

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 SEPTEMBER 30, 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 principal 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
--- ---

As of October 31, 1999, there were 90,600,000 shares of Common Stock, par
value \$.10 per share, issued and outstanding.

USEC INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 1999

TABLE OF CONTENTS

	PAGE

PART I	
FINANCIAL INFORMATION	
Consolidated Financial Statements:	
Consolidated Balance Sheets at September 30, 1999 (Unaudited) and June 30, 1999.....	3
Consolidated Statements of Income for the Three Months Ended	
September 30, 1999 and 1998 (Unaudited).....	4
Consolidated Statements of Cash Flows for the Three Months Ended	
September 30, 1999 and 1998 (Unaudited).....	5
Notes to Consolidated Financial Statements (Unaudited).....	6

Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Quantitative and Qualitative Disclosures about Market Risk.....	13

PART II

OTHER INFORMATION

Legal Proceedings.....	14
Exhibits and Reports on Form 8-K.....	14
Signature.....	14

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 involves risks and uncertainty, including certain assumptions regarding the future performance of USEC. Actual results and trends may differ materially depending upon a variety of factors, including, without limitation, market demand for USEC's services, pricing trends in the uranium and enrichment markets, deliveries and costs under the Russian contract, 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.

2

3

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

	(UNAUDITED) SEPTEMBER 30, 1999	JUNE 30, 1999
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 37.7	\$ 86.6
Accounts receivable - trade.....	184.4	373.8
Inventories:		
Separative Work Units.....	705.8	648.8
Uranium.....	145.6	160.1
Uranium provided by customers.....	50.7	101.7
Materials and supplies.....	21.8	22.8
	-----	-----
Total Inventories.....	923.9	933.4
Payments for future deliveries under Russian contract.....	10.9	50.0
Other.....	35.5	29.3
	-----	-----
Total Current Assets.....	1,192.4	1,473.1
Property, Plant and Equipment, net.....	177.3	166.6
Other Assets		
Deferred income taxes.....	62.6	49.5
Deferred costs for depleted uranium.....	41.7	43.7
Prepaid pension costs.....	52.6	52.9
Inventories.....	576.3	574.4
	-----	-----
Total Other Assets.....	733.2	720.5
	-----	-----
Total Assets.....	\$2,102.9	\$2,360.2
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt.....	\$ 50.0	\$ 50.0
Accounts payable and accrued liabilities.....	175.7	264.2
Federal and state income taxes.....	68.1	40.9
Payables under Russian contract.....	29.2	73.0
Uranium owed to customers.....	50.7	101.7
	-----	-----
Total Current Liabilities.....	373.7	529.8
Long-Term Debt.....	500.0	500.0
Other Liabilities		
Advances from customers.....	18.0	19.2
Depleted uranium disposition.....	25.3	24.8
Postretirement health and life benefit obligations.....	94.8	93.0
Other liabilities.....	54.7	58.0
	-----	-----

Total Other Liabilities.....	192.8	195.0
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, 100,320,000 shares and 100,318,000 shares issued.....	10.0	10.0
Excess of capital over par value.....	1,071.8	1,072.0
Retained earnings.....	60.9	71.9
Treasury stock, 9,742,000 shares and 1,142,000 shares.....	(102.2)	(14.8)
Deferred compensation.....	(4.1)	(3.7)
	-----	-----
Total Stockholders' Equity.....	1,036.4	1,135.4
	-----	-----
Total Liabilities and Stockholders' Equity.....	\$2,102.9	\$2,360.2
	=====	=====

See notes to consolidated financial statements.

3

4

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

	THREE MONTHS ENDED	
	SEPTEMBER 30,	
	1999	1998
	-----	-----
Revenue		
Separative Work Units.....	\$ 205.2	\$ 307.7
Uranium.....	25.7	.2
	-----	-----
	230.9	307.9
Cost of sales.....	186.4	248.6
	-----	-----
Gross profit.....	44.5	59.3
Project development costs.....	1.4	31.6
Selling, general and administrative.....	12.2	7.9
	-----	-----
Operating income.....	30.9	19.8
Interest expense.....	8.5	6.5
Other (income) expense, net.....	(2.8)	(1.6)
	-----	-----
Income before income taxes.....	25.2	14.9
Provision (benefit) for income taxes.....	9.1	(48.2)
	-----	-----
Net income.....	\$ 16.1	\$ 63.1
	=====	=====
Net income per share - basic and diluted.....	\$.16	\$.63
Dividends per share.....	\$.275	-
Average number of shares outstanding.....	97.7	100.0

See notes to consolidated financial statements.

4

5

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

	THREE MONTHS ENDED SEPTEMBER 30,	
	1999	1998
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 16.1	\$ 63.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(13.1)	(54.5)
Depreciation and amortization	5.4	5.2
Depleted uranium disposition	2.5	5.2
Suspension of development of AVLIS technology	(30.1)	-
Changes in operating assets and liabilities:		
Accounts receivable - (increase) decrease	189.4	(1.4)
Inventories - (increase)	(43.4)	(26.9)
Payables under Russian contract, net	(4.7)	59.8
Federal and state income taxes - increase	27.2	6.1
Accounts payable and other liabilities - (decrease)	(77.0)	(39.0)
Other	(4.4)	11.0
	-----	-----
Net Cash Provided by Operating Activities	67.9	28.6
	-----	-----
CASH FLOWS USED IN INVESTING ACTIVITIES		
Capital expenditures	(16.1)	(5.7)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to stockholders	(27.1)	-
Dividend paid to U.S. Treasury	-	(1,709.4)
Repurchase of common stock	(73.6)	-
Proceeds from issuance of debt	-	565.0
Debt issuance and initial public offering costs	-	(7.9)
	-----	-----
Net Cash Provided by (Used in) Financing Activities	(100.7)	(1,152.3)
	-----	-----
Net Increase (Decrease)	(48.9)	(1,129.4)
Cash and Cash Equivalents at Beginning of Period	86.6	1,177.8
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 37.7	\$ 48.4
	=====	=====
Supplemental Cash Flow Information		
Interest paid	\$ 17.1	\$ 5.3
Income taxes paid (refund)	(5.0)	-
Supplemental Schedule of Non-Cash Financing Activities		
Transfer of responsibility for depleted uranium disposition to Department of Energy	-	\$ 373.8

See notes to consolidated financial statements.

USEC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 first quarter of fiscal 2000 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2000. The unaudited consolidated financial statements should be read in

conjunction with the financial statements and related notes and management's discussion and analysis of financial condition and results of operations, included in the Annual Report on Form 10-K for the fiscal year ended June 30, 1999.

2. STOCKHOLDERS' EQUITY

Changes in stockholders' equity follow (in millions):

	COMMON STOCK, PAR VALUE \$.10 PER SHARE	EXCESS OF CAPITAL OVER PAR VALUE	RETAINED EARNINGS	TREASURY STOCK	DEFERRED COMPENSATION	TOTAL STOCKHOLDERS' EQUITY
Balance at June 30, 1999.....	\$10.0	\$ 1,072.0	\$ 71.9	\$ (14.8)	\$ (3.7)	\$1,135.4
Repurchase of common stock.....	-	-	-	(88.9)	-	(88.9)
Restricted stock issued, net of amortization.....	-	(.2)	-	1.5	(.4)	.9
Dividends paid to stockholders.....	-	-	(27.1)	-	-	(27.1)
Net income.....	-	16.1	-	-	-	16.1
BALANCE AT SEPTEMBER 30, 1999.....	\$10.0	\$1,071.8	\$ 60.9	\$ (102.2)	\$ (4.1)	\$1,036.4

The number shares of common stock outstanding amounted to 90.6 million at September 30, 1999, a decline of 8.6 million shares from 99.2 million shares at June 30, 1999. In June 1999, the Board of Directors approved a share repurchase program of up to 10.0 million shares of common stock. In the first quarter of fiscal 2000, 8.7 million shares were repurchased at a cost of \$88.9 million, of which \$73.6 million had been paid at September 30, 1999. A total of 9.5 million shares had been repurchased under the program at September 30, 1999.

3. POWER COMMITMENTS

Under the terms of the plant lease, USEC purchases a significant portion of its electric power at amounts based on actual costs incurred under the Department of Energy ("DOE") power contracts with Ohio Valley Electric Corporation ("OVEC") and Electric Energy, Inc. that extend through December 2005. USEC has the right to have DOE terminate the power contracts with notice ranging from three to five years. At September 30, 1999, USEC had contractual responsibility for the repayment obligation with respect to OVEC's short-term borrowings of \$15.5 million and OVEC's senior secured notes of \$53.7 million.

6

7

USEC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes and management's discussion and analysis of financial condition and results of operations included in the Annual Report on Form 10-K for the fiscal year ended June 30, 1999.

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Revenue amounted to \$230.9 million in the first quarter of fiscal 2000, a reduction of \$77.0 million (or 25%) from \$307.9 million in the first quarter of fiscal 1999. Revenue from sales of SWU declined \$102.5 million (or 33%) primarily reflecting the timing of customer nuclear reactor refueling orders, as well as lower SWU commitments levels of a domestic and a foreign customer. USEC provided enrichment services for 16 reactors compared with 24 reactors in the first quarter of fiscal 1999.

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 priced billed to customers was about the same as in the first quarter of fiscal 1999, notwithstanding the overall trend towards lower prices in the highly competitive uranium enrichment market. USEC's financial performance over time can be significantly affected by changes in the market price for SWU. The heightened level of competition in the worldwide uranium enrichment industry, coupled with the impact of deregulation in the U.S. utility industry, has resulted in a trend towards lower prices and shorter contract terms. USEC anticipates that these trends will continue in the near future. As a result of market dynamics and the impact of USEC's current cost structure, including the impact of increased purchases under the Russian contract at prices above current market sales prices, USEC's share of new SWU commitments has declined somewhat from prior levels.

In addition, the trends described above will continue to affect the level of USEC's backlog. As the older customer contracts with higher prices expire, USEC's backlog is becoming more heavily weighted with the newer contracts with the shorter terms and lower prices. In light of this, USEC expects that its backlog will decline over time unless new SWU commitments are added at sufficient levels to offset the impact of shorter term contracts, expiring commitments and prices on the backlog.

Revenue from sales of uranium, primarily uranium hexafluoride ("UF6"), amounted to \$25.7 million in the first quarter of fiscal 2000, compared with \$.2 million in the first quarter of fiscal 1999. Certain contracts with customers provided for the sale of uranium and SWU in the form of enriched uranium product. The growth in revenue from sales of uranium in the first quarter of fiscal 2000 was affected by lower market prices for uranium compared with the corresponding period in fiscal 1999.

The percentage of revenue from domestic and international customers follows:

	THREE MONTHS ENDED SEPTEMBER 30,	
	1999	1998
	-----	-----
Domestic.....	43%	57%
Asia.....	48	26
Europe and other.....	9	17
	-----	-----
	100%	100%
	=====	=====

Revenue from domestic customers declined \$77.2 million (or 44%), revenue from customers in Asia increased \$29.7 million (or 37%), and revenue from customers in Europe and other areas declined \$29.5 million (or 58%). The changes in the geographic mix of revenue in the first quarter of fiscal 2000 resulted primarily from the timing of customers' orders and the growth in sales of uranium.

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 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 \$186.4 million in the first quarter of fiscal 2000, a reduction of \$ 62.2 million (or 25%) compared with \$248.6 million in the first quarter of fiscal 1999. The decline in cost of sales reflects a 33% decline in sales of SWU from the timing of customer orders, partly offset by higher sales of uranium. As a percentage of revenue, cost of sales amounted to 81%, about the same as in the first quarter of fiscal 1999.

USEC purchases a significant portion of its electric power based on long-term contracts with dedicated power generating facilities. Firm power costs vary depending on operating and capital costs incurred at the power generating facilities. Non-firm power costs vary seasonally with rates being higher during winter and summer as a function of the extremity of the weather and as a function of demand during peak and off-peak times. Power costs are typically higher in the summer months as almost all of the power supplied to the Paducah plant in the summer months is purchased at market-based rates because it is non-firm power. In the summers of 1999 and 1998, production at the Paducah plant was reduced to avoid the high cost of non-firm power.

Electric power costs amounted to \$70.0 million in the first quarter of fiscal 2000 (representing 49% of production costs) compared with \$90.9 million (representing 54% of production costs) in the first quarter of fiscal 1999, a reduction of \$20.9 million (or 23%). USEC negotiated and implemented changes to its power supply agreements to limit exposure to high-cost, non-firm power prices at the Paducah plant, to monetize excess power available in the summer of 1999 under the contract to the Portsmouth plant, and to move blocks of power in the summer of 1999 from the Portsmouth plant to the Paducah plant. As a result, power supplied to and purchased for the Portsmouth plant in the first quarter of fiscal 2000 was lower than in the corresponding period in fiscal 1999. In the first quarter of fiscal 1999, persistent hot weather, high electricity demand in the Midwest and power generation shortages had resulted in record high power costs at the Paducah plant.

8

9

Costs for labor included in production costs declined 8% compared with the first quarter of fiscal 1999. Consistent with an agreement with the U.S. Treasury, the average number of employees at the plants declined 11% in the first quarter of fiscal 2000 compared with the corresponding period in fiscal 1999. In fiscal 1998, USEC had recorded a special charge of \$12.8 million for costs related to severance benefits to be paid to plant workers in connection with workforce reductions, of which \$8.3 million had been paid with respect to 420 workers as of September 30, 1999.

At the Portsmouth plant, SWU unit production costs continue to be adversely affected by low production facility capability due to continued sub-optimal gaseous diffusion production equipment availability.

Pursuant to the agreement with the U.S. Treasury, 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 of USEC is, or is reasonably expected in the next twelve months to be, downgraded below an investment grade rating.

None of the exceptions to USEC's obligation to operate the plants has occurred. Based on 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.

USEC is the Executive Agent of the U.S. Government under a government-to-government agreement to purchase the SWU component of enriched uranium recovered from dismantled nuclear weapons from the former Soviet Union for use in commercial electricity production. Global market prices for SWU have declined below the price being paid for SWU under the Russian contract. USEC has begun negotiations to align the Russian contract with market pricing realities. Cost of sales has been, and will continue to be, adversely affected by amounts paid to purchase SWU under the Russian contract. In addition, since the volume of Russian SWU purchases has increased, USEC has operated the plants at significantly lower production levels resulting in higher unit production costs.

SWU purchased from the Russian Federation represented 49% of the combined produced and purchased supply mix in the first quarter of fiscal 2000 compared with 46% in the corresponding period in fiscal 1999. USEC has ordered 5.7 million SWU for delivery under the Russian contract in calendar year 1999, of which 2.7 million SWU had been delivered as of September 30, 1999.

Gross Profit

Gross profit amounted to \$44.5 million in the first quarter of fiscal 2000, a reduction of \$14.8 million (or 25%) from \$59.3 million in the first quarter of fiscal 1999. The reduction in gross profit reflects lower revenue primarily from the timing of customer orders. Gross margin was 19%, about the same as in the first quarter of fiscal 1999.

Project Development Costs

Project development costs amounted to \$1.4 million in the first quarter of fiscal 2000 compared with \$31.6 million in the first quarter of fiscal 1999. Project development spending in the first quarter of

9

10

fiscal 2000 is not indicative of the level of spending expected for the full fiscal year. Costs are expected to increase during the remainder of fiscal 2000. USEC is evaluating a potential new advanced enrichment technology called "SILEX" and the availability and economics of centrifuge technology.

Costs incurred in the fiscal 1999 period were primarily for AVLIS. In June 1999, further development of the AVLIS enrichment technology was suspended, resulting in a special charge of \$34.7 million against income in fiscal 1999 for contract termination, shutdown activities and employee benefit arrangements, of which \$30.1 million had been paid as of September 30, 1999.

Selling, General and Administrative

Selling, general and administrative expense amounted to \$12.2 million in the first quarter of fiscal 2000, an increase of \$4.3 million (54%) from \$7.9 million in the first quarter of fiscal 1999. The increase reflects planned additional corporate staff following the initial public offering in July 1998, and amortization of the cost of restricted stock grants and higher external professional fees primarily for power initiatives and foreign trade matters.

Operating Income

Operating income amounted to \$30.9 million in the first quarter of fiscal 2000, an increase of \$11.1 million (or 56%), compared with \$19.8 million in the first quarter of fiscal 1999. The increase reflects a reduction of \$30.2 million in project development costs following the suspension of AVLIS development in June 1999, partially offset by a reduction of \$14.8 million in gross profit.

Interest Expense

Interest expense amounted to \$8.5 million in the first quarter of fiscal 2000, an increase of \$2.0 million (31%) from \$6.5 million in the first quarter of fiscal 1999. Long-term debt and outstanding borrowings under credit facilities averaged \$528.3 million for the three months in the first quarter of fiscal 2000 compared with an average of \$557.6 million for two months in the corresponding period in fiscal 1999. Prior to July 28, 1998, the date of the initial public offering, USEC had no debt.

Provision for Income Taxes

The effective tax rate was 36.1% in the first quarter of fiscal 2000.

USEC became subject to federal, state and local income taxes July 28, 1998, the date of the initial public offering, and the provision for income taxes in the first quarter of fiscal 1999 includes a special income tax benefit of \$54.5 million (\$.54 per share) for deferred income tax benefits that arose from the transition to taxable status. Excluding the special tax benefit, the provision for income taxes amounted to \$6.3 million in the first quarter of fiscal 1999.

Net Income

Net income amounted to \$16.1 million (or \$.16 per share) in the first quarter of fiscal 2000 compared with \$8.6 million (or \$.09 per share), excluding special items, in the corresponding period in fiscal 1999. The increase reflects lower project development costs following the suspension of AVLIS development in June 1999, partly offset by lower gross profit. Net income was \$63.1 million (or \$.63 per share) in the first quarter of fiscal 1999.

10

11

The average number shares of common stock outstanding amounted to 97.7 million in the first quarter of fiscal 2000, a decline of 2.3 million shares from 100.0 million shares in the first quarter of fiscal 1999. The reduction in the average reflects the repurchase during the quarter of 8.7 million shares under a repurchase program authorized in June 1999. At September 30, 1999, there were 90.6 million shares issued and outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flow

Net cash flows provided by operating activities amounted to \$67.9 million in the first quarter of fiscal 2000 compared with \$28.6 million in the first quarter of fiscal 1999. The increase resulted from a reduction of \$189.4 million in customer trade receivables from collections following the high level of revenue billed during the three months ended June 30, 1999. The increase was partially offset by payments of \$30.1 million relating to suspension of development of the AVLIS technology, the first semiannual payment of \$16.7 million in July 1999 for interest on senior notes issued in January 1999, and an increase of \$43.4 million in inventories.

Capital expenditures amounted to \$16.1 million in the first quarter of fiscal 2000, compared with \$5.7 million in the first quarter of fiscal 1999. Capital expenditures in the fiscal 2000 period include costs for seismic upgrades at the Paducah plant, required by the NRC Compliance Plan, to reduce the risk of release of radioactive and hazardous material in the event of an earthquake. In fiscal 2000, USEC expects its capital expenditures will approximate \$61.0 million, including costs for seismic upgrades at the Paducah plant and costs to upgrade the Paducah plant's capability to produce enriched uranium up to 5.5% U235.

In June 1999, the Board of Directors approved a share repurchase program of up to 10.0 million shares of common stock. In the first quarter of fiscal 2000, 8.7 million shares were repurchased at a cost of \$88.9 million, of which \$73.6 million had been paid at September 30, 1999. At September 30, 1999, a total of 9.5 million shares had been repurchased since the inception of the program.

Dividends paid to stockholders amounted to \$27.1 million in the first quarter of fiscal 2000. There was no dividend payment in the first quarter of fiscal 1999 as USEC began regular quarterly dividend payments in December 1999.

The exit dividend paid to the U.S. Treasury July 28, 1998, the date of the initial public offering, amounted to \$1,709.4 million.

Capital Structure and Financial Resources

In January 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 senior notes are unsecured obligations and rank on a parity with all other

unsecured and unsubordinated indebtedness of USEC Inc.

Commitments available under bank credit facilities amounted to \$300.0 million at September 30, 1999, as follows: \$150.0 million under a revolving credit facility convertible in July 2000 into a one-year term loan and \$150.0 million under a revolving credit facility expiring July 2003. Commercial paper borrowings of \$50.0 million included in short-term debt at September 30, 1999, are supported by available commitments under the bank credit facilities.

11

12

Net working capital amounted to \$818.7 million, including net inventories of \$873.2 million, at September 30, 1999, compared with \$943.3 million, including net inventories of \$831.7 million, at June 30, 1999. The total debt-to-capitalization ratio was 35% at September 30, 1999, compared with 33% at June 30, 1999.

USEC expects that its cash, internally generated funds from operating activities, and available financing sources under the bank credit facilities 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, interest expense, quarterly dividends, and repurchases of shares of common stock.

CHANGING PRICES AND INFLATION

The plants require substantial amounts of electric power to enrich uranium. Information with respect to electric power prices and costs is included above.

A majority of USEC's long-term requirements contracts with customers generally provide for prices that are subject to adjustment for inflation.

IMPACT OF YEAR 2000 ISSUE

In July 1999, remediation, testing and certification of the identified, critical, in-house and vendor software and hardware was complete. Remediated software and embedded systems were tested both for ability to handle Year 2000 dates, including leap year, and to assure that repair had not affected functionality. Software and embedded systems were tested individually and where necessary in an integrated manner with other systems, with dates advanced to simulate the Year 2000. As required by the NRC, USEC has completed its program to assure that systems required for safe and compliant operations of the plants are Year 2000 ready.

USEC depends on external parties, including electric power utilities, customers, suppliers, government agencies, and financial institutions, to reliably deliver products and services. Assessment of Year 2000 readiness of external parties and contingency planning will continue through calendar year 1999.

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. 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. Contingency plans have been developed and are being continually evaluated and revised during the remainder of calendar year 1999. Contingency planning includes, but is not limited to, the development of plans in the event that electric power is interrupted or reduced for an extended period of time, the continued communication with critical suppliers to ensure their Year 2000 readiness, and the identification of alternative suppliers, vendors and service providers.

Costs for software modifications and systems upgrades to resolve Year 2000 issues aggregated \$12.2 million at September 30, 1999, and additional costs of \$.2 million are expected during the remainder of fiscal 2000.

USEC INC.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables under the Russian Contract approximate fair value because of the short-term nature of the instruments.

The repayment schedule of short-term debt based on maturity dates available under the bank credit facilities, the scheduled maturity dates of long-term debt, the balance sheet carrying amounts at September 30, 1999, and related fair values calculated based on a spread over U.S. Treasury securities with similar maturities, follow (millions):

	MATURITY DATES			BALANCE SHEET CARRYING AMOUNT	FAIR VALUE
	SEPTEMBER 2000	JANUARY 2006	JANUARY 2009		
Short-term debt.....	\$ 50.0			\$ 50.0	\$ 50.0
Long-term debt:					
6.625% senior notes.....		\$350.0		350.0	321.7
6.750% senior notes.....			\$150.0	150.0	134.4
				-----	-----
				\$550.0	\$506.1
				=====	=====

USEC INC.

PART II. OTHER INFORMATION

LEGAL PROCEEDINGS

None.

EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

EXHIBIT NO. -----	DESCRIPTION -----
10.37	Agreement between USEC Inc. and George P. Rifakes, dated October 1, 1999.
10.38	USEC Inc. Supplemental Executive Retirement Plan, dated April 7, 1999.
10.39	USEC Inc. Pension Restoration Plan, dated September 1, 1999.
10.40	Form of Change in Control Arrangement with executive officers.
27	Financial Data Schedule.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended September 30, 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 of the undersigned thereunto duly authorized.

USEC INC.

November 4, 1999

By /s/ HENRY Z SHELTON, JR.

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

14

15

USEC INC.

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
10.37	Agreement between USEC Inc. and George P. Rifakes, dated October 1, 1999.
10.38	USEC Inc. Supplemental Executive Retirement Plan, dated April 7, 1999.
10.39	USEC Inc. Pension Restoration Plan, dated September 1, 1999.
10.40	Form of Change in Control Arrangement with executive officers.
27	Financial Data Schedule.

THIS AGREEMENT is made as of October 1, 1999, by and between USEC Inc., a corporation organized and existing under the laws of the state of Delaware (hereinafter called "USEC"), and George P. Rifakes (hereinafter called the "Consultant").

IN CONSIDERATION of the mutual promises set forth herein, the parties hereby agree as follows:

1. The term of this Agreement shall be from October 1, 1999 through March 31, 2000, unless sooner terminated pursuant to the terms hereof. This Agreement shall be renewable upon mutual consent of the parties.
2. The Consultant shall perform certain work and services relating to USEC's policies, procedures, commercial practices, external affairs, and strategic planning subject to the terms and conditions of this Agreement. Consultant agrees to make himself available to USEC for a maximum of 80 hours per month in connection with the services described herein. USEC shall notify Consultant two weeks in advance of required service and will endeavor to request services in increments of weeks rather than days.
3. USEC shall compensate the Consultant at a fixed price of \$95,000 payable in equal biweekly installments during the term hereof. It is understood that \$7,500 of such fixed price represents reimbursement by USEC of lodging expense of Consultant that will be incurred during the term hereof. In addition, Consultant will have the opportunity to earn a bonus of up to \$25,000 payable at the end of the term hereof if Consultant successfully completes the services described herein. Subject to any guidelines provided by USEC to the Consultant, USEC shall reimburse the Consultant for reasonable and necessary travel (other than lodging) expenses incurred by the Consultant in the performance of the services described herein, and documented on consultant's invoice. Reimbursement for expenses shall be made on a monthly basis against Consultant's invoice specifying the expenses incurred during the prior month. Payment shall be due 30 days after receipt of Consultant's invoice. If the 30th day is not a working day, payment shall be due on the next working day thereafter.
4. In the performance of the work and services hereunder, the Consultant shall act solely as an independent contractor and not as an employee of USEC. All taxes applicable to any amounts paid by USEC to the Consultant under this Agreement shall be the Consultant's liability and USEC shall not withhold nor pay any amounts for federal, state or municipal income tax, social security, unemployment or worker's compensation. In accordance with current law, USEC shall annually file with the Internal Revenue Service a Form 1099-MISC, U.S. Information Return for Recipients of Miscellaneous Income, reflecting the gross annual payments by USEC to the Consultant, net of any documented and reimbursed travel, lodging and other expenses incurred by the Consultant on behalf of USEC pursuant to this Agreement. The Consultant hereby acknowledges personal income tax liability for the self-employment tax imposed by Section 1401 of the Internal Revenue Code, and the

payment, when applicable, of estimated quarterly taxes under Internal Revenue Service Form 1040-ES, declaration of estimated tax by individuals.

5. All reports, findings, recommendations, data, memoranda or documents, arising out of and relating to the services performed under this Agreement are (and shall continue to be after the expiration of this Agreement) the property of USEC or its assigns, and USEC shall have the exclusive rights to such materials. The use of these materials in any manner by USEC or its assigns shall not result

in any additional claim for compensation by the Consultant. The Consultant shall hold confidential this Agreement and all information developed by or communicated to the Consultant in the performance of the services, whether described in this Agreement, in any schedule executed pursuant hereto or otherwise, other than information that is already in the public domain or that becomes publicly available other than through an unauthorized disclosure by the Consultant. Nothing herein shall preclude disclosure of confidential information to officers, employees or directors of USEC and its subsidiaries and affiliates, or to attorneys, advisers and consultants of USEC who are under an obligation to USEC to keep such information confidential.

6. By entering into this Agreement with USEC, the Consultant represents that he or she presently has no conflicting interests, agreements or obligations with any other party. The Consultant shall promptly notify USEC in writing if a change in circumstances creates, or appears likely to create, a conflict with the Consultant's obligations hereunder or an appearance that such a conflict exists.

7. During the term hereof, Consultant shall not (a) engage or become interested as an owner (other than as an owner of less than 5% of the stock of a publicly owned company), stockholder, partner, director, officer, employee (in an executive capacity), consultant or otherwise in any business that is competitive with any business conducted by USEC or its subsidiaries during the term of this Agreement; (b) recruit, solicit for employment, hire or engage any employee or consultant of USEC or its subsidiaries or any person who was an employee or consultant of USEC or its subsidiaries as of the effective date of this Agreement; (c) solicit or conduct business with any entity that is, at the time at issue, a current or prospective customer of USEC; (d) interfere with any business relationship between USEC and any entity that is, at the time at issue, a current or prospective customer, vendor, contractor, employee, officer or director of USEC; (e) make any oral or written public or private statements that are disparaging of USEC.

8. The Consultant hereby releases USEC from any and all liability for damage to property or loss thereof, personal injury or death during the term of this Agreement (and any extensions thereof) or thereafter, sustained by the Consultant as a result of performing the services under this Agreement or arising out of the performance of such services; provided, however, that the foregoing release shall not apply to the extent such damage, loss, injury or death is caused by or results from the gross negligence of USEC, its agents or employees.

3

3

9. If the services to be performed by the Consultant include access to classified material or areas, the Consultant shall comply with all applicable security laws, regulations, orders and requirements. The Consultant shall submit a confidential report to USEC immediately whenever for any cause it has reason to believe that there is either (a) an active danger of espionage or sabotage affecting any work under such government contracts, or (b) a violation or threatened violation of any applicable security law, regulation, order or requirement concerning the classified material or areas.

10. The Consultant may terminate this Agreement, for any reason or no reason, at any time by a written notice to USEC. Such termination shall take effect immediately upon receipt of a termination notice by USEC, unless a different termination date is stated in the notice. Upon termination of the Agreement, all work and services being performed under this Agreement shall cease. USEC shall have no liability or obligation for any performance by the Consultant after a termination takes effect, other than to pay Consultant for any services satisfactorily performed for which USEC has not previously paid prior to such termination.

11. The Consultant may not assign this Agreement, nor may the Consultant delegate or subcontract the performance or obligations imposed hereunder without the consent of USEC.

12. The Consultant has no authority whatever, express or implied, by virtue of

this Agreement to commit USEC in any way to perform in any manner or to pay money for services or material.

13. This Agreement is to be governed by the laws of the State of Maryland.

14. The whole and entire agreement of the parties is set forth in this Agreement, and the parties are not bound by any agreements, understandings or conditions otherwise than as expressly set forth herein.

15. This Agreement may not be changed or modified in any manner except by a writing mutually signed by the parties or their respective successors and permitted assigns.

16. Any notice, request, demand, claim or other communication related to this Contract shall be in writing and delivered by hand or transmitted by telecopier, registered mail (postage prepaid), or overnight courier to the other party at the following numbers and addresses:

If to USEC: President and Chief Executive Officer
USEC Inc.
6903 Rockledge Drive
Bethesda, MD 20817-1818
Phone: (301) 564-3200

If to Consultant: At his address on file with USEC

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

USEC Inc.

CONSULTANT

/s/ Henry Z Shelton, Jr.

/s/ George P. Rifakes

Henry Z Shelton, Jr.
Senior Vice President and Chief
Financial Officer

George P. Rifakes

USEC INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective
as of
APRIL 7, 1999

INTRODUCTION

USEC Inc. desires to retain the services of, and provide rewards and incentives to, members of a select group of management employees who contribute to the success of USEC Inc.

In order to achieve this objective, effective April 7, 1999, USEC Inc. has adopted the following Supplemental Executive Retirement Plan to provide supplemental retirement benefits to select members of management and highly compensated employees who become Members of this plan. This plan is intended to be an unfunded plan of deferred compensation for a select group of management or highly compensated employees, as provided in the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE I

TITLE AND EFFECTIVE DATE

1.1 This plan shall be known as the USEC Inc. Supplemental Executive Retirement Plan (hereinafter referred to as the "Plan").

1.2 The Effective Date of this Plan shall be April 7, 1999.

ARTICLE II

DEFINITIONS

As used herein, the following words and phrases shall have the

meanings specified below unless a different meaning is clearly required by the context:

2.1 The term "ACTUARIAL EQUIVALENT" shall mean Actuarial Equivalent as defined in the Qualified Plan.

2.2 The term "BENEFIT COMMENCEMENT DATE" shall mean the date on which benefits commence to be payable to a Member or Surviving Spouse under this Plan.

2.3 The term "BENEFIT OBJECTIVE" shall be an amount equal to 60% of the Member's Final Average Compensation.

2.4 The term "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company.

1

3

2.5 The term "CHIEF HUMAN RESOURCE OFFICER" shall mean the officer appointed by the Board of Directors to administer the claims procedure described in Article VI.

2.6 The term "COMPANY" shall mean USEC Inc., its successors and assigns, any subsidiary or affiliated organizations authorized by the Board of Directors to participate in this Plan with respect to their Members, and subject to the provisions of Section 7.6, any organization into which the Company may be merged or consolidated or to which all or substantially all of its assets may be transferred.

2.7 The term "COMPENSATION" shall mean the annualized rate of base compensation and any annual incentive compensation (cash or stock) earned during a calendar year by the Member, regardless of whether paid in that calendar year, pursuant to the USEC Inc. Annual Incentive Plan or similar plan maintained by the Company, but shall not include compensation (i) in the form of stock options or stock appreciation rights or (ii) any compensation, other than annual incentive compensation, earned pursuant to the provisions of the USEC Inc. 1999 Equity Incentive Plan earned by the Member.

2.8 The term "COMMITTEE" shall mean the committee appointed by the Board of Directors to administer this Plan pursuant to Article V.

2.9 The term "DISABILITY BENEFIT" shall be an amount equal to the Normal Retirement Benefit to which the Disabled Member would be entitled under this Plan had the Member elected to retire on his Normal Retirement Date at a level of compensation no less than the Final Average Compensation he received on his date of disability, with payment of the Disability Benefit commencing at age 62.

2.10 The term "DISABLED MEMBER" shall mean any Member who incurs a termination by reason of Total and Permanent Disability.

2.11 The term "EARLY RETIREMENT" shall mean Termination of Employment with the Company (other than due to death or Total and Permanent Disability) on the first day of the month coinciding with or immediately following the Member's attainment of age fifty-five (55). The prior approval of the Board of Directors shall be required for the Early Retirement of a Member before that Member's attainment of age sixty (60).

2.12 The term "EARLY RETIREMENT BENEFIT" shall mean the benefit calculated under Article IV herein which is payable to a Member who elects Early Retirement.

2.13 The term "EXCESS PLAN" shall mean the USEC Inc. Excess Plan, as amended from time to time.

2.14 The term "FINAL AVERAGE COMPENSATION" shall mean the average annual Compensation paid to the Member by the Company for the three consecutive years, commencing on or after February 3, 1999, immediately preceding the Termination Date,

or, if the Termination Date occurs prior to February 3, 2002, the average annual Compensation for the number of years from February 3, 1999 to the Termination Date.

2.15 The term "MEMBER" shall mean any employee who is part of a select group of management or highly compensated personnel who is designated as a Member by the Committee as provided in Article III. A Member shall also mean a retired or terminated Member or a Member's Surviving Spouse who is receiving, or entitled to receive, payments under the terms of this Plan.

2.16 The term "NORMAL RETIREMENT" shall mean Termination of Employment with the Company on the first day of the month coinciding with or immediately following the Member's attainment of age sixty-two (62).

2.17 The term "NORMAL RETIREMENT BENEFIT" shall mean the benefit calculated under Article IV herein which is payable to a Member who elects Normal Retirement.

2.18 The term "PLAN" shall mean the USEC Inc. Supplemental Executive Retirement Plan and any amendments thereto.

2.19 The term "PLAN BENEFIT" shall mean a benefit due a Member under the terms of this Plan which shall commence as of the Member's Benefit Commencement Date.

2.20 The term "POST-RETIREMENT DEATH BENEFIT" shall be a benefit calculated and paid in the same form and at the same time as the post-retirement death benefit, if any, is paid under the Qualified Plan.

2.21 The term "PRE-RETIREMENT DEATH BENEFIT" shall be a benefit calculated and paid in the same form and at the same time, as the pre-retirement death benefit, if any, is paid under the Qualified Plan.

2.22 The term "PRIMARY SOCIAL SECURITY BENEFIT" shall be the Member's primary benefit under the Social Security Act, as amended, determined on the date as of which any offsets to benefits under this Plan are calculated, and payable at the later of age 62 or the Benefit Commencement Date.

2.23 The term "QUALIFIED PLAN" shall mean the Employees' Retirement Plan of USEC Inc., as amended from time to time.

2.24 The term "SERVICE" shall mean the period of full time employment of a Member with the Company. For this purpose, all periods of employment with the Company (both before and after the adoption of this Plan, and before and after the employee becomes a Member in this Plan), shall be included as Service.

2.25 The term "SURVIVING SPOUSE" shall mean the spouse to whom the Member was married at the time of the Member's death.

2.26 The term "TERMINATION DATE" shall mean the first day of the month next following the Member's Termination of Employment.

2.27 The term "TERMINATION OF EMPLOYMENT" shall mean the termination of a Member's Service for any reason, including voluntary or involuntary separation, retirement or death, except for a termination for "Cause" as described in Section 4.7(d).

2.28 The term "TOTAL AND PERMANENT DISABILITY" shall mean the total incapacity of a Member due to bodily injury or physical or mental disease to such an extent as to render it impossible for him to perform his customary or other comparable duties with the Company as determined by the Committee on the basis of competent medical advice and such other evidence as the Committee may

deem sufficient in accordance with uniform principles consistently applied.

ARTICLE III

DESIGNATION OF MEMBERS

3.1 Designation of Members. The Members shall be those key employees of the Company designated on an individual basis from time to time by the Committee, in its sole discretion, as Members in this Plan.

3.2 Continued Employment. The payment of benefits to each Member under this Plan is conditioned upon the continuous employment of such Member by the Company (including periods of disability and authorized leaves of absence) from the date of the Member's participation in this Plan until the Member's Normal Retirement, Early Retirement, Total and Permanent Disability, death, or Termination of Employment whichever occurs first.

ARTICLE IV

PLAN BENEFIT

4.1 Payment of Benefits. Except as otherwise specifically provided herein, this Plan Benefit payable under the terms of this Article shall be paid at the same time and in the same form as the Member's benefit is paid under the Qualified Plan.

4.2 Normal Retirement Benefit. A Member who elects Normal Retirement shall receive a monthly benefit equal to one-twelfth (1/12) of the Benefit Objective minus the following amounts:

4

6

- (a) One hundred percent (100%) of the Member's monthly Primary Social Security Benefit in effect on the later of (a) Member's Benefit Commencement Date, or (b) the Member's date of Termination of Employment,
- (b) One hundred percent (100%) of the Member's monthly benefit under the Qualified Plan, assuming commencement as of his Benefit Commencement Date, and
- (c) One hundred percent (100%) of the Member's monthly benefit under the Excess Plan, assuming commencement as of his Benefit Commencement Date.

Notwithstanding any other provision of this Section 4.2, in the event that the Member has elected a benefit under the Qualified Plan other than a monthly straight life annuity, the Normal Retirement Benefit shall be equal to the Actuarial Equivalent of the benefit in this Section 4.2, determined by calculating such benefit pursuant to the provisions described in this Section 4.2, and by converting the amount so obtained by using the Actuarial Equivalent.

4.3 Early Retirement Benefit. A Member who elects Early Retirement shall receive a monthly benefit equal to one-twelfth (1/12) of:

- (a) The Benefit Objective, reduced by 3% for each year that the Benefit Commencement Date precedes the Member's date of Normal Retirement.

Reduced by the sum of the following:

- (b) One hundred percent (100%) of the Member's monthly Primary Social Security Benefit in effect on the later of (a) Member's Benefit Commencement Date, or (b) the Member's date of Termination of Employment;

- (c) One hundred percent (100%) of the Member's monthly benefit under the Qualified Plan, assuming commencement as of his Benefit Commencement Date; and
- (d) One hundred percent (100%) of the Member's monthly benefit under the Excess Plan, assuming commencement as of his Benefit Commencement Date.

4.4 Disability Benefit. If a Member is determined to have incurred a Total and Permanent Disability while employed by the Company, the Disabled Member shall be entitled to the Disability Benefit. The Benefit Commencement Date for a Disabled

5

7

Member shall be on the first day of the month coinciding with or immediately following the Member's attainment of age 62.

4.5 Pre-Retirement Death Benefit. In the event of the death of a Member prior to his Benefit Commencement Date, the Member's Surviving Spouse shall be entitled to receive a Pre-Retirement Death Benefit.

4.6 Post-Retirement Death Benefit. In the event of the death of a Member after the attainment of his Benefit Commencement Date and before the complete payment of his plan benefit, the Member's Surviving Spouse shall be entitled to receive a Post-Retirement Death Benefit.

4.7 Nonforfeitable Right to Benefits Upon Other Terminations of Employment. A Member shall have a nonforfeitable right, in accordance with the terms of this Plan, to receive a benefit as follows:

- (a) In the case of the Member's Termination of Employment other than by reason of death or Total and Permanent Disability and, prior to meeting Early Retirement eligibility, the nonforfeitable Plan Benefit shall be calculated as described in Section 4.3, but with the Benefit Objective further reduced by 3% per year from the date the Member would be eligible for Early Retirement to the date of Termination of Employment. The earliest date that payment of such Plan Benefit may commence is on the date of Normal Retirement.
- (b) In the case of the approval of Early Retirement for the Member (after the attainment of age 55 and prior to age 60), the nonforfeitable Plan Benefit shall be calculated as described in Section 4.3, with payment commencing on a Benefit Commencement Date approved by the Board of Directors.
- (c) In the case of the Member's Termination of Employment other than by reason of death or Total and Permanent Disability, and after the attainment of age 55 without Board of Directors' approval for Early Retirement, the nonforfeitable Plan Benefit shall be calculated as described in Section 4.3, with payment commencing on the date of Normal Retirement.
- (d) Notwithstanding the proceeding provision of this Section 4.7, if a Member is terminated for "Cause", as defined in any employment agreement applicable to the Member, the Member shall forfeit all rights to payment

under this Plan.

6

8

ARTICLE V

PLAN ADMINISTRATION

5.1 The Committee shall administer this Plan and keep records of individual Member benefits.

5.2 The Committee shall have the authority to interpret this Plan, to adopt and review rules relating to this Plan, and to make any other determinations for the administration of this Plan.

Subject to the terms of this Plan, the Committee shall have exclusive jurisdiction (i) to select the employees eligible to become Members, (ii) to determine the eligibility for, and form and method of, any benefit payments, (iii) to establish the timing of benefit distributions, and (iv) to settle claims according to the provisions in Article VI.

5.3 The Committee may employ such counsel, accountants, actuaries, and other agents as it shall deem advisable. The Company shall pay the compensation of such counsel, accountants, actuaries, and other agents and any other expenses incurred by the Committee in the administration of this Plan.

ARTICLE VI

CLAIMS PROCEDURE

6.1 The Chief Human Resources Officer of the Company shall administer the claims procedure under this Plan.

(a) The business address and telephone number of the Chief Human Resources Officer of the Company is:

Vice President, Human Resources
And Administration
6903 Rockledge Drive
Bethesda, Maryland 20817
(301) 564-3306

(b) The Company shall have the right to change the address and telephone number of the Chief Human Resources Officer. The Company shall give each Member written notice of any change of the Chief Human Resources Officer, or any change in the address and telephone number of the Chief Human Resources Officer.

6.2 Benefits shall be paid in accordance with the provisions of this Plan. The Member (hereinafter referred to as the "Claimant") shall make a written request for the

7

9

benefits provided under this Plan. This written claim shall be mailed or delivered to the Chief Human Resources Officer.

6.3 If the claim is denied, either wholly or partially, notice of the decision shall be mailed to the Claimant within a reasonable time period. This time period shall not exceed 90 days after the receipt of the claim by the Chief Human Resources Officer.

6.4 The Chief Human Resources Officer shall provide such written notice to every Claimant who is denied a claim for benefits under this Plan. The notice shall set forth the following information:

- (a) the specific reasons for the denial;
- (b) the specific reference to pertinent Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) appropriate information and explanation of the claims procedure under this Plan to permit the Claimant to submit his claim for review.

6.5 The claims procedure under this Plan shall allow the Claimant a reasonable opportunity to appeal a denied claim and to get a full and fair review of that decision from the Committee.

- (a) The Claimant shall exercise his right of appeal by submitting a written request for a review of the denied claim to the Chief Human Resources Officer. This written request for review must be submitted to the Chief Human Resources Officer within sixty (60) days after receipt by the Claimant of the written notice of denial.
- (b) The Claimant shall have the following rights under this appeal procedure:
 - (1) to request a review by the Committee upon written application to the Chief Human Resources Officer;
 - (2) to review pertinent documents with regard to the employee benefit plan created under this Plan;
 - (3) to submit issues and comments in writing;
 - (4) to request an extension of time to make a written submission of issues and comments; and
 - (5) to request that a hearing be held to consider Claimant's appeal.

8

10

6.6 The decision on the review of the denied claim shall promptly be provided by the Committee:

- (a) within forty-five (45) days after the receipt of the request for review if no hearing is held; or
- (b) within ninety (90) days after the receipt of the request for review, if an extension of time is necessary in order to hold a hearing.
 - (1) If an extension of time is necessary in order to hold a hearing, the Committee shall give the Claimant written notice of the extension of time and of the hearing. This notice shall be given prior to any extension.
 - (2) The written notice of extension shall indicate that an extension of time will occur in order to hold a hearing on Claimant's appeal. The notice

shall also specify the place, date, and time of that hearing and the Claimant's opportunity to participate in the hearing. It may also include any other information the Committee believes may be important or useful to the Claimant in connection with the appeal.

6.7 The decision to hold a hearing to consider the Claimant's appeal of the denied claim shall be within the sole discretion of the Committee, whether or not the Claimant requests such a hearing.

6.8 The Committee's decision on review shall be made in writing and provided to the Claimant within the specified time periods. This written decision on review shall contain the following information:

- (a) the decision(s);
- (b) the reasons for the decision(s); and
- (c) specific reference to the provisions of this Plan on which the decision(s) is/are based.

All of this information shall be written in a manner calculated to be understood by the Claimant.

9

11

ARTICLE VII

MISCELLANEOUS

7.1 Nothing contained in this Plan shall be deemed to give any Member the right to be retained in the service of the Company.

7.2 Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind or a fiduciary relationship between the Company and the Member, his spouse or any other person. Any funds which may be invested by the Company to insure itself against any and all financial losses which the Company may incur under the provisions of this Plan shall continue for all purposes to be a part of the general funds of the Company, and no person other than the Company, shall, by virtue of the provisions of this Plan, have any interest in such funds. To the extent that any person acquires a right to receive payment from the Company under this Plan, such right shall be no greater than the right of any general unsecured creditor of the Company.

7.3 A retired Member shall not be considered an employee for any purpose under the law.

7.4 Except insofar as this provision may be contrary to applicable law, no sale, transfer, alienation, assignment, pledge, collateralization, or attachment of any benefits under this Plan shall be valid or recognized by the Committee.

7.5 The Company reserves the right at any time and from time to time, by action of its Board of Directors to terminate, modify or amend, in whole or in part, any or all of the provisions of this Plan, including specifically the right to make any such amendments effective retroactively; provided that no such action shall reduce the Plan Benefits of any Member or Surviving Spouse.

7.6 The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

7.7 This Plan shall be binding upon and inure to the benefit of

the Company, its successors and assigns and each Member and his legal representatives.

7.8 This Plan shall be governed by the laws of the State of Delaware, except to the extent pre-empted by federal law. This Plan is solely between the Company and the Member. The Member shall have recourse against the Company only for enforcement of this Plan.

10

12

7.9 Any words herein used in the masculine shall be read and construed in the feminine where they would so apply. Words in the singular shall be read and construed as though used in the plural in all cases where they would so apply.

7.10 The titles to articles and headings of sections of this Plan are for convenience of reference, and in case of any conflict, the text of this Plan, rather than such titles and headings, shall control.

IN WITNESS WHEREOF, the Board of Directors has duly adopted this Plan and caused it to be executed by the Company effective as of the 7th day of April, 1999.

Attest:

USEC INC.

/s/ Timothy B. Hansen

Timothy B. Hansen
Secretary

By /s/ Henry Z Shelton, Jr.

Henry Z Shelton, Jr.

Title: Senior Vice President and
Chief Financial Officer

11

THE USEC INC.
PENSION RESTORATION PLAN
(EFFECTIVE SEPTEMBER 1, 1999)

SEPTEMBER 1999

TABLE OF CONTENTS

Section	Page
Article I - Establishment and Purpose.....	1
1.1 Establishment.....	1
1.2 Purpose.....	1
1.3 Application of Plan.....	1
Article II - Definitions and Construction.....	2
2.1 Definitions.....	2
2.2 Gender and Number.....	2
2.3 Severability.....	2
2.4 Applicable Law.....	2
2.5 Plan Not an Employment Contract.....	2
Article III - Participation in the Plan.....	3
3.1 Participants.....	3
3.2 Benefit Payments.....	3
Article IV - Benefits.....	4
4.1 Amount of Benefits.....	4
4.2 Form of Payment.....	4
4.3 Commencement Date.....	4
4.4 Death Benefits.....	4
4.5 Disability Benefits.....	4
4.6 Funding.....	5
4.7 Tax Withholding.....	5
4.8 Nontransferability.....	5
Article V - Administration.....	6
5.1 Administration.....	6
5.2 Costs.....	6
5.3 Finality of Determination.....	6
5.4 Indemnification and Exculpation.....	6
Article VI - Named Fiduciary and Claims Procedure.....	7
6.1 Named Fiduciary.....	7
6.2 Payment of Benefits.....	7
6.3 Denied Claim.....	7
6.4 Written Notice.....	7
6.5 Appeal.....	8
6.6 Review of Appeal.....	8
6.7 Hearing.....	9
6.8 Written Decision.....	9
Article VII - Merger, Amendment, and Termination.....	10
7.1 Merger, Consolidation, or Acquisition.....	10

USEC INC.
PENSION RESTORATION PLAN

ARTICLE I - ESTABLISHMENT AND PURPOSE

1.1 Establishment. USEC Inc. (the "Corporation"), hereby establishes, effective as of September 1, 1999, a nonqualified retirement and death benefit plan to be known as the "USEC Inc. Pension Restoration Plan" (the "Plan").

1.2 Purpose. The general purposes of this Plan are to (a) provide the amount of the benefit which would otherwise be paid under the Employees' Retirement Plan of United States Enrichment Corporation (the "Qualified Plan") but which cannot be paid under that plan on account of the limitations imposed by the Internal Revenue Code of 1986 ("Code"), and (b) provide supplemental death benefits to the beneficiaries of certain Participants.

1.3 Application of Plan. The terms of this Plan are applicable only to eligible employees of the Corporation who are in the active employ of the Corporation on or after the effective date of the Plan.

-1-

ARTICLE II - DEFINITIONS AND CONSTRUCTION

2.1 Definitions. Unless otherwise indicated, the terms used in this Plan shall have the same meaning as they have under the Qualified Plan, as amended from time to time, except that:

(a) The definition of "Compensation" shall also include (i) amounts deferred by a Participant under the terms of any nonqualified deferred compensation plan maintained by the Corporation, (ii) amounts in excess of the limitations set forth in Section 1.15 of the Qualified Plan that specify the maximum amount of employee compensation that can be taken into account under Section 401(a)(17) of the Code (the "Section 401 Limits") for determining qualified retirement plan benefits, and (iii) amounts included in a Participant's taxable income upon the lapse of restrictions on shares of restricted common stock of the Corporation awarded under the USEC, Inc. Annual Incentive Program and governed by the USEC, Inc. 1999 Equity Incentive Plan.

(b) The definition of "Final Average Compensation" shall mean, for any Participant as of any date, the average annual Compensation paid to the Participant by the Corporation for the five (5) consecutive years, commencing on or after February 3, 1999, immediately preceding the Commencement Date, or, if the Commencement Date occurs prior to February 3, 2004, the average annual Compensation for the number of years from February 3, 1999 to the Commencement Date. In the event the Commencement Date occurs prior to February 3, 2000, then the "Final Average Compensation" shall mean the Compensation paid to the Participant by the Corporation for the period commencing on February 3, 1999 and ending on the Commencement Date.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology when used in the Plan shall also include the feminine gender, and the definition of any term in the singular shall also include the plural.

2.3 Severability. In the event any provision of the Plan shall be

held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted, and the Corporation shall have the privilege and opportunity to correct and remedy such questions of illegality or invalidity by amendment as provided in the Plan.

2.4 Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of Delaware.

2.5 Plan Not an Employment Contract. This Plan is not an employment contract. It does not give to any person the right to be continued in employment, and all employees remain subject to change of salary, transfer, change of job, discipline, layoff, discharge, or any other change of employment status.

-2-

5

ARTICLE III - PARTICIPATION IN THE PLAN

3.1 Participants. Eligibility for membership in the Plan shall be determined by the Committee of the Board in its sole discretion, on an individual basis, but each Participant must be a member of a select group of management or highly-compensated employees of the Corporation and must be eligible to participate in the Qualified Plan.

3.2 Benefit Payments. The payment of benefits to the Participant or his beneficiary under this Plan is conditioned upon the continuous employment of the Participant by the Corporation (including periods of disability and authorized leaves of absence) from the date of participation in the Plan until the Participant's retirement from the Corporation, disability, or death, whichever first occurs.

-3-

6

ARTICLE IV - BENEFITS

4.1 Amount of Benefits. The benefit payable under this Plan to the Participant shall be equal to the difference between the amount in (1) and the amount in (2) where --

- (1) is the amount of the benefit, as elected by the Participant, that would be payable under the Qualified Plan before the application of the Section 401 Limits and the Section 415 Limits and by using the definition of compensation as provided in this Plan; and
- (2) is the amount of the benefit, as elected by the Participant, actually payable under the Qualified Plan.

4.2 Form of Payment. Benefits payable under this Plan shall be paid in the same manner as benefits payable under the Qualified Plan. However, if the lump sum actuarial equivalent of any benefits payable is \$10,000 or less, the Committee may, in its sole discretion, direct the payment of such benefits due a Participant, spouse, or beneficiary under this Plan in the form of such

lump sum amount. The actuarial assumptions for computing the lump sum amount shall be the same actuarial assumptions used to compute a lump sum amount under the Qualified Plan. The payment of the lump sum shall be in full discharge of the Corporation's obligations under this Plan to the Participant, his spouse, or beneficiaries.

4.3 Commencement Date. Benefits payable under this Plan shall commence on or about the same date that benefits commence under the Qualified Plan.

4.4 Death Benefits. No death benefit shall be paid under this Plan except as provided in this section. A death benefit shall be payable to a surviving spouse or other beneficiary designated by the Participant if a death benefit is payable under the terms of the Qualified Plan. Such death benefit shall be computed using the same factors and assumptions used to compute the applicable death benefit under the Qualified Plan and shall be paid in the same form as such death benefit, except that the amount of the death benefit shall be computed with respect to the amount of the benefit the Participant accrues under this Plan.

4.5 Disability Benefits. A disability benefit shall be paid to a Participant if and to the same extent a disability benefit is payable under the terms of the Qualified Plan. Such disability benefit shall be computed using the same factors and assumptions used to compute the applicable disability benefit under the Qualified Plan and shall be paid at the same time and in the same form as such disability benefit, except that the amount of the disability benefit shall be computed with respect to the amount of the benefit the Participant accrues under this Plan.

-4-

7

4.6 Funding. All amounts paid under this Plan shall be paid in cash from the general assets of the Corporation. Benefits shall be reflected on the accounting records of the Corporation but shall not be construed to create, or require the creation of, a trust, custodial or escrow account. No employee shall have any right, title, or interest whatever in or to any investment reserves, accounts, or funds that the Corporation may purchase, establish, or accumulate to aid in providing the benefits described in this Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust or a fiduciary relationship of any kind between the Corporation and an employee or any other person. Neither an employee nor a beneficiary of an employee shall acquire any interest greater than that of an unsecured creditor.

4.7 Tax Withholding. The Corporation may withhold from a payment any federal, state, or local taxes required by law to be withheld with respect to such payment and such sum as the Corporation may reasonably estimate as necessary to cover any taxes for which the Corporation may be liable and which may be assessed with regard to such payment.

4.8 Nontransferability. An employee or his beneficiary shall have no rights by way of anticipation or otherwise to assign or otherwise dispose of any interest under this Plan, nor shall rights be assigned or transferred by operation of law.

-5-

8

ARTICLE V - ADMINISTRATION

5.1 Administration. The Plan shall be administered by the Committee of the Board. The Committee shall have the authority to interpret the

Plan, to adopt and review rules relating to the Plan and to make any other determinations for the administration of the Plan, including the authority to delegate to the Named Fiduciary such activities and responsibilities as are necessary for the day to day management and administration of the Plan.

Subject to the terms of the Plan, the Committee shall have exclusive jurisdiction to (a) select the employees eligible to become Participants, (b) determine the eligibility for, and form and method of any benefit payments, (c) establish the timing of benefit distributions, and (d) settle claims according to the provisions in Article VI.

5.2 Costs. The Committee may employ such counsel, accountants, actuaries, and other agents as it shall deem advisable. The Corporation shall pay the compensation of such counsel, accountants, actuaries, and other agents and any other expenses incurred by the Committee in the administration of the Plan.

5.3 Finality of Determination. The determination of the Committee as to any disputed questions arising under this Plan, including questions of construction and interpretation, shall be final, binding, and conclusive upon all persons.

5.4 Indemnification and Exculpation. The members of the Committee, its agents, and officers, directors, and employees of the Corporation and its affiliates shall be indemnified and held harmless by the Corporation against and from any and all loss, cost, liability, or expense that may be imposed upon or reasonably incurred by them in connection with or resulting from any claim, action, suit, or proceeding to which they may be a party or in which they may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by them in settlement (with the Corporation's written approval) or paid by them in satisfaction of a judgment in any such action, suit, or proceeding. The foregoing provision shall not be applicable to any person if the loss, cost, liability, or expense is due to such person's gross negligence or willful misconduct.

-6-

9

ARTICLE VI - NAMED FIDUCIARY AND CLAIMS PROCEDURE

6.1 Named Fiduciary. The Named Fiduciary of the Plan and for purposes of the claims procedure under this Plan is the Chief Human Resources Officer of the Corporation. The business address and telephone number of the Chief Human Resources Officer is:

Vice President, Human Resources and Administration
USEC Inc.
6903 Rockledge Drive
Bethesda, Maryland 20817
301-564-3306

The Corporation shall have the right to change the Named Fiduciary of the Plan created under this Plan. The Corporation shall also have the right to change the address and telephone number of the Named Fiduciary. The Corporation shall give the Participants written notice of any change of the Named Fiduciary, or any change in the address and telephone number of the Named Fiduciary.

6.2 Payment of Benefits. Benefits shall be paid in accordance with the provisions of this Plan. Upon the occurrence of an event which would make the payment of benefits possible to a Participant under Article IV of this Plan, the Named Fiduciary shall give written notice by registered mail to the Participant, or his beneficiary or contingent beneficiary, of the possible availability of benefits under this Plan. The Participant, or his beneficiary or contingent beneficiary (hereinafter collectively referred to as the "Claimant") shall then make a written request for the benefits provided under this Plan.

This written claim shall be mailed or delivered to the Named Fiduciary by registered mail.

6.3 Denied Claim. If the claim is denied, either wholly or partially, notice of the decision shall be sent by registered mail to the claimant within a reasonable time period. This time period shall not exceed 90 days after the receipt of the claim by the Named Fiduciary.

6.4 Written Notice. The Named Fiduciary shall provide such written notice to every claimant who is denied a claim for benefits under this Plan. The notice shall set forth the following information:

- 6.4(a) the specific reasons for the denial;
- 6.4(b) the specific reference to pertinent Plan provisions on which the denial is based;
- 6.4(c) a description of any additional material or information necessary for

-7-

10

the claimant to perfect the claim and an explanation of why such material or information is necessary; and

- 6.4(d) appropriate information and explanation of the claims procedure under this Plan to permit the claimant to submit his claim for review.

6.5 Appeal. The claims procedure under this Plan shall allow the claimant a reasonable opportunity to appeal a denied claim and to get a full and fair review of that decision from the Committee.

- 6.5(a) The claimant shall exercise his right of appeal by submitting a written request for a review of the denied claim to the Named Fiduciary. This written request for review must be submitted to the Named Fiduciary within sixty (60) days after receipt by the claimant of the written notice of denial.
- 6.5(b) The claimant shall have the following rights under this appeal procedure:
 - (1) to request a review by the Committee upon written application to the Named Fiduciary;
 - (2) to review pertinent documents with regard to the employee benefit plan created under this Plan;
 - (3) the right to submit issues and comments in writing;
 - (4) to request an extension of time to make a written submission of issues and comments; and
 - (5) to request that a hearing be held to consider claimant's appeal.

6.6 Review of Appeal. The decision on the review of the denied claim shall promptly be provided by the Committee:

- 6.6(a) within forty-five (45) days after the receipt of the request for review if no hearing is held; or

6.6(b) within ninety (90) days after the receipt of the request for review, if an extension of time is necessary in order to hold a hearing.

(1) If an extension of time is necessary in order to hold a hearing, the Committee shall give the claimant written notice of the extension of time and of the hearing. This notice shall be given prior to any extension.

-8-

11

(2) The written notice of extension shall indicate that an extension of time will occur in order to hold a hearing on claimant's appeal. The notice shall also specify the place, date, and time of that hearing and the claimant's opportunity to participate in the hearing. It may also include any other information the Committee believes may be important or useful to the claimant in connection with the appeal.

6.7 Hearing. The decision to hold a hearing to consider the Claimant's appeal of the denied claim shall be within the sole discretion of the Committee, whether or not the Claimant requests such a hearing.

6.8 Written Decision. The Committee's decision on review shall be made in writing and provided to the Claimant within the specified time periods. This written decision on review shall contain the following information:

6.8(a) the decision(s);

6.8(b) the reasons for the decision(s); and

6.8(c) specific references to the Plan provisions of the Plan on which the decision(s) is/are based.

All of this information shall be written in a manner calculated to be understood by the claimant.

-9-

12

ARTICLE VII - MERGER, AMENDMENT, AND TERMINATION

7.1 Merger, Consolidation, or Acquisition. The Plan shall be binding upon the Corporation, its assigns, and any successor Corporation which shall succeed to substantially all of its assets and business through merger, consolidation or acquisition.

7.2 Amendment and Termination. The Board of Directors of the

Corporation may amend, modify, or terminate the Plan at any time. In the event of a termination of the Plan pursuant to this section, unpaid benefits of Participants who have retired or benefits of those Participants who are eligible for retirement under the terms of the Qualified Plan shall continue to be an obligation of the Corporation and shall be paid as scheduled.

IN WITNESS WHEREOF, the Corporation has caused this instrument to be executed by its duly authorized officer on this 30th day of September, 1999, effective as of the 1st day of September, 1999.

USEC INC.

By /s/ Henry Z Shelton, Jr.

Henry Z Shelton, Jr.
Senior Vice President and CFO

ATTEST

By /s/ Robert J. Moore

[SEAL]

CHANGE IN CONTROL AGREEMENT

AGREEMENT (this "Agreement") by and between USEC Inc., a Delaware corporation (the "Company") and _____ (the "Executive") dated as of _____, 1999.

WHEREAS, the Executive is currently an employee of the Company;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is essential to the best interests of the Company and its shareholders to foster the continued employment of the Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined in Section 1 hereof) of the Company;

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of the Executive in the Executive's assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible Change in Control of the Company; and

WHEREAS, the Board has concluded that the interests of the Company described above can be best satisfied by agreeing to make certain payments to the Executive if the Executive's employment is terminated following a Change in Control;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" shall mean (i) any entity that, directly or indirectly, is controlled by the Company, (ii) any entity in which the Company has a significant equity interest and (iii) an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, in each case as determined by the Committee.

"Cause" shall mean any of the following:

(i) the engaging by the Executive in willful misconduct that is injurious to the Company or its Affiliates;

(ii) the embezzlement or misappropriation of funds or property of the Company or its Affiliates by the Executive, or the conviction of the Executive of a felony or the entrance of a plea of guilty or nolo contendere by the Executive to a felony; or

(iii) the willful failure or refusal by the Executive to substantially perform his or her duties or responsibilities that continues after demand for substantial performance is delivered by the Company to the Executive that specifically identifies the manner in

which the Company believes the Executive has not substantially performed his or her duties (other than (x) any such failure resulting from the Executive's incapacity due to Disability, or (y) any such actual or anticipated failure after the issuance of a Notice of Termination by the Executive for Good Reason).

For purposes of this definition, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by him or her not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Executive's employment shall not be deemed to have been terminated for Cause unless (A) a reasonable notice shall have been given to him or her setting forth in reasonable detail the reasons for the Company's intentions to terminate for Cause, and if such termination is pursuant to clause (i) or (iii) above, and the damage to the Company is curable, only if the Executive has been provided a

period of ten business days from receipt of such notice to cease the actions or inactions, and he or she has not done so; (B) an opportunity shall have been provided for the Executive together with his or her counsel, to be heard before the Board; and (C) if such termination is pursuant to clause (i) or (iii) above, delivery shall have been made to the Executive of a Notice of Termination from the Board finding that in the good faith opinion of a majority of the nonmanagement members of the Board he or she was guilty of conduct set forth in clause (i) or (iii) above, and specifying the particulars thereof in reasonable detail. Any determination of Cause made by the Company in accordance with the foregoing procedure shall be made by the Company, in its sole discretion. Any such determination shall be final and binding on the Executive.

"Change in Control" shall mean the following and shall be deemed to have occurred if any of the following events shall have occurred:

(i) any "Person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (C) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Shares), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including any securities acquired directly from the Company or its Affiliates) representing 25% or more of the combined voting power of the Company's then outstanding voting securities;

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date (as defined below), constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-

2

3

thirds (2/3) of the directors then still in office who either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended;

(iii) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) more than 60% of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person, directly or indirectly, acquired 40% or more of the combined voting power of the Company's then outstanding securities (not including any securities acquired directly from the Company or its Affiliates); or

(iv) the shareholders of the Company approve a plan of complete liquidation of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 60% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committee" shall mean the Compensation Committee of the Company's Board of Directors.

"Disability" shall mean that the Executive has become totally and permanently disabled as defined or described in the Company's long term disability benefit plan applicable to executive officers as in effect at the time the Executive's disability is incurred.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Good Reason" shall mean, without the Executive's express written consent, any of the following, unless such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the Executive is removed from the Executive's position as in effect immediately prior to the Change in Control for any reason other than (A) by reason of death, Disability or Retirement or (B) for Cause;

3

4

(ii) the Executive is assigned any duties inconsistent in a material respect with the Executive's position (including status, offices, titles and reporting relationships), authority, duties or responsibilities as in effect immediately prior to the Change in Control if such assignment results in a diminution in such position, authority, duties or responsibilities (excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly following notice thereof given by the Executive);

(iii) the Company fails to pay the Executive any amounts otherwise vested and due to the Executive under any employment agreement or any other compensation plan of the Company and such failure continues for ten business days following notice to the Company thereof;

(iv) the Executive's annual base salary or annual bonus opportunity as in effect immediately prior to the Change in Control (or thereafter if higher) is reduced (except for across-the-board reductions similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company);

(v) the failure by the Company to continue to provide the Executive with benefits at least as favorable in the aggregate as those enjoyed by the Executive under the Company's pension, life insurance, medical, health and accident, disability, travel, deferred compensation and savings plans in which the Executive was participating at the time of the Change in Control, the taking of any action by the Company that would directly or indirectly materially reduce such benefits in the aggregate or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control unless such material fringe benefit is replaced with a comparable benefit, or the failure by the Company to continue to provide the Executive with the number of paid vacation days to which the Executive is entitled;

(vi) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 9 hereof;

(vii) any relocation of the Executive's principal place of business from its location as of the date immediately preceding a Change in Control, by more than 50 miles; or

(viii) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3(b) hereof, which termination for purposes of this Agreement shall be ineffective.

Notwithstanding the foregoing, a termination shall not be treated as a termination for Good Reason unless the Executive shall have delivered a Notice of Termination within 90 days of the Executive's having actual knowledge of the occurrence of one of such events, stating that the

4

5

Executive intends to terminate employment for Good Reason. For purposes of this Agreement, any good faith determination of "Good Reason" made by the Executive shall be conclusive.

"Retirement" shall mean the attainment by the Executive of normal retirement age as defined in the Company's tax qualified defined benefit pension plan.

"Shares" shall mean shares of common stock, \$0.10 par value, of the Company, or such other securities of the Company as may be designated by the Committee from time to time.

2. Term of Agreement. The term of this Agreement will commence as of the date hereof (the "Effective Date") and shall continue in effect until the third anniversary of the Effective Date, unless further extended or sooner terminated as hereinafter provided. Commencing on the first anniversary of the Effective Date, and on each anniversary of such date thereafter (each, an "Anniversary Date"), the term shall automatically be extended for one additional year unless the Board of Directors of the Company (the "Board") gives notice to the Executive, at least two months prior to such Anniversary Date, that it does not wish to extend the term. Notwithstanding the foregoing, upon the occurrence of a Change in Control during the term of this Agreement, this Agreement shall continue in effect for a period of not less than three years from the date of such Change in Control, unless sooner terminated as hereinafter provided.

3. Termination Following Change in Control. (a) If a Change in Control shall have occurred, upon a termination of employment during the term of this Agreement by the Company without Cause, or by the Executive for Good Reason, the Executive shall be entitled to the benefits provided in Section 4 hereof.

(b) Notice of Termination. Following a Change in Control, any purported termination of employment by the Company or by the Executive shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 10 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and shall specify the Date of Termination. The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company under this Agreement or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights under this Agreement.

(c) Date of Termination. Following a Change in Control, "Date of Termination" shall mean the date specified in the Notice of Termination, which shall not be less than 30 nor more than 60 days from the date such Notice of Termination is given, (except for a termination pursuant to paragraph (vi) of the definition of Good Reason, in which event the date upon which any succession referred to therein becomes effective shall be deemed the Date of Termination, or

5

6

a termination by the Company for Cause, in which event the date such notice is received shall be the Date of Termination).

4. Compensation upon Termination without Cause or for Good Reason. Following a Change in Control, upon any termination of the Executive's employment by the Company without Cause (other than because of death, Disability or Retirement), or any termination of employment by the Executive for Good Reason, in any case, during the term of this Agreement, in lieu of any severance benefits Executive would otherwise be eligible to receive under any employment agreement with the Company or under the Company's severance plan, if any, as in effect immediately prior to the Change in Control, the Executive shall be entitled to the following benefits and payments:

(a) A cash lump sum payment (payable within ten days of the Date of Termination) of full base salary through the Date of Termination at the rate in effect at the time the Notice of Termination is given or, if higher, at the rate in effect immediately prior to the reduction giving rise (pursuant to clause (iv) of the definition of Good Reason) to such termination, plus all other amounts to which the Executive is entitled under any compensation or benefit plan of the Company at the time such payments are due under the terms of such plans;

(b) A cash lump sum payment (payable within ten days of the Date of Termination) equal to two times the sum of the Final Average Salary and the Final Average Bonus, where (A) the "Final Average Salary" means the average of the Executive's Annual Base Salary as in effect for each of the three years preceding the Date of Termination and commencing no earlier than February 3, 1999 (or, if shorter, the number of years from February 3, 1999 to the Date of Termination) and (B) the "Final Average Bonus" means the average of the Bonuses awarded to the Executive pursuant to the Annual Incentive Program with respect to the three years preceding the Date of Termination and commencing no earlier than February 3, 1999 (or, if shorter, the number of years from February 3, 1999 to the Date of Termination);

(c) Subject to the Executive's continued compliance with Section 7 hereof, life, disability, accident and health insurance benefits substantially similar to those that the Executive was receiving immediately prior to the Change in Control (or thereafter, if higher) until the earlier to occur of (i) the second anniversary of the Date of Termination or (ii) such time as the Executive is covered by comparable programs of a subsequent employer; provided, however, that in the event the Company is unable to provide such benefits, the Company shall make annual payments to the Executive in an amount such that following the Executive's payment of applicable taxes thereon, the Executive retains an amount equal to the cost to the Executive, net of any cost that would otherwise be borne by the Executive, of obtaining comparable life, disability, accident and health insurance coverage. Benefits otherwise receivable by the Executive pursuant to this Section 4(c) shall be reduced to the extent comparable benefits are actually received during the two year period following termination, and any such benefits actually received by the Executive shall be reported to the Company.

6

7

(d) In addition to all other amounts payable under this Section 4, the Executive shall be entitled to receive all benefits payable under any other plan or agreement relating to retirement benefits (including plans or agreements of any successor following a Change in Control) in accordance with the terms of such plan or agreement; provided that, to the extent permitted by applicable law, the Executive shall be credited under such plans or agreements (including plans and agreements of any successor) with two years' additional service with the Company after the Date of Termination for all purposes, including vesting, eligibility and benefit accrual.

5. Full Settlement; Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against the

Executive or others. The Executive shall not be required to mitigate the amount of any payment or benefit provided for in Section 4 hereof by seeking other employment or otherwise, nor (except as specifically provided in Section 4 hereof) shall the amount of any payment or benefit provided for in Section 4 hereof be reduced by any compensation earned by the Executive as the result of employment by another employer or by retirement benefits after the Date of Termination, or otherwise.

6. Certain Tax Consequences. Whether or not the Executive becomes entitled to the payments and benefits described in Section 4 hereof, if any of the payments or benefits received or to be received by the Executive in connection with a change in ownership or control of the Company (as defined in section 280G of the Code (a "Statutory Change in Control")) or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a Statutory Change in Control or any person affiliated with the Company or such person) (collectively, the "Severance Benefits") will be subject to any excise tax (the "Excise Tax") imposed under section 4999 of the Code, the Company shall pay to the Executive an additional amount equal to the Excise Tax (the Excise Tax Payment").

For purposes of determining whether any of the Severance Benefits will be subject to the Excise Tax and the amount of such Excise Tax:

(a) all of the Severance Benefits shall be treated as "parachute payments" within the meaning of Code section 280G(b)(2), and all "excess parachute payments" within the meaning of Code section 280G(b)(1) shall be treated as subject to the Excise Tax, unless, in the opinion of tax counsel selected by the Company's independent auditors and reasonably acceptable to the Executive, such other payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of Code section 280G(b)(4)(A), or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered, within the meaning of Code section 280G(b)(4)(B), in excess of the "Base Amount" as defined in Code section 280G(b)(3) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax; and

7

8

(b) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Code section 280G(d)(3) and (4).

In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of termination of the Executive's employment, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined (the "Reduced Excise Tax"), the difference of the Excise Tax Payment and the Reduced Excise Tax. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the termination of the Executive's employment (including by reason of any payment the existence or amount of which could not be determined at the time of the Excise Tax Payment), the Company shall make an additional Excise Tax payment in respect of such excess (plus any interest or penalties payable by the Executive with respect to such excess) at the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Severance Benefits.

7. Confidential Information; Non-Solicitation; Non-Competition. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret, proprietary, or confidential materials, knowledge, data or any other information relating to the Company or any of its affiliated companies, and their respective businesses ("Confidential Information"), which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and that shall not have been or now or hereafter have become public knowledge (other than by acts by the Executive or

representatives of the Executive in violation of this Agreement). During the term of this Agreement and (a) for a period of five years thereafter with respect to Confidential Information that does not include trade secrets, and (b) any time thereafter with respect to Confidential Information that does include trade secrets, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any Confidential Information to anyone other than the Company and those designated by it.

In addition, the Executive shall not, at any time during the term of this Agreement and for a period of three years thereafter, (a) engage or become interested as an owner (other than as an owner of less than 5% of the stock of a publicly owned company), stockholder, partner, director, officer, employee (in an executive capacity), consultant or otherwise in any business that is competitive with any business conducted by the Company or any of its affiliated companies during the term of this Agreement or as of the Date of Termination, as applicable or (b) recruit, solicit for employment, hire or engage any employee or consultant of the Company or any person who was an employee or consultant of the Company within two (2) years prior to the Date of Termination. The Executive acknowledges that these provisions are necessary for the Company's protection and are not unreasonable, since he would be able to obtain employment with companies whose businesses are not competitive with those of the Company and its affiliated

8

9

companies and would be able to recruit and hire personnel other than employees of the Company. The duration and the scope of these restrictions on the Executive's activities are divisible, so that if any provision of this paragraph is held or deemed to be invalid, that provision shall be automatically modified to the extent necessary to make it valid.

8. Remedies. The Executive acknowledges that a violation or attempted violation on the Executive's part of Section 7 will cause irreparable damage to the Company, and the Executive therefore agrees that the Company shall be entitled as a matter of right to an injunction, out of any court of competent jurisdiction, restraining any violation or further violation of such promises by the Executive or the Executive's employees, partners or agents. The Executive agrees that such right to an injunction is cumulative and in addition to whatever other remedies the Company may have under law or equity.

9. Successors; Binding Agreement. (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to its business and/or assets that assumes and agrees to perform this Agreement by operation of law, or otherwise. Prior to a Change in Control, the term "Company" shall also mean any Affiliate of the Company to which the Executive may be transferred and the Company shall cause such successor employer to be considered the "Company" and to be bound by the terms of this Agreement and this Agreement shall be amended to so provide. Following a Change in Control the term "Company" shall not mean any Affiliate of the Company to which Executive may be transferred unless Executive shall have previously approved of such transfer in writing, in which case the Company shall cause such successor employer to be considered the "Company" and to be bound by the terms of this Agreement and this Agreement shall be amended to so provide. Failure of the Company to obtain an assumption and agreement as described in this Section 9(a) prior to the effective date of a succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to under this Agreement if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable hereunder if the Executive had

continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there is no such designee, to the Executive's estate.

9

10

10. Notices. Any notice, request, instruction or other document given under this Agreement shall be in writing and shall be addressed and delivered, in the case of the Company, to the Secretary of the Company at the principal office of the Company and, in the case of the Executive, to the Executive's address as shown in the records of the Company or to such other address as may be designated in writing by either party.

11. Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

12. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws provisions thereof.

14. Validity. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Counterparts. This Agreement may be signed in several counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. Arbitration. Except as otherwise provided in Section 8 hereof, the parties agree that any dispute, claim, or controversy based on common law, equity, or any federal, state, or local statute, ordinance, or regulation (other than workers' compensation claims) arising out of or relating in any way to this Agreement, its termination or any termination of employment, including whether such dispute is arbitrable, shall be settled by arbitration. This agreement to arbitrate includes but is not limited to all claims for any form of illegal discrimination, improper or unfair treatment or dismissal, and all tort claims. The Executive shall still have a right to file a discrimination charge with a federal or state agency, but the final resolution of any discrimination claim shall be submitted to arbitration instead of a court or jury. The arbitration proceeding shall be conducted under the employment dispute resolution arbitration rules of the American Arbitration Association in effect at the time a demand for arbitration under the rules is

10

11

made. The decision of the arbitrator(s), including determination of the amount of any damages suffered, shall be exclusive, final, and binding on all parties, their heirs, executors, administrators, successors and assigns.

17. Status Prior to Change in Control. Nothing contained in this Agreement shall impair or interfere in any way with the Executive's right to terminate employment or the right of the Company to terminate the Executive's employment with or without Cause prior to a Change in Control. Nothing contained in this Agreement shall be construed as a contract of employment between the Company and the Executive.

18. Legal Fees. The Company shall pay the Executive's reasonable legal fees and expenses that may be incurred by the Executive in contesting or disputing any termination of employment following a Change in Control or in seeking to obtain or enforce any right or benefit provided by this Agreement, if the Executive is the prevailing party in connection with any such dispute.

19. Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the subject matter herein and supersedes any prior agreements between the Company and the Executive. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

USEC INC.

By:

William H. Timbers, Jr.
President and Chief Executive Officer

Name:

<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.

</LEGEND>

<MULTIPLIER> 1,000

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		JUN-30-2000
<PERIOD-START>		JUL-01-1999
<PERIOD-END>		SEP-30-1999
<CASH>		37,700
<SECURITIES>		0
<RECEIVABLES>		184,400
<ALLOWANCES>		0
<INVENTORY>		923,900
<CURRENT-ASSETS>		1,192,400
<PP&E>		261,900
<DEPRECIATION>		(84,600)
<TOTAL-ASSETS>		2,102,900
<CURRENT-LIABILITIES>		373,700
<BONDS>		500,000
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		10,000
<OTHER-SE>		1,026,400
<TOTAL-LIABILITY-AND-EQUITY>		2,102,900
<SALES>		205,200
<TOTAL-REVENUES>		205,200
<CGS>		186,400
<TOTAL-COSTS>		186,400
<OTHER-EXPENSES>		14,600
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		8,500
<INCOME-PRETAX>		25,200
<INCOME-TAX>		9,100
<INCOME-CONTINUING>		16,100
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		16,100
<EPS-BASIC>		.16
<EPS-DILUTED>		.16