtedness. Financing costs of \$14.3 million related to the convertible notes were deferred and are being amortized over the life of the debt. Our debt to total capitalization ratio was 33% at March 31, 2009 and 37% at December 31, 2008.

In August 2005, we entered into a five-year, syndicated bank credit facility, providing up to \$400.0 million in revolving credit commitments, including up to \$300.0 million in letters of credit, secured by assets of USEC Inc. and our subsidiaries. The credit facility will mature on August 18, 2010, and we are planning to pursue an extension or renewal of the facility and to explore other options to support working capital and financial assurance requirements. The credit facility is available to finance working capital needs and fund capital programs, including the American Centrifuge project. Financing costs of \$3.5 million and \$0.3 million to obtain and amend the credit facility, respectively, were deferred and are being amortized over the life of the facility.

Utilization of the revolving credit facility at March 31, 2009 and December 31, 2008 follows:

	March 31, 2009	December 31, 2008
	(millions)	
Short-term borrowings	\$ —	\$ —
Letters of credit	42.0	48.0
Available credit	358.0	343.0

Borrowings under the credit facility are subject to limitations based on established percentages of qualifying assets such as eligible accounts receivable and inventory. Available credit reflects the levels of qualifying assets at the end of the previous month less any borrowings or letters of credit, and will fluctuate during the quarter. Qualifying assets are reduced by certain reserves, principally a reserve for future obligations to DOE with respect to the turnover of the gaseous diffusion plants at the end of the term of the lease of these facilities.

The revolving credit facility contains various reserve provisions that reduce available borrowings under the facility periodically or restrict the use of borrowings, including covenants that can periodically limit us to \$50.0 million in capital expenditures based on available liquidity levels. Other reserves under the revolving credit facility, such as availability reserves and borrowing base reserves, are customary for credit facilities of this type.

Outstanding borrowings under the facility bear interest at a variable rate equal to, based on our election, either:

- the sum of (1) the greater of the JPMorgan Chase Bank prime rate and the federal funds rate plus $\frac{1}{2}$ of 1% plus (2) a margin ranging from 0.25% to 0.75% based upon collateral availability, or
- the sum of LIBOR plus a margin ranging from 2.0% to 2.5% based upon collateral availability.

The revolving credit facility includes various customary operating and financial covenants, including restrictions on the incurrence and prepayment of other indebtedness, granting of liens, sales of assets, making of investments, maintenance of a minimum amount of inventory, and payment of dividends or other distributions. Failure to satisfy the covenants would constitute an event of default under the revolving credit facility. As of March 31, 2009, we were in compliance with all of the covenants.

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Our current credit ratings are as follows:

	Standard & Poor's	Moody's
Corporate credit/family rating	B-	B3
3.0% convertible senior notes	CCC	unrated
Outlook	Negative	Negative

Financial Assurance and Related Liabilities

The NRC requires that we guarantee the disposition of our depleted uranium and stored wastes with financial assurance. The financial assurance in place for depleted uranium and stored wastes is based on the quantity of depleted uranium and waste at the end of the prior year plus expected depleted uranium generated over the current year. We also provide financial assurance for the ultimate decontamination and decommissioning ("D&D") of the American Centrifuge facilities to meet NRC and DOE requirements. Surety bonds for the disposition of depleted uranium and for D&D are partially collateralized by interest earning cash deposits included in other long-term assets. A summary of financial assurance, related liabilities and cash collateral follows (in millions):

	Financial Assurance		Long-Term Liability	
	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Depleted uranium disposition	\$ 232.0	\$ 232.0	\$ 126.1	\$ 119.5
Decontamination and decommissioning of American Centrifuge	88.9	57.7	20.1	13.7
Other financial assurance	16.9	22.9		
Total financial assurance	<u>\$ 337.8</u>	<u>\$ 312.6</u>		
Letters of credit	42.0	48.0		
Surety bonds	295.8	264.6		
Cash collateral deposit for surety bonds	\$ 156.0	\$ 135.1		

The amount of financial assurance needed in the future for depleted uranium disposition is anticipated to increase by an estimated \$35 to \$45 million per year depending on Paducah GDP production volumes and the estimated unit disposition cost defined by the NRC requirement.

The amount of financial assurance needed for D&D of the American Centrifuge Plant is anticipated to increase to roughly \$165 million by the end of 2009 from \$88.9 million as of March 31, 2009, depending on construction progress and cost projections. The current estimate of the total cost related to NRC and DOE D&D requirements is \$403 million. Financial assurance will also be required for the disposition of depleted uranium generated from future centrifuge operations.

Off-Balance Sheet Arrangements

Other than the letters of credit issued under the credit facility, the surety bonds as discussed above and certain contractual commitments disclosed in our 2008 Annual Report, there were no material off-balance sheet arrangements, obligations, or other relationships at March 31, 2009 or December 31, 2008.

New Accounting Standards

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements.” This statement clarifies the definition of fair value, establishes a framework for measuring fair value when required or permitted under other accounting pronouncements, and expands the disclosures on fair value measurements. SFAS No. 157 is effective January 1, 2008 for financial assets and liabilities and January 1, 2009 for non-financial assets and liabilities. The implementation of SFAS No. 157 did not have a material impact on our financial position and results of operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

At March 31, 2009, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short-term nature of the instruments.

USEC has not entered into financial instruments for trading purposes. At March 31, 2009, our debt consisted of the 3.0% convertible senior notes with a balance sheet carrying value of \$575.0 million. The fair value of the convertible notes, based on the most recent trading price, was \$322.0 million.

Reference is made to additional information reported in management’s discussion and analysis of financial condition and results of operations included herein for quantitative and qualitative disclosures relating to:

- commodity price risk for electric power requirements for the Paducah GDP (refer to “Overview — Cost of Sales” and “Results of Operations — Cost of Sales”),
- commodity price risk for raw materials needed for construction of the American Centrifuge Plant, that could affect the overall cost of the project, and
- interest rate risk relating to any outstanding borrowings at variable interest rates under the \$400.0 million revolving credit agreement (refer to “Liquidity and Capital Resources — Capital Structure and Financial Resources”).

Item 4. *Controls and Procedures*

Effectiveness of Our Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

USEC Inc.
PART II. OTHER INFORMATION

Item 1. Legal Proceedings

DOE Contract Services Matter

The U.S. Department of Justice (“DOJ”) asserted in a letter to USEC dated July 10, 2006 that DOE may have sustained damages in an amount that exceeds \$6.9 million under our contract with DOE for the supply of cold standby services at the Portsmouth GDP. DOJ indicated that it was assessing possible violations of the Civil False Claims Act (“FCA”), which allows for treble damages and civil penalties, and related claims in connection with invoices submitted under that contract. We responded to DOJ’s letter in September 2006, stating that the government does not have a legitimate basis for asserting any FCA or related claims under the cold standby contract, and have been cooperating with DOJ and the DOE Office of Investigations with respect to their inquiries into this matter. In a supplemental presentation by DOJ and DOE on October 18, 2007, DOJ identified revised assertions of alleged overcharges of at least \$14.6 million on the cold standby and two other cost-type contracts, again potentially in violation of the FCA. We have responded to these assertions and have provided several follow-up responses to DOJ and DOE in response to their requests for additional data and analysis. We believe that the DOJ and DOE analyses are significantly flawed, and no loss has been accrued. We intend to defend vigorously any FCA or related claim that might be asserted against us. As part of our continuing discussions with DOJ, we and DOJ have agreed several times to extend the statute of limitations for this matter, most recently to July 6, 2009.

Government Investigation of LEU Imports from France

Various appeals and agency administrative reviews regarding the antidumping order on imports of LEU from France have now recommenced following the unanimous decision of the U.S. Supreme Court in January 2009 upholding the application of the antidumping law to imports of LEU under contracts for the sale of SWU. These appeals and reviews had been held in abeyance pending the Supreme Court decision. Depending on the outcome and timing of the resolution of these appeals and reviews, antidumping duties deposited with respect to imports of French LEU prior to October 1, 2007 could be available for distribution in the future to us under the Continued Dumping and Subsidy Offset Act (“CDSOA”), and the amounts could be material. The amounts, if any, that would be distributed to us or when such distributions would be made will depend on when and in what manner these appeals and reviews are completed or otherwise finally resolved.

Other Legal Matters

We are subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, we do not believe that the outcome of any of these legal matters will have a material adverse effect on our results of operations or financial condition.

Item 1A. Risk Factors

Investors should carefully consider the risk factors in Item 1A of our 2008 Annual Report on Form 10-K, in addition to the other information in our Annual Report and in this quarterly report on Form 10-Q.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) First Quarter 2009 Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased(1)	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1 – January 31	—	—	—	—
February 1 – February 28	—	—	—	—
March 1 – March 31	271,853	\$ 3.67	—	—
Total	271,853	\$ 3.67	—	—

(1) These purchases were not made pursuant to a publicly announced repurchase plan or program. Represents 271,853 shares of common stock surrendered to USEC to pay withholding taxes on shares of restricted stock under the 1999 Equity Incentive Plan, as amended.

Item 6. Exhibits

- 10.1 Amendment No. 018, dated January 13, 2009, to the Contract dated January 14, 1994 between United States Enrichment Corporation, Executive Agent of the United States of America, and Joint Stock Company “Techsnabexport”, Executive Agent of the Russian Federation (the “Russian Contract”). (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
- 10.2 Amendment No. 019 dated February 13, 2009 to the Russian Contract. (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
- 10.3 Modification No. 2 dated January 12, 2009, to Agreement dated June 17, 2002 between the U.S. Department of Energy and USEC Inc., incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on January 13, 2009 (Commission file number 1-14287).
- 10.4 USEC Inc. 2009 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on May 6, 2009).
- 10.5 Form of Employee Restricted Stock Award Agreement (Annual Incentive Program) (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed on May 6, 2009).
- 10.6 Form of Employee Restricted Stock Award Agreement (Long Term Incentive Program)(incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed on May 6, 2009).
- 10.7 Form of Employee Non-qualified Stock Option Award Agreement (Three Year Vesting) (incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed on May 6, 2009).
- 10.8 Form of Non-Employee Director Restricted Stock Unit Award Agreement (Annual Retainers and Chairman Fees) (incorporated by reference to Exhibit 10.5 of the Current Report on Form 8-K filed on May 6, 2009).
- 10.9 Form of Non-Employee Director Restricted Stock Unit Award Agreement (Incentive Awards) (incorporated by reference to Exhibit 10.6 of the Current Report on Form 8-K filed on May 6, 2009).
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
- 32 Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350.

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amendment No. 018, dated January 13, 2009, to the Contract dated January 14, 1994 between United States Enrichment Corporation, Executive Agent of the United States of America, and Joint Stock Company “Techsnabexport”, Executive Agent of the Russian Federation (the “Russian Contract”). (Certain information has been omitted and filed separately pursuant to a request for confidential treatment under Rule 24b-2).
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31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350.

Confidential treatment has been requested for the redacted portions. The confidential redacted portions have been filed separately with the Securities and Exchange Commission.

DE-AC01-93NE50067,
08843672/50067-02
Amendment No. 018

AMENDMENT No. 018, signed as of January 13, 2009, to Contract No. DE-AC01-93NE50067, 08843672/50067-02 entered into January 14, 1994 (the "Contract") by and between United States Enrichment Corporation ("USEC"), Executive Agent of the Government of the United States of America, and Joint Stock Company "Techsnabexport" ("TENEX"), Executive Agent of the State Atomic Energy Agency "Rosatom", Executive agent of the Government of the Russian Federation. (USEC and TENEX, acting in their capacities as Executive Agents, are referred to herein individually as a "Party" and collectively as the "Parties"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Contract.

Pursuant to Part 1, Section H.04 of the Contract, USEC and TENEX hereby agree as follows:

SECTION 1. In accordance with the Contract, USEC shall pay a per SWU price of ***** for the SWU component of ***** of low enriched uranium ("LEU") to be delivered to USEC under the Contract in calendar year ("CY") 2009 pursuant to the USEC delivery order attached hereto as Appendix A (the "CY2009 Delivery Order").

SECTION 2. Without reducing the quantities to be delivered in CY2009 under the Contract, the Parties shall adjust the parameters of the CY2009 Delivery Order and the month-by-month schedule of deliveries attached thereto to take account the following issues: (1) commitments of the Executive Agent of the Russian Federation to provide a certain revenue to the Federal Budget of the Russian Federation in CY2009; (2) production commitments of Russian enrichment facilities; and/or (3) logistical problems for TENEX or USEC. The deliveries of LEU in CY2009 shall begin in accordance with the adjusted CY2009 Delivery Order and the month-by-month schedule of deliveries upon their approval by Rosatom and the signing thereof by the Parties. The purchase price set forth in Section 1 of this Amendment shall be paid by USEC for all of the SWU component of LEU subject to delivery to USEC of LEU in accordance with the adjusted CY2009 Delivery Order.

SECTION 3. In the event that this Amendment enters into force and effect, the Parties shall use their good faith efforts to reach agreement, not later than March 15, 2009, on a new price determination methodology for the SWU component of the LEU to be delivered to USEC under the Contract pursuant to USEC delivery orders for the period from, and including, CY2010 through the remaining term of the Contract, and shall use their best efforts to promptly secure the approval or endorsement by the Government of the Russian Federation and the Government of the United States of America of an amendment to the Contract incorporating such methodology.

SECTION 4. Except as expressly amended hereby, the Contract shall remain unchanged and in full force and effect.

SECTION 5. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

SECTION 6. This Amendment shall enter into force and effect, the rights and obligations of the Parties under this Amendment shall arise and the Parties shall be bound by the obligations and entitled to the rights as set forth in this Amendment upon and as of the first day by which (i) the approval or endorsement of this Amendment by the Government of the Russian Federation or its authorized agency(ies) of the Government of the Russian Federation has been obtained and (ii) written confirmation that USEC, as the Executive Agent for the Government of the United States of America, is authorized to sign this Amendment (or confirmation that the approval of the U.S. Government is not required) has been obtained from the U.S. State Department as the authorized agency of the U.S. Government. TENEX shall notify USEC as soon as such approval or endorsement of the Government of the Russian Federation or its authorized agency(ies) has been obtained and USEC shall notify TENEX as soon as such written confirmation has been obtained from the U.S. State Department. Each Party shall use its best efforts to secure, as soon as possible, the approval, endorsement or confirmation, as applicable, of its respective government.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION

JOINT STOCK COMPANY "TECHSNABEXPORT"

By: /s/ Philip G. Sewell
Name: Philip G. Sewell
Title: Senior Vice President

By: /s/ Alexey A. Grigoriev
Name: Alexey A. Grigoriev
Title: General Director

Confidential treatment has been requested for the redacted portions. The confidential redacted portions have been filed separately with the Securities and Exchange Commission.

DE-AC01-93NE50067,
08843672/50067-02
Amendment No. 019

AMENDMENT No. 019, signed as of February 13, 2009, to Contract No. DE-AC01-93NE50067, 08843672/50067-02 entered into January 14, 1994 (the "Contract") by and between United States Enrichment Corporation ("USEC"), Executive Agent of the Government of the United States of America, and Joint Stock Company "Techsnabexport" ("TENEX"), Executive Agent of the State Atomic Energy Agency "Rosatom", Executive agent of the Government of the Russian Federation. (USEC and TENEX, acting in their capacities as Executive Agents, are referred to herein individually as a "Party" and collectively as the "Parties"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Contract.

Pursuant to Part I, Section H.12(c) of the Contract, USEC and TENEX hereby agree as follows:

SECTION 1. Notwithstanding anything to the contrary in the Contract (including but not limited to Part I, Section B.06(c)(2) and (3) of the Contract (as added by Amendment No. 016)), the pricing for the SWU Component of LEU ordered by USEC under the Contract for delivery in calendar years 2010-2013, inclusive, shall be determined in accordance with Appendix A of this Amendment No. 019 and, except as expressly stated in Appendix A, not under the pricing methodology in Part I, Section B.06(c)(2) and (3) of the Contract.

SECTION 2. This Amendment shall enter into force and effect, the rights and obligations of the Parties under this Amendment shall arise and the Parties shall be bound by the obligations and entitled to the rights as set forth in this Amendment upon and as of the first day by which the approval or endorsement of this Amendment by both (i) the Government of the Russian Federation or its authorized agency(ies) of the Government of the Russian Federation has been obtained and (ii) the U.S. State Department as the authorized agency of the U.S. Government has been obtained. TENEX shall notify USEC as soon as such approval or endorsement of the Government of the Russian Federation or its authorized agency(ies) has been obtained from the U.S. State Department.

SECTION 3. The Parties hereto shall maintain in confidence the pricing agreed to in Appendix A. A Party may disclose such pricing information to the extent required to meet the requirements of applicable law, regulations and court decisions, but in such a case, it shall use its best efforts to minimize disclosure and to ensure that any recipient of such information maintains it in confidence to the extent permitted by, or feasible under, such law, regulations and court decisions. Notwithstanding the foregoing, each Party shall have the right to disclose this Amendment to Rosatom and to such Party's Government and Government agencies and state authorities, and to such third parties as necessary to enforce its rights under this Amendment or to a court, arbitrator or arbitral tribunal when it is a party to such a proceeding.

SECTION 4. Upon entering into force and effect, this Amendment No. 019 shall be considered the fulfillment of the Parties' obligations under Section 5 of Amendment No. 017 and under Section 3 of Amendment No. 018.

SECTION 5. Except as expressly amended hereby, the Contract shall remain unchanged and in full force and effect.

SECTION 6. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 019 as of the date first written above.

UNITED STATES ENRICHMENT CORPORATION

JOINT STOCK COMPANY "TECHSNABEXPORT"

By: /s/ Philip G. Sewell
Name: Philip G. Sewell
Title: Senior Vice President

By: /s/ Alexey A. Grigoriev
Name: Alexey A. Grigoriev
Title: General Director

Appendix A

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John K. Welch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of USEC Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 7, 2009

/s/ John K. Welch

John K. Welch
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John C. Barpoulis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of USEC Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 7, 2009

/s/ John C. Barpoulis

John C. Barpoulis
Senior Vice President and Chief Financial Officer

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of USEC Inc. for the quarter ended March 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. § 1350, John K. Welch, President and Chief Executive Officer, and John C. Barpoulis, Senior Vice President and Chief Financial Officer, each hereby certifies, that, to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of USEC Inc.

May 7, 2009

/s/ John K. Welch

John K. Welch
President and Chief Executive Officer

May 7, 2009

/s/ John C. Barpoulis

John C. Barpoulis
Senior Vice President and Chief Financial Officer