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

FORM 10-Q

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

For the quarter ended September 30, 2004

OR

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

Commission file number 1-14287

**USEC Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State of incorporation)

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Securities Exchange Act of 1934.) Yes ☒ No ☐

As of September 30, 2004, there were 84,685,000 shares of Common Stock issued and outstanding.

U.S. NUCLEAR REGULATORY COMMISSION

In the Matter of LOUISIANA ENERGY SERVICES, LP

Docket No. 70-3102-ML Official Exhibit No. 72

OFFERED by: Applicant/Licensee Intervenor NERS/PC

NRC Staff Other

IDEA TED on Witness/Panel M. Sheehan

Action is ADMITTED REJECTED WITHDRAWN

Reporter/Chair

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(9)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003 As restated	2004	2003 As restated
Revenue:				
Separative work units.....	\$194.6	\$ 265.6	\$ 518.2	\$ 798.0
Uranium .....	16.8	28.0	111.8	104.2
U.S. Government contracts.....	40.8	47.5	120.8	128.6
Total revenue.....	252.2	341.1	750.8	1,030.8
Cost of sales:				
Separative work units and uranium .....	180.1	263.7	533.3	797.0
U.S. Government contracts.....	36.5	36.4	110.9	116.1
Total cost of sales.....	216.6	300.1	644.2	913.1
Gross profit .....	35.6	41.0	106.6	117.7
Centrifuge demonstration costs.....	16.4	12.1	36.4	32.7
Selling, general and administrative.....	15.3	15.1	47.2	44.3
Operating income.....	3.9	13.8	23.0	40.7
Interest expense.....	10.0	9.8	29.8	28.7
Interest (income).....	(1.2)	(1.5)	(2.7)	(4.6)
Income (loss) before income taxes.....	(4.9)	5.5	(4.1)	16.6
Provision (credit) for income taxes.....	(1.5)	2.1	(1.2)	6.8
Net income (loss).....	<u>\$ (3.4)</u>	<u>\$ 3.4</u>	<u>\$ (2.9)</u>	<u>\$ 2.8</u>
Net income (loss) per share - basic and diluted.....	\$ (.04)	\$ .04	\$ (.03)	\$ .12
Dividends per share.....	\$ .1375	\$ .1375	\$ .4125	\$ .4125
Average number of shares outstanding.....	84.4	82.3	83.8	82.1

See notes to consolidated condensed financial statements.

and is secured by certain assets of the subsidiary and, subject to certain conditions, certain assets of USEC. Borrowings under the facility are subject to limitations based on percentages of eligible accounts receivable and inventory. Obligations under the facility are fully and unconditionally guaranteed by USEC. (9)

Outstanding borrowings under the facility bear interest at a variable rate equal to, based on the borrower's election, either (i) the sum of (x) the greater of the JPMorgan Chase Bank prime rate or the federal funds rate plus ½ of 1% plus (y) a margin ranging from .75% to 1.25% based upon collateral availability or (ii) the sum of LIBOR plus a margin ranging from 2.5% to 3% based on collateral availability. The revolving credit facility includes various operating and financial covenants that are customary for transactions of this type, including, without limitation, restrictions on the incurrence and prepayment of other indebtedness, granting of liens, sales of assets, making of investments, maintenance of a minimum amount of inventory, and payment of dividends or other distributions. The new facility does not restrict USEC's payment of common stock dividends at the current level, subject to the maintenance of a specified minimum level of collateral. Failure to satisfy the covenants would constitute an event of default. At September 30, 2004, USEC was in compliance with covenants under the revolving credit facility.

The total debt-to-capitalization ratio was 37% at September 30, 2004, and 36% at December 31, 2003. In October 2004, Standard & Poor's lowered its ratings on USEC as follows: corporate credit rating to BB- with negative outlook from BB with stable outlook, senior notes (\$500 million) to B from BB-, and revolving credit facility to BB+ from BBB-. In July 2004, Moody's affirmed its negative outlook on USEC, lowered the rating on USEC's senior notes (\$500 million) to Ba3 from Ba2, lowered the senior implied rating to Ba2 from Ba1, and placed the ratings under review for possible further downgrade. (24)

USEC expects that its cash, internally generated funds from operations, and available financing under the revolving credit facility will be sufficient over the next 12 months to meet its obligations as they become due and to fund operating requirements and capital expenditures, purchases of SWU under the Russian Contract, interest expense, American Centrifuge demonstration costs, and quarterly dividends. USEC expects to renegotiate the revolving credit facility that provides \$150 million in revolving credit commitments prior to expiration of the facility in September 2005, and to identify alternatives to retire or refinance the first installment of senior notes amounting to \$350 million that is scheduled to mature in January 2006.

#### Quantitative and Qualitative Disclosures about Market Risk

At September 30, 2004, 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.

USEC does not enter into financial instruments for trading purposes. 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 September 30, 2004, are as follows (in millions):

See 1335