

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE FISCAL QUARTER ENDED MARCH 31, 1999

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 or other jurisdiction
of incorporation or organization)

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

2 DEMOCRACY CENTER,
6903 ROCKLEDGE DRIVE, BETHESDA MD
(Address of principle executive offices)

20817
(Zip Code)

Registrant's telephone number, including area code: (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 X No
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As of March 31, 1999, there were 99,995,000 shares of Common Stock, par
value \$.10 per share, issued and outstanding.

USEC INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 1999

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This Quarterly Report on Form 10-Q includes certain forward-looking information (within the meaning of the Private Securities Litigation Reform Act of 1995) that involve risks and uncertainty, including certain assumptions regarding the future performance of USEC. Actual results and trends may differ materially depending upon a variety of factors, including, without limitation, market demand for USEC's services, pricing trends in the uranium and enrichment markets, the availability and cost of electric power, USEC's ability to successfully execute its internal performance plans, the refueling cycles of USEC's customers and the impact of any government regulation. Further, customer commitments under their contracts are based on customers' estimates of their future requirements.

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USEC INC.
CONSOLIDATED BALANCE SHEETS
(MILLIONS, EXCEPT SHARE AND PER SHARE DATA)

	(UNAUDITED)	
	MARCH 31, 1999	JUNE 30, 1998
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 39.6	\$1,177.8
Accounts receivable - customers.....	179.4	236.4
Inventories:		
Separative Work Units.....	702.2	687.0
Uranium.....	188.9	184.5
Uranium provided by customers.....	152.4	315.0
Materials and supplies	20.7	24.8
	-----	-----
Total Inventories.....	1,064.2	1,211.3
Payments for future deliveries under Russian Contract.....	50.0	63.4
Other.....	34.3	39.5
	-----	-----
Total Current Assets.....	1,367.5	2,728.4
Property, Plant and Equipment, net.....	146.2	131.9
Other Assets		
Deferred income taxes.....	48.9	-
Deferred costs for depleted uranium.....	45.8	50.0
Uranium inventories.....	570.1	561.0
	-----	-----
Total Other Assets.....	664.8	611.0
	-----	-----
Total Assets.....	\$2,178.5	\$3,471.3
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued liabilities.....	\$ 222.4	\$ 182.9
Uranium owed to customers.....	152.4	315.0
Payables under Russian Contract.....	36.7	8.4
Nuclear safety upgrade costs.....	24.2	41.2
	-----	-----
Total Current Liabilities.....	435.7	547.5
Long-Term Debt.....	500.0	-
Other Liabilities		
Advances from customers.....	18.1	34.3
Depleted uranium disposition.....	8.4	372.6
Other liabilities.....	84.7	96.4
	-----	-----
Total Other Liabilities.....	111.2	503.3
Stockholders' Equity		
Preferred stock, par value \$1.00 per share, 25,000,000 shares authorized, none issued.....	-	-
Common stock, par value \$.10 per share, 250,000,000 shares authorized, 99,995,000 shares issued and outstanding.....	10.0	10.0
Excess of capital over par value.....	1,072.0	1,357.1
Retained earnings.....	58.4	1,053.4
Treasury stock and deferred compensation.....	(8.8)	-
	-----	-----
Total Stockholders' Equity.....	1,131.6	2,420.5
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$2,178.5	\$3,471.3
	=====	=====

See notes to consolidated financial statements

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USEC INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(MILLIONS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	1999	1998	1999	1998
	-----	-----	-----	-----
Revenue				
Domestic.....	\$205.9	\$194.6	\$612.8	\$ 646.0
Asia.....	50.8	76.4	302.0	340.2
Europe and other.....	3.7	23.0	75.9	70.5
	-----	-----	-----	-----
	260.4	294.0	990.7	1,056.7
Cost of sales.....	207.1	214.4	786.4	792.2
	-----	-----	-----	-----
Gross profit.....	53.3	79.6	204.3	264.5
Project development costs.....	19.9	35.4	78.7	103.0
Selling, general and administrative....	10.2	7.8	27.4	24.8
	-----	-----	-----	-----
Operating income.....	23.2	36.4	98.2	136.7
Interest expense.....	8.6	-	23.9	-
Other (income) expense, net.....	(10.0)	(3.9)	(13.6)	(5.3)
	-----	-----	-----	-----
Income before income taxes.....	24.6	40.3	87.9	142.0
Provision (benefit) for income taxes....	8.4	-	(23.5)	-
	-----	-----	-----	-----
Net income.....	\$ 16.2	\$ 40.3	\$111.4	\$ 142.0
	=====	=====	=====	=====
Net income per share - basic and diluted	\$.16		\$1.11	
Dividends per share.....	\$.275		\$.55	
Average number of shares outstanding....	100.0		100.0	

See notes to consolidated financial statements

USEC INC.
 CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
 (MILLIONS)

	NINE MONTHS ENDED MARCH 31,	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income.....	\$ 111.4	\$ 142.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes.....	(48.9)	-
Depreciation and amortization.....	11.4	11.3
Depleted uranium disposition.....	-	45.2
Advances from customers.....	(16.2)	(.9)
Changes in operating assets and liabilities:		
Accounts receivable - decrease.....	57.0	10.3
Inventories - (increase).....	(24.6)	(129.1)
Payables under Russian Contract, net.....	41.7	83.1
Accounts payable and other liabilities - increase (decrease).....	20.4	(18.2)
Other.....	18.1	(4.6)
	-----	-----
Net Cash Provided by Operating Activities.....	170.3	139.1
	-----	-----
CASH FLOWS USED IN INVESTING ACTIVITIES		
Capital expenditures.....	(25.7)	(20.5)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to U.S. Treasury.....	(1,709.4)	(120.0)
Dividends paid to shareholders.....	(55.0)	-
Proceeds from issuance of senior notes.....	495.2	-
Purchase of treasury stock.....	(4.6)	-
Debt issuance costs.....	(3.7)	-
Costs relating to initial public offering.....	(5.3)	-
	-----	-----
Net Cash Used in Financing Activities.....	(1,282.8)	(120.0)
	-----	-----
Net Increase (Decrease).....	(1,138.2)	(1.4)
	-----	-----
Cash and Cash Equivalents at Beginning of Period.....	1,177.8	1,261.0
	-----	-----
Cash and Cash Equivalents at End of Period.....	\$ 39.6	\$1,259.6
	=====	=====
Supplemental Cash Flow Information		
Interest paid.....	\$ 16.7	
Income taxes paid.....	5.7	
Supplemental Schedule of Non-Cash Financing Activities		
Transfer of responsibility for depleted uranium disposition to DOE.....	\$ 373.8	

See notes to consolidated financial statements

USEC INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements included herein have been prepared by USEC Inc. ("USEC") pursuant to the rules and regulations of the Securities and Exchange Commission. The 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 have been omitted pursuant to such rules and regulations.

Operating results for the three and nine months ended March 31, 1999, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 1999. The unaudited consolidated financial statements should be read in conjunction with the financial statements and footnotes thereto, together with management's discussion and analysis of financial condition and results of operations, included in the Annual Report on Form 10-K for the fiscal year ended June 30, 1998, and the Registration Statement on Form S-1, as amended, filed January 14, 1999.

Cash and cash equivalents at March 31, 1999, include temporary cash investments with maturities of three months or less. At June 30, 1998, cash consisted of non-interest bearing funds on deposit with the U.S. Treasury.

2. INITIAL PUBLIC OFFERING

On July 28, 1998, the sale of USEC's common stock in connection with an initial public offering (the "IPO") was completed, resulting in net proceeds to the U.S. Government aggregating \$3,092.1 million, including \$1,382.7 million from the IPO and \$1,709.4 million from the exit dividend paid to the U.S. Treasury. The U.S. Government, the sole selling shareholder, sold its entire interest. USEC did not receive any proceeds from the IPO.

The exit dividend of \$1,709.4 million paid to the U.S. Treasury represented the cash balance held in USEC's account at the U.S. Treasury and \$500.0 million of \$550.0 million in borrowings at the time of the IPO. USEC retained \$50.0 million in cash from the \$550.0 million in borrowings. The amount of the exit dividend in excess of retained earnings was recorded in July 1998 as a reduction of excess of capital over par value.

In connection with the IPO, USEC Inc. became a holding company. The consolidated financial statements include the accounts of USEC Inc. and its subsidiaries. All material intercompany transactions have been eliminated.

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USEC INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. DEBT

Debt at March 31, 1999, follows (millions):

	MARCH 31, 1999 -----
Long-term debt:	
6.625% senior notes, due January 2006.....	\$ 350.0
6.750% senior notes, due January 2009.....	150.0

	\$ 500.0
	=====

On January 20, 1999, USEC issued \$350.0 million of 6.625% senior notes due January 2006 and \$150.0 million of 6.750% senior notes due January 2009. The net proceeds were used to repay a portion of the borrowings under a bank credit facility. The senior notes are unsecured obligations and rank on a parity with all other unsecured and unsubordinated indebtedness of USEC Inc. The senior notes are not subject to any sinking fund requirements. Interest is paid every six months on January 20 and July 20 beginning in July 1999. The senior notes may be redeemed at any time at a redemption price equal to the principal amount plus any accrued interest up to the redemption date plus a make-whole premium,

as defined.

At March 31, 1999, commitments available under the bank credit facility totaled \$300.0 million as follows: \$150.0 million under a revolving credit facility convertible in July 1999 into a one-year term loan and \$150.0 million under a five-year revolving credit facility expiring July 2003. A commercial paper program was established in February 1999. Commercial paper borrowings are supported by available commitments under the bank credit facility. There were no commercial paper or other short-term borrowings outstanding at March 31, 1999.

The bank credit facility requires USEC to comply with certain financial covenants, including a minimum net worth and a debt to total capitalization ratio, as well as other customary conditions and covenants. The bank credit facility restricts borrowings by subsidiaries to a maximum of \$100.0 million. The failure to satisfy any of the covenants would constitute an event of default. The bank credit facility also includes other customary events of default, including without limitation, nonpayment, misrepresentation in a material respect, cross-default to other indebtedness, bankruptcy, and change of control.

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USEC INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

4. INCOME TAXES

At the time of the IPO, USEC became subject to federal, state and local income taxes. Future tax consequences of temporary differences between the carrying amounts for financial reporting purposes and USEC's estimate of the tax bases of its assets and liabilities result in a deferred tax asset of \$48.9 million at March 31, 1999, as follows (millions):

	MARCH 31, 1999 -----
SWU and uranium inventory costs.....	\$12.8
Plant lease turnover costs.....	10.4
Pension costs.....	10.6
Decommissioning and shutdown costs at power generation facilities..	6.9
Other.....	8.2

	\$48.9
	=====

The provision for income taxes in the nine months ended March 31, 1999, includes a special income tax benefit of \$54.5 million for deferred income tax benefits that arise from the transition to taxable status. Excluding the special tax benefit, the provision for income taxes for the nine months ended March 31, 1999, amounted to \$31.0 million and reflects an effective income tax rate of 35.3%, as follows:

	NINE MONTHS ENDED MARCH 31, 1999 -----
Statutory federal income tax rate.....	35.0%
State income taxes, net of federal benefit.....	2.3
Research and experimentation tax credit.....	(2.2)
Other.....	.2

	35.3%
	=====

USEC INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

5. STOCKHOLDERS' EQUITY

Changes in stockholders' equity follow (millions):

	COMMON STOCK, PAR VALUE \$.10 PER SHARE	EXCESS OF CAPITAL OVER PAR VALUE	RETAINED EARNINGS	TREASURY STOCK AND DEFERRED COMPENSATION	TOTAL STOCKHOLDERS' EQUITY
Balance at June 30, 1998.....	\$10.0	\$1,357.1	\$1,053.4	\$ -	\$2,420.5
Exit dividend paid to U.S. Treasury	-	(658.0)	(1,051.4)	-	(1,709.4)
Transfer of depleted uranium to DOE	-	373.8	-	-	373.8
Costs related to the IPO.....	-	(5.3)	-	-	(5.3)
Purchase of treasury stock.....	-	-	-	(4.6)	(4.6)
Restricted stock issued, net of amortization.....	-	4.4	-	(4.2)	.2
Dividends paid to shareholders.....	-	-	(55.0)	-	(55.0)
Net income.....	-	-	111.4	-	111.4
BALANCE AT MARCH 31, 1999.....	\$10.0	\$1,072.0	\$ 58.4	(\$ 8.8)	\$1,131.6

Pursuant to the USEC Privatization Act, at the time of the IPO, depleted uranium generated by USEC from July 1993 to July 28, 1998, was transferred to the Department of Energy ("DOE"), and the accrued liability of \$373.8 million for depleted uranium disposition was transferred to stockholders' equity.

In December 1998 and March 1999, quarterly cash dividends of \$.275 per share were paid to shareholders and aggregated \$55.0 million. In April 1999, the regular quarterly dividend of \$.275 per share was declared payable June 15 to shareholders of record as of May 28, 1999. USEC anticipates dividend payment dates of September 15, and December 15 during the remainder of calendar 1999.

In February 1999, stockholders approved the USEC Inc. 1999 Equity Incentive Plan, under which 9.0 million shares of common stock are reserved for issuance over ten years, including incentive stock options, nonqualified stock options, restricted stock or stock units, performance awards and other stock-based awards. There were 316,000 shares of restricted stock granted during the three months ended March 31, 1999. Sale of these shares is restricted prior to the date of vesting. Deferred compensation from restricted stock awards is based on the fair market value at the date of grant and is amortized to expense on a straight-line basis over the vesting period.

In February 1999, stockholders approved the USEC Inc. 1999 Employee Stock Purchase Plan under which 2.5 million shares of common stock can be purchased over ten years by eligible employees at 85% of the lower of the market price at the beginning or the end of each six-month offer period. Employees can elect to designate up to 10% of their compensation to purchase common stock under the plan. Shares purchased are allocated to participants' accounts and, upon request, shares are distributed. The initial six-month offer period began in March 1999.

USEC INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS -- THREE AND NINE MONTHS ENDED MARCH 31, 1999 AND 1998

Revenue

Revenue amounted to \$260.4 million in the three months ended March 31, 1999, a reduction of \$33.6 million (or 11%) from \$294.0 million in the three

months ended March 31, 1998. In the nine months ended March 31, 1999, revenue was \$990.7 million, a reduction of \$66.0 million (or 6%) from the \$1,056.7 million in the nine months ended March 31, 1998. In the fiscal 1999 periods, revenue from sales of separative work units ("SWU") was affected by changes in the timing of customer nuclear reactor refueling orders and lower SWU commitment levels of a domestic and a foreign customer, partly offset by sales to customer reactors returning to service following an extended outage. USEC provided enrichment services for 19 and 71 reactors in the three and nine months ended March 31, 1999, respectively, compared with 20 and 74 reactors in the corresponding periods of fiscal 1998. Revenue and operating results can fluctuate significantly from quarter-to-quarter, and in some cases, year-to-year. Customer requirements are determined by refueling schedules for nuclear reactors, which generally range from 12 to 18 months (or in some cases up to 24 months), and are in turn affected by, among other things, the seasonal nature of electricity demand, reactor maintenance, and reactors beginning or terminating operations. The average SWU price billed to customers in the three and nine months ended March 31, 1999, was 3% and .5% lower than the corresponding periods of fiscal 1998.

Certain contracts with customers provided for the sale of uranium and SWU in the form of enriched uranium product. Revenue from sales of uranium was \$19.4 million in the nine months ended March 31, 1999, compared with \$35.2 million in the corresponding period of fiscal 1998.

Recent industry and global economic developments have intensified the effects of production over-capacity and continuing lower prices for enrichment services. These developments include: the adverse impact of the strengthening U.S. dollar; recent decisions by certain European utilities to liquidate strategic SWU inventories; termination of the Kazakhstan suspension agreement; a reduction in the open global demand for SWU; and heightened price competition among uranium enrichment suppliers. During the last 10 months, USEC booked \$1.3 billion in new business for delivery over the next 10 years. In its marketing efforts, however, USEC has resisted lowering prices to levels that would fail to meet its margin requirement even when it has meant a decline in market share. USEC's focus is on profitability rather than market share. Also, last fall and winter's soft pricing for natural uranium reduced opportunities for uranium sales that would have had fiscal year 2000 deliveries. As a result of these conditions, management expects fiscal year 2000 revenue to be about \$1.4 billion.

The percentage of revenue attributed to domestic and international customers follows:

	THREE MONTHS ENDED MARCH 31,		NINE MONTHS ENDED MARCH 31,	
	1999	1998	1999	1998
Domestic.....	79%	66%	62%	61%
Asia.....	20	26	30	32
Europe and other.....	1	8	8	7
	100%	100%	100%	100%

Changes in the geographic mix of revenue resulted primarily from changes in the timing of customers' orders.

Cost of Sales

Cost of sales is based on the quantity of SWU sold during the period and is dependent upon production costs at the gaseous diffusion plants ("plants") and purchase costs under the Russian Contract. Production costs consist principally of electric power, labor and benefits, depleted uranium disposition costs,

materials, and maintenance and repairs. Under the monthly moving average inventory cost method, an increase or decrease in production or purchase costs will have an effect on costs of sales over future periods.

Cost of sales amounted to \$207.1 million in the three months ended March 31, 1999, a decline of 7.3 million (or 3%) compared with \$214.4 million in the corresponding period of fiscal 1998. Cost of sales amounted to \$786.4 million in the nine months ended March 31, 1999, a decline of \$5.8 million (or 1%) from the \$792.2 million in the corresponding period of fiscal 1998. As a percentage of revenue, cost of sales amounted to 80% and 79% for the three and nine months ended March 31, 1999, compared with 73% and 75% in the corresponding periods of fiscal 1998. In the fiscal 1999 periods, cost of sales and unit costs under the monthly moving average inventory cost method were affected by high power costs in the summer of 1998.

Electric power costs amounted to \$331.2 million in the nine months ended March 31, 1999 (representing 57% of production costs) compared with \$316.7 million (representing 53% of production costs) in the corresponding period of fiscal 1998. The increase was attributable to higher costs per megawatt hour. In the summer of 1998 persistent hot weather, high electricity demand in the Midwest and power generation shortages resulted in record high power costs at the Paducah plant. USEC curtailed production at the Paducah plant during the summer to reduce the impact of high power prices and has increased production since last summer to meet production and cost targets.

During the quarter ended March 31, 1999, USEC successfully negotiated changes to its power supply agreements with its two primary electric suppliers. USEC achieved its three primary goals for these negotiations:

- to limit USEC's exposure to high-cost, non-firm power prices at the Paducah plant this summer;
- to monetize excess power available this summer under the contract to the Portsmouth plant; and
- to be able to move blocks of power this summer from Ohio to the Paducah plant if and when needed.

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An agreement increasing USEC's flexibility under the contract with Electric Energy Inc., the main supplier for the Paducah, Kentucky plant, has been approved by regulatory authorities. A six-month financial and supply agreement with Ohio Valley Electric Corporation, the main supplier to the Portsmouth, Ohio plant, is pending regulatory approval. USEC expects that the completed agreements will result in \$30.0 million after-tax benefits related to production cost, most of which will impact fiscal years 1999 and 2000.

USEC intends to negotiate with its power suppliers to extend and expand the benefits of the latest agreements to cover periods beyond this summer. In the non-firm power market, prices are generally trending upward. USEC will manage its production levels and power purchases to reduce its exposure to this continuing fluctuation in non-firm power prices, although there can be no assurance that USEC will be successful in reducing such exposure.

Costs for labor and benefits amounted to \$179.9 million in the nine months ended March 31, 1999, about the same as in the corresponding period of fiscal 1998. In June 1998, USEC accrued a special charge of \$32.8 million for costs relating to certain severance and transition benefits to be paid with respect to 500 plant workers in connection with workforce reductions, including \$20.0 million for worker and community transition assistance benefits that was paid to the Department of Energy in June 1998 and \$12.8 million for workers' pre-existing severance benefits, of which \$4.3 million had been paid as of March 31, 1999. The first phase of the workforce reduction was completed last fall, reducing the workforce by 259 employees. In February 1999, the second phase of the planned voluntary workforce reduction was announced. It will reduce the workforce at the production plants by about 240 employees by July 1999.

In November 1998, USEC gave notice to terminate the operations and management contract with its contractor, Lockheed Martin Utility Services, Inc. USEC will assume direct management and operation of the plants in May 1999. USEC expects an orderly transition of compensation and benefits to allow the plant

workers to become employees of USEC or its subsidiaries.

Costs for the future disposition of depleted uranium amounted to \$28.8 million in the nine months ended March 31, 1999, a decline of \$16.4 million (or 36%) from \$45.2 million in the corresponding period of fiscal 1998. The reduction reflects a lower future disposal rate per kilogram of depleted uranium based on fixed-cost disposal contracts for a certain quantity of depleted uranium. Pursuant to the USEC Privatization Act, depleted uranium generated by USEC from July 1993 to July 28, 1998 was transferred to DOE, and the accrued liability of \$373.8 million at the time of the IPO, on July 28, 1998, was transferred to stockholders' equity.

SWU unit production costs in the nine months ended March 31, 1999 and 1998 were adversely affected by lower production facility capability due to continued sub-optimal gaseous diffusion cell availability at the Portsmouth plant.

Pursuant to an agreement with the United States Treasury Department, USEC has committed to continue operation of the plants until at least January 2005, subject to limited exceptions, including events beyond the reasonable control of USEC, such as natural disasters, a decrease in annual worldwide demand to less than 28 million SWU, a decline in the average price for all SWU under USEC's long-term firm contracts to less than \$80 per SWU (in 1998 dollars), a decline in the operating margin to below 10% in a consecutive twelve-month period, a decline in the interest coverage ratio to below 2.5x in a consecutive twelve-month period, or if the long-term corporate credit rating is downgraded below an investment grade rating. None of the exceptions to USEC's obligation to operate the plants is currently applicable. Based on

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information known, USEC does not anticipate that the average SWU price under its long-term firm contracts is likely to fall below \$80 per SWU (in 1998 dollars) in the near future.

SWU purchased from the Russian Federation represented 15% and 28% of the combined produced and purchased supply mix in the three and nine months ended March 31, 1999, respectively, compared with 28% and 37% purchased from the Russian Federation and DOE in the corresponding periods of fiscal 1998. In March 1999, the Russian Federation resumed deliveries after several months of suspended deliveries. The suspended schedule of 1998 calendar year deliveries to USEC should be completed by June 1999, and USEC has agreed to a schedule of deliveries for the remainder of calendar year 1999. Purchases from the Russian Federation are expected to aggregate 5.7 million SWU in calendar 1999. Cost of sales has been, and will continue to be, affected by amounts paid to purchase SWU under the Russian Contract at prices that are substantially higher than marginal production cost at the plants. As a result of Russian SWU purchases, USEC has operated the plants at lower production levels resulting in higher unit production costs.

Project Development Costs

Project development costs, primarily for the AVLIS project, amounted to \$19.9 million in the three months ended March 31, 1999, a decline of \$15.5 million (or 44%) from \$35.4 million in the corresponding period of fiscal 1998. In the nine months ended March 31, 1999, project development costs declined \$24.3 million (or 24%) to \$78.7 million from \$103.0 million in the corresponding period of fiscal 1998. The reductions in the fiscal 1999 periods reflect lower spending on design and licensing activities while activities have been focused primarily on integrated operation of the laser and separator systems to verify enrichment production economics.

Operating Income

Operating income amounted to \$23.2 million and \$98.2 million in the three and nine months ended March 31, 1999, respectively, compared with \$36.4 million and \$136.7 million in the corresponding periods of fiscal 1998. The reductions reflect lower gross profit, partly offset by lower project development costs.

Interest Expense

Interest expense of \$8.6 million in the three months and \$23.9 million in the nine months ended March 31, 1999, represents interest on senior notes issued

in January 1999, borrowings under the bank credit facility established in July 1998, and short-term borrowings under a commercial paper program established in February 1999. Prior to the IPO in July 1998, USEC had no short or long-term debt.

Other Income

Other income of \$10.0 million and \$13.6 million in the three and nine months ended March 31, 1999, includes a nonrecurring gain of \$8.2 million from a contract modification canceling accrued interest payable on an advance payment from the Arab Republic of Egypt.

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Provision for Income Taxes

At the time of the IPO, USEC became subject to federal, state and local income taxes. The provision for income taxes in the nine months ended March 31, 1999, includes a special income tax benefit of \$54.5 million for deferred income tax benefits that arise from the transition to taxable status. Deferred tax benefits represent differences between the carrying amounts for financial reporting purposes and USEC's estimate of the tax bases of its assets and liabilities.

Excluding the special tax benefit, the provision for income taxes for the nine months ended March 31, 1999, amounted to \$31.0 million and reflects an effective income tax rate of 35.3%.

Net Income

Net income amounted to \$16.2 million (or \$.16 per share) in the three months and, excluding the special tax benefit, \$56.9 million (or \$.57 per share) in the nine months ended March 31, 1999, compared with \$40.3 million and \$142.0 million in the corresponding periods of fiscal 1998. The reductions reflect lower operating income and income taxes and interest expense incurred since the IPO in July 1998. Including the special tax benefit, net income was \$111.4 million (or \$1.11 per share) in the nine months ended March 31, 1999.

Fiscal 2000 Outlook

In light of recent industry and global economic developments that have intensified the effects of production over-capacity and continuing low prices for enrichment services, management is actively reviewing USEC's cost structure and strategic alternatives to bolster USEC's competitive position over the longer term. Management believes that this process will result in initiatives directed at better rationalizing worldwide excess production capacity, aligning the Russian HEU transaction with current pricing realities and ensuring maximum return for every R&D dollar spent. Innovative marketing initiatives are underway to achieve additional sales.

Through aggressive cost cutting actions, management expects fiscal year 2000 earnings to be similar to fiscal 1999 levels, excluding a special tax benefit, with continued strong cash flow. The Board of Directors emphasized that they expect to maintain the dividend payment at the indicated level.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flow

Net cash flows provided by operating activities amounted to \$170.3 million in the nine months ended March 31, 1999, compared with \$139.1 million in the corresponding period of fiscal 1998. Cash flow in the fiscal 1999 period includes the collection of an overdue receivable of \$36.0 million from a Korean customer and was reduced by lower operating income and interest expense on borrowings in the fiscal 1999 period.

Net cash flows provided by operating activities in the nine months ended March 31, 1998, had been reduced by an increase of \$129.1 million in inventories, partly offset by the net increase of \$83.1 million in payables to the Russian Federation for purchases of SWU. Cash flow in the fiscal 1998 period had been increased by accrued liabilities for depleted uranium disposition

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costs of \$45.2 million. Under the USEC Privatization Act, depleted uranium generated up to the time of the IPO on July 28, 1998, was transferred to DOE with no cash outlays by USEC.

Capital expenditures related primarily to plant improvements amounted to \$25.7 million in the nine months ended March 31, 1999, compared with \$20.5 million in the corresponding period of fiscal 1998.

The exit dividend paid to the U.S. Treasury at the time of the IPO in July 1998 amounted to \$1,709.4 million.

In December 1998 and March 1999, quarterly cash dividends of \$.275 per share were paid to shareholders and aggregated \$55.0 million. In April 1999, the regular quarterly dividend of \$.275 per share was declared payable June 15 to shareholders of record as of May 28, 1999. USEC anticipates dividend payment dates of September 15 and December 15 during the remainder of calendar 1999.

On January 20, 1999, USEC issued \$350.0 million of 6.625% senior notes due January 2006 and \$150.0 million of 6.750% senior notes due January 2009. The net proceeds of \$495.2 were used to repay a portion of the borrowings under the bank credit facility. The senior notes are unsecured obligations and rank on a parity with all other unsecured and unsubordinated indebtedness of USEC Inc.

At March 31, 1999, commitments available under the bank credit facility totaled \$300.0 million as follows: \$150.0 million convertible in July 1999 into a one-year term loan and \$150.0 million under a five-year revolving credit facility expiring July 2003. Commercial paper borrowings are supported by available commitments under the bank credit facility.

At March 31, 1999, net working capital amounted to \$931.8 million and the total debt-to-capitalization ratio was 31%.

USEC expects that its cash, internally generated funds from operating activities, and available financing sources under the bank credit facility and commercial paper program, will be sufficient to meet its obligations as they become due and to fund operating requirements of the plants, purchases of SWU under the Russian Contract, capital expenditures and discretionary investments, project development costs in the near term, interest expense, and quarterly dividends.

IMPACT OF YEAR 2000 ISSUE

The Year 2000 issue exists because many software and embedded systems (defined below), which use only two digits to identify a year in a date field, were developed without considering the impact of the upcoming change in the century. Some of these systems are critical to USEC's operations and business processes and could fail or function inaccurately if not repaired or replaced with Year 2000 ready products. USEC's software and embedded systems will be Year 2000 ready when such systems are replaced or remediated to perform essential functions accurately and without failure. Software is computer programming that has been developed by USEC for its own use (in-house software) and purchased from vendors (vendor software). Embedded systems refer to both computing hardware and other electronic monitoring, communications, and control systems that have microprocessors.

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The Year 2000 project focuses on systems that are critical. The failure of critical systems would directly and adversely affect the ability to generate or deliver products and services or otherwise affect revenue, safety, or reliability for a period of time as to lead to unrecoverable consequences. USEC has adopted a phased approach for critical systems:

- a company-wide inventory, in which critical systems were identified;
- assessment, in which critical systems were evaluated as to their readiness to

- operate in the Year 2000;
- remediation, in which critical systems that are not Year 2000 ready are upgraded by modification or replacement;
- testing, in which remediation is validated by checking the ability of critical systems to operate within the Year 2000 time frame; and
- certification, in which systems are formally acknowledged to be Year 2000 ready and acceptable for operation.

The Year 2000 project is proceeding on schedule. Remediation, testing and certification of the identified, critical, in-house and vendor software and hardware is substantially complete with other items expected to be completed by July 1999. Other software that requires Year 2000 remediation may be included during the remediation and testing phases.

Remediated software and embedded systems are being tested both for ability to handle Year 2000 dates, including leap year, and to assure that repair has not affected functionality. Software and embedded systems are being tested individually and where necessary in an integrated manner with other systems, with dates advanced to simulate the Year 2000. All are being tested to reduce risk, but testing cannot comprehensively address all future combinations of dates and events.

USEC depends on external parties, including electric power utilities, customers, suppliers, government agencies, and financial institutions, to reliably deliver products and services. To the extent that external parties experience Year 2000 problems, the demand for and the reliability of USEC's services may be adversely affected. USEC has adopted a phased approach to address external parties and the Year 2000 issue:

- inventory, in which critical business relationships were identified; action planning, in which a series of actions and a time frame for monitoring
- expected compliance status were developed;
- assessment, in which the likelihood of external party Year 2000 readiness is being evaluated; and
- contingency planning, in which plans are being made to deal with the potential failure of an external party to be Year 2000 ready.

Assessment of Year 2000 readiness of external parties will continue through calendar year 1999.

USEC is assessing the progress of Year 2000 remediation efforts internally and externally to determine the scope of contingency planning necessary to reduce the risk. If the remediation schedule lags and cannot meet certain milestones, a contingency planning process would begin, and contingency plans would be implemented if a remediated system does not become available by the date it is needed. USEC is developing contingency plans for the potential failure of critical external parties to address their Year 2000 issues.

USEC recognizes that, given the complex interaction of computing and communication systems, it is not possible to be certain that all efforts to have all critical systems Year 2000 ready will be successful. Irrespective of the progress of the Year 2000 project, USEC is preparing contingency plans. The plans take into account the possibility of multiple system failures, both internal and external, due to Year 2000 effects.

There can be no assurance that such programs will identify and cure all software problems, or that entities on whom USEC relies for certain services integral to its business, such as the electric power suppliers, will successfully address all of their software and systems problems in order to operate without disruption in 2000.

USEC expects its costs for software modifications and systems upgrades to resolve Year 2000 issues will amount to \$14.6 million, of which \$9.2 million had

been incurred at March 31, 1999. Pursuant to USEC's financial accounting and reporting policies, purchased hardware and software costs are capitalized, and implementation costs, including consultants' fees, are charged against income as incurred.

POWER PURCHASES, CHANGING PRICES AND INFLATION

The plants require substantial amounts of electricity to enrich uranium. USEC purchases firm and non-firm power to meet its production needs. Firm power and non-firm power represented 72% and 28%, respectively, of power purchased in the nine months ended March 31, 1999. Production costs increase to the extent that the market prices of firm and non-firm power rise. In the non-firm power market, prices are generally trending upward. USEC will manage its production levels and power purchases to reduce its exposure to this continuing fluctuation in non-firm power prices, although there can be no assurance that USEC will be successful in reducing such exposure. In addition, the price that USEC pays for firm power could increase if there were additional regulatory costs or unanticipated equipment failures at the power plants supplying the firm power to the plants.

A majority of USEC's contracts with customers generally provide for prices that are subject to adjustment for inflation. In recent years, inflation has not had a significant impact on operations, and unless inflation increases substantially, it is not expected to have a material effect.

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USEC INC.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial instruments are reported on the balance sheet at March 31, 1999, and include cash and cash equivalents, accounts receivable and payable, and certain accrued liabilities, payables under the Russian Contract, the carrying amounts for which approximate fair value at March 31, 1999.

On January 20, 1999, USEC refinanced \$500.0 million of borrowings under the bank credit facility with \$350.0 million of 6.625% senior notes due January 2006 and \$150.0 million of 6.750% senior notes due January 2009. The repayment schedule of senior notes, the balance sheet carrying amounts and related fair values at March 31, 1999, follow (millions):

	MATURITY DATES		BALANCE SHEET CARRYING AMOUNT	FAIR VALUE
	JANUARY 2006	JANUARY 2009		
Long-term debt:				
6.625% senior notes.....	\$350.0		\$ 350.0	\$ 344.4
6.750% senior notes.....		\$150.0	150.0	147.0
			-----	-----
			\$ 500.0	\$ 491.4
			=====	=====

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USEC INC.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

USEC held its annual meeting of shareholders on February 2, 1999. As of the December 4, 1998 record date, there were 100.0 million shares of common stock outstanding and entitled to vote. 90.6% of those shares were represented at the annual meeting.

A board of seven directors (listed below) was elected at the annual meeting. Each director holds office until the next annual meeting. There was no solicitation in opposition to the nominees proposed in the proxy statement, and there were no abstentions or broker non-votes.

	FOR ---	AGAINST -----
James R. Mellor, Chairman	90,323,655	299,798
Joyce F. Brown, Ph.D	90,437,289	186,164
Frank V. Cahouet	90,457,405	166,048
John R. Hall	90,461,255	162,198
Dan T. Moore, III	90,478,155	145,298
William H. Timbers, Jr.	90,471,455	151,998
William H. White	90,459,195	164,258

The appointment of Arthur Andersen LLP as independent auditors for fiscal 1999 was ratified with 90,264,268 votes for (99.8% of votes cast) and 138,331 against (0.2% of votes cast). There were 220,854 abstentions and no broker non-votes.

The USEC Inc. 1999 Equity Incentive Plan was adopted with 49,294,942 votes for (69.2% of votes cast) and 21,931,816 votes against (30.8% of votes cast). There were 388,115 abstentions and 19,008,580 broker non-votes.

The USEC Inc. 1999 Employee Stock Purchase Plan was adopted with 67,493,704 votes for (94.7% of votes cast) and 3,754,209 votes against (5.3% of votes cast). There were 366,960 abstentions and 19,008,580 broker non-votes.

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ITEM 5. OTHER INFORMATION - ANNUAL MEETING

USEC's next annual meeting of shareholders has been scheduled for November 3, 1999, approximately four months from the end of USEC's 1999 fiscal year. USEC expects to mail its proxy materials to shareholders for the annual meeting on or about September 20, 1999. Consequently, in order to be considered for inclusion in USEC's proxy statement for the annual meeting, proposals from shareholders must be received by the Secretary of USEC at Two Democracy Center, 6903 Rockledge Drive, Bethesda, Maryland 20817, not later than June 22, 1999. In addition, under USEC's Bylaws, in order to be timely, shareholders must give advance notice of nominations for director or other business to be addressed at the annual meeting, not later than the close of business on August 5, 1999 and not earlier than July 6, 1999.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K:

Exhibit 3 (ii), Bylaws of USEC Inc., as amended.

Exhibit 27, Financial Data Schedule.

There were no reports on Form 8-K filed during the quarter ended March 31, 1999.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USEC INC.

May 6, 1999

By /s/ Henry Z Shelton, Jr.

HENRY Z SHELTON, JR.
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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AMENDED AND RESTATED

BY-LAWS

OF

USEC INC.

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meeting of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meet-

ings the stockholders shall elect by a plurality vote members of a Board of Directors, and transact such other business as may properly be brought before the meeting. Unless otherwise required by law, written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Certificate of Incorporation, special meetings ("Special Meetings") of Stockholders, for any purpose or purposes, may be called by either the Chairman, if there be one, or the President, and shall be called by any such officer at the request in writing of (i) the Board of Directors or (ii) a committee of the Board of Directors that has been designated by the Board of Directors and whose power and authority include the power to call such meetings. Such request shall state the purpose or purposes of the proposed meeting. Unless otherwise required by law, written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. At a Special Meeting of Stockholders only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Section 4. Quorum. Unless otherwise required by law or by the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the

stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

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Section 5. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his or her discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 6 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 8. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 8 and on the record

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date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 8.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty

(120) days prior to the date of the annual meeting of stockholders; provided, however, that in the event that less than 100 days' notice or prior public disclosure of the date of the meeting is given to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, (v) a statement, signed under oath and in such reasonable detail as the Board of Directors may require, that such stockholder is not a foreign person (as defined in the Corporation's Certificate of Incorporation) or under the control of a foreign person and that such stockholder is

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not a Contravening Person (as defined in the Corporation's Certificate of Incorporation) or under the control of a Contravening Person, (vi) an undertaking to notify the Corporation if the statement specified in clause (v) becomes untrue in any respect from the date such statement is given up to and including the date and time of the vote for the proposed nominee and (vii) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 8. If the Chairman of the meeting determines (a) that a nomination was not made in accordance with the foregoing procedures, (b) that at the date and time of the vote for the proposed nominee the stockholder who nominated such nominee is a foreign person or under the control of a foreign person or (c) that at the date and time of the vote for the proposed nominee the stockholder who nominated such nominee is a Contravening Person or under the control of a Contravening Person, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 9. Business at Annual Meetings. No business may be transacted at an Annual Meeting of Stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the Annual Meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the Annual Meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 9 and on the record date for the determination of stockholders entitled to vote at such Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 9.

In addition to any other applicable requirements, for business to

be properly brought before an Annual Meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

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To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the date of the Annual Meeting of Stockholders; provided, however, that in the event that less than 100 days' notice or prior public disclosure of the date of the meeting is given to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting.

No business shall be conducted at the Annual Meeting of Stockholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 9, provided, however, that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 9 shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an Annual Meeting determines that business was not properly brought before the Annual Meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 10. Conduct of Meetings. The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of the meeting of the stockholders as it shall deem appropriate. Except to the extent

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inconsistent with such rules and regulations as adopted by the Board of Directors, the Chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such Chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the Chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (iii) rules and procedures for maintaining order at the meeting and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the Chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (vi) limitations on the time allotted to questions or comments by participants.

ARTICLE III

DIRECTORS

Section 1. Number and Election of Directors. The Board of Directors shall consist of not less than three nor more than twenty members, the exact number of which shall initially be fixed by the Incorporator and thereafter from time to time by the Board of Directors. Except as provided in the Certificate of Incorporation, directors shall be elected by a plurality of the votes cast at Annual Meetings of Stockholders. Any director may resign at any time upon written notice to the Corporation. Directors need not be stockholders. Directors must be citizens of the United States of America.

Section 2. Duties and Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 3. Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at

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such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President, or by a majority of directors then in office. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 4. Quorum. Except as otherwise required by law, the Certificate of Incorporation or these By-Laws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 5. Actions by Written Consent. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 6. Meetings by Means of Conference Telephone. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 6 shall constitute presence in person at such meeting.

Section 7. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified

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member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 8. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 9. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose if (i) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his, her or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in

determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

Section 1. General. The Board of Directors shall elect a Chairman of the Board of Directors (who must be a director) or a President, or both, and a Secretary and a Treasurer and may elect one or more Vice Chairmen of the Board of Directors (who must be directors) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers, as the Board may determine. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. Except as may be stipulated by a resolution of the Board of Directors, the officers of the Corporation may, but need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors or Vice Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors at its first meeting held after each Annual Meeting of Stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or

removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner

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thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors; Vice Chairmen of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these By-Laws or by the Board of Directors. The Board of Directors may, by resolution, from time to time confer like powers upon one or more Vice Chairmen of the Board of Directors to serve in the absence or disability of the Chairman of the Board of Directors. If there shall be more than one Vice Chairman of the Board of Directors, they shall act as Chairman by order of their seniority on the Board of Directors or as otherwise determined by the Board of Directors.

Section 5. President. The President, subject to the control of the Board of Directors, shall have general charge and supervision and authority over all operations of the Corporation and shall have such powers and perform such duties as are incident to his or her office or as may be properly granted to or required by him or her by the Board of Directors, by the Chairman of the Board of Directors or by these By-laws. The President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these By-Laws or the Board of Directors.

Section 6. Vice Presidents. At the request of the President or in his or her absence or in the event of his or her inability or refusal to act (and if there be no Chairman or Vice Chairman of the Board of Directors), the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer from time to time may prescribe. If there be no Chairman or Vice Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

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Section 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the committees of the Board of Directors when required. The Secretary shall give, or cause to be given, notice

of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision he or she shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors or the Chief Executive Officer. The Treasurer shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision he or she shall be.

Section 9. Assistant Secretaries. Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his or her disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

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Section 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his or her disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

Section 11. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors or the Chief Executive Officer. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him or her in the Corporation.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may

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be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his or her legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his or her attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be cancelled before a new certificate shall be issued. No transfers shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 5. Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided,

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however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of

shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

ARTICLE VI

NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his or her address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed, by the

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person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, and may be paid in cash, in property, or in shares of the capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 5. Legend on Indebtedness. The Corporation shall include a plainly stated legend on its financial obligations as required by and in accordance with the USEC Privatization Act (P.L. 104-134) that its financial obligations are not obligations of, or guaranteed as to principal or interest by, the United States.

ARTICLE VIII

INDEMNIFICATION

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Section 1. Power to Indemnify in Actions, Suits or Proceedings other Than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in

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which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his or her conduct was unlawful, if his or her action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him or her by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or

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any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standards of conduct set forth in Sections 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, statute, agreement, contract, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity

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and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State

of Delaware, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was or shall be a director, officer or employee of the Corporation, or is or was or shall be a director, officer or employee of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or the obligation to indemnify him or her against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers or employees, so that any person who is or was a director, officer or employee of such constituent corporation, or is or was a director, officer or employee of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee

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benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 hereof), the Corporation shall not be obligated to indemnify any director, officer or employee in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX

AMENDMENTS

Section 1. Amendments. These By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted by the stockholders or by the Board of Directors, provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such meeting of stockholders or Board of Directors as the case may be. Subject to the requirements of the Certificate of Incorporation, all such amendments must be

approved by either the affirmative vote of the holders of at least 50% of the voting power of all the shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class or by a majority of the entire Board of Directors then in office.

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Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

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<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND STATEMENT OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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