SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the fiscal quarter ended March 31, 2002

OR

[X] 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 March 31, 2002, there were 81,215,000 shares of Common Stock, par value $.10 per share, issued and outstanding.

USEC Inc.

Quarterly Report on Form 10-Q
for the Quarter Ended March 31, 2002

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This Quarterly Report on Form 10-Q contains 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 products, pricing trends in the uranium and enrichment markets, completion of a market-based pricing agreement and deliveries under the Russian contract, the availability and cost of electric power, obtaining necessary agreements with the Department of Energy ("DOE") regarding use of advanced technology and facilities, satisfactory performance of the technology at various stages of demonstration, USEC's ability to successfully execute its internal performance plans and maintain access to short-term funding, the refueling cycles of USEC's customers, resolving inventory issues with DOE, and the impact of any government regulation. Revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year.

USEC Inc.
CONSOLIDATED BALANCE SHEETS
(millions)

	(Unaudited) March 31, 2002	June 30, 2001
ASSETS		
Current Assets		
Cash and cash equivalents	$ 219.3	$ 122.5
Accounts receivable – trade	159.3	175.8
Inventories	835.5	1,137.5
Other	20.1	15.6
Total Current Assets	1,234.2	1,451.4
Property, Plant and Equipment, net	185.3	189.8
Other Assets		
Deferred income taxes	48.2	42.1
Prepayments and deposits for depleted uranium	42.2	27.1
Prepaid pension costs	81.1	76.9
Inventories	423.4	420.2
Total Other Assets	594.9	566.3
Total Assets	**$2,014.4**	**$2,207.5**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 164.7	$ 160.9
Payables under Russian contract	—	100.3
Deferred revenue and advances from customers	52.7	91.0
Liabilities accrued for consolidating operations	25.8	53.3
Uranium owed to customers	19.6	21.6
Total Current Liabilities	262.8	427.1
Long-Term Debt	500.0	500.0
Other Liabilities		
Deferred revenue and advances from customers	31.3	57.5
Depleted uranium disposition	71.9	66.2
Postretirement health and life benefit obligations	134.5	124.7
Other liabilities	61.8	59.2
Total Other Liabilities	299.5	307.6
Stockholders' Equity	952.1	972.8
Total Liabilities and Stockholders' Equity	**$2,014.4**	**$2,207.5**

See notes to consolidated financial statements.

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

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001	Nine Months Ended March 31, 2002	Nine Months Ended March 31, 2001
Revenue:				
Separative work units	$ 240.3	$ 221.9	$1,016.1	$796.6
Uranium	9.1	21.2	93.9	60.4
Total revenue	249.4	243.1	1,110.0	857.0
Cost of sales	229.0	211.5	1,035.7	743.7
Gross profit	20.4	31.6	74.3	113.3
Special charge (credit) for consolidating operations	(6.7)	—	(6.7)	—
Advanced technology development costs	2.4	2.9	8.1	8.0
Selling, general and administrative	11.7	11.2	35.9	35.3
Operating income	13.0	17.5	37.0	70.0
Interest expense	8.9	8.6	27.3	26.0
Other (income) expense, net	(1.3)	(2.2)	(3.3)	(6.9)
Income before income taxes	5.4	11.1	13.0	50.9
Provision (credit) for income taxes	1.1	(34.3)	3.9	(20.0)
Net income	**$ 4.3**	**$ 45.4**	**$ 9.1**	**$ 70.9**
Net income per share – basic and diluted	$ .05	$ .56	$ .11	$ .88
Dividends per share	$ .1375	$ .1375	$ .4125	$.4125
Average number of shares outstanding	80.9	80.4	80.8	80.8

See notes to consolidated financial statements.

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

	Nine Months Ended March 31, 2002	Nine Months Ended March 31, 2001
Cash Flows from Operating Activities		
Net income	$ 9.1	$ 70.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17.8	16.5
Depleted uranium disposition	12.0	22.1
Deferred revenue and advances from customers	(64.5)	35.2
Deferred income taxes	(6.1)	(30.6)
Liabilities accrued for consolidating operations	(27.5)	(8.6)
Changes in operating assets and liabilities:		
Accounts receivable – decrease	16.5	245.3
Inventories – (increase) decrease	296.8	(229.4)
Payables under Russian contract – (decrease)	(100.3)	(6.9)
Accounts payable and other – net	24.2	14.1
Net Cash Provided by Operating Activities	178.0	128.6
Cash Flows Used in Investing Activities		
Capital expenditures	(28.6)	(40.8)
Insurance deposit	(21.4)	—
Net Cash (Used in) Investing Activities	(50.0)	(40.8)
Cash Flows from Financing Activities		
Repurchase of common stock	—	(13.0)
Dividends paid to stockholders	(33.4)	(33.2)
Repayment of short-term debt	—	(50.0)
Common stock issued	2.2	—
Net Cash (Used in) Financing Activities	(31.2)	(96.2)
Net Increase (Decrease)	96.8	(8.4)
Cash and Cash Equivalents at Beginning of Period	122.5	73.0
Cash and Cash Equivalents at End of Period	**$ 219.3**	**$ 64.6**
Supplemental Cash Flow Information:		
Interest paid	$ 33.1	$ 34.4
Income taxes paid	18.2	3.1

See 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 the three and nine months ended March 31, 2002, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2002. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes and management's discussion and analysis of financial condition and results of operations, included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2001.

2. INVENTORIES

Inventories and related balance sheet accounts follow (in millions):

	March 31, 2002	June 30, 2001
Current assets:		
Separative work units	$ 642.5	$ 918.3
Uranium	154.4	178.6
Uranium provided by customers	19.6	21.6
Materials and supplies	19.0	19.0
	835.5	1,137.5
Long-term assets:		
Uranium	237.5	230.6
Highly enriched uranium transferred from Department of Energy	185.9	189.6
	423.4	420.2
Current liabilities:		
Uranium owed to customers	(19.6)	(21.6)
Inventories, reduced by uranium owed to customers	**$1,239.3**	**$1,536.1**

Inventories were reduced and trade accounts receivable were increased by $18.1 million at March 31, 2002, and $1.9 million at June 30, 2001, for product loans to customers. From time to time, USEC loans uranium or low enriched uranium ("LEU") to customers to accommodate their requests for flexibilities in the timing of deliveries. Title to uranium or LEU loaned to customers is transferred to such customers during the loan period. Product loans are scheduled to be repaid within one year.

In December 2000, USEC reported to the Department of Energy ("DOE") that limited samples of certain natural uranium transferred to USEC from DOE prior to privatization contain elevated levels of technetium that would put the material out of specification. USEC and DOE are working on a process, including further sampling, to determine the actual amount of material that may be affected. The total amount of uranium inventory that may be impacted, if further testing shows that all the material is affected, is approximately 9,500 metric tons with a cost of $237.5 million at March 31, 2002. An impairment in the valuation of uranium inventory would result if testing indicates that the material is out of specification and if DOE fails to replace it.

USEC believes, after consultation with legal counsel, that DOE committed itself to transfer non-contaminated material that conforms to regulatory and industry specifications for natural uranium. While no agreement has been reached yet with DOE, USEC expects DOE to replace any material found to be out of specification. Although USEC has sufficient quantities of uranium inventories on hand to meet uranium delivery commitments to customers for the next two years, an impairment in the valuation of uranium inventory would have an adverse impact on USEC's financial condition and results of operations.

3. 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, 2001	$ 10.0	$ 1,066.9	$ 39.0	$(142.2)	$ (.9)	$ 972.8
Restricted and other stock issued, net of amortization	—	(.7)	—	4.7	(.4)	3.6
Dividends paid to stockholders	—	—	(33.4)	—	—	(33.4)
Net income	—	—	9.1	—	—	9.1
Balance at March 31, 2002	**$ 10.0**	**$ 1,066.2**	**$ 14.7**	**$(137.5)**	**$ (1.3)**	**$ 952.1**

Changes in the number of shares of common stock outstanding follow (in thousands):

	Shares Issued	Treasury Stock	Shares Outstanding
Balance at June 30, 2001	100,320	(19,754)	80,566
Common stock issued	-	649	649
Balance at March 31, 2002	**100,320**	**(19,105)**	**81,215**

4. SPECIAL CHARGES FOR CONSOLIDATING OPERATIONS

Changes in accrued liabilities resulting from special charges for consolidating operations and the charge (credit) resulting from a change in estimate in the three and nine months ended March 31, 2002, follow (in millions):

	Balance June 30, 2001	Special Charge (Credit)	Recoveries from DOE	Paid and Utilized	Balance March 31, 2002
Workforce reductions	$ 30.0	$(19.3)	$ 12.5	$(13.9)	$ 9.3
Lease turnover and other exit costs	23.3	(3.8)	—	(3.0)	16.5
Impairment of property, plant and equipment	—	16.4	—	(16.4)	—
	$ 53.3	**$ (6.7)**	**$ 12.5**	**$(33.3)**	**$ 25.8**

In May 2001, USEC ceased uranium enrichment operations at the Portsmouth plant as an important step in the ongoing efforts to consolidate operations and reduce production costs. The plans announced in June 2000 for workforce reductions and ceasing uranium enrichment operations at the Portsmouth plant resulted in special charges of $141.5 million in fiscal 2000, including asset impairments of $62.8 million, severance benefits of $45.2 million for workforce reductions involving 1,775 employees, and lease turnover and other exit costs of $33.5 million.

In the three and nine months ended March 31, 2002, USEC recorded a special credit of $6.7 million ($4.2 million or $.05 per share after tax) representing a change in estimate of costs for consolidating operations. The special credit includes a cost reduction of $19.3 million for workforce reductions, primarily reflecting receipt of $12.5 million from DOE representing recovery of DOE's pro rata share of severance benefits, and a cost reduction of $3.8 million for other exit costs. In June 2001, DOE authorized funding to conduct cold standby services at the Portsmouth plant, and USEC is performing these services under a letter agreement until a definitive contract is concluded between the parties. As a result of DOE's program, the number of workforce reductions at the Portsmouth plant announced in June 2000 has been reduced. The cost reductions were partly offset by charges of $16.4 million for asset impairments relating to transfer and shipping facilities at the Portsmouth plant. In February 2002, USEC announced plans to consolidate the transfer and shipping operations this summer at the Paducah plant. This consolidation will result in workforce reductions at the Portsmouth plant, the cost of which has been accrued.

Amounts paid and utilized include cash payments, non-cash charges for asset impairments, and liabilities incurred for incremental pension and postretirement health benefits. Amounts paid and utilized amounted to (i) $33.3 million in the nine months ended March 31, 2002, including severance benefits of $13.9 million for workforce reductions involving 242 employees, $3.0 million for lease turnover and other exit costs, and $16.4 million for asset impairments applied against property, plant and equipment relating to transfer and shipping facilities at the Portsmouth plant; (ii) $22.6 million in fiscal 2001, including severance benefits of $15.2 million for workforce reductions involving 672 employees and $7.4 million for lease turnover and other exit costs; and (iii) $65.6 million in fiscal 2000 for asset impairments applied against property, plant and equipment at the Portsmouth plant.

The remaining liability accrued for consolidating operations amounted to $25.8 million at March 31, 2002, including $9.3 million for severance benefits relating to workforce reductions involving 546 employees and $16.5 million for lease turnover and other exit costs at the Portsmouth plant.

In September 2000, USEC provided notice to terminate the electric power contract with DOE and Ohio Valley Electric Corporation ("OVEC") effective April 2003 and to release power to OVEC when uranium enrichment operations at the Portsmouth plant cease. Under the terms of a supplemental letter agreement, OVEC released USEC from commitments to purchase electric power when enrichment operations ceased at the end of fiscal 2001. USEC is responsible for its pro rata share of OVEC's obligations for postretirement health benefit costs and its pro rata share of OVEC's obligations for future decommissioning and shutdown activities at the coal-burning power generating facilities owned and operated by OVEC. USEC has accrued its estimated pro rata share of such obligations. Final determinations of such costs by independent actuaries and engineering consultants could be different from the estimated amounts accrued as obligations by USEC.

5. DEPLETED URANIUM

USEC accrues estimated costs for the future disposition of depleted uranium based on estimates for transportation, conversion and disposal. Pursuant to the USEC Privatization Act, depleted uranium generated by USEC through July 28, 1998, was transferred to DOE. USEC stores depleted uranium generated since July 28, 1998, at the plants and continues to evaluate various alternatives for its disposition. The accrued liability included in long-term liabilities amounted to $71.9 million at March 31, 2002, and $66.2 million at June 30, 2001.

In June 1998, USEC paid $50.0 million to DOE, and DOE assumed responsibility for disposal of a certain amount of depleted uranium generated by USEC. The prepayment for depleted uranium is being amortized as a charge against production costs using a straight-line method over the term of the agreement. The unamortized balance included in long-term assets amounted to $20.8 million at March 31, 2002, and $27.1 million at June 30, 2001.

Compliance with regulations of the Nuclear Regulatory Commission ("NRC") requires that USEC provide financial assurance regarding the cost of the eventual disposition of depleted uranium for which USEC retains disposal responsibility. USEC provides a surety bond issued by an insurance company to satisfy the NRC financial assurance requirements. With respect to depleted uranium generated through September 2002, USEC entered into a six-year financial arrangement that included making a cash insurance deposit of $21.4 million in December 2001. The insurance deposit is included in long-term assets at March 31, 2002, and earns interest at a rate approximating the five-year U.S. Treasury rate.

6. LEGAL MATTERS

Reference is made to information on legal matters reported under Legal Proceedings in Part II Other Information of this Quarterly Report on Form 10-Q.

7. NEW ACCOUNTING STANDARDS

Under Statement of Financial Accounting Standards No. 143 ("FAS 143"), "Accounting for Asset Retirement Obligations," obligations relating to the retirement of tangible long-lived assets and the associated asset retirement costs would be recorded on the balance sheet and measured at fair value using an expected present-value technique and a credit-adjusted risk-free interest rate. Under Statement of Financial Accounting Standards No. 144 ("FAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets," there are new accounting standards for long-lived assets to be held and used, to be disposed of by sale, or to be disposed of by other than sale. FAS 143 and FAS 144 become effective and are required to be adopted by USEC at the beginning of fiscal 2003. USEC expects that adoption of the new accounting standards will not have a material effect on its financial position or results of operations.

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, 2001.

Critical Accounting Policies

The summary of significant accounting policies and notes to consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2001, provides a description of relevant information regarding USEC's significant and critical accounting policies including, but not limited to:

- revenue recognition, including deferred revenue and advances from customers,
- inventories of uranium and separative work units ("SWU") and inventory costing methods, classifications and valuations,
- power costs and related contractual commitments,
- assets and liabilities relating to the generation and future disposition of depleted uranium,
- deferred income taxes and related valuation allowance, and
- special charges and liabilities for consolidating operations.

The standard measure of enrichment in the uranium enrichment industry is a separative work unit ("SWU") and is measured using a standard formula based on the physics of uranium enrichment. The amount of enrichment contained in low enriched uranium ("LEU") under this formula is commonly referred to as the SWU component.

Update on Russian Contract

USEC is the Executive Agent of the U.S. government under a government-to-government agreement ("Russian Contract") to purchase the SWU or enrichment component of LEU recovered from dismantled nuclear weapons from the former Soviet Union for use as fuel in commercial nuclear power plants. USEC contracts for purchases under the Russian Contract on a calendar year basis. In November 2001, the U.S. government authorized USEC to conclude contract negotiations with the Russian Executive Agent under the Russian Contract. The two sides held numerous negotiations regarding pricing mechanisms and delivery schedules for calendar 2002 and beyond, and reached agreement in February 2002.

The contract amendment includes a market-based pricing mechanism for the remaining term of the Russian Contract through 2013. Beginning in calendar year 2003, the price will be determined using a discount to a market-based price calculated as a basket of U.S. and international SWU market indices. The positive impact on earnings of this pricing arrangement will begin to be seen in the latter half of fiscal 2003 and continue through 2013. However, in consideration for this stable and economic structure for the future, USEC agreed to extend the existing higher, fixed-price methodology for one more year. Therefore, the calendar year 2001 purchase price of $90.42 per SWU will be applicable for calendar year 2002 (i.e., the last two quarters of USEC's fiscal year 2002, and the first two quarters of USEC's fiscal year 2003). This one-year concession should clearly benefit USEC in the mid-to-long term.

The contract amendment is subject to approval by the U.S. and Russian governments and that review process continues. USEC has ordered the first two shipments for calendar year 2002 and began taking deliveries from Russia in late April 2002. When the governments give their approval, USEC will order additional shipments and provide further details of the contract amendment. If the terms of the agreement with the Russian Executive Agent for anticipated quantities at anticipated prices are not approved by the U.S. and Russian governments, earnings and cash flow in future years would be adversely impacted absent USEC making other arrangements.

Under the terms of a 1997 memorandum of agreement between USEC and the U.S. government, USEC can be terminated, or resign, as the U.S. Executive Agent, or additional executive agents may be named. In either event, any new executive agent could represent a significant new competitor that could adversely affect USEC's profitability and sales.

Discussions with U.S. Government

Over the past year, the Bush Administration has been engaged in a review of a number of issues related to the domestic uranium enrichment industry. USEC is in discussions with the U.S. government regarding an agreement that could address the maintenance of domestic enriched uranium production, the deployment of an advanced technology enrichment facility in the United States and extension of the Cooperative Research and Development Agreement relating to USEC's development of the U.S. government's centrifuge technology. This agreement would also address DOE's responsibility for remedying any technetium-contaminated uranium transferred to USEC and certain financial obligations of DOE to USEC.

U.S. Government International Trade Investigations

In February 2002, the U.S. Department of Commerce ("DOC") issued an order imposing antidumping and countervailing duties of 32.1% on the value of imports of LEU from France and countervailing duties of 2.23% on the value of imports of LEU from Germany, the Netherlands and the United Kingdom. This order was the culmination of investigations by the DOC and the U.S. International Trade Commission ("ITC") into allegations filed by USEC (joined by the Paper, Allied-Industrial, Chemical & Energy Workers International Union) that LEU imported from these countries was being sold at unfair prices and was materially injuring or threatening to materially injure USEC.

The duties do not prevent the importation of European LEU, but do help to offset the European enrichers' unfair pricing practices. Appeals of the DOC's and ITC's determinations in these investigations, now pending before the U.S. Court of International Trade, may result in a future increase, decrease or elimination of the duties on some or all of these imports. Court-ordered remand proceedings before each agency, and/or subsequent appeals to the U.S. Court of Appeals for the Federal Circuit, are also possible. While it is not possible to predict the final outcome of this appeal process, it is unlikely that this process would be completed prior to June 2003.

Results of Operations – Three and Nine Months Ended March 31, 2002 and 2001

Revenue

Revenue from sales of the SWU component of LEU amounted to $240.3 million in the three months ended March 31, 2002, an increase of $18.4 million (or 8%) from $221.9 million in the corresponding period of fiscal 2001. In the nine months ended March 31, 2002, revenue amounted to $1,016.1 million, an increase of $219.5 million (or 28%) from $796.6 million in the corresponding period of fiscal 2001. The increase in the three months and the substantial increase in the nine months were due mainly to the timing and movement of customer orders, partly offset by a decline of 2% in average prices billed to customers. The volume of SWU sold increased 10% in the three months and 30% in the nine months ended March 31, 2002, and the number of customer refueling orders and the average order size were higher.

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 are affected by, among other things, the seasonal nature of electricity demand, reactor maintenance, and reactors beginning or terminating operations. Utilities typically schedule the shutdown of their reactors for refueling to coincide with the lower electricity demand periods of spring and fall. Thus, some reactors are scheduled for annual or biannual refueling in the spring or fall, or for 18-month cycles alternating between both seasons. The timing of larger orders for initial core requirements for new nuclear reactors also can affect operating results.

Revenue from sales of uranium was $93.9 million in the nine months ended March 31, 2002, an increase of $33.5 million (or 55%) from $60.4 million in the corresponding period of fiscal 2001. The increase is due to higher volumes and prices. Higher uranium sales have a much greater impact on cash flow than on earnings due to the relatively high inventory cost of uranium. Revenue from sales of uranium in fiscal 2002 is expected to be 30% higher than fiscal 2001.

The percentage of revenue from domestic and international customers follows:

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2002	**2001**	**2002**	**2001**
Domestic	74%	57%	71%	52%
Asia	21	35	23	43
Europe and other	5	8	6	5
	100%	**100%**	**100%**	**100%**

In the nine months ended March 31, 2002, revenue from domestic customers increased $344.0 million (or 78%), revenue from customers in Asia declined $113.0 million (or 30%), and revenue from customers in Europe and other areas increased $22.0 million (or 51%), compared with the corresponding period of fiscal 2001. The significant increase in the domestic market reflects the timing and the movement of customer orders, partly offset by a decline in average prices billed to customers. The reduction in the Asian market reflects the timing and movement of customer orders and, in the fiscal 2001 period, revenue had benefited from an initial core order for a new reactor.

USEC expects revenue in fiscal 2002 will be 25% higher than in fiscal 2001 mainly as a result of the significant effect of the timing and movement of customer orders. The impact of higher volumes in fiscal 2002 is expected to be partly offset by lower average prices billed to customers. A trend of lower average SWU prices billed to customers will continue as older contracts with higher prices expire and the sales backlog becomes more heavily weighted with contracts negotiated in recent years with lower prices. SWU prices are reported to have been above $100 per SWU for the past year, and, at the end of March 2002, the spot SWU price was quoted at $107 and the long-term price at $105. Since most of USEC’s sales are under long-term contracts, any new contracts signed at these higher prices will be recognized in future periods and will help offset lower-priced contracts signed previously.

Cost of Sales

Cost of sales is based on the amount of SWU and uranium sold during the period. Cost of sales is determined by a combination of inventory levels and costs, production costs, and purchase costs under the Russian Contract. Production costs consist principally of electric power, labor and benefits, depleted uranium disposition costs, materials, depreciation and amortization, 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 inventory costs and cost of sales over future periods.

Cost of sales amounted to $229.0 million in the three months ended March 31, 2002, an increase of $17.5 million (or 8%) from $211.5 million in the corresponding period of fiscal 2001. In the nine months ended March 31, 2002, cost of sales amounted to $1,035.7 million, an increase of $292.0 million (or 39%) from $743.7 million in the corresponding period of fiscal 2001. As a percentage of revenue, cost of sales amounted to 92% in the three months and 93% in the nine months, compared with 87% in the corresponding periods of fiscal 2001.

The increase in cost of sales in the nine-month period reflects the 30% increase in the volume of SWU sold, lower purchases of the SWU component of LEU from Russia, and higher unit production costs. Purchases of the SWU component of LEU from Russia declined 29% in the nine months ended March 31, 2002, compared with the corresponding period of fiscal 2001, because new terms agreed to by USEC and the Russian Executive Agent have yet to be approved by the U.S. and Russian governments and implemented. Unit costs were higher due to lower production levels as USEC transitioned to a single plant operation in June 2001, combined with the carryover effect (reflected in beginning inventory costs) of the less than optimal two-plant operations in fiscal 2001. In addition, cost of sales in the fiscal 2001 period had benefited from the monetization of excess power at the Portsmouth plant in the summer of 2000. USEC ceased uranium enrichment operations at the Portsmouth plant in May 2001.

Electric power costs amounted to $214.6 million in the nine months ended March 31, 2002, a reduction of $59.7 million (or 22%) from $274.3 million in the corresponding period of fiscal 2001. Power costs represented 56% of production costs, compared with 54% in the fiscal 2001 period. The reduction reflects lower production following the ceasing of uranium enrichment operations at the Portsmouth plant in May 2001. In September 2000, USEC began purchasing a significant portion of electric power for the Paducah plant at fixed rates from the Tennessee Valley Authority ("TVA") under a 10-year power purchase agreement. USEC substantially reduces production and the related power load at the Paducah plant in the summer months when the cost of power is generally high. USEC has secured additional megawatts of power at favorable prices for the summer of 2002 and expects to increase production to levels substantially above last summer. The additional power will help USEC levelize production and better manage inventory levels.

Costs for labor and benefits were lower as the average number of employees at the plants declined 11% in the nine months ended March 31, 2002, compared with the corresponding period of fiscal 2001. Labor costs in the fiscal 2001 period included costs for a retention bonus program for employees at the Portsmouth plant. In November 2001, members of the Paper, Allied-Industrial, Chemical and Energy Workers International Union ratified a new labor relations contract. The contract covers members of the union working at the Paducah plant for an 18-month period ending January 31, 2003. The union represents 675 employees out of a total 1,500 at the Paducah plant.

USEC's cost of sales per unit has trended upward. The trend is expected to continue in the near term as historic higher unit costs work their way through inventory. The favorable impact of cost reduction actions and purchases from Russia under the new market-based agreement will over time lower USEC's inventory cost and improve cost of sales.

Gross Profit

Gross profit amounted to $20.4 million in the three months ended March 31, 2002, a reduction of $11.2 million (or 35%) from $31.6 million in the corresponding period of fiscal 2001. In the nine months ended March 31, 2002, gross profit amounted to $74.3 million, a reduction of $39.0 million (or 34%) from $113.3 million in the corresponding period in fiscal 2001. Gross margin was 8% in the three months and 7% in the nine months, compared with 13% in the corresponding periods of fiscal 2001. Despite higher revenue, margins continued to tighten due to lower purchases from Russia, high unit production costs, and the 2% decline in average SWU prices billed to customers.

Special Charge (Credit) for Consolidating Operations

In the three and nine months ended March 31, 2002, USEC recorded a special credit of $6.7 million ($4.2 million or $.05 per share after tax) representing a change in estimate of costs for consolidating operations. The special credit includes a cost reduction of $19.3 million for workforce reductions, primarily reflecting receipt of $12.5 million from DOE representing recovery of DOE's pro rata share of severance benefits, and a cost reduction of $3.8 million for other exit costs. In June 2001, DOE authorized funding to conduct cold standby services at the Portsmouth plant, and USEC is performing these services under a letter agreement until a definitive contract is concluded between the parties. As a result of DOE's program, the number of workforce reductions at the Portsmouth plant announced in June 2000 has been reduced. The cost reductions were partly offset by charges of $16.4 million for asset impairments relating to transfer and shipping facilities at the Portsmouth plant. In February 2002, USEC announced plans to consolidate the transfer and shipping operations this summer at the Paducah plant. This consolidation will result in workforce reductions at the Portsmouth plant, the cost of which has been accrued.

Selling, General and Administrative

Selling, general and administrative expense amounted to $35.9 million in the nine months ended March 31, 2002, about the same as in the corresponding period of fiscal 2001. The lower costs from workforce reductions at the headquarters' office were offset by higher costs due to negotiations under the Russian Contract, related negotiations with the U.S. government, and the international trade investigations that were concluded in February 2002 in USEC's favor.

Operating Income

Operating income amounted to $37.0 million in the nine months ended March 31, 2002, compared with $70.0 million in the corresponding period of fiscal 2001. The reduction reflects lower gross profit.

Interest Expense

Interest expense amounted to $27.3 million in the nine months ended March 31, 2002, compared with $26.0 million in the corresponding period of fiscal 2001. The increase reflects interest expense accrued on a deferred payment obligation under a power purchase agreement with TVA. There was no short-term debt outstanding in the fiscal 2002 period.

Provision for Income Taxes

The provision for income taxes in the nine months ended March 31, 2002, reflects an effective income tax rate of 30%. The provision (credit) for income taxes in the fiscal 2001 period includes a special income tax credit of $37.3 million (or $.46 per share) resulting from changes in the estimated amount of deferred income tax benefits that arose from the transition to taxable status. USEC transitioned to taxable status in July 1998 at the time of the initial public offering of common stock. The change in estimate in fiscal 2001 resulted from a reassessment of certain deductions for which related income tax savings were not certain. Excluding the special income tax credit, the effective income tax rate was 34% in the fiscal 2001 period.

Net Income

Excluding special credits, net income was $.1 million in the three months ended March 31, 2002, compared with $8.1 million (or $.10 per share) in the corresponding period of fiscal 2001 and $4.9 million (or $.06 per share) in the nine months ended March 31, 2002, compared with $33.6 million (or $.42 per share) in the corresponding period of fiscal 2001. The reductions primarily reflect lower gross profit. There was a special credit of $4.2 million (or $.05 per share) after tax in the fiscal 2002 period from a change in estimate for consolidating operations and a special income tax credit of $37.3 million (or $.46 per share) in the fiscal 2001 period.

Fiscal 2002 Outlook

Based on financial performance to date and the outlook for the remainder of fiscal 2002, USEC anticipates earnings before a special credit in a range of $9 million to $12 million. USEC's financial results are lower than initially forecast because of the one-time confluence of the new pricing provisions under the Russian Contract not being implemented before January 2002, lower than normal purchases from Russia so far this calendar year because of the delay through calendar 2001 in the authorization of Russian negotiations, and the absence in calendar 2002 of purchases of the SWU component of Russian commercial LEU as had originally been planned. Additionally, consultants involved in the now completed negotiations on the Russian Contract and related negotiations with the U.S. government, which are close to being completed, and the recently concluded trade case, increased selling, general and administrative expenses.

USEC also considered a change to its inventory costing methodology to better match its sales and production profiles. In its continuing effort to reduce inventory, however, USEC plans to operate at production levels higher this summer than last summer. This will result in a better alignment of sales and production. As a result, the impetus for making the accounting change has decreased, and the change has not been implemented. As USEC has previously disclosed, the positive impact of this non-cash change was included in USEC's initial forecast of fiscal 2002 earnings.

USEC expects cash flow from operations, after capital expenditures, in fiscal 2002 to be approximately $150 million, a significant improvement over the original guidance of negative cash flow. The improvement is due to a substantial reduction in inventories from lower purchases from Russia while maintaining constant production levels. As a result, USEC anticipates that its inventories at the end of fiscal 2002 will be approximately $200 million or 13% lower than at the end of fiscal 2001.

Assuming the two governments approve the Russian Contract pricing amendment and that purchases in calendar year 2002 from Russia will be at $90.42 per SWU, USEC expects earnings in fiscal 2003 to be roughly the same as fiscal 2002. USEC intends to provide additional guidance for fiscal 2003 following approval by the two governments of the Russian Contract and the conclusion of USEC's budgeting process.

Liquidity and Capital Resources

Liquidity and Cash Flows

Cash and cash equivalents amounted to $219.3 million at March 31, 2002, compared with $122.5 million at June 30, 2001. The significant increase resulted from cash generated from operating activities. Lower purchases from Russia reduced inventories by a significant amount and increased cash flow and cash balances.

Net cash flow from operating activities amounted to $178.0 million in the nine months ended March 31, 2002, compared with $128.6 million in the corresponding period of fiscal 2001. Cash flow in the nine months ended March 31, 2002, reflects the substantial reduction of $296.8 million in inventories, partly offset by a reduction in trade payables under the Russian Contract and a reduction in advances from customers. In addition, lower net income and cash payments for consolidating operations and income taxes reduced cash flow in the nine months ended March 31, 2002. Cash flow in the fiscal 2001 period had benefited from a reduction in trade receivables and an increase in advances from customers aggregating $280.5 million.

Capital expenditures amounted to $28.6 million in the nine months ended March 31, 2002, compared with $40.8 million in the corresponding period of fiscal 2001. Capital expenditures in fiscal 2002 include costs to upgrade transfer and shipping facilities at the Paducah plant and, in fiscal 2001, included costs to complete the upgrade of the Paducah plant's capability to produce LEU up to an assay of 5.5%. An insurance deposit of $21.4 million was paid in December 2001 in connection with the issuance of a surety bond for the eventual disposition of depleted uranium. Compliance with NRC regulations requires that USEC provide financial assurances regarding the cost of the eventual disposition of depleted uranium generated during the production process.

Dividends paid to stockholders amounted to $33.4 million in the nine months ended March 31, 2002, about the same as in the corresponding period of fiscal 2001.

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. Both the senior notes and USEC's corporate credit are rated as BB+ by Standard & Poor's. On January 25, 2002, Standard & Poor's placed USEC's ratings on credit watch with negative implications, citing USEC's uncompleted negotiations under the Russian Contract and the unresolved technetium issue with DOE regarding a portion of USEC's uranium inventory.

At March 31, 2002, USEC had revolving credit commitments of $150.0 million under a bank credit facility scheduled to expire in July 2003, of which $138.7 million was available after reductions for outstanding letters of credit. There were no short-term borrowings at March 31, 2002 or June 30, 2001, and no short-term borrowings are anticipated through the end of fiscal 2002.

At March 31, 2002, USEC was in compliance with financial covenants under the bank credit facility, including restrictions on the granting of liens or pledging of assets, maintenance of a minimum stockholders' equity and maintenance of a maximum debt to total capitalization ratio, as well as other customary conditions and covenants. The failure to satisfy any of the covenants would constitute an event of default. The bank credit facility includes other customary events of default, including without limitation, nonpayment, misrepresentation in a material respect, cross-default to other indebtedness, bankruptcy and change of control.

The decline in retained earnings in nine months ended March 31, 2002, has had an adverse effect on the minimum stockholders' equity covenant under the bank credit facility. USEC intends to replace the facility in the near term. It is expected that a new credit facility may include additional terms and covenants and be secured with certain assets of USEC.

The total debt-to-capitalization ratio was 34% at March 31, 2002, the same as at June 30, 2001.

At March 31, 2002, USEC had contractual commitments to repay long-term debt and to make payments under power purchase commitments for the Paducah plant and SWU purchase commitments under the Russian Contract, as follows (in millions):

	Payments Due				
	Within One Year	Two to Three Years	Four to Five Years	After Five Years	Total
Long-term debt	$ —	$ —	$ 350.0	$ 150.0	$ 500.0
Power purchase commitments	333.0	564.0	296.0	—	1,193.0
Commitments to purchase SWU under Russian Contract	131.1	—	—	—	131.1
	$ 464.1	**$ 564.0**	**$ 646.0**	**$ 150.0**	**$1,824.1**

USEC expects that its cash, internally generated funds from operations, and available financing under the bank credit facility will be sufficient to meet its obligations as they become due, to fund operating requirements of the plants including costs to consolidate operations, purchases of the SWU component of LEU under the Russian Contract, capital expenditures, interest expense, and quarterly dividends.

A summary of working capital follows (in millions):

	March 31, 2002	June 30, 2001
Cash	$ 219.3	$ 122.5
Accounts receivable	159.3	175.8
Inventories, net	815.9	1,115.9
Accounts payable and other	(223.1)	(389.9)
Working capital	**$ 971.4**	**$1,024.3**

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At March 31, 2002, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the short-term nature of the instruments.

The fair value of long-term debt is calculated based on a credit-adjusted spread over U.S. Treasury securities with similar maturities. The scheduled maturity dates of long-term debt, the balance sheet carrying amounts and related fair values at March 31, 2002, follow (in millions):

	Maturity Dates		March 31, 2002	
	January 2006	January 2009	Balance Sheet Carrying Amount	Fair Value
Long-term debt:				
6.625% senior notes	$350.0		$ 350.0	$330.6
6.750% senior notes		$150.0	150.0	132.6
			$ 500.0	**$463.2**

PART II. OTHER INFORMATION

Legal Proceedings

Federal Securities Lawsuit

On October 27, 2000, a federal securities lawsuit was filed against USEC in the U.S. District Court for the Western District of Kentucky, Paducah Division. Additional lawsuits of a similar nature were filed in the same court and were consolidated. In June 2001, the lawsuit was transferred to the U.S. District Court for the District of Maryland, Southern Division. On October 22, 2001, two individuals and two law firms were selected by the court to act as lead plaintiffs and lead counsel. A consolidated amended complaint was filed on December 6, 2001. The amended complaint named as defendants USEC, two of USEC's officers, and the seven underwriters involved in the initial public offering of common stock. The complaint generally alleged that certain statements in the registration statement and prospectus for the July 28, 1998 initial public offering were materially false and misleading because they misrepresented and failed to disclose certain adverse material facts, risks and uncertainties.

In January 2002, USEC and the other defendants moved to dismiss the complaint. In March 2002, the U.S. District Court dismissed the lawsuit and found that the prospectus contained detailed and meaningful cautionary language tailored to the specific risks that USEC faced. The Court also found that the lawsuits were filed after the statute of limitations had expired. In April 2002, the plaintiffs filed a notice of their intent to appeal the Court's decision. If plaintiffs file an appeal, USEC continues to believe that the ultimate outcome of these proceedings will not have a material adverse effect on its financial position or results of operations.

Property Taxes

In June 2001, USEC received notices from the Ohio State Department of Taxation asserting deficiencies in personal property tax payments for calendar years 2000 and 1999. The total additional property taxes asserted in the notices amount to $13.3 million plus interest and relate principally to certain inventories USEC believes are exempt from personal property taxes in Ohio. USEC believes it has meritorious defenses to the asserted deficiencies and has filed petitions for reassessment challenging the additional property taxes.

Exhibits and Reports on Form 8-K

(a) Exhibits

10.53	Employment agreement between USEC Inc. and Dennis R. Spurgeon, Executive Vice President and Chief Operating Officer, dated June 4, 2001, as amended January 22, 2002.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended March 31, 2002.

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.

April 29, 2002

By /s/ Henry Z Shelton, Jr.

Henry Z Shelton, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
10.53	Employment Agreement between USEC Inc. and Dennis R. Spurgeon, Executive Vice President and Chief Operating Officer, dated June 4, 2001, as amended January 22, 2002.

EXHIBIT 10.53

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT made and entered into as of the 4th day of June, 2001, by and between USEC Inc., a Delaware corporation (the "Company"), and Dennis R. Spurgeon (the "Executive").

WHEREAS, the Company desires to provide for the service and employment of the Executive with the Company and the Executive wishes to perform services for the Company, all in accordance with the terms and conditions provided herein;

NOW, THEREFORE, IN CONSIDERATION of the mutual premises, covenants and agreements set forth below, it is hereby agreed as follows:

(1) Employment and Term.

(a) The Company agrees to employ the Executive, and the Executive agrees to remain in the employ of the Company, in accordance with the terms and provisions of this Agreement for the period set forth below (the "Employment Period").

(b) The Employment Period of this Agreement will commence as of the date hereof (the "Effective Date") and continue until the third anniversary of the Effective Date (the "Third Anniversary"), unless further extended or sooner terminated as hereinafter provided. The Employment Period shall automatically be extended for one additional year from the Third Anniversary unless either party shall have given notice to the other party, at least ninety days prior to such Third Anniversary, that it does not wish to extend the Employment Period. Notwithstanding the foregoing, upon the occurrence of a "Change in Control," as defined in the USEC Inc. 1999 Equity Incentive Plan (the "Equity Incentive Plan"), during the Employment Period, this Agreement shall continue in effect for a period of not less than three years from the date of the Change in Control, unless sooner terminated as hereinafter provided. References herein to the Employment Period shall refer to both the initial term and any extended term hereunder. The Employment Period shall end on the Date of Termination (as hereinafter defined).

(c) The principal location at which the Executive will perform his duties will be the Company's principal executive offices in Bethesda, Maryland.

(2) Position; Duties. Commencing as of the Effective Date and continuing during the Employment Period, the Executive shall serve as Executive Vice President and Chief Operating Officer of the Company and shall have the customary duties of such position and such responsibilities, duties and authority as are specified in the Company's charter and/or bylaws and as specified, from time to time, by the Board of Directors of the Company (the "Board") or the Chief Executive Officer of the Company (the "CEO"). The Executive shall report to the CEO. The Executive shall devote substantially all of his working time and efforts to the business and affairs of the Company and shall not engage in activities that interfere with such performance; provided, however, that this Agreement shall not be interpreted to prohibit the Executive from managing his personal investments and affairs, engaging in charitable activities, serving as a member of any board of directors of which he is currently a member (to the extent disclosed in writing to the CEO prior to the Effective Date) or, subject to prior approval of the Board, serving on any other board of directors so long as, in the reasonable determination of the Board, such activities do not interfere with the performance of his duties hereunder.

(3) Compensation. The Executive shall receive the following compensation for his services hereunder to the Company:

(a) Salary. Commencing as of the Effective Date and continuing during the Employment Period, the Company shall pay to the Executive an annual base salary ("Annual Base Salary") at a rate not less than $400,000, such salary to be paid in conformity with the Company's policies relating to salaried employees. This salary in the sole discretion of the Company may be (but is not required to be) increased from time to time, subject to and in accordance with the Company's annual performance review process.

(b) Initial Restricted Stock and Option Grant. Effective not later than the date of the first meeting of the Compensation Committee of the Board (the "Compensation Committee") occurring after the Effective Date, the Company shall cause the Executive to be granted, subject to the terms and conditions of the Equity Incentive Plan and such other terms and conditions as may be established by the Compensation Committee in its sole discretion, (i) restricted common stock of the Company, which shall become vested and nonforfeitable on the third anniversary of the date of grant, with a value of $100,000 based on the price of such common stock at the close of trading on the date of grant; and (ii) a nonqualified option to acquire 300,000 shares of common stock of the Company, vesting in three equal installments on each of the first three anniversaries of the date of grant, at a price per share equal to the price per share of such common stock at the close of trading on the date of grant.

(c) Annual Incentive Program. The Executive shall be a participant in the Company's annual incentive program as in effect from time to time (the "Annual Incentive Program") at a level commensurate with his position, and shall be entitled to receive such amounts (each, a "Bonus") as may be authorized, declared and paid by the Company pursuant to the terms of such program and the performance goals established by the Compensation Committee. For fiscal year 2002, Executive's annual incentive target will be 2/3 of the Annual Base Salary for fiscal year 2002, split evenly between cash and restricted shares in accordance with the terms of the Equity Incentive Plan and the Annual Incentive Program.

(d) Long-Term Incentive Plan. The Executive shall be a participant in the Company's Equity Incentive Plan, and any other long-term equity or cash compensation programs as the Board may provide for the Company's senior management (collectively, the "LTIP") at a level commensurate with the Executive's position.

(e) Employee Benefit Plans; Perquisites; Fringe Benefits. During the Employment Period, the Executive shall be eligible to participate, on a basis commensurate with his position, in all employee benefit plans, including supplemental benefit plans, welfare plans, practices, policies and programs, perquisites and other fringe benefits applicable to senior management of the Company. In addition, the Company shall provide the Executive with supplemental executive retirement benefits pursuant to the terms of the USEC Inc. Supplemental Executive Retirement Plan (the "SERP") on a basis no less favorable than that of similarly situated senior management of the Company, but expressly excluding the CEO for this purpose.

(f) Expenses. The Company agrees to reimburse the Executive for all reasonable expenses, including those for travel and entertainment, properly incurred by him in the performance of his duties under this Agreement in accordance with policies established from time to time by the Company.

(g) Vacation. The Executive shall be entitled to no less than the number of vacation days in each calendar year as determined in accordance with the Company's vacation policy as in effect from time to time, but not less than five weeks in any calendar year (prorated in any calendar year during which he is employed hereunder for less than the entire year in accordance with the number of days in such calendar year in which he is so employed). The Executive shall also be entitled to all paid holidays and personal days given by the Company to its executives.

4. Termination of Employment.

(a) Death; Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. The Company or the Executive may terminate the Executive's employment on account of the Executive's Disability. For purposes hereof, "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 senior executive officers as in effect at the time the Executive's disability is incurred.

(b) By the Company for Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement "Cause" shall mean:

(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 duties or responsibilities (other than (x) any such failure resulting from the Executive's incapacity due to Disability, 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 duties, or (y) any such actual or anticipated failure after the issuance of a Notice of Termination (as defined below) by the Executive for Good Reason (as defined below)).

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 not in good faith and without reasonable belief that his 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 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 (10) business days from receipt of such notice to cease the actions or inactions, and he has not done so; (B) an opportunity shall have been provided for the Executive together with his 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 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.

(c) By the Executive for Good Reason. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "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) any material breach by the Company of its obligations under this Agreement, including but not limited to (x) a reduction in the Executive's Base Salary as such salary may be increased from time to time thereafter, and (y) the Company's requiring the Executive to be based anywhere other than the offices that constitute the Company's corporate headquarters and/or the Company's principal executive offices;

(ii) the Executive is removed from his position set forth in Section 2 hereof for any reason other than (A) by reason of death or Disability, or (B) for Cause, or the failure to appoint or re-appoint the Executive to such position with the Company;

(iii) the Executive is assigned any duties inconsistent with the Executive's position (including status, offices, titles and reporting relationships), authority, duties or responsibilities as in effect as of the Effective Date (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);

(iv) the failure to assume this Agreement by any successor to the Company;

(v) any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of paragraph (d) below, which termination for purposes of this Agreement shall be ineffective; or

(vi) termination of employment by the Executive that is deemed by a majority of the nonmanagement members of the Board to constitute Good Reason.

Notwithstanding the foregoing, the Company's failure to extend this Agreement in accordance with Section 1(b) shall not be deemed to constitute "Good Reason" for termination of the Executive's employment, and 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 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.

(d) Notice of Termination. Any termination of the Executive's employment (other than by reason of death) shall be communicated by Notice of Termination to the other party hereto in accordance with Section 11(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination," means a written notice that indicates the specific termination provision in this Agreement relied upon, sets 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 specifies 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.

(e) Date of Termination. "Date of Termination" shall mean:

(i) if the Executive's employment is terminated by reason of Disability, or by the Executive for Good Reason, other than a termination pursuant to Section 4(c)(iv) of the definition of Good Reason, 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);

(ii) if the Executive's employment is terminated by the Company for Cause or without Cause, or by the Executive for other than Good Reason, the date the Notice of Termination is received;

(iii) if the Executive's employment is terminated by the Executive for Good Reason pursuant to Section 4(c)(iv) hereof, the date upon which any succession referred to therein becomes effective;

(iv) if the Executive's employment is terminated by reason of death, the date of death; and

(v) if the Executive's employment is terminated by reason of the expiration of the Employment Period, the last day of the Employment Period.

5. Obligations of the Company upon Termination.

(a) Termination by the Executive for Good Reason or by the Company Other than for Cause. If the Executive's employment is terminated by the Executive for Good Reason or by the Company other than for Cause:

(i) the Company shall pay to the Executive, within 10 days following the Date of Termination, a lump sum amount in cash equal to the sum of:

(A) the Executive's Annual Base Salary through the Date of Termination to the extent not previously paid;

(B) an amount equal to the target Bonus for the fiscal year prior to the Date of Termination, to the extent such Bonus has been earned but not paid, and for the fiscal year that includes the Date of Termination. the target Bonus multiplied by a fraction, the numerator of which shall be the number of days from the beginning of such fiscal year to and including the Date of Termination and the denominator of which shall be three hundred and sixty-five (365); and

(C) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not previously paid.

The amounts specified in clauses (A), (B) and (C) hereof shall be hereinafter referred to as the "Accrued Obligations";

(ii) the Company shall pay to the Executive, within 10 days following the Date of Termination, a lump sum amount, in cash, equal to one times (two and one-half times if the Date of Termination occurs on or after the date of a Change in Control) 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 (or, if shorter, the number of years from the Effective Date 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 (or, if shorter, the number of years from the Effective Date to the Date of Termination, and provided that, until such time as Executive has received a Bonus with respect to fiscal year 2002, the Final Average Bonus shall be deemed to be 2/3 of the Executive's Annual Base Salary as then in effect); and

(iii) subject to the Executive's continued compliance with Section 9 hereof, the Company shall continue life, disability, accident and health insurance benefits (including supplemental health and life insurance benefits) substantially similar to those that the Executive was receiving immediately prior to the Date of Termination (or if applicable, prior to the Change in Control, or thereafter, if higher) until the earlier to occur of (i) the first anniversary of the Date of Termination (or if the Date of Termination occurs on or after a Change in Control, the date that is 30 months following 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 5(a)(iii) shall be reduced to the extent comparable benefits are actually received during the one year (or 30-month, as the case may be) period following termination, and any such benefits actually received by the Executive shall be reported to the Company; and.

(iv) all of the Executive's stock options (vested or nonvested) shall become exercisable and shall remain exercisable for one year, but in no event shall such period exceed the term of the stock options; and all restrictions pertaining to the Executive's restricted stock or other equity based awards shall lapse on the Date of Termination

(b) Termination By Reason of Death or Disability. If the Executive's employment shall be terminated by reason of the Executive's death or Disability, then the Company shall pay the Executive the amounts and benefits described in clauses (a)(i) and (a)(iv) above (and solely in the case of Disability, the benefits in clause (a)(iii) above), as well as all death and disability benefits payable under group insurance programs and other fringe benefit programs that the Company may from time to time make available to its executive officers.

(c) Termination By Company Upon Expiration of the Employment Period. If the Executive's employment shall be terminated by the Company (other than for Cause) upon the expiration of the Employment Period, then the Company shall pay to the Executive the amounts and benefits described in clauses (a)(i)-(iv) above.

(d) Termination by the Company for Cause or By the Executive for Other than Good Reason. Subject to the provisions of Section 6 of this Agreement, if the Executive's employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, death or Disability, in either case, during the Employment Period, the Company shall have no further obligations to the Executive under this Agreement other than the obligation to pay to the Executive Annual Base Salary through the Date of Termination, earned bonuses and any amount of compensation previously deferred by the Executive, in each case to the extent previously unpaid, and the Executive shall have no further obligations to the Company under this Agreement other than pursuant to Section 9(a) of this Agreement. All of the Executive's stock options that have not yet become exercisable shall expire and all of the Executive's restricted stock awards and other restricted equity based awards as to which the applicable restrictions have not yet lapsed shall be forfeited on the Date of Termination.

(e) Certain Tax Consequences. Whether or not the Executive becomes entitled to the payments and benefits described in this Section 5, 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 (a "Statutory Change in Control"), as defined in section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), 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 Internal Revenue Code of 1986, as amended (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:

(i) 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

(ii) 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.

(f) Other Fees and Expenses. With respect to a termination of Executive’s employment prior to a Change in Control, the prevailing party shall be entitled to recover from the other party to this Agreement, all reasonable legal fees and expenses incurred in contesting or disputing any termination of employment or in seeking to obtain or enforce any right or benefit to which such party is entitled under this Agreement. With respect to a termination of Executive’s employment following a Change in Control, the Company shall bear its own legal fees and expenses in connection with any such dispute, but the Company shall pay the Executive’s reasonable legal fees and expenses if the Executive is the prevailing party in connection with any such dispute.

6. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive’s continuing or future participation in any benefit plan, program, policy or practice provided by the Company and for which the Executive may qualify (except with respect to any benefit to which the Executive has waived his rights in writing), nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement entered into after the Effective Date with the Company. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any benefit plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such benefit plan, policy, practice, program, contract or agreement, except as explicitly modified by this Agreement.

7. 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 5 hereof by seeking other employment or otherwise, nor (except as specifically provided in Section 5 hereof) shall the amount of any payment or benefit provided for in Section 5 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.

8. Arbitration. Except as otherwise provided in Section 9 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 the Executive's employment, the terms, benefits, and conditions of employment, or concerning this Agreement or its termination and any resulting 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 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.

9. Confidential Information; Non-Solicitation; Non-Competition. (a) 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 Employment Period 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 such information, knowledge or data to anyone other than the Company and those designated by it.

(b) In addition, the Executive shall not, at any time during the Employment Period and for any period thereafter with respect to which the Executive is in receipt of a severance benefit under this Agreement (by way of illustration, if the Executive terminates his employment for Good Reason, for a period of one year), (i) 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 Employment Period or as of the Date of Termination, as applicable or (ii) recruit, solicit for employment, hire or engage any employee or individual consultant of the Company or any person who was an employee or individual 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 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.

The Executive acknowledges that a violation or attempted violation on the Executive's part of this Section 9 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.

10. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution.

(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.

(c) 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 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 the 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 10(c) 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, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

11. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the conflict of laws provisions thereof. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. 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.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return-receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Dennis R. Spurgeon
c/o USEC Inc.
2 Democracy Center
6903 Rockledge Drive
Bethesda, Maryland 20817-1818

with a copy to:

John W. Griffin, Esq.
Duane, Morris & Heckscher LLP
1667 K Street N.W., Suite 700
Washington, D.C. 20006-1608
Phone:(202) 776-7854
Facsimile: (202) 776-7801

If to the Company:

USEC Inc.
2 Democracy Center
6903 Rockledge Drive
Bethesda, Maryland 20817-1818
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance with this Agreement. Notice and communications shall be effective when actually received by the addressee.

(c) 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.

(d) 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.

(e) 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.

(f) To the extent, and only to the extent, that a payment or benefit paid or provided under this Agreement would also be paid or provided under the terms of an applicable plan, program or arrangement, such applicable plan, program or arrangement will be deemed to have been satisfied by the payment made or benefit provided under this Agreement.

(g) 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.

IN WITNESS WHEREOF, the Executive and the Company have caused this Agreement to be executed as of the day and year first above written.

USEC Inc.

By: /s/ Henry Z Shelton, Jr.

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

EXECUTIVE

/s/ Dennis R. Spurgeon

Dennis R. Spurgeon

AMENDMENT TO EMPLOYMENT AGREEMENT

AMENDMENT dated as of January 22, 2002 to the Employment Agreement dated as of June 4, 2001 (the "Agreement") by and between USEC Inc., a Delaware corporation (the "Company"), and Dennis R. Spurgeon (the "Executive").

WHEREAS, the Compensation Committee of the Company's Board of Directors has made certain adjustments to the Company's executive compensation program effective in fiscal year 2002; and

WHEREAS, the Company and the Executive desire to amend the Agreement to be consistent with such adjustments;

NOW, THEREFORE, in consideration of the mutual premises, covenants and agreements set forth below, it is hereby agreed as follows:

(4) Amendments. Effective as of the date first written above, the Agreement is amended as follows:

(a) The last sentence of Section 3(c) of the Agreement is revised to read as follows:

"For fiscal year 2002, Executive's annual incentive target will be 95% of the Annual Base Salary for fiscal year 2002, split 65% and 35% between cash and restricted shares, respectively, in accordance with the terms of the Equity Incentive Plan and the Annual Incentive Program."

(b) In Section 5(a)(ii) of the Agreement, the reference to "2/3 of the Executive's Annual Base Salary" is revised to read "95% of the Executive's Annual Base Salary".

2. Except as modified herein, the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the Executive and the Company have caused this Amendment to be executed as of the day and year first above written.

USEC Inc.	EXECUTIVE
By: /s/ Henry Z Shelton, Jr.	/s/ Dennis R. Spurgeon
Henry Z Shelton, Jr. Senior Vice President and Chief Financial Officer	Dennis R. Spurgeon