

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 quarterly period ended June 30, 2018

OR

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

Commission file number 1-14287

Centrus Energy Corp.

Delaware

(State of incorporation)

52-2107911

(I.R.S. Employer Identification No.)

**6901 Rockledge Drive, Suite 800, Bethesda, Maryland 20817
(301) 564-3200**

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

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

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

Large accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

As of August 1, 2018, there were 7,632,669 shares of the registrant's Class A Common Stock, par value \$0.10 per share, and 1,406,082 shares of the registrant's Class B Common Stock, par value \$0.10 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Part I, Item 2, contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") - that is, statements related to future events. In this context, forward-looking statements may address our expected future business and financial performance, and often contain words such as "expects", "anticipates", "intends", "plans", "believes", "will", "should", "could", "would" or "may" and other words of similar meaning. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For Centrus Energy Corp., particular risks and uncertainties that could cause our actual future results to differ materially from those expressed in our forward-looking statements include risks: related to our significant long-term liabilities, including material unfunded defined benefit pension plan obligations and postretirement health and life benefit obligations; risks relating to our outstanding 8.0% paid-in-kind ("PIK") toggle notes (the "8% PIK Toggle Notes") maturing in September 2019, our 8.25% notes (the "8.25% Notes") maturing in February 2027 and our Series B Senior Preferred Stock, including the potential termination of the guarantee by United States Enrichment Corporation of the 8% PIK Toggle Notes; risks related to the use of our net operating losses ("NOLs") and net unrealized built-in losses ("NUBILs") to offset future taxable income and the use of the Rights Agreement (as defined herein) to prevent an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the "Code") and our ability to generate taxable income to utilize all or a portion of the NOLs and NUBILs prior to the expiration thereof; risks related to the limited trading markets in our securities; risks related to our ability to maintain the listing of our Class A Common Stock on the NYSE American LLC (the "NYSE American"); risks related to decisions made by our Class B stockholders regarding their investment in the Company based upon factors that are unrelated to the Company's performance; the continued impact of the March 2011 earthquake and tsunami in Japan on the nuclear industry and on our business, results of operations and prospects; the impact and potential extended duration of the current supply/demand imbalance in the market for low-enriched uranium ("LEU"); our dependence on others for deliveries of LEU including deliveries from the Russian government entity Joint Stock Company "TENEX" ("TENEX") under a commercial supply agreement with TENEX and deliveries under a long-term supply agreement with Orano Cycle; risks related to our

ability to sell the LEU we procure pursuant to our purchase obligations under our supply agreements; risks relating to our sales order book, including uncertainty concerning customer actions under current contracts and in future contracting due to market conditions and lack of current production capability; risks related to financial difficulties experienced by customers, including possible bankruptcies, insolvencies or any other inability to pay for our products or services; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; movement and timing of customer orders; risks related to the value of our intangible assets related to the sales order book and customer relationships; risks associated with our reliance on third-party suppliers to provide essential services to us; risks related to existing or new trade barriers and contract terms that limit our ability to deliver LEU to customers; risks related to actions that may be taken by the U.S. government, the Russian government or other governments that could affect our ability to perform or the ability of our sources of supply to perform under their contract obligations to us, including the imposition of sanctions, restrictions or other requirements; the impact of government regulation including by the U.S. Department of Energy and the United States Nuclear Regulatory Commission; uncertainty regarding our ability to commercially deploy competitive enrichment technology; risks and uncertainties regarding funding for the American Centrifuge project and our ability to perform under our agreement with UT-Battelle, LLC (“UT-Battelle”), the management and operating contractor for Oak Ridge National Laboratory (“ORNL”), for continued research and development of the American Centrifuge technology; the potential for further demobilization or termination of the American Centrifuge project; risks related to the current demobilization of portions of the American Centrifuge project, including risks that the schedule could be delayed and costs could be higher than expected; failures or security breaches of our information technology systems; potential strategic transactions, which could be difficult to implement, disrupt our business or change our business profile significantly; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits); the competitive environment for our products and services; changes in the nuclear energy industry; the impact of financial market conditions on our business, liquidity, prospects, pension assets and insurance facilities; revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year; and other risks and uncertainties discussed in this and our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2017.

Readers are urged to carefully review and consider the various disclosures made in this report and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business. We do not undertake to update our forward-looking statements to reflect events or circumstances that may arise after the date of this Quarterly Report on Form 10-Q, except as required by law.

CENTRUS ENERGY CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; in millions, except share and per share data)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 140.1	\$ 208.8
Accounts receivable	27.9	60.2
Inventories	100.0	153.1
Deferred costs associated with deferred revenue	130.2	122.3
Other current assets	22.7	22.5
Total current assets	420.9	566.9
Property, plant and equipment, net of accumulated depreciation of \$2.2 as of June 30, 2018 and \$1.9 as of December 31, 2017	4.5	4.9
Deposits for financial assurance	19.8	19.7
Intangible assets, net	79.9	82.7
Other long-term assets	0.7	1.1
Total assets	\$ 525.8	\$ 675.3
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	\$ 47.0	\$ 54.3
Payables under SWU purchase agreements	19.5	79.4
Inventories owed to customers and suppliers	45.1	77.9
Deferred revenue and advances from customers	195.0	191.8
Total current liabilities	306.6	403.4
Long-term debt	155.3	157.5
Postretirement health and life benefit obligations	151.7	154.2
Pension benefit liabilities	155.2	161.6
Advances from customers	14.5	—
Other long-term liabilities	12.3	17.5
Total liabilities	795.6	894.2
Commitments and contingencies (Note 11)		
Stockholders' deficit		
Preferred stock, par value \$1.00 per share, 20,000,000 shares authorized		
Series A Participating Cumulative Preferred Stock, none issued	—	—
Series B Senior Preferred Stock, 7.5% cumulative, 104,574 shares issued and outstanding and an aggregate liquidation preference of \$115.4 as of June 30, 2018 and \$111.5 as of December 31, 2017	4.6	4.6
Class A Common Stock, par value \$0.10 per share, 70,000,000 shares authorized, 7,632,669 shares issued and outstanding as of June 30, 2018 and December 31, 2017	0.8	0.8
Class B Common Stock, par value \$0.10 per share, 30,000,000 shares authorized, 1,406,082 shares issued and outstanding as of June 30, 2018 and December 31, 2017	0.1	0.1
Excess of capital over par value	60.2	60.0
Accumulated deficit	(335.5)	(284.5)
Accumulated other comprehensive income, net of tax	—	0.1
Total stockholders' deficit	(269.8)	(218.9)
Total liabilities and stockholders' deficit	\$ 525.8	\$ 675.3

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CENTRUS ENERGY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in millions, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
Separative work units	\$ 32.9	\$ 37.9	\$ 50.6	\$ 38.7
Uranium	—	—	3.6	—
Contract services	6.5	6.1	20.9	12.5
Total revenue	<u>39.4</u>	<u>44.0</u>	<u>75.1</u>	<u>51.2</u>
Cost of Sales:				
Separative work units and uranium	42.9	42.5	77.7	45.2
Contract services	7.2	6.2	13.4	13.6
Total cost of sales	<u>50.1</u>	<u>48.7</u>	<u>91.1</u>	<u>58.8</u>
Gross loss	(10.7)	(4.7)	(16.0)	(7.6)
Advanced technology license and decommissioning costs	5.4	4.4	13.4	10.5
Selling, general and administrative	9.7	9.7	20.9	22.1
Amortization of intangible assets	1.5	2.0	2.8	3.2
Special charges for workforce reductions and advisory costs	0.3	2.3	0.9	4.7
Gains on sales of assets	(0.2)	(0.7)	(0.3)	(1.7)
Operating loss	<u>(27.4)</u>	<u>(22.4)</u>	<u>(53.7)</u>	<u>(46.4)</u>
Gain on early extinguishment of debt	—	—	—	(33.6)
Nonoperating components of net periodic benefit expense (income)	(1.7)	(0.4)	(3.3)	(0.8)
Interest expense	1.0	0.7	2.0	3.6
Investment income	(0.6)	(0.3)	(1.2)	(0.6)
Loss before income taxes	<u>(26.1)</u>	<u>(22.4)</u>	<u>(51.2)</u>	<u>(15.0)</u>
Income tax benefit	—	—	(0.1)	(0.2)
Net loss	(26.1)	(22.4)	(51.1)	(14.8)
Preferred stock dividends - undeclared and cumulative	2.0	2.0	4.0	3.0
Net loss allocable to common stockholders	<u>\$ (28.1)</u>	<u>\$ (24.4)</u>	<u>\$ (55.1)</u>	<u>\$ (17.8)</u>
Net loss per common share - basic and diluted	\$ (3.08)	\$ (2.69)	\$ (6.05)	\$ (1.96)
Average number of common shares outstanding - basic and diluted (in thousands):	9,118	9,077	9,111	9,070

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CENTRUS ENERGY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited; in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$ (26.1)	\$ (22.4)	\$ (51.1)	\$ (14.8)
Other comprehensive loss, before tax (Note 12):				
Amortization of prior service credits, net	(0.1)	—	(0.1)	(0.1)
Other comprehensive loss, before tax	(0.1)	—	(0.1)	(0.1)
Income tax benefit related to items of other comprehensive income	—	—	—	—
Other comprehensive loss, net of tax benefit	(0.1)	—	(0.1)	(0.1)
Comprehensive loss	\$ (26.2)	\$ (22.4)	\$ (51.2)	\$ (14.9)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CENTRUS ENERGY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	Six Months Ended June 30,	
	2018	2017
Operating Activities		
Net loss	\$ (51.1)	\$ (14.8)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	3.3	3.6
PIK interest on paid-in-kind toggle notes	0.9	0.8
Gain on early extinguishment of debt	—	(33.6)
Gain on sales of assets	(0.3)	(1.7)
Changes in operating assets and liabilities:		
Accounts receivable	32.1	(32.1)
Inventories, net	20.4	42.7
Payables under SWU purchase agreements	(59.9)	(39.7)
Deferred revenue, net of deferred costs	(4.7)	13.9
Accounts payable and other liabilities	(7.0)	(15.7)
Other, net	0.6	(1.4)
Cash used in operating activities	<u>(65.7)</u>	<u>(78.0)</u>
Investing Activities		
Capital expenditures	(0.1)	(0.1)
Proceeds from sales of assets	0.3	1.7
Cash provided by investing activities	<u>0.2</u>	<u>1.6</u>
Financing Activities		
Payment of interest classified as debt	(3.0)	—
Repurchase of debt	—	(27.6)
Payment of securities transaction costs	—	(9.0)
Cash used in financing activities	<u>(3.0)</u>	<u>(36.6)</u>
Decrease in cash, cash equivalents and restricted cash	(68.5)	(113.0)
Cash, cash equivalents and restricted cash at beginning of period ⁽¹⁾	244.8	296.7
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	<u>\$ 176.3</u>	<u>\$ 183.7</u>
Supplemental cash flow information:		
Interest paid in cash	\$ 0.4	\$ 2.1
Non-cash activities:		
Conversion of interest payable-in-kind to long-term debt	\$ 0.9	\$ 0.8
Exchange of debt for Series B preferred stock	\$ —	\$ 4.6

⁽¹⁾ Refer to Note 4 regarding cash, cash equivalents and restricted cash.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CENTRUS ENERGY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited; in millions, except per share data)

	Preferred Stock, Series B	Common Stock, Class A, Par Value \$.10 per Share	Common Stock, Class B, Par Value \$.10 per Share	Excess of Capital Over Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2016	\$ —	\$ 0.8	\$ 0.1	\$ 59.5	\$ (296.7)	\$ 0.2	\$ (236.1)
Net loss	—	—	—	—	(14.8)	—	(14.8)
Issuance of preferred stock	4.6	—	—	—	—	—	4.6
Other comprehensive loss, net of tax benefit (Note 12)	—	—	—	—	—	(0.1)	(0.1)
Restricted stock units and stock options issued, net of amortization	—	—	—	0.2	—	—	0.2
Balance at June 30, 2017	\$ 4.6	\$ 0.8	\$ 0.1	\$ 59.7	\$ (311.5)	\$ 0.1	\$ (246.2)
Balance at December 31, 2017	\$ 4.6	\$ 0.8	\$ 0.1	\$ 60.0	\$ (284.5)	\$ 0.1	\$ (218.9)
Adoption of ASC 606 as of January 1, 2018 (Note 1)	—	—	—	—	0.1	—	0.1
Net loss	—	—	—	—	(51.1)	—	(51.1)
Other comprehensive loss, net of tax benefit (Note 12)	—	—	—	—	—	(0.1)	(0.1)
Restricted stock units and stock options issued, net of amortization	—	—	—	0.2	—	—	0.2
Balance at June 30, 2018	\$ 4.6	\$ 0.8	\$ 0.1	\$ 60.2	\$ (335.5)	\$ —	\$ (269.8)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CENTRUS ENERGY CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

Basis of Presentation and Principles of Consolidation

The unaudited condensed consolidated financial statements of Centrus Energy Corp. (“Centrus” or the “Company”), which include the accounts of the Company, its principal subsidiary United States Enrichment Corporation (“Enrichment Corp.”) and its other subsidiaries, as of June 30, 2018, and for the three and six months ended June 30, 2018 and 2017, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The condensed consolidated balance sheet as of December 31, 2017, was derived from audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States (“GAAP”). In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary for a fair statement of the financial results for the interim period. Certain prior year amounts have been reclassified for consistency with the current year presentation. Certain information and notes normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. All material intercompany transactions have been eliminated.

Operating results for the three and six months ended June 30, 2018, are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The unaudited condensed 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 year ended December 31, 2017.

Correction of Error

Management identified a classification error for \$0.3 million of costs that had been previously included in *Cost of Sales* for the Contract Services Segment in the condensed consolidated statement of operations for the three months ended March 31, 2018. These costs are now included in *Advanced Technology License and Decommissioning Costs* in the condensed consolidated statement of operations for the six months ended June 30, 2018. The Company considered quantitative and qualitative factors in assessing the materiality of the classification error and determined that the classification error was not material. This revision had no impact to the Company’s net loss for the three months ended March 31, 2018 or the six months ended June 30, 2018.

New Accounting Standards

Recently Adopted Accounting Standards

In 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, which requires revenue to be recognized when a customer obtains control of promised goods and services at an amount that reflects the consideration the Company expects to receive in exchange for those goods and services. In addition, ASU 2014-09 and subsequent amendments, collectively known as Accounting Standards Codification (“ASC”) 606 (“ASC 606”) require certain additional disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers.

The Company adopted ASC 606 on January 1, 2018, using the modified retrospective method. The new standard was applied to contracts that were not completed as of the adoption date. The Company recognized the cumulative effect of initially applying ASC 606 of \$0.1 million as an adjustment to the opening balance of accumulated deficit. The comparative information has not been restated and continues to be presented according to accounting standards in effect for those periods. Refer to *Note 2, Revenue Recognition and Contracts with Customers*, for additional information.

The following table summarizes the cumulative effect of the changes to the Company's condensed consolidated balance sheet as of January 1, 2018, from the adoption of ASC 606 (in millions):

	<u>Balance at December 31, 2017</u>	<u>Adjustment for ASC 606</u>	<u>Balance at January 1, 2018</u>
Assets:			
Unbilled contract revenue	\$ —	\$ 0.1	\$ 0.1
Stockholders' Deficit:			
Accumulated Deficit	(284.5)	0.1	(284.4)

The following table summarizes the impact of adopting ASC 606 on revenue and net loss for the three and six months ended June 30, 2018 (in millions):

	<u>Three Months Ended June 30, 2018</u>			<u>Six Months Ended June 30, 2018</u>		
	<u>As Reported</u>	<u>Under Previous Accounting</u>	<u>Effect of Adoption</u>	<u>As Reported</u>	<u>Under Previous Accounting</u>	<u>Effect of Adoption</u>
Revenue - Contract services	\$ 6.5	\$ 8.1	\$ (1.6)	\$ 20.9	\$ 22.9	\$ (2.0)
Net loss	(26.1)	(24.5)	(1.6)	(51.1)	(49.1)	(2.0)

The effect of adoption for the six months ended June 30, 2018, includes the opening balance adjustment of \$0.1 million and \$1.9 million of amounts billed as of June 30, 2018, that are included in *Deferred Revenue and Advances with Customers* pending transfer of control of contractual services to the customer.

In March 2017, the FASB issued ASU 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires changes to the presentation of the components of net periodic benefit cost on the statement of operations by requiring service cost to be presented with other employee compensation costs and other components of net periodic benefit cost to be presented outside of any subtotal of operating income. The Company adopted this standard on January 1, 2018, on a retrospective basis for all periods presented, and certain prior period amounts have been recast to conform with the current presentation as follows (in millions):

	<u>Three Months Ended June 30, 2017</u>			<u>Six Months Ended June 30, 2017</u>		
	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>Current Presentation</u>	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>Current Presentation</u>
Cost of sales - separative work units and uranium	\$ 42.1	\$ 0.4	\$ 42.5	\$ 44.4	\$ 0.8	\$ 45.2
Nonoperating components of net periodic benefit expense (income)	—	(0.4)	(0.4)	—	(0.8)	(0.8)

Refer to *Note 9, Pension and Postretirement Benefits* for additional information.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 addresses the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. It is intended to reduce diversity in practice by providing guidance on eight specific cash flow issues. ASU 2016-15 became effective for the Company on January 1, 2018. Upon adoption, the Company reclassified \$9.0 million of transaction costs incurred in the first quarter of 2017 related to the note exchange (see *Note 7, Debt*) in the statement of cash flows as follows (in millions):

	Six Months Ended June 30, 2017		
	As Previously Reported	Adjustments	Current Presentation
Cash used in operating activities	\$ (87.0)	\$ 9.0	\$ (78.0)
Cash used in financing activities	(27.6)	(9.0)	(36.6)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is to be applied retrospectively for each period presented. The Company adopted the new standard on January 1, 2018. Upon adoption, the Company added its restricted cash balances to the consolidated statement of cash flows, and the prior period amounts have been recast to conform with the current presentation.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, requiring an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, an entity is required to recognize the current and deferred income taxes resulting from an intra-entity transfer of assets other than inventory when the transfer occurs. ASU 2016-16 became effective for the Company in 2018, including interim reporting periods. In applying the new standard on a modified retrospective basis, there is no material cumulative-effect adjustment to retained earnings or net assets in its consolidated balance sheet as of January 1, 2018 due to the Company's full valuation allowance against net deferred assets. In addition, the adoption did not have an impact to the Company's net income (loss) for the three and six months ended June 30, 2018.

Accounting Standards Effective in Future Periods

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting expense recognition in the statement of operations. ASU 2016-02 will become effective for the Company beginning in the first quarter of 2019, with early adoption permitted, and is to be applied using a modified retrospective approach. In the Company's most recent Annual Report on Form 10-K, the Company reported undiscounted operating lease obligations of \$12.9 million as of December 31, 2017. The Company's principal leases relate to its headquarters office and its use of U.S. government facilities in Piketon, Ohio and Oak Ridge, Tennessee. The Company is evaluating the effect that the provisions of ASU 2016-02 will have on its condensed consolidated financial statements.

Significant Accounting Policies

The accounting policies of the Company are set forth in Note 1 to the Consolidated Financial Statements contained in the Company's 2017 Annual Report on Form 10-K. Updates to those policies as a result of the adoption of ASC 606 have been included in *Note 2, Revenue Recognition and Contracts with Customers*.

2. REVENUE RECOGNITION AND CONTRACTS WITH CUSTOMERS

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method as applied to customer contracts that were not completed as of the adoption date. As a result, financial information for reporting periods beginning on or after January 1, 2018, are presented under ASC 606, while comparative financial information has not been adjusted and continues to be reported in accordance with the Company's historical accounting policy for revenue recognition prior to the adoption of ASC 606. There was no material impact of adopting ASC 606 for sales under the LEU Segment. For sales under the Contract Services Segment, revenue is now recognized using a cost-to-cost method to measure the transfer of control of contract services to the customer.

Revenue Recognition

Revenue for product and service sales is recognized when or as the Company transfers control of the promised products or services to the customer. Revenue is measured at the transaction price which is based on the amount of consideration that the Company expects to receive in exchange for transferring the promised goods or services to the customer. The transaction price will include estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur.

Revenue for the Company's LEU Segment is derived from sales of the separative work units ("SWU") component of low enriched uranium ("LEU"), from sales of both the SWU and uranium components of LEU, and from sales of uranium. Contracts with customers are primarily long-term, fixed-commitment contracts under which its customers are obligated to purchase a specified quantity of the SWU component of LEU or the SWU and uranium components of LEU. The Company's contracts for natural uranium are generally shorter-term, fixed-commitment contracts.

Revenue is recognized at the time the customer obtains control of the LEU or uranium. Customers generally obtain control of LEU at fuel fabricators. Centrus ships LEU to nuclear fuel fabricators for scheduled or anticipated orders from utility customers. Based on customer orders, Centrus arranges for the transfer of title of LEU from Centrus to the customer for the specified quantity of LEU at the fuel fabricator. Revenue is recognized when control of LEU is transferred to the customer at the fuel fabricator. Each such delivery to a customer is accounted for as a distinct performance obligation under a contract, and a contract may call for multiple deliveries over a number of periods. The contract's transaction price is allocated to each performance obligation based on the observable standalone selling price of each distinct delivery of SWU or uranium.

Utility customers in general have the option to defer physical receipt of LEU or uranium purchased from the Company beyond the contractual sale period. In such cases, title to LEU or uranium is transferred to the customer and a performance obligation for Centrus is created and a receivable is recorded. Cash is collected for the receivable under normal credit terms. The performance obligation is represented as *Deferred Revenue* on the balance sheet and the customer-titled product is classified as *Deferred Costs Associated with Deferred Revenue*. Risk of loss remains with Centrus until physical delivery occurs. The recognition of revenue and related cost of sales occurs at the time physical delivery occurs and control and risk of loss of the product transfer to the customer, which may occur beyond one year. The timing of physical delivery, subject to notice period requirements, is at the option of the customer. As such, deferred costs and deferred revenue are classified within current assets and current liabilities, respectively.

On occasion, the Company will accept payment in the form of uranium. Revenue from the sale of SWU under such contracts is recognized at the time LEU is delivered and is based on the fair value of the uranium at contract inception or as the quantity of uranium is finalized, if variable. In the three months ended June 30, 2018, the Company received uranium valued at \$14.5 million from a customer that elected to defer a SWU purchase obligation for a period greater than one year. Under the contract, the customer has not received title to SWU or LEU product from the Company. The Company's contract liability to the customer is classified as *Advances from Customers*, a noncurrent liability.

Amounts billed to customers for handling costs are included in sales. Handling costs are accounted for as a fulfillment cost and are included in cost of sales. The Company does not have shipping costs associated with outbound freight after control over a product has transferred to a customer. The Company's contracts with customers do not provide for significant payment terms or financing components.

Revenue for the Contract Services Segment, principally representing engineering and testing activities performed by the Company as well as technical and resource support, is recognized over the contractual period as services are rendered. The contract services segment also includes limited services provided by Centrus to the U.S. Department of Energy ("DOE") and its contractors at the Portsmouth site related to facilities the Company leases from DOE. In the six months ended June 30, 2018, revenue for the contract services segment included \$9.5 million under a settlement agreement with DOE and the United States government. Refer below to *Contract Balances* for additional details.

The Company recognizes revenue over time as it performs on these contracts because of the continuous transfer of control to the customer. With control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. A contract may contain one or more performance obligations. Two or more promises to transfer goods or services to a customer may be considered a single performance obligation if the goods or services are highly interdependent or highly interrelated such that utility of the promised goods or services to the customer includes integration services provided by the Company.

The Company principally uses the cost-to-cost input method of progress for its contracts because it best depicts the transfer of control to the customer that occurs as the Company incurs costs. Under the cost-to-cost method, the extent of progress towards completion is measured based on the proportion of direct costs incurred to date to the total estimated direct costs at completion of the performance obligation. Revenues are recorded proportionally as costs are incurred. If transaction prices are not stated in the contract for each performance obligation, contractual prices are allocated to performance obligations based on estimated relative standalone selling prices of the promised services. For contracts that are not accounted for under the percentage of completion method, the Company records revenue as services are provided. The Company recognizes time-and-material contract revenue at negotiated, fixed, contractually billable rates as it delivers labor hours and incurs other direct expenses.

The Company has applied the practical expedient in paragraph ASC 606 and does not provide the value of remaining performance obligations under service contracts having original expected terms of one year or less.

The timing of revenue recognition may differ from the timing of invoicing to customers. Progress on satisfying performance obligations under contracts with customers and the related billings and cash collections are recorded on the consolidated balance sheet as contract assets or contract liabilities. Contract balances are classified as assets or liabilities on a contract-by-contract basis at the end of each reporting period.

Unbilled receivables (contract assets) are included in *Accounts Receivable* and arise when the timing of cash collected from customers differs from the timing of revenue recognition, such as when contract provisions require specific milestones to be met before a customer can be billed. Those assets are recognized when the revenue associated with the contract is recognized prior to billing and derecognized when billed in accordance with the terms of the contract. To the extent billings to the customer precede the recognition of contract services revenue, the Company recognizes a liability included in *Deferred Revenue and Advances from Customers* on the consolidated balance sheet.

Disaggregation of Revenue

The following table presents revenue from SWU and uranium sales disaggregated by geographical region based on the billing addresses of customers (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
United States	\$ 32.9	\$ 10.9	\$ 54.0	\$ 11.1
Asia	—	27.0	0.1	27.6
Other	—	—	0.1	—
Revenue - SWU and uranium	<u>\$ 32.9</u>	<u>\$ 37.9</u>	<u>\$ 54.2</u>	<u>\$ 38.7</u>

Refer to *Note 13, Segment Information*, for disaggregation of revenue by segment. Disaggregation by end-market is provided in Note 13 and the condensed consolidated statement of operations. SWU and uranium sales are made to electric utility customers. Contract services revenue results primarily from services provided to government contractors and, in the first quarter of 2018, the settlement with DOE and the United States government. SWU and uranium revenue is recognized at point of sale and contract services revenue is generally recognized over time.

Contract Balances

The following table represents changes in our contract assets and contract liabilities balances (in millions):

	June 30, 2018	January 1, 2018	Year-To-Date Change
Contract assets			
Accounts receivable:			
Billed	\$ 27.9	\$ 60.2	\$ (32.3)
Unbilled contract revenue	—	0.1	(0.1)
Accounts receivable	<u>\$ 27.9</u>	<u>\$ 60.3</u>	<u>\$ (32.4)</u>
Deferred costs associated with deferred revenue	<u>\$ 130.2</u>	<u>\$ 122.3</u>	<u>\$ 7.9</u>
Contract liabilities			
Deferred revenue and advances from customers - current:			
Deferred revenue	\$ 193.1	\$ 172.5	\$ 20.6
Advances from customers	1.9	19.3	(17.4)
Deferred revenue and advances from customers - current	<u>\$ 195.0</u>	<u>\$ 191.8</u>	<u>\$ 3.2</u>
Advances from customers - noncurrent	<u>\$ 14.5</u>	<u>\$ —</u>	<u>\$ 14.5</u>

Deferred cost and deferred revenue activity in the six months ended June 30, 2018, follows (in millions):

	Deferred Sales in the Period	Previously Deferred Sales Recognized in the Period	Year-To-Date Change
Deferred costs associated with deferred revenue	\$ 10.6	\$ (2.7)	\$ 7.9
Deferred revenue	23.3	(2.7)	20.6

On January 11, 2018, the Company entered into a settlement agreement with DOE and the United States government regarding breach of contract claims relating to work performed by the Company under contracts with DOE and subcontracts with DOE contractors. DOE agreed to settle all claims raised as part of and subsequent to the litigation, except with respect to certain claims for pension and postretirement benefits, for a total of \$24.0 million and provide a complete close out of all such contracts and subcontracts settled under the settlement agreement without any further audit or review of the Company's costs or incurred cost submissions. Prior to the settlement, the Company had a receivables balance related to the claims being settled of \$14.5 million. In the six months ended June 30, 2018, the Company (a) received \$4.7 million from the United States government, (b) applied approximately \$19.3 million of advances from the United States government received in prior years against the receivables balance, and (c) recorded additional revenue of \$9.5 million.

Centrus and DOE have yet to fully settle the Company's claims for reimbursements for certain pension and postretirement benefits costs related to past contract work performed for DOE. There is the potential for additional revenue to be recognized for this work pending the outcome of legal proceedings related to the Company's claims for payment and the potential release of previously established valuation allowances on receivables. As a result of the application of fresh start accounting following the Company's emergence from Chapter 11 bankruptcy on September 30, 2014, the receivables related to the Company's claims for payment are carried at fair value as of September 30, 2014, which is net of the valuation allowances.

LEU Segment Order Book

The SWU component of LEU is typically bought and sold under long-term contracts with deliveries over several years. The Company's agreements for natural uranium sales are generally shorter-term, fixed-commitment contracts. The Company's order book of sales under contract in the LEU Segment ("order book") extends for more than a decade. The order book represents the Company's remaining performance obligations under these contracts and includes the *Deferred Revenue* amounts in the Contract Balances table above.

As of December 31, 2017, the order book was \$1.3 billion and approximately 14% of the order book was reported to be at risk due to milestones related to the deployment of the American Centrifuge Plant or due to customer financial conditions. As of June 30, 2018, the order book was \$1.3 billion, reflecting completed deliveries and new contracts in the six months ended June 30, 2018. On July 26, 2018, a customer that had filed for bankruptcy court protection in March 2018 signed a new contract with the Company and rejected the existing long-term contract. The rejection of the prior contract and the acceptance of the new contract are subject to court approval. After giving effect to the expected contract rejection and the new contract, the order book will be \$1.1 billion, absent the impact of other order activity in the interim, and the specific risks the Company had previously identified to the order book will have been resolved.

Most of the Company's contracts provide for fixed purchases of SWU during a given year. The Company's estimate of the aggregate dollar amount of future SWU and uranium sales is partially based on customers' estimates of the timing and size of their fuel requirements and other assumptions that are subject to change. For example, depending on the terms of specific contracts, the customer may be able to increase or decrease the quantity delivered within an agreed range. The Company's order book estimate is also based on the Company's estimates of selling prices, which are subject to change. For example, depending on the terms of specific contracts, prices may be adjusted based on escalation using a general inflation index, published SWU price indicators prevailing at the time of delivery, and other factors, all of which are variable. The Company uses external composite forecasts of future market prices and inflation rates in its pricing estimates. Refer to Item 1A, *Risk Factors*, of the Company's 2017 Annual Report on Form 10-K for a discussion of risks related to the Company's order book.

3. SPECIAL CHARGES

Special charges totaled \$0.9 million and \$4.7 million in the six months ended June 30, 2018, and 2017, respectively, including advisory costs of \$0.1 million and \$3.3 million. In both 2017 and 2018, advisory costs related to updating the Company's information technology systems.

Workforce reductions have resulted from evolving business needs and the completion of the demonstration of American Centrifuge technology at the Company's facility in Piketon, Ohio. A summary of termination benefit activity and related liabilities follows. Based on current expectations of required employee levels, the remaining balance of \$3.3 million related to the Piketon facility is classified in *Other Long-Term Liabilities* in the condensed consolidated balance sheet and is expected to be paid in the third quarter of 2019.

(in millions)	Liability December 31, 2017	Six Months Ended June 30, 2018		Liability June 30, 2018
		Charges for Termination Benefits	Paid/Settled	
Workforce reductions:				
Evolving business needs	\$ 0.8	\$ 0.7	\$ (1.1)	\$ 0.4
Piketon demonstration facility	5.7	0.1	(2.5)	3.3
	<u>\$ 6.5</u>	<u>\$ 0.8</u>	<u>\$ (3.6)</u>	<u>\$ 3.7</u>

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table summarizes the Company's cash, cash equivalents and restricted cash as presented on the unaudited condensed consolidated balance sheet to amounts on the condensed consolidated statement of cash flows (in millions):

	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 140.1	\$ 208.8
Restricted cash included in other current assets	16.4	16.3
Restricted cash included in other long-term assets	19.8	19.7
Total cash, cash equivalents and restricted cash	<u>\$ 176.3</u>	<u>\$ 244.8</u>

The following provides additional detail regarding the Company's restricted cash (in millions):

	June 30, 2018	December 31, 2017
Current assets		
Deposits for surety bonds - NRC	\$ 16.2	\$ 16.1
Deposits for financial assurance - other	0.2	0.2
Included in other current assets	<u>\$ 16.4</u>	<u>\$ 16.3</u>
Long-term assets		
Deposits for surety bonds - DOE	\$ 13.6	\$ 13.5
Deposits for financial assurance - workers compensation	5.9	5.9
Deposits for financial assurance - other	0.3	0.3
Deposits for financial assurance	<u>\$ 19.8</u>	<u>\$ 19.7</u>

Piketon Facility Obligations and Surety Bonds

Centrus performs engineering and testing work related to the American Centrifuge technology under an agreement with UT-Battelle, LLC (“UT-Battelle”), the management and operating contractor for Oak Ridge National Laboratory (“ORNL”). American Centrifuge expenses that are outside of the Company’s contract with UT-Battelle are included in *Advanced Technology License and Decommissioning Costs*, including ongoing costs for work related to the termination of the license from the U.S. Nuclear Regulatory Commission (“NRC”) and the lease with DOE for the Piketon facility. Centrus commenced with the decontamination and decommissioning (“D&D”) of the Piketon facility in accordance with NRC requirements in 2016. Most of the D&D work has been completed as of June 30, 2018. The estimated fair value of the remaining costs to complete the D&D work, included in *Accounts Payable and Accrued Liabilities* on the condensed consolidated balance sheet, is \$1.0 million as of June 30, 2018, and December 31, 2017.

Centrus has previously provided financial assurance to the NRC for the D&D work in the form of surety bonds that are fully cash collateralized by Centrus for \$16.2 million. Centrus expects to receive cash when surety bonds are reduced and/or cancelled as the Company fulfills its D&D obligations and the NRC license for the test facility is terminated.

Centrus leases the Piketon facility from DOE. At the conclusion of the lease on June 30, 2019, without mutual agreement between Centrus and DOE regarding other possible uses for the facility, Centrus is obligated to return the facility to DOE in a condition that meets NRC requirements and in the same condition as the facility was in when it was leased to Centrus (other than due to normal wear and tear). Centrus must remove all Company-owned capital improvements at the Piketon facility, unless otherwise consented to by DOE, by the conclusion of the lease term. The estimated cost for these lease termination obligations, included in *Accounts Payable and Accrued Liabilities* on the condensed consolidated balance sheet, is \$0.7 million and \$0.8 million as of June 30, 2018 and December 31, 2017, respectively.

Centrus has previously provided financial assurance to DOE for the lease obligations in the form of surety bonds that are fully cash collateralized by Centrus for \$13.6 million. Centrus expects to receive cash when surety bonds are reduced and/or cancelled as the Company fulfills its lease termination obligations.

Financial Assurance for Workers’ Compensation

The Company has provided financial assurance to states in which it was previously self-insured for workers’ compensation in accordance with the state requirements in the form of a surety bond and a letter of credit that are fully cash collateralized by Centrus for \$5.9 million. The surety bond and letter of credit will be cancelled and the Company expects to receive cash when each state determines the Company has no further workers’ compensation obligations.

5. INVENTORIES

Centrus holds uranium at licensed locations in the form of natural uranium and as the uranium component of LEU. Centrus also holds SWU as the SWU component of LEU at licensed locations (e.g., fabricators) to meet book transfer requests by customers. Fabricators process LEU into fuel for use in nuclear reactors. Components of inventories follow (in millions):

	June 30, 2018			December 31, 2017		
	Current Assets	Current Liabilities (a)	Inventories, Net	Current Assets	Current Liabilities (a)	Inventories, Net
Separative work units	\$ 7.3	\$ 3.8	\$ 3.5	\$ 47.2	\$ 15.0	\$ 32.2
Uranium	92.7	41.3	51.4	105.9	62.9	43.0
	\$ 100.0	\$ 45.1	\$ 54.9	\$ 153.1	\$ 77.9	\$ 75.2

(a) Inventories owed to customers and suppliers, included in current liabilities, include SWU and uranium inventories owed to fabricators.

6. INTANGIBLE ASSETS

Intangible assets originated from the Company's reorganization and application of fresh start accounting as of the date the Company emerged from bankruptcy, September 30, 2014, and reflect the conditions at that time. The intangible asset related to the sales order book is amortized as the order book existing at emergence is reduced, principally as a result of deliveries to customers. The intangible asset related to customer relationships is amortized using the straight-line method over the estimated average useful life of 15 years. Amortization expense is presented below gross profit on the condensed consolidated statements of operations.

	June 30, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
(in millions)						
Sales order book	\$ 54.6	\$ 26.4	\$ 28.2	\$ 54.6	\$ 25.9	\$ 28.7
Customer relationships	68.9	17.2	51.7	68.9	14.9	54.0
Total	\$ 123.5	\$ 43.6	\$ 79.9	\$ 123.5	\$ 40.8	\$ 82.7

7. DEBT

A summary of long-term debt follows (in millions):

	Maturity	June 30, 2018	December 31, 2017
8.25% Notes:	Feb. 2027		
Principal		\$ 74.3	\$ 74.3
Interest		55.1	58.1
8.25% Notes		129.4	132.4
8% PIK Toggle Notes	Sep. 2019 ^(a)	32.1	31.3
Subtotal		161.5	163.7
Less deferred issuance costs		0.1	0.1
Total debt		161.4	163.6
Less current portion		6.1	6.1
Long-term debt		<u>\$ 155.3</u>	<u>\$ 157.5</u>

(a) Maturity can be extended to September 2024 upon the satisfaction of certain funding conditions described in the Indenture.

Note Exchange

On February 14, 2017, pursuant to an exchange offer and consent solicitation, Centrus exchanged \$204.9 million principal amount of the Company's 8% paid-in-kind ("PIK") toggle notes (the "8% PIK Toggle Notes") for \$74.3 million principal amount of 8.25% notes due February 2027 (the "8.25% Notes"), 104,574 shares of Series B Preferred Stock with a liquidation preference of \$1,000 per share, and \$27.6 million of cash. The exchange is accounted for as a troubled debt restructuring under ASC Subtopic 470-60, *Debt-Troubled Debt Restructurings by Debtors*. The Company recognized the 8.25% Notes on the condensed consolidated balance sheet as the sum of the principal balance and all future interest payments and recognized a gain of \$33.6 million related to the note exchange for the quarter ended March 31, 2017, which is net of transaction costs of \$9.0 million and previously deferred issuance costs related to the 8% PIK Toggle Notes of \$0.4 million. Refer to *Note 12, Stockholders' Equity* for details related to the preferred stock.

8.25% Notes

Interest on the 8.25% Notes is payable semi-annually in arrears as of February 28 and August 31 based on a 360-day year consisting of twelve 30-day months. The 8.25% Notes mature on February 28, 2027. As described above, all future interest payment obligations on the 8.25% Notes are included in the carrying value of the 8.25% Notes. As a result, the Company's reported interest expense will be less than its contractual interest payments throughout the term of the 8.25% Notes. As of June 30, 2018, and December 31, 2017, \$6.1 million of interest is recorded as current and classified as *Accounts Payable and Accrued Liabilities* in the condensed consolidated balance sheet.

8% PIK Toggle Notes

Interest on the 8% PIK Toggle Notes is payable semi-annually in arrears on March 31 and September 30 based on a 360-day year consisting of twelve 30-day months. The principal amount is increased by any payment of interest in the form of PIK payments. The Company has the option to pay up to 5.5% per annum of interest due on the 8% PIK Toggle Notes in the form of PIK payments. For the semi-annual interest periods ended March 31, 2018 and September 30, 2018, the Company elected to pay interest in the form of PIK payments at 5.5% per annum. Financing costs for the issuance of the 8% PIK Toggle Notes were deferred and are being amortized on a straight-line basis, which approximates the effective interest method, over the life of the 8% PIK Toggle Notes. The 8% PIK Toggle Notes mature on September 20, 2019. However, the maturity date may be extended to September 30, 2024, upon the satisfaction of certain funding conditions.

Additional terms and conditions of the 8.25% Notes and the 8% PIK Toggle Notes are described in *Note 9, Debt*, of the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

8. FAIR VALUE

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value of assets and liabilities, the following hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

- Level 1 – quoted prices for identical instruments in active markets.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3 – valuations derived using one or more significant inputs that are not observable.

Financial Instruments Recorded at Fair Value (in millions)

	June 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Cash and cash equivalents	\$ 140.1	\$ —	\$ —	\$ 140.1	\$ 208.8	\$ —	\$ —	\$ 208.8
Deferred compensation asset (a)	1.5	—	—	1.5	1.4	—	—	1.4
Liabilities:								
Deferred compensation obligation (a)	1.5	—	—	1.5	1.4	—	—	1.4

(a) The deferred compensation obligation represents the balance of deferred compensation plus net investment earnings. The deferred compensation plan is funded through a rabbi trust. Trust funds are invested in mutual funds for which unit prices are quoted in active markets and are classified within Level 1 of the valuation hierarchy.

There were no transfers between Level 1, 2 or 3 during the periods presented.

Other Financial Instruments

As of June 30, 2018, and December 31, 2017, the balance sheet carrying amounts for *Accounts Receivable*, *Accounts Payable* and *Accrued Liabilities* (excluding the deferred compensation obligation described above), and *Payables under SWU Purchase Agreements* approximate fair value because of their short-term nature.

The carrying value and estimated fair value of long-term debt follow (in millions):

	June 30, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value ^(a)	Carrying Value	Estimated Fair Value ^(a)
8.25% Notes	\$ 129.4 ^(b)	\$ 60.5	\$ 132.4 ^(b)	\$ 61.7
8% PIK Toggle Notes	32.1	27.0	31.3	25.1

^(a) Based on the most recent trading price as of the balance sheet date, which is considered a Level 2 input based on the frequency of trading.

^(b) The carrying value of the 8.25% Notes consists of the principal balance of \$74.3 million and the sum of current and noncurrent interest payment obligations until maturity. Refer to *Note 7, Debt*.

9. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

The components of net periodic benefit expense (income) for the defined benefit pension plans were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Service costs	\$ 0.9	\$ 1.0	\$ 1.7	\$ 1.9
Interest costs	7.2	8.0	14.4	16.1
Expected gains on plan assets	(10.3)	(10.2)	(20.5)	(20.4)
Net periodic benefit income	<u>\$ (2.2)</u>	<u>\$ (1.2)</u>	<u>\$ (4.4)</u>	<u>\$ (2.4)</u>

The components of net periodic benefit expense for the postretirement health and life benefit plans were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest costs	\$ 1.5	\$ 1.8	\$ 2.9	\$ 3.6
Amortization of prior service credits	(0.1)	—	(0.1)	(0.1)
Net periodic benefit expense	<u>\$ 1.4</u>	<u>\$ 1.8</u>	<u>\$ 2.8</u>	<u>\$ 3.5</u>

The Company reports service costs for its defined benefit pension plans and its postretirement health and life benefit plans in *Cost of Sales and Selling, General and Administrative Expenses*. The remaining components of net periodic benefit expense (income) are reported as *Nonoperating Components of Net Periodic Benefit Expense (Income)*.

10. NET LOSS PER COMMON SHARE

Basic net income (loss) per common share is calculated by dividing income (loss) allocable to common stockholders by the weighted average number of shares of common stock outstanding during the period. In calculating diluted net income (loss) per common share, the number of shares is increased by the weighted average number of potential shares related to stock compensation awards. No dilutive effect is recognized in a period in which a net loss has occurred.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss allocable to common stockholders (in millions)	\$ (28.1)	\$ (24.4)	\$ (55.1)	\$ (17.8)
Shares in thousands:				
Average common shares outstanding - basic	9,118	9,077	9,111	9,070
Potentially dilutive shares related to stock options ^(a)	—	—	—	—
Average common shares outstanding - diluted	9,118	9,077	9,111	9,070
Net loss per common share (in dollars):				
Basic	\$ (3.08)	\$ (2.69)	\$ (6.05)	\$ (1.96)
Diluted	\$ (3.08)	\$ (2.69)	\$ (6.05)	\$ (1.96)

- (a) For the three and six months ended June 30, 2018, common stock equivalents of less than 0.1 million shares are excluded from the diluted calculation as a result of the net loss. For the three and six months ended June 30, 2017, common stock equivalents of less than 0.1 million shares are excluded from the diluted calculation as a result of the net loss.

Options outstanding, which are considered anti-dilutive if their exercise price exceeds the average share market price, were less than 0.4 million shares for the three and six months ended June 30, 2018 and less than 0.1 million shares for the three and six months ended June 30, 2017.

11. COMMITMENTS AND CONTINGENCIES

Commitments under SWU Purchase Agreements

TENEX

A major supplier of SWU to the Company is the Russian government entity Joint Stock Company “TENEX” (“TENEX”). Under a 2011 agreement with TENEX, as amended, (the “Russian Supply Agreement”), the Company purchases SWU contained in LEU received from TENEX, and the Company delivers natural uranium to TENEX for the LEU’s uranium component. The LEU that the Company obtains from TENEX under the agreement is subject to quotas and other restrictions applicable to commercial Russian LEU. The Company may reschedule SWU quantities scheduled for purchase through 2022 into the period 2023–2026, in return for the purchase of additional SWU in those years. Depending on the total purchase obligations rescheduled to 2023–2026, the Company may defer certain limited quantities beyond 2026.

The Russian Supply Agreement provides that the Company must pay for all SWU in its minimum purchase obligation each year, even if it fails to submit orders for such SWU. The Company would then have the right to take the unordered SWU in the following year. Pricing terms for SWU under the Russian Supply Agreement are based on a mix of market-related price points and other factors.

Orano

On April 27, 2018, the Company entered into a long-term agreement (the “Orano Supply Agreement”) with Orano Cycle (formerly, AREVA NC) (“Orano”) for the long-term supply to the Company of SWU contained in LEU, nominally commencing in 2023. Under the Agreement, the Company purchases SWU contained in LEU received from Orano, and the Company delivers natural uranium to Orano for the natural uranium feed material component of LEU. The Company may elect to begin to accept deliveries as early as 2021 or to defer the commencement of purchases until 2024 and has the option to extend the six-year purchase period for an additional two (2) years. The Orano Supply Agreement provides significant flexibility to adjust purchase volumes, subject to annual minimums and maximums in fixed amounts that vary year by year. The pricing for the SWU purchased by the Company is determined by a formula that uses a combination of market-related price points and other factors, and is subject to certain floors and ceilings. Prices are payable in a combination of dollars and Euros.

U.S. imports of LEU from France are currently subject to an antidumping order that will remain in effect through at least the second quarter of 2019. Under the terms of the Orano Supply Agreement, Orano will have the right to partially limit the amount of LEU that can be delivered in the United States for so long as the LEU is subject to the antidumping order.

Milestones Under the 2002 DOE-USEC Agreement

The Company and DOE signed an agreement dated June 17, 2002, as amended (the “2002 DOE-USEC Agreement”), pursuant to which the parties made long-term commitments directed at resolving issues related to the stability and security of the domestic uranium enrichment industry. DOE consented to the assumption by Centrus of the 2002 DOE-USEC Agreement and other agreements between the Company and DOE subject to an express reservation of all rights, remedies and defenses by DOE and Centrus under those agreements as part of the Company’s Chapter 11 bankruptcy process. The 2002 DOE-USEC Agreement requires Centrus to develop, demonstrate and deploy advanced enrichment technology in accordance with milestones and provides for remedies in the event of a failure to meet a milestone under certain circumstances.

DOE has specific remedies under the 2002 DOE-USEC Agreement if Centrus fails to meet a milestone that would adversely impact its ability to begin commercial operations of the American Centrifuge Plant on schedule, and such delay was within Centrus’ control or was due to its fault or negligence or if Centrus abandons or constructively abandons the commercial deployment of an advanced enrichment technology. These remedies

include terminating the 2002 DOE-USEC Agreement, revoking Centrus' access to DOE's centrifuge technology that is required for the success of the American Centrifuge project, requiring Centrus to transfer certain rights in the American Centrifuge technology and facilities to DOE, and requiring Centrus to reimburse DOE for certain costs associated with the American Centrifuge project.

The 2002 DOE-USEC Agreement provides that if a delaying event beyond the control and without the fault or negligence of Centrus occurs that could affect Centrus' ability to meet an American Centrifuge Plant milestone, DOE and Centrus will jointly meet to discuss in good faith possible adjustments to the milestones as appropriate to accommodate the delaying event. The Company notified DOE that it had not met the June 2014 milestone within the time period provided due to events beyond its control and without the fault or negligence of the Company. The assumption of the 2002 DOE-USEC Agreement provided for under the Plan of Reorganization did not affect the ability of either party to assert all rights, remedies and defenses under the agreement and all such rights, remedies and defenses are specifically preserved and all time limits tolled expressly including all rights, remedies and defenses and time limits relating to any missed milestones. DOE and Centrus have agreed that all rights, remedies and defenses of the parties with respect to any missed milestones since March 5, 2014, including the June 2014 and November 2014 milestones, and all other matters under the 2002 DOE-USEC Agreement continue to be preserved, and that the time limits for each party to respond to any missed milestones continue to be tolled.

Legal Matters

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

12. STOCKHOLDERS' EQUITY

Series B Preferred Stock

On February 14, 2017, Centrus issued 104,574 shares of Series B Preferred Stock as part of the securities exchange described in *Note 7, Debt*. The issuance of the Series B Preferred Stock was a non-cash financing transaction. The Series B Preferred Stock has a par value of \$1.00 per share and a liquidation preference of \$1,000 per share (the "Liquidation Preference"). The Series B Preferred Stock is recorded on the condensed consolidated balance sheet at fair value less transaction costs, or \$4.6 million, as of June 30, 2018, and December 31, 2017.

Holders of the Series B Preferred Stock are entitled to cumulative dividends of 7.5% per annum of the Liquidation Preference. Centrus is obligated to pay cash dividends on the Series B Preferred Stock in an amount equal to the Liquidation Preference to the extent that dividends are declared by the Board and:

- (a) its pension plans and Enrichment Corp.'s pension plans are at least 90% funded on a variable rate premium calculation in the current plan year;
- (b) its net income calculated in accordance with GAAP (excluding the effect of pension remeasurement) for the immediately preceding fiscal quarter exceeds \$7.5 million;
- (c) its free cash flow (defined as the sum of cash provided by (used in) operating activities and cash provided by (used in) investing activities) for the immediately preceding four fiscal quarters exceeds \$35 million;
- (d) the balance of cash and cash equivalents calculated in accordance with GAAP on the last day of the immediately preceding quarter would exceed \$150 million after pro forma application of the dividend payment; and
- (e) dividends may be legally paid under Delaware law.

Centrus has not met these criteria for the periods from issuance through June 30, 2018, and has not declared, accrued or paid dividends on the Series B Preferred Stock as of June 30, 2018. Dividends on the Series B Preferred Stock are cumulative to the extent not paid at any quarter-end, whether or not declared and whether or not there are assets of the Company legally available for the payment of such dividends in whole or in part. As of June 30, 2018, the Series B Preferred Stock has an aggregate liquidation preference of \$115.4 million including accumulated dividends of \$10.8 million. As of December 31, 2017, the Series B Preferred Stock had an aggregate liquidation preference of \$111.5 million, including accumulated dividends of \$6.9 million.

Outstanding shares of the Series B Senior Preferred Stock are redeemable at the Company's option, in whole or in part, for an amount of cash equal to the Liquidation Preference, plus an amount equal to the accrued and unpaid dividends, if any, whether or not declared, through date of redemption.

Rights Agreement

On April 6, 2016 (the "Effective Date"), the Company's Board of Directors (the "Board") adopted a Section 382 Rights Agreement (the "Rights Agreement"). The Board adopted the Rights Agreement in an effort to protect shareholder value by, among other things, attempting to protect against a possible limitation on the Company's ability to use its net operating loss carryforwards and other tax benefits, which may be used to reduce potential future income tax obligations. As reported on the Company's Annual Report on Form 10-K for the year ended December 31, 2017, the Company had federal net operating losses of \$789.7 million as of December 31, 2017, that currently expire through 2037.

In connection with the adoption of the Rights Agreement, the Board declared a dividend of one preferred-share-purchase-right for each share of the Company's Class A Common Stock and Class B Common Stock outstanding as of the Effective Date. The rights initially trade together with the common stock and are not exercisable. In the absence of further action by the Board, the rights would generally become exercisable and allow a holder to acquire shares of a new series of the Company's preferred stock if any person or group acquires 4.99% or more of the outstanding shares of the Company's common stock, or if a person or group that already owns 4.99% or more of the Company's Class A Common Stock acquires additional shares representing 0.5% or more of the outstanding shares of the Company's Class A Common Stock. The rights beneficially owned by the acquirer would become null and void, resulting in significant dilution in the ownership interest of such acquirer.

The Board may exempt any acquisition of the Company's common stock from the provisions of the Rights Agreement if it determines that doing so would not jeopardize or endanger the Company's use of its tax assets or is otherwise in the best interests of the Company. The Board also has the ability to amend or terminate the Rights Agreement prior to a triggering event.

Effective on February 14, 2017, in connection with the settlement and completion of the exchange offer and consent solicitation, the Company amended the Rights Agreement solely to exclude acquisitions of the Series B Preferred Stock issued as part of the exchange offer and consent solicitation from the definition of "Common Shares."

The Company's stockholders approved the Rights Agreement at the 2017 annual meeting of stockholders on May 31, 2017. Unless earlier terminated in accordance with the Rights Agreement, the rights issued under the Rights Agreement expire on April 6, 2019.

Shares Outstanding

Changes in the number of shares outstanding follow:

	Preferred Stock, Series B	Common Stock, Class A	Common Stock, Class B
Balance at December 31, 2016	—	7,563,600	1,436,400
Issuance of Preferred Stock	104,574	—	—
Issuance of Class A Common Stock	—	38,751	—
Conversion of Common Stock from Class B to Class A	—	28,018	(28,018)
Balance at June 30, 2017	104,574	7,630,369	1,408,382
Balance at December 31, 2017 and June 30, 2018	104,574	7,632,669	1,406,082

Accumulated Other Comprehensive Income (Loss)

The sole component of accumulated other comprehensive income (loss) ("AOCI") relates to activity in the accounting for pension and postretirement health and life benefit plans. Amortization of prior service credits is reclassified from AOCI and included in the computation of net periodic benefit expense as detailed in *Note 9, Pension and Postretirement Health and Life Benefits*.

13. SEGMENT INFORMATION

Gross profit is Centrus' measure for segment reporting. There were no intersegment sales in the periods presented. Refer to *Note 2, Revenue Recognition and Contracts with Customers*, for additional details on revenue for each segment.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(in millions)				
Revenue				
LEU Segment:				
Separative work units	\$ 32.9	\$ 37.9	\$ 50.6	\$ 38.7
Uranium	—	—	3.6	—
	32.9	37.9	54.2	38.7
Contract Services Segment	6.5	6.1	20.9	12.5
Revenue	\$ 39.4	\$ 44.0	\$ 75.1	\$ 51.2
Segment Gross Profit (Loss)				
LEU Segment	\$ (10.0)	\$ (4.6)	\$ (23.5)	\$ (6.5)
Contract Services Segment	(0.7)	(0.1)	7.5	(1.1)
Gross loss	\$ (10.7)	\$ (4.7)	\$ (16.0)	\$ (7.6)

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

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, the unaudited condensed consolidated financial statements and related notes appearing elsewhere in this report.

Overview

Centrus Energy Corp. ("Centrus" or the "Company") is a trusted supplier of nuclear fuel and services for the nuclear power industry. References to "Centrus", the "Company", or "we" include Centrus Energy Corp. and its wholly owned subsidiaries as well as the predecessor to Centrus, unless the context otherwise indicates.

Our primary business involves the sale of low-enriched uranium ("LEU") or its components and natural uranium to utilities operating commercial nuclear power plants. LEU is a critical component in the production of nuclear fuel for reactors that produce electricity. We supply LEU to both domestic and international utilities for use in nuclear reactors worldwide. We provide LEU from multiple sources including our inventory, medium- and long- term supply contracts, and spot purchases. As a long-term supplier of LEU to our customers, our objective is to provide value through the reliability and diversity of our supply sources. Our long-term goal is to resume commercial enrichment production, and we are exploring approaches to that end.

With our multi-decade experience in uranium enrichment, we continue to be a leader in the development of advanced uranium enrichment technology. We are performing research and demonstration work on our advanced centrifuge technology to support U.S. energy and national security through our contract with UT-Battelle, LLC ("UT-Battelle"), the management and operating contractor of Oak Ridge National Laboratory ("ORNL") for the U.S. Department of Energy ("DOE"). We believe that this technology could play a critical role in meeting U.S. national and energy security needs and advancing our nation's nonproliferation objectives.

The nuclear industry in general, and the nuclear fuel industry in particular, is in a period of significant change, which continues to affect the competitive landscape we face. The nuclear fuel industry remains oversupplied, creating downward pressures on pricing, with uncertainty regarding the timing of industry expansion globally. Changes in the competitive landscape may adversely affect pricing trends, change customer spending patterns, or create uncertainty. To address these changes, we have adjusted and will continue to address our cost structure and operations and may evaluate opportunities to grow our business organically or through acquisitions and other strategic transactions.

We are working to leverage our unique technical expertise and facilities to support leading companies in the nuclear industry, including supporting development of advanced nuclear reactors and related industries, as well as supporting the U.S. government. Our experience developing, licensing and manufacturing advanced nuclear technologies positions us to provide critical design, engineering, manufacturing and other services to a broad range of potential clients, including those involving sensitive or classified technologies.

We are also actively considering, and expect to consider from time to time in the future, potential strategic transactions, which could involve, without limitation, acquisitions and/or dispositions of businesses or assets. These transactions could also involve joint ventures or investments in businesses, products or technologies. In connection with any such transaction, we may seek additional debt or equity financing, contribute or dispose of assets, assume additional indebtedness, or partner with other parties to consummate a transaction.

Revenue

We have two reportable segments: the LEU Segment and the Contract Services Segment. The LEU Segment is currently our primary business focus. Revenue from our LEU Segment is derived primarily from:

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

Our Contract Services Segment reflects our technical, manufacturing and engineering services offered to public and private sector customers, including engineering and testing activities as well as technical and resource support currently being performed by the Company.

SWU and Uranium Sales

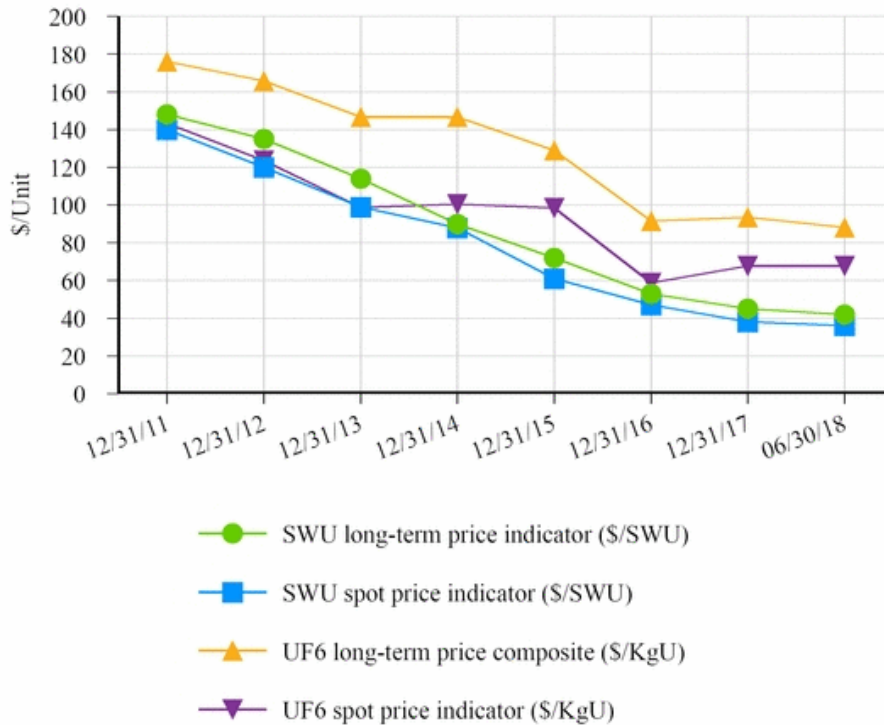
Revenue from our LEU Segment accounted for approximately 89% of our total revenue in 2017. The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting approximately 25% to 45% of revenue from our LEU Segment in recent years. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers are obligated to purchase a specified quantity of the SWU component of LEU (or the SWU and uranium components of LEU) from us. Our agreements for natural uranium sales are generally shorter-term, fixed-commitment contracts.

Our revenues, operating results and cash flows can fluctuate significantly from quarter to quarter and year to year. Revenue is recognized at the time LEU or uranium is delivered under the terms of our contracts. The timing of customer demand is affected by, among other things, electricity markets, reactor operations, maintenance and refueling outages, and customer inventories. In the current market environment, some customers are building inventories and may choose to take deliveries under annual purchase obligations later in the year. Customer payments for the SWU component of LEU average generally \$10 million to \$15 million per order. As a result, a relatively small change in the timing of customer orders for LEU may cause significant variability in operating results.

Utility customers in general have the option to defer physical receipt of LEU or uranium purchased from Centrus beyond the contractual sale period, resulting in the deferral of costs and revenue recognition. Refer to *Note 2, Revenue Recognition and Contracts with Customers*, to the unaudited condensed consolidated financial statements for further details.

Our financial performance over time can be significantly affected by changes in prices for SWU and uranium. Since 2011, market prices for SWU and uranium have significantly declined. Since our sales order book includes contracts awarded to us in previous years, the average SWU price billed to customers typically lags behind published price indicators by several years, which means that average prices under contract today exceed current market prices. The long-term SWU price indicator, as published by TradeTech, LLC in *Nuclear Market Review*, is an indication of base-year prices under new long-term enrichment contracts in our primary markets. The following chart summarizes TradeTech's long-term and spot SWU price indicators, the long-term price for natural uranium hexafluoride ("UF6"), as calculated by Centrus using indicators published in *Nuclear Market Review*, and TradeTech's spot price indicator for UF6:

SWU and Uranium Market Price Indicators*



* Source: *Nuclear Market Review*, a TradeTech publication, www.uranium.com

Our contracts with customers are denominated in U.S. dollars, and although revenue has not been directly affected by changes in the foreign exchange rate of the U.S. dollar, we may have a competitive price advantage or disadvantage obtaining new contracts in a competitive bidding process depending upon the weakness or strength of the U.S. dollar. Costs of our primary competitors are denominated in other currencies. Our contracts with suppliers have historically been denominated in U.S. dollars. On April 27, 2018, we entered into an agreement with Orano Cycle (formerly, AREVA NC) for the long-term supply of SWU. We may elect to begin deliveries as early as 2021. Purchases will be payable in a combination of U.S dollars and Euros and we may be subject to exchange rate risk for the portion of purchases payable in Euros.

On occasion, we will accept payment in the form of uranium. Revenue from the sale of SWU under such contracts is recognized at the time LEU is delivered and is based on the fair value of the uranium at contract inception, or as the quantity of uranium is finalized, if variable.

Cost of sales for SWU and uranium is based on the amount of SWU and uranium sold and delivered during the period and unit inventory costs. Unit inventory costs are determined using the monthly moving average cost method. Changes in purchase costs have an effect on inventory costs and cost of sales over current and future periods. Cost of sales includes costs for inventory management at off-site licensed locations. Cost of sales also includes certain legacy costs related to former employees of the Portsmouth and Paducah gaseous diffusion plants.

Contract Services

Our Contract Services Segment reflects our technical, manufacturing and engineering services offered to public and private sector customers, including the American Centrifuge engineering and testing activities we perform as a contractor for UT-Battelle. With our private sector customers, we seek to leverage our domestic enrichment experience and engineering know-how to assist customers with a range of engineering and advanced manufacturing projects including the production of fuel for next-generation nuclear reactors and the development of related facilities.

American Centrifuge

We have a long record as a global leader in advanced technology, manufacturing and engineering. Our manufacturing, engineering and testing facilities and our highly-trained workforce are deeply engaged in advancing the next generation of uranium enrichment technology. We are exploring a number of options for returning to domestic production in the future.

Our government contracts with UT-Battelle provide for engineering and testing work on the American Centrifuge technology at our facilities in Oak Ridge, Tennessee. Our current contract with UT-Battelle which was executed on October 26, 2017, is a fixed price contract for the period from October 1, 2017, through September 30, 2018, that is expected to generate total revenue of approximately \$16.0 million upon completion of defined milestones. The ORNL contracts have been funded incrementally. Funding for the program is provided to UT-Battelle by the federal government. Our previous contract with UT-Battelle was for the period from October 1, 2016, through September 30, 2017, and generated revenue of approximately \$25.0 million.

American Centrifuge expenses that are outside of our contracts with UT-Battelle are included in *Advanced Technology License and Decommissioning Costs* on the consolidated statement of operations, including ongoing costs for work related to the termination of the NRC license and DOE lease for the Piketon facility. Centrus commenced the decontamination and decommissioning (“D&D”) of the Piketon facility in accordance with NRC requirements in 2016. As of June 30, 2018, most of the D&D work has been completed. The estimated fair value of the remaining costs to complete the D&D work, included in *Accounts Payable and Accrued Liabilities* on the condensed consolidated balance sheet, is \$1.0 million as of June 30, 2018, and December 31, 2017. We anticipate incurring costs of approximately \$12 million from the third quarter of 2018 through the second quarter of 2019 to terminate the NRC license and complete the DOE lease turnover activities required to return the facility to DOE when the lease expires in June 2019.

X-energy

On March 26, 2018, we entered into a Services Agreement to Provide Technical and Resource Support, effective March 26, 2018, with X Energy, LLC (“X-energy”). Under the terms of the services agreement, we will provide (i) technical and resource support to X-energy for criticality safety evaluation of processing equipment, design of fresh fuel transport packages, and conceptual mock-up of a nuclear fuel production facility and (ii) non-cash in-kind contributions to X-energy subject to a cooperative agreement between X-energy and the United States government. The technical and resource support provided by us to X-energy will be performed pursuant to separate task orders issued under and pursuant to the services agreement.

The initial task orders run through December 31, 2018. The awarding of any additional task orders to us will be dependent upon the receipt of additional funding.

Depending upon the pricing outlined in the task orders, payment for work performed by us pursuant to the services agreement will either be fixed price based or time-and-materials based. The initial task orders in 2018 provide for time-and-materials based pricing with payments to be made to us totaling approximately \$4.4 million with the value of our non-cash in-kind contributions expected to be approximately \$2.5 million.

Site Services Work

We formerly performed sites services work under contracts with DOE and its contractors at the former Portsmouth and Paducah gaseous diffusion plants. On January 11, 2018, we entered into a settlement agreement with DOE and the United States government regarding breach of contract claims relating to this work. Refer to *Note 2, Revenue Recognition and Contracts with Customers*.

Centrus and DOE have yet to fully settle the Company's claims for reimbursements for certain pension and postretirement benefits costs related to past contract work performed at the Portsmouth and Paducah sites. There is the potential for additional revenue to be recognized for this work pending the outcome of legal proceedings related to the Company's claims for payment and the potential release of previously established valuation allowances on receivables.

2018 Outlook

We anticipate SWU and uranium revenue in 2018 in a range of \$150 million to \$175 million, reflecting a decline in average sales prices compared to 2017 as more sales are made under contracts that reflect more recent market conditions. We anticipate total revenue in a range of \$175 million to \$200 million. Consistent with prior years, revenue continues to be most heavily weighted to the fourth quarter; we expect nearly one-half of our 2018 revenue to be generated in the fourth quarter. We expect to end 2018 with a cash and cash equivalents balance in a range of \$100 million to \$125 million. The anticipated decrease in cash and cash equivalents in 2018 is driven by the expected timing of purchases under supply agreements and an increase in required cash contributions to our postretirement benefit plans.

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

- Additional short-term purchases or sales of SWU and uranium;
- Timing of customer orders, related deliveries, and purchases of LEU or components;
- The outcome of legal proceedings and other contingencies;
- Potential use of cash for strategic initiatives;
- Actions taken by our customers, including actions that might affect our existing contracts, as a result of market and other conditions impacting our customers and the industry; and
- Additional costs for decontamination and decommissioning of our facility in Ohio.

See also "*Forward Looking Statements*" earlier in this report for additional information.

Results of Operations

Basis of Presentation

On January 1, 2018, we adopted several new accounting standards and certain prior period amounts have been recast to conform with the current presentation. For the adoption of the new revenue standard using the modified retrospective method, results for reporting periods beginning after January 1, 2018, are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the previous guidance. Refer to *Note 1, Basis of Presentation*, to the unaudited condensed consolidated financial statements for further details.

Segment Information

The following tables present elements of the accompanying condensed consolidated statements of operations that are categorized by segment (dollar amounts in millions):

	Three Months Ended June 30,		\$ Change	% Change
	2018	2017		
LEU Segment				
Revenue:				
SWU revenue	\$ 32.9	\$ 37.9	\$ (5.0)	(13)%
Uranium revenue	—	—	—	—
Total	32.9	37.9	(5.0)	(13)%
Cost of sales	42.9	42.5	(0.4)	(1)%
Gross loss	\$ (10.0)	\$ (4.6)	\$ (5.4)	

Contract Services Segment				
Revenue	\$ 6.5	\$ 6.1	\$ 0.4	7 %
Cost of sales	7.2	6.2	(1.0)	(16)%
Gross loss	\$ (0.7)	\$ (0.1)	\$ (0.6)	

Total				
Revenue	\$ 39.4	\$ 44.0	\$ (4.6)	(10)%
Cost of sales	50.1	48.7	(1.4)	(3)%
Gross loss	\$ (10.7)	\$ (4.7)	\$ (6.0)	

	Six Months Ended June 30,		\$ Change	% Change
	2018	2017		
LEU Segment				
Revenue:				
SWU revenue	\$ 50.6	\$ 38.7	\$ 11.9	31 %
Uranium revenue	3.6	—	3.6	—
Total	54.2	38.7	15.5	40 %
Cost of sales	77.7	45.2	(32.5)	(72)%
Gross loss	\$ (23.5)	\$ (6.5)	\$ (17.0)	

Contract Services Segment				
Revenue	\$ 20.9	\$ 12.5	\$ 8.4	67 %
Cost of sales	13.4	13.6	0.2	1 %
Gross profit (loss)	\$ 7.5	\$ (1.1)	\$ 8.6	

Total				
Revenue	\$ 75.1	\$ 51.2	\$ 23.9	47 %
Cost of sales	91.1	58.8	(32.3)	(55)%
Gross loss	\$ (16.0)	\$ (7.6)	\$ (8.4)	

Revenue

Revenue from the LEU Segment declined \$5.0 million in the three months and increased \$15.5 million in the six months ended June 30, 2018, compared to the corresponding periods in 2017. The volume of SWU sales increased 18% in the three-month period and 97% in the six-month period ended June 30, 2018, reflecting the variability in timing of utility customer orders. The average price billed to customers for sales of SWU declined 26% in the three-month period and 34% in the six-month period ended June 30, 2018, reflecting the particular contracts under which SWU were sold during the periods and the trend of lower SWU market prices in recent years.

Revenue from the Contract Services Segment increased \$0.4 million in the three months and \$8.4 million in the six months ended June 30, 2018, compared to the corresponding periods in 2017, reflecting services provided under the X-energy contract beginning in the second quarter of 2018, partially offset by the reduced scope of work under the contract with UT-Battelle in the current periods. The increase in the six-month period also reflects \$9.5 million of revenue related to the January 2018 settlement with DOE related to past work performed.

Cost of Sales

Cost of sales for the LEU Segment increased \$0.4 million in the three months and \$32.5 million in the six months ended June 30, 2018, compared to the corresponding period in 2017, due to the increases in sales volumes partially offset by declines in the average cost of sales per SWU.

Cost of sales is affected by sales volumes, unit costs of inventory, and direct charges to cost of sales such as legacy costs related to former GDP employees. Refer to *Impact of Legacy Costs* below. The average cost of sales per SWU declined approximately 15% in the six months ended June 30, 2018, or 13% excluding legacy costs, reflecting declines in our purchase costs per SWU in recent periods. We anticipate our average cost of sales per SWU from our diverse sources of supply will decline in 2019 and subsequent years.

Cost of sales for the Contract Services Segment increased \$1.0 million in the three months and declined \$0.2 million in the six months ended June 30, 2018, compared to the corresponding periods in 2017, reflecting services provided under the X-energy contract beginning in the second quarter of 2018, and the reduced scope of work under the contract with UT-Battelle over the current six-month period.

Gross Loss

We realized a gross loss of \$10.7 million in the three months ended June 30, 2018, an increase of \$6.0 million compared to the gross loss of \$4.7 million in the corresponding period in 2017. In the six months ended June 30, 2018, we realized a gross loss of \$16.0 million, an increase of \$8.4 million compared to the gross loss of \$7.6 million in the corresponding period in 2017. Excluding the \$9.5 million of revenue in the current period from the January 2018 settlement with DOE related to past work performed, the gross loss in the six months ended June 30, 2018, was \$25.5 million.

The gross loss for the LEU Segment in the three months ended June 30, 2018, was \$10.0 million, an increase of \$5.4 million compared to the gross loss of \$4.6 million in the corresponding period in 2017. In the six months ended June 30, 2018, the gross loss for the LEU Segment was \$23.5 million, an increase of \$17.0 million compared to the gross loss of \$6.5 million in the corresponding period in 2017. The particular SWU sales in the three and six months ended June 30, 2018, reflect a greater concentration of sales made under contracts that reflect lower prices under more recent market conditions.

For the Contract Services Segment, we realized a gross loss of \$0.7 million in the three months ended June 30, 2018, compared to a gross loss of \$0.1 million in the corresponding period in 2017. We realized a gross profit of \$7.5 million in the six months ended June 30, 2018, including \$9.5 million of revenue from the January 2018 settlement with DOE, compared to a gross loss of \$1.1 million in the corresponding period in 2017. Gross losses are due to costs incurred which are greater than the revenue under the contracts with UT-Battelle and X-energy.

Impact of Legacy Costs

We ceased uranium enrichment at the Portsmouth GDP in 2001 and the Paducah GDP in 2013. Included in cost of sales are costs related to benefits for former GDP employees. These legacy costs are distinct from our current costs of acquiring SWU and uranium for sale. The following table presents the impact of legacy costs on gross profit for the LEU Segment (dollar amounts in millions):

	Six Months Ended	
	June 30,	
	2018	2017
LEU Segment (GAAP)		
Gross loss	\$ (23.5)	\$ (6.5)
Gross margin	(43.4)%	(16.8)%
Legacy costs included in cost of sales:		
Pension and postretirement health and life benefits	\$ 1.5	\$ 1.7
Disability obligations and other	0.3	(0.1)
Legacy costs	\$ 1.8	\$ 1.6
LEU Segment excluding legacy costs (non-GAAP)		
Gross loss excluding legacy costs	\$ (21.7)	\$ (4.9)
Gross margin excluding legacy costs	(40.0)%	(12.7)%

We believe the non-GAAP financial measures above, when considered together with the corresponding GAAP measures and the reconciliation above, can provide additional understanding of the Company's financial performance and underlying profitability. Management uses the non-GAAP financial measures to provide investors with a more complete understanding of the Company's historical results and trends.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with our GAAP results. The non-GAAP financial measures should be viewed in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, non-GAAP financial measures used by other companies.

Non-Segment Information

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

	Three Months Ended June 30,		\$ Change	% Change
	2018	2017		
Gross loss	\$ (10.7)	\$ (4.7)	\$ (6.0)	(128)%
Advanced technology license and decommissioning costs	5.4	4.4	(1.0)	(23)%
Selling, general and administrative	9.7	9.7	—	— %
Amortization of intangible assets	1.5	2.0	0.5	25 %
Special charges for workforce reductions and advisory costs	0.3	2.3	2.0	87 %
Gains on sales of assets	(0.2)	(0.7)	(0.5)	(71)%
Operating loss	(27.4)	(22.4)	(5.0)	(22)%
Nonoperating components of net periodic benefit expense (income)	(1.7)	(0.4)	1.3	325 %
Interest expense	1.0	0.7	(0.3)	(43)%
Investment income	(0.6)	(0.3)	0.3	100 %
Loss before income taxes	(26.1)	(22.4)	(3.7)	(17)%
Income tax benefit	—	—	—	—
Net loss	(26.1)	(22.4)	(3.7)	(17)%
Preferred stock dividends - undeclared and cumulative	2.0	2.0	—	— %
Net loss allocable to common stockholders	<u>\$ (28.1)</u>	<u>\$ (24.4)</u>	<u>\$ (3.7)</u>	<u>(15)%</u>

	Six Months Ended June 30,		\$ Change	% Change
	2018	2017		
Gross loss	\$ (16.0)	(7.6)	\$ (8.4)	(111)%
Advanced technology license and decommissioning costs	13.4	10.5	(2.9)	(28)%
Selling, general and administrative	20.9	22.1	1.2	5 %
Amortization of intangible assets	2.8	3.2	0.4	13 %
Special charges for workforce reductions and advisory costs	0.9	4.7	3.8	81 %
Gains on sales of assets	(0.3)	(1.7)	(1.4)	(82)%
Operating loss	(53.7)	(46.4)	(7.3)	(16)%
Gain on early extinguishment of debt	—	(33.6)	(33.6)	(100)%
Nonoperating components of net periodic benefit expense (income)	(3.3)	(0.8)	2.5	313 %
Interest expense	2.0	3.6	1.6	44 %
Investment income	(1.2)	(0.6)	0.6	100 %
Loss before income taxes	(51.2)	(15.0)	(36.2)	(241)%
Income tax benefit	(0.1)	(0.2)	(0.1)	(50)%
Net loss	(51.1)	(14.8)	(36.3)	(245)%
Preferred stock dividends - undeclared and cumulative	4.0	3.0	(1.0)	33 %
Net loss allocable to common stockholders	<u>\$ (55.1)</u>	<u>\$ (17.8)</u>	<u>\$ (37.3)</u>	<u>(210)%</u>

Advanced Technology License and Decommissioning Costs

Advanced technology license and decommissioning costs consist of American Centrifuge expenses that are outside of our customer contracts in the Contract Services Segment, including ongoing costs for work at the Piketon facility. Costs increased \$1.0 million (or 23%) in the three months and \$2.9 million (or 28%) in the six months ended June 30, 2018, compared to the corresponding periods in 2017. In the current periods, efforts at the Piketon facility were focused on NRC license termination and DOE lease turnover activities and the related costs were charged to expense. In the prior period, efforts were primarily focused on decontamination and decommissioning (“D&D”) of the Piketon facility and the related costs were recorded as a reduction of the D&D liability. In addition, a greater allocation of Piketon facility costs was charged to advanced technology license and decommissioning costs in the current periods following the relocation of certain corporate functions from the Piketon facility.

Selling, General and Administrative

Selling, general and administrative (“SG&A”) expenses were unchanged in the three months and decreased \$1.2 million (or 5%) in the six months ended June 30, 2018, compared to the corresponding periods in 2017. Overhead allocated to SG&A expenses declined \$0.9 million in the three months and \$1.5 million in the six months ended June 30, 2018, following the relocation of certain corporate functions from the Piketon facility. Compensation and benefits declined \$0.2 million in the three-month period and \$0.4 million in the six-month period. Consulting costs increased \$0.9 million in the three-month period and \$0.6 million in the six-month period, primarily for work related to business development.

Amortization of Intangible Assets

Amortization expense for the intangible asset related to the September 2014 sales order book is a function of SWU sales volume under that order book, which declined in the three and six months ended June 30, 2018, compared to the corresponding periods in 2017. The intangible asset related to customer relationships is amortized on a straight-line basis.

Special Charges for Workforce Reductions and Advisory Costs

Special charges declined \$2.0 million (or 87%) in the three months and \$3.8 million (or 81%) in the six months ended June 30, 2018, compared to the corresponding periods in 2017. Special charges in the six months ended June 30, 2018, and 2017, consisted of estimated employee termination benefits of \$0.8 million and \$1.4 million and advisory costs of \$0.1 million and \$3.3 million, respectively. Advisory costs related to updating the Company’s information technology systems.

Gain on Early Extinguishment of Debt

In the first quarter of 2017, we recognized a gain of \$33.6 million related to the exchange of securities and cash on February 14, 2017, which is net of transaction costs of \$9.0 million and previously deferred issuance costs related to the 8% PIK Toggle Notes of \$0.4 million. Refer to *Note 7, Debt*, of the unaudited condensed consolidated financial statements.

Nonoperating Components of Net Periodic Benefit Expense (Income)

Effective January 1, 2018, a new accounting standard requires components of retirement benefit expense/income other than service cost to be presented below the subtotal for operating income (loss). The increases in nonoperating components of net periodic benefit income for the three and six months ended June 30, 2018, reflect a decline in market interest rates used to measure retirement benefit obligations on a present value basis, compared to the corresponding periods in 2017. For the three and six months ended June 30, 2017, \$0.4 million and \$0.8 million of income was reclassified from Cost of Sales of the LEU Segment to conform with the current presentation.

Interest Expense

Interest expense increased \$0.3 million (or 43%) in the three months and decreased \$1.6 million (or 44%) in the six months ended June 30, 2018, compared to the corresponding periods in 2017. The decline for the six-month period was the result of the early extinguishment of 87% of the outstanding principal amount of the 8% PIK Toggle Notes on February 14, 2017. No interest expense is recognized on the 8.25% Notes as described in *Note 7, Debt*, of the unaudited condensed consolidated financial statements.

Income Tax Benefit

The income tax benefit was \$0 and \$0.1 million in the three and six months ended June 30, 2018. The income tax benefit was \$0 and \$0.2 million in the three and six months ended June 30, 2017. The income tax benefit in both six-month periods resulted from discrete items for reversals of previously accrued amounts associated with liabilities for unrecognized benefits.

Net Loss

Our net loss was \$26.1 million in the three months ended June 30, 2018, compared to a net loss of \$22.4 million in the three months ended June 30, 2017. The unfavorable variance of \$3.7 million was impacted by a \$6.0 million increase in the gross loss, partially offset by a \$2.0 million decline in special charges and a \$1.3 million increase in net periodic benefit income.

Our net loss was \$51.1 million in the six months ended June 30, 2018, compared to net loss of \$14.8 million in the six months ended June 30, 2017. The net loss for the six months ended June 30, 2017, included the non-recurring gain on early extinguishment of debt of \$33.6 million. Additionally, the unfavorable variance of \$36.3 million was impacted by a \$8.4 million increase in the gross loss (\$17.9 million excluding the settlement with DOE), partially offset by a \$3.8 million decline in special charges and a \$2.5 million increase in net periodic benefit income.

Preferred Stock Dividends - Undeclared and Cumulative

Holders of the Series B Preferred Stock are entitled to cumulative dividends of 7.5% per annum of the aggregate liquidation preference at origination of \$104.6 million. We did not meet the criteria for a dividend payment obligation for the three and six months ended June 30, 2018, and we have not declared, accrued or paid dividends on the Series B Preferred Stock since issuance on February 14, 2017. Dividends on the Series B Preferred Stock are cumulative to the extent not paid at any quarter-end, whether or not declared and whether or not there are assets of the Company legally available for the payment of such dividends in whole or in part.

Liquidity and Capital Resources

We ended the second quarter of 2018 with a consolidated cash balance of \$140.1 million. We anticipate having adequate liquidity to support our business operations for at least the next 12 months from the date of this report. Our view of liquidity is dependent on, among other things, our operations and the level of expenditures and government funding for our services contracts and the timing of customer payments. Liquidity requirements for our existing operations are affected primarily by the timing and amount of customer sales and our inventory purchases.

We believe our sales order book in our LEU Segment is a source of stability for our liquidity position. Our sales order book extends for more than a decade. Although, based on current market conditions, we see limited uncommitted demand for LEU for the remainder of this decade before an anticipated rise in uncommitted demand in the 2020s, we continue to seek and make additional sales, including sales for delivery during that time period.

Substantially all revenue-generating operations of the Company are conducted at the subsidiary level. Centrus' principal source of funding for American Centrifuge activities is provided: (i) under the contract with UT-Battelle, the operator of ORNL; and (ii) from Centrus' wholly-owned subsidiary, Enrichment Corp. to Centrus and its 100% indirectly owned subsidiary American Centrifuge Operating, LLC pursuant to two secured intercompany financing notes. The financing obtained from Enrichment Corp. funds American Centrifuge activities pending receipt of payments related to work performed under the contract with UT-Battelle, American Centrifuge costs that are outside the scope of work under the contract with UT-Battelle, including D&D and other costs of the Piketon facility, and general corporate expenses, including cash interest payments on our debt.

Capital expenditures are expected to be insignificant for at least the next 12 months.

In February 2016, Centrus completed a successful three-year demonstration of the American Centrifuge technology at its facility in Piketon, Ohio. U.S. government funding for American Centrifuge since October 2015 is now limited to research and development work at our facilities in Oak Ridge, Tennessee. As a result of reduced program funding, workforce reductions commenced in the fourth quarter of 2015 and, as of June 30, 2018, we expect to make payments of \$3.3 million for remaining workforce reductions in the third quarter of 2019. In the event that funding by the U.S. government is further reduced or discontinued, the American Centrifuge project may be subject to further demobilization, costs, delays and termination. Any such actions may have a material adverse impact on our ability to deploy the American Centrifuge technology and on our liquidity.

The D&D of the Piketon facility was substantially complete as of June 30, 2018, with remaining estimated costs of \$1.0 million. We have previously provided financial assurance to the NRC for the D&D work in the form of surety bonds that are fully cash collateralized by us for \$16.2 million. We expect to receive cash when surety bonds are reduced and/or cancelled as the Company fulfills its D&D obligations and the NRC license for the test facility is terminated.

We lease the Piketon facility from DOE. At the conclusion of the lease on June 30, 2019, without mutual agreement between us and DOE regarding other possible uses for the facility, we are obligated to return the facility to DOE in a condition that meets NRC requirements and in the same condition as the facility was in when it was leased to us (other than due to normal wear and tear). We estimate the cost for these lease termination obligations to be \$0.7 million as of June 30, 2018. We have previously provided financial assurance to DOE for the lease obligations in the form of surety bonds that are fully cash collateralized by us for \$13.6 million. We expect to receive cash when surety bonds are reduced and/or cancelled as the Company fulfills its lease termination obligations.

We anticipate incurring costs of approximately \$12 million from the third quarter of 2018 through the second quarter of 2019 to terminate the NRC license and complete the DOE lease turnover activities required to return the facility to DOE when the lease expires in June 2019. If costs to terminate the NRC license or complete the DOE lease turnover activities are greater than our estimates then such increased costs could have an adverse impact on our results of operations and liquidity.

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

	Six Months Ended June 30,	
	2018	2017
Cash used in operating activities	\$ (65.7)	\$ (78.0)
Cash provided by investing activities	0.2	1.6
Cash used in financing activities	(3.0)	(36.6)
Decrease in cash and cash equivalents	<u>\$ (68.5)</u>	<u>\$ (113.0)</u>

Operating Activities

The net reduction of \$59.9 million in the SWU purchase payables balance, due to the timing of purchase deliveries, was a significant use of cash in the six months ended June 30, 2018. The operating loss of \$53.7 million in the six months ended June 30, 2018, net of non-cash expenses, was a use of cash. Sources of cash included the net reduction in receivables from utility customers of \$18.9 million.

In the corresponding period in 2017, the net reduction of \$39.7 million in the SWU purchase payables balance, due to the timing of purchase deliveries, was a significant use of cash in the six months ended June 30, 2017. Other uses of cash were reflected in the reduction of accounts payable and other liabilities of \$24.7 million and SG&A expenses of \$22.1 million. The net decline of \$42.7 million in inventories had yet to be fully monetized as indicated by the net increase of \$40.9 million in receivables from utility customers resulting from sales in June 2017.

Investing Activities

There were no significant capital expenditures in the six months ended June 30, 2018 and 2017. Sales of unneeded assets and property yielded net proceeds of \$0.3 million and \$1.7 million in the six months ended June 30, 2018 and 2017, respectively.

Financing Activities

In the six months ended June 30, 2018, the \$3.0 million payment of interest classified as debt is classified as a financing activity. Refer to *Note 7, Debt*, of the unaudited condensed consolidated financial statements regarding the accounting for the 8.25% Notes.

In February 2017, Centrus exchanged \$204.9 million principal amount of the Company's 8% PIK Toggle Notes for \$74.3 million principal amount of 8.25% Notes, 104,574 shares of Series B Preferred Stock and \$27.6 million of cash. Refer to *Note 7, Debt* of the unaudited condensed consolidated financial statements.

Working Capital

	June 30, 2018	December 31, 2017
	(in millions)	
Cash and cash equivalents	\$ 140.1	\$ 208.8
Accounts receivable	27.9	60.2
Inventories, net	54.9	75.2
Other current assets and liabilities, net	(108.6)	(180.7)
Working capital	<u>\$ 114.3</u>	<u>\$ 163.5</u>

Capital Structure and Financial Resources

Interest on the 8.25% Notes is payable semi-annually in arrears as of February 28 and August 31 based on a 360-day year consisting of twelve 30-day months. The 8.25% Notes are guaranteed on a subordinated and limited basis by, and secured by substantially all assets of, Enrichment Corp. The 8.25% Notes mature on February 28, 2027.

The principal amount of the 8% PIK Toggle Notes is increased by any payment of interest in the form of PIK payments. We have the option to pay up to 5.5% per annum of interest due on the 8% PIK Toggle Notes in the form of PIK payments. The 8% PIK Toggle Notes are guaranteed and secured on a subordinated, conditional, and limited basis by Enrichment Corp. The 8.0% PIK Toggle Notes mature on September 30, 2019. However, the maturity date can be extended to September 30, 2024, upon the satisfaction of certain funding conditions described in the Indenture relating to the funding, under binding agreements, of (i) the American Centrifuge project or (ii) the implementation and deployment of a National Security Train Program utilizing American Centrifuge technology.

Additional terms and conditions of the 8.25% Notes and the 8% PIK Toggle Notes are described in *Note 7, Debt*, of the unaudited condensed consolidated financial statements and *Note 9, Debt*, of the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2017.

Holders of the Series B Preferred Stock are entitled to cumulative dividends of 7.5% per annum of the Liquidation Preference. We are obligated to pay cash dividends on our Series B Preferred Stock to the extent dividends are declared by the Board and certain criteria are met. We have not met these criteria for the periods from issuance through June 30, 2018, and have not declared, accrued or paid dividends on the Series B Preferred Stock as of June 30, 2018. Additional terms and conditions of the Series B Preferred Stock, including the criteria that must be met for the payment of dividends, are described in *Note 12, Stockholders' Equity* of the unaudited condensed consolidated financial statements.

The nuclear industry in general, and the nuclear fuel industry in particular, are in a period of significant change. We are actively considering, and expect to consider from time to time in the future, potential strategic transactions, which at any given time may be in various stages of discussions, diligence or negotiation. If we pursue opportunities that require capital, we believe we would seek to satisfy these needs through a combination of working capital, cash generated from operations or additional debt or equity financing.

We are managing our working capital to seek to improve the long-term value of our LEU business and are planning to continue funding the Company's qualified pension plans in the ordinary course because we believe that is in the best interest of all stakeholders. We expect that any other uses of working capital will be undertaken in light of these strategic priorities and will be based on the Company's determination as to the relative strength of its operating performance and prospects, financial position and expected liquidity requirements. In addition, we expect that any such other uses of working capital will be subject to compliance with contractual restrictions to which the Company and its subsidiaries are subject, including the terms and conditions of their debt securities and credit facilities. We continually evaluate alternatives to manage our capital structure, and may opportunistically repurchase, exchange or redeem Company securities from time to time.

Off-Balance Sheet Arrangements

Other than outstanding letters of credit and surety bonds, our SWU purchase commitments and the license agreement with DOE relating to the American Centrifuge technology disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, there were no material off-balance sheet arrangements at June 30, 2018, or December 31, 2017.

New Accounting Standards

Reference is made to *New Accounting Standards* in *Note 1, Basis of Presentation*, of the unaudited condensed consolidated financial statements for information on new accounting standards.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Centrus maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by Centrus in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosures.

As of June 30, 2018, the end of the period covered by this report, our management performed an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded, as of June 30, 2018, that the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. *Legal Proceedings*

There have been no material changes to the Legal Proceedings set forth under Part I, Item 3, *Legal Proceedings*, in our Annual Report on Form 10-K for the year ended December 31, 2017.

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

Item 1A. *Risk Factors*

There have been no material changes to the Risk Factors described in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 6. *Exhibits*

- | | |
|-------|---|
| 10.47 | <u>Purchase and Sale Agreement dated April 27, 2018 between Orano Cycle and United States Enrichment Corporation (Certain information has been omitted and filed separately pursuant to confidential treatment under Rule 24b-2).</u> |
| 31.1 | <u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended.</u> |
| 31.2 | <u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended.</u> |
| 32.1 | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</u> |
| 101 | Unaudited condensed consolidated financial statements from the Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed in interactive data file (XBRL) format. |

RESTRICTED PROPRIETARY INFORMATION

Confidential information has been omitted in places marked “*****” and has been filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to this omitted information.

PURCHASE AND SALE AGREEMENT

between

Orano Cycle

and

UNITED STATES ENRICHMENT CORPORATION

Orano Cycle CONTRACT NO. C18 012 CEN SW 00
USEC CONTRACT NO. EC-SC01-18MI03174

RESTRICTED PROPRIETARY INFORMATION
Orano Cycle CONTRACT NO. C18 012 CEN SW 00
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USEC CONTRACT NO. EC-SC01-18MI03174

AGREEMENT

This Agreement is entered into as of the 27th day of April, 2018 (the “Effective Date”) by and between Orano Cycle, a company organized under the laws of France (“Supplier”), and United States Enrichment Corporation (“Customer”), a corporation organized under the laws of Delaware (Customer and Supplier being sometimes referred to herein individually as a “Party” and collectively as the “Parties”).

RESTRICTED PROPRIETARY INFORMATION

Orano Cycle CONTRACT NO. C18 012 CEN SW 00

USEC CONTRACT NO. EC-SC01-18MI03174

ARTICLE 1 – DEFINITIONS

For purposes of this Agreement, the following terms and expressions, when used with initial capitalization, shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings.

These definitions are intended to supplement and not to replace any definitions contained in any of the documents incorporated by reference herein, but in case of any conflict or inconsistencies, the definitions appearing herein below shall prevail.

Words importing natural persons include legal entities (corporate and unincorporated) and vice-versa.

Where any term appears in this Agreement with initial capitalization that is not defined herein or in any amendment, modification or supplement hereto agreed by the Parties after the Effective Date, then that term shall have the meaning commonly used in the nuclear industry at the date of signing of this Agreement.

- 1.1 “AD Duties” means the antidumping duties deriving from the implementation of the AD Order.
- 1.2 “AD Order” means the antidumping order on low enriched uranium (“LEU”) from France.
- 1.3 “Affiliate” of a Party means an entity that, through one or more intermediaries, controls, is controlled by, or is under common control with, such Party.
- 1.4 “Assay” means the total weight of ^{235}U per kilogram of Material divided by the total weight of all uranium isotopes per kilogram of Material, the quotient of which is multiplied by 100 and expressed as a weight percent.
- 1.5 “Book Transfer” or “Book Transferred” means the transfer of credits for a given quantity of Feed Material, Enriched Product or SWU (all as defined below) between accounts maintained by a Party or by another nuclear fuel processor (such as an Orano Cycle Facility).
- 1.6 “Book Transfer Delivery” means a delivery of Enriched Product by means of a Book Transfer pursuant to Section 4.1.
- 1.7 “Business Day” means a day that is not a Saturday, Sunday or Holiday (which is a day for which employees of Supplier or Customer are excused from work with pay pursuant to a holiday recognized by the national government of France or the United States, respectively.) Unless qualified by the term “Business,” references in this Agreement to “day” or “days” refer to a calendar day or days, respectively.
- 1.8 “Calendar Year”, “CY” or “Year” means a period of twelve (12) months from January 1 through December 31.
- 1.9 “Client” means (a) third party with whom Customer has an agreement to Deliver Enriched Product or (b) another third party who is designated by the third party in (a) to take Delivery;

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Orano Cycle CONTRACT NO. C18 012 CEN SW 00

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provided, that in the case of a Physical Delivery to such third party, the third party is qualified by Supplier to take Physical Delivery of such Enriched Product.

- 1.10 “Client Product Account” means an account established by Supplier for the Client within the Orano Cycle Enrichment Facility accounting system to which the Enriched Product, or its Feed Material and SWU Components, can be Delivered by means of a Book Transfer Delivery.
- 1.11 “Conforming Material” means, as the context requires, (a) Enriched Product that meets *****; or (b) Feed Material that meets *****.
- 1.12 “Converter” means the natural uranium conversion facility selected by Customer in its Order where Feed Material will be Delivered. *****.
- 1.13 “Customer Product Account” means the account established by Supplier for Customer under this Agreement N° C18 012 CEN SW 00, to which the Enriched Product Delivered to Customer, or its Feed and SWU Components, can be Delivered by means of a Book Transfer Delivery.
- 1.14 “Cylinder” means a container (such as a “30B” cylinder) certified by the appropriate government agencies and used for transporting Uranium Hexafluoride. As the context requires, Cylinder also includes any overpack required for the transportation of such container or of any Material which it contains.
- 1.15 “Deliver” or “Delivery” shall mean, as the context requires, (a) in reference to Enriched Product, a Book Transfer Delivery or a Physical Delivery under Article 4; and (b) in reference to Feed Material, the Book Transfer of Feed Material into or out of an account under Article 5.
- 1.16 “Delivery Year” at a given point in time, shall mean a Year in which Customer has a binding purchase obligation under Section 3.1 of this Agreement, taking into account all options under Section 3.2 that, up to that time, Customer has exercised.
- 1.17 “Effective Date” has the meaning ascribed to that term on the first page of this Agreement.
- 1.18 “Enriched Product” means Uranium Hexafluoride with an Assay greater than 0.711.
- 1.19 “Enrichment” means the process, measured in Separative Work Units, by which the Assay of Feed Material is increased.
- 1.20 “EP Delivery Date” or “Enriched Product Delivery Date” means a date selected by Customer for Book Transfer Delivery or Physical Delivery of the Enriched Product ordered pursuant to Article 4. In the case of a Physical Delivery, if the Physical Delivery cannot be made on one date, the EP Delivery Date shall be *****.
- 1.21 “Fabricator” means, as the context requires, (a) one of the following nuclear fuel fabricator facilities - *****.

RESTRICTED PROPRIETARY INFORMATION

Orano Cycle CONTRACT NO. C18 012 CEN SW 00

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- 1.22 “Feed Component” means the amount of Feed Material (in KgU as UF₆) required to produce Enriched Product with a given Assay, and Tails Material with a given Tails Assay, calculated as shown in Appendix F.
- 1.23 “Feed Delivery Date” has the meaning ascribed to that term in Article 5.
- 1.24 “Feed Material” means natural uranium in the form of UF₆ which has not been irradiated, enriched or depleted, with an approximate Assay of 0.711.
- 1.25 “Material” means, as the context requires, Feed Material, Tails Material and/or Enriched Product.
- 1.26 “Notice” shall have the meaning ascribed to that term in Article 18 of this Agreement.
- 1.27 “Obligation Code” means a code assigned by EURATOM or the United States, as the case may be, to indicate under which bilateral agreement the peaceful use obligations are applicable to Material.
- 1.28 “Orano Cycle” means the company formerly named AREVA NC, with registered number 305 207 169 RCS Nanterre.
- 1.29 “Orano Cycle Conversion Facility” means both of the natural uranium conversion plants operated by Supplier in Malvési and Tricastin, France.
- 1.30 “Orano Cycle Enrichment Facility” means the enrichment facility operated by Supplier or its Affiliate in Tricastin, France and commonly known as George Besse II.
- 1.31 “Orano Cycle Facility” means either of the Orano Cycle Enrichment Facility or a Orano Cycle Conversion Facility.
- 1.32 “Orano Cycle Feed Account” means an account established by Supplier in Customer’s name under that certain Agreement between United States Enrichment Corporation and Orano Cycle (formerly named AREVA NC), governing a United States Enrichment Corporation UF₆ Holding Account at Orano Cycle, *****, or any successor agreement, including all amendments thereto and the change of name from AREVA NC to Orano Cycle.
- 1.33 “Order” shall have the meaning ascribed to that term in Section 3.3.
- 1.34 “Origin” means, in the case of Feed Material, or the Feed Component of Enriched Product, the country where the ore contained in a particular quantity of Feed Material was mined, or deemed to have been mined or, in the case of the SWU Component of Enriched Product, the country where the Feed Material in the Feed Component of such Enriched Product was enriched, or deemed to have been enriched. The Origin can be reflected in the U.S. Obligation Code applicable to the Material.
- 1.35 “Payment Due Date” shall have the meaning ascribed to that term in Section 6.4.
- 1.36 “Physical Delivery” means the Delivery of Enriched Product in Customer-supplied Cylinders, *****.

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- 1.37 “Physical Material Release” means the availability of Enriched Product in Customer-supplied Cylinders for Physical Delivery to Customer or Client at the Orano Cycle Facility.
- 1.38 “Replacement Value” shall mean *****;
- 1.39 “Separative Work Unit” (“SWU”) means the measure of work required to produce Enriched Product through Enrichment, as calculated using the formula in Appendix F.
- 1.40 “Spot Market Feed Value” means the applicable quantity of Feed Material (in KgU) multiplied by *****.
- 1.41 “Spot Market SWU Value” means the applicable quantity of SWU multiplied by *****.
- 1.42 “SWU Component” means the amount of SWU required to enrich Feed Material to produce Enriched Product with a given Assay, and Tails Material with a given Tails Assay, calculated as shown in Appendix F.
- 1.43 “Tails” or “Tails Material” means the UF₆ residue, the Assay of which has been depleted in the process of Enrichment.
- 1.44 “Uranium Hexafluoride” or “UF₆” means a chemical compound of uranium and fluorine.
- 1.45 “²³⁵U” or “U²³⁵” means the fissionable uranium isotope with mass number 235.
- 1.46 “Withdrawal Delivery Date” means the date specified in a Withdrawal Notice for withdrawal of Enriched Product from the Customer Product Account by Book Transfer or Physical Delivery to Customer or its Client pursuant to Article 4.
- 1.47 “Withdrawal Notice” means a binding Notice of the Withdrawal Delivery Date, the amount and the means of withdrawal from the Customer Product Account pursuant to Article 4.

ARTICLE 2 – TERM

This Agreement shall be effective as of the Effective Date and, unless earlier terminated in accordance with the terms hereof, shall remain in force until the last day of Calendar Year 2028 (or, if one or more options are exercised under Section 3.2, the last day of the latest Delivery Year after the exercise of such options) or the date on which all purchase and payment obligations of Customer and supply obligations of Supplier (other than those set forth in Section 14.3) hereunder are fulfilled, whichever is later (such period from effectiveness to expiration is referred as the “Term”).

ARTICLE 3 – SCOPE

- 3.1 Commitments of the Parties. Under this Agreement, Customer shall purchase from Supplier, and Supplier shall sell to Customer, the nominal quantities of SWU in Row 2 of the table below for Delivery beginning in Delivery Year 2023 through 2028, subject to (i) the flexibility in Row 4, which shall allow Customer to modify its purchase obligation for the Years listed in the table to fall between the minimum in Row 1 and the maximum in Row 3, (ii) the possible addition of the Years 2029 and 2030 to the Parties’ obligations under this

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Agreement pursuant to Section 3.2.1; and (iii) the possible advancement or postponement of purchases under this Agreement pursuant to Section 3.2.2 or Section 3.2.3, respectively;

The annual SWU quantities purchased in a Delivery Year during the Term by Customer and Delivered by Supplier shall fall within the range of the applicable minimum and maximum quantities in the table below. Purchases above the nominal amount in a Delivery Year shall not be credited against Customer's purchase obligations in a future Delivery Year, and purchases below the nominal amount in a Delivery Year shall not be added to Customer's purchase obligations for a future Delivery Year.

Row	Quantity (KSWU)	2023	2024	2025	2026	2027	2028	2029	2030	Total
1	Minimum	*****	*****	*****	*****	*****	*****	*****	*****	3,689**
2	Nominal	300	400	500	750	750	750	750*	750*	4,950**
3	Maximum	*****	*****	*****	*****	*****	*****	*****	*****	6,211**
4	Flexibility	*****	*****	*****	*****	*****	*****	*****	*****	

* Years 2029-2030 are optional Years under Section 3.2.

** Totals assume optional Years are elected under Section 3.2. *****.

3.2 Options.

3.2.1 Optional Years: 2029 and 2030.

The Years 2029 and 2030 are optional Years, where Customer can elect to undertake to purchase a nominal annual quantity of 750 KSWU each Year, with a ***** flexibility as shown in the Table under Section 3.1.

To elect an optional Year, Customer shall provide a Notice *****.

*****.

3.2.2 Advancement of Purchases and Deliveries.

*****, Customer shall have the right to advance the contractual Delivery schedule by one (1) or two (2) Years, *i.e.*, to start purchases and Deliveries under Section 3.1, from Year 2021 or 2022. *****.

*****.

3.2.3 Postponement of Purchases and Deliveries.

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*****, Customer shall have the right to postpone the contractual Delivery schedule by one (1) Year, *i.e.* to start purchases and Deliveries under Section 3.1, from Year 2024. *****,

*****,

3.2.4 Section 3.2 Notices; Effect of Advancement or Postponement on Optional Years.

For avoidance of doubt, any Notice given under this Section 3.2 shall be in addition to the standard Notices given under Section 3.3. In addition, Customer's election to advance or postpone the firm Delivery Years in the Table shall not automatically firm up any of the optional Years; rather, the option shall remain in effect but the optional Years (and the timing in Section 3.2.1 for giving Notices regarding the optional Years) shall shift along with the firm Delivery Years *****,

3.3 Standard Notices.

For each Delivery Year, Customer shall provide the following Notices.

3.3.1 First Annual Non-Binding Notice

A "First Annual Non-Binding Notice" shall be issued by Customer no later than *****, specifying, on a non-binding basis, the anticipated Enriched Product Delivery location(s), if known, and Customer's first selection of SWU quantity to be purchased for that Delivery Year within the minimum and maximum quantities as described in the Table in Section 3.1.

3.3.2 Second Annual Non-Binding Notice.

A "Second Annual Non-Binding Notice" shall be issued by Customer no later than *****, specifying, on a non-binding basis, the anticipated Enriched Product Delivery location(s), if different than the ones specified in the First Annual Non-Binding Notice, and the anticipated method(s) of Delivery and selecting a second SWU quantity within ***** of the first selection under Section 3.3.1 *****,

3.3.3 Binding Delivery Notice.

3.3.3.1 For each Delivery Year, binding Delivery Notices ("Orders") for Deliveries of SWU in Enriched Product by Supplier and associated Feed Material by Customer, shall be issued by Customer at least: *****,

3.3.3.2 Each Order shall specify the information required by Appendix A:

- i) The EP Delivery Date and if applicable, the period that Customer will take Physical Delivery of the Enriched Product;
- ii) The quantity (in KgU) of Enriched Product to be Delivered by Supplier pursuant to the Order;
- iii) The Assay(s) of the Enriched Product to be Delivered by Supplier;

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- iv) The quantity of SWU to be supplied in the Enriched Product pursuant to the Order;
- v) The quantity (in KgU of natural UF6) of Feed Material to be supplied by Customer pursuant to the Order;
- vi) The Tails Assay;
- vii) The Enriched Product Delivery location(s) applicable to the Order;
- viii) The method of Enriched Product Delivery (*i.e.*, Physical Delivery or Book Transfer) pursuant to the Order;
- ix) The Feed Delivery location(s) for the Feed Material to be supplied by Customer pursuant to the Order, if then known; otherwise this information shall be provided in accordance with Section 3.3.3.6;
- x) Origin(s) of Feed Material to be supplied by Customer, if available; and
- xi) Confirmation from Customer that the Feed Material to be supplied by Customer pursuant to the Order will be of legal use in licensed commercial nuclear reactors in the United States.

3.3.3.3 The total quantity of SWU indicated in all Orders submitted for a Delivery Year shall not ***** and shall be within the applicable minimum and maximum quantities for that Delivery Year in the Table under Section 3.1.

3.3.3.4 In case, for an Order in which Customer requires Supplier to Deliver by Book Transfer Enriched Product with a Feed Component matching the same Origins as the Feed Material to be Delivered to Supplier by Customer for such Order, Customer shall notify Supplier of the Origin(s), not later than *****.

3.3.3.5 In case, for an Order, Customer requires Supplier to Deliver by Physical Delivery the Enriched Product with a Feed Component matching the same Origins as the delivered Feed Material, Customer shall notify Supplier of the Origin(s), not later than *****.

3.3.3.6 For all Orders (*i.e.*, whether Delivery is by Book Transfer or by Physical Delivery), Customer shall notify Supplier of the Delivery location(s) for Feed Material for the Order not later than *****.

3.4 Assays.

3.4.1 In its Order, Customer may select one or more Assays for Enriched Product in the range of *****.

3.4.2 In its Order, Customer shall select *****.

3.5 Planning Data.

For planning purposes, Appendix B shows non-binding planning data about the Assays and quantities of Enriched Product that Customer expects to take during the Term of the Agreement. *****, Customer shall update this non-binding planning data *****.

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ARTICLE 4 – ENRICHED PRODUCT DELIVERY AND WITHDRAWAL

4.1 Book Transfer Delivery.

4.1.1 In its Order, Customer may direct Supplier to make a Book Transfer Delivery of the Enriched Product to (a) the account of Customer or the account of a Client or other third party at a Fabricator, including *****; or (b) the Customer Product Account or; (c) subject to the terms of the agreement with Supplier that governs such account, the account of a Client or other third party on the books of Supplier.

4.1.1.1 ***** , Supplier shall open the Customer Product Account within the accounting system of the Orano Cycle Enrichment Facility to be used for the Delivery of Enriched Product under this Agreement.

4.1.1.2 ***** .

4.1.1.3 ***** .

4.1.1.4 ***** .

4.1.2 Where Customer has specified a Book Transfer Delivery in its Order, Supplier shall, subject to Delivery to, or purchase of Feed Material from, Supplier pursuant to Article 5, Deliver Enriched Product to Customer by means of a Book Transfer Delivery to the account, and at the location, specified by Customer in the applicable Order. Supplier shall give Customer a Notice of the completion of such Book Transfer Delivery immediately upon the completion of the Book Transfer.

4.1.3*****.

4.2 Physical Delivery.

4.2.1 A Physical Delivery of Enriched Product may occur under this Agreement pursuant to either (a) an Order in which Customer directs Supplier to make a Physical Delivery to Customer or a Client, or (b) a withdrawal from the Customer Product Account, in cases where Customer selected a Book Transfer Delivery to the Customer Product Account in its Order, and subsequently wants to withdraw the Enriched Product by Physical Delivery from the Customer Product Account. The applicable Delivery term for a Physical Delivery shall be *****.

***** .

4.2.2 In the case of an Order for Physical Delivery, Customer shall give Supplier the Order according to the lead time pursuant to Section 3.3.3.

4.2.3 In the case of a withdrawal by Physical Delivery from the Customer Product Account, Customer shall give Supplier its Withdrawal Notice not later than *****.

4.2.4 Any requests for sampling and witnessing in accordance with Appendix D shall be included in the Order or Withdrawal Notice, as applicable.

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4.2.5 For each Assay, *****.

4.2.6 Absent consent of Supplier (such consent not to be unreasonably withheld or delayed): *****.

4.2.7 *****.

4.3 Cylinders.

Customer shall provide the Cylinders for the Physical Delivery pursuant to an Order, or withdrawal by Physical Delivery from the Customer Product Account, of Enriched Product under Section 4.2 not later than *****.

For any Book Transfer Delivery under Section 4.1, the Customer shall not provide Cylinders.

*****.

4.4 Quality and Origin.

4.4.1 All Enriched Product Delivered under this Agreement shall be Conforming Material lawful and suitable for use in the fabrication of nuclear fuel for commercial nuclear reactors in Japan, the European Union, the United Kingdom or the United States.

4.4.2 For Enriched Product Delivered by Physical Delivery, the SWU Component of the Enriched Product shall be French Origin and, subject to Section 5.4, the Feed Component shall have the same Origin as the Feed Material supplied by Customer under Article 5.

4.4.3 The Customer acknowledges that the Enriched Product Physically Delivered under this Agreement is of French Origin, and will be considered as "*LEU from France*", which could be subject to the AD Order on such Enriched Product if imported into the United States.

4.4.4. *****.

4.4.5. *****.

4.4.6 For Deliveries by Book Transfer at U.S. Fabricators as per Section 4.1, Supplier shall Deliver ***** SWU in Enriched Product that will be suitable for use in the United States as fuel in a U.S. commercial nuclear power reactor without payment of any tariff stemming from the AD Order or an obligation to reexport the Enriched Product or fuel within a certain period of time due to the AD Order. In no event shall Supplier Deliver by Book Transfer in the United States LEU that is subject to the AD Order or any successor restriction on LEU from France.

4.5 Adjustment.

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If ***** 1st of any Delivery Year under this Agreement, should “LEU from France” still be subject to the AD Order if imported into the United States for sale in the United States, Supplier shall be entitled to limit the Enriched Product volumes to be Delivered to a U.S. Fabricator by Book Transfer to not more than *****.

Supplier shall give Customer Notice of the exercise of Supplier’s right under Section 4. for a Delivery Year *****. Customer shall have a right to rescind any pending Order affected by Customer’s Notice if Notice of such rescission is given to Supplier not later than *****. Rescission does not reduce Customer’s purchase obligation for the Delivery Year, but instead is intended to give Customer an opportunity to adjust its plans. Both Parties shall work cooperatively where Supplier gives Notice of election under this Section 4.5 to ensure that such election does not disrupt Deliveries of Enriched Product by Customer to its Clients or of Feed Material by Customer to Supplier.

4.6 Title and Risk of Loss.

4.6.1 Title – Customer Product Account

On the books of Supplier, Customer shall hold at all times title to the Material credited to the Customer Product Account. This shall not preclude Customer from holding such title on behalf of its Clients.

4.6.2 Risk of Loss – Customer Product Account

The Parties agree that while Customer holds title to all Enriched Product in the Customer Product Account, Supplier bears risk of loss to such Enriched Product at all times until withdrawal from the Customer Product Account.

Risk of loss of such Enriched Product shall pass to Customer when such Enriched Product is withdrawn from the Customer Product Account by Physical Delivery, with risk of loss transferring at the moment the Cylinders filled with the Enriched Product are loaded on board Customer’s vehicle or that of its subcontractor.

4.6.3 Title and Risk of Loss - Book Transfer

In case of Book Transfer at a Fabricator, title to, and risk of loss of, Enriched Product shall pass to Customer upon completion of the Book Transfer to Customer’s account at the Fabricator. If the Parties agree that the Enriched Product shall be Book Transferred to a third party’s account at the Fabricator, title and risk of loss shall transfer to the third party upon the completion of such Book Transfer. In this case, upon completion of the Book Transfer at the Fabricator, Supplier shall not thereafter be liable to Customer regarding the quality of the Enriched Product Delivered by Book Transfer anymore.

4.6.4 Title and Risk of Loss – Physical Delivery

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Title and risk of loss to Enriched Product Physically Delivered to Customer shall transfer to Customer upon completion of Supplier's delivery obligations as seller in accordance with *****.

4.7 Delayed Delivery.

- 4.7.1 If for any reason other than (i) a delay excused under Article 9; or (ii) an act or omission of Customer, or a person acting on Customer's behalf, Supplier fails to Deliver the Enriched Product required by this Agreement to Customer by the Enriched Product Delivery Date or Withdrawal Delivery Date, Supplier shall reimburse Customer for any reasonable penalty or fee assessed against Customer by its Client or by a fabricator, as a result of such delay. In addition, Customer may cancel the Delivery with respect to the Enriched Product that Supplier failed to Deliver and procure an equivalent amount of substitute Enriched Product from another source if the failure to Deliver continues for more than ***** (the "Cure Period") after the Enriched Product Delivery Date or Withdrawal Delivery Date, as applicable. For these purposes, procuring substitute Enriched Product from another source may include obtaining it from a third party or using Customer's own inventories as the source of substitute Enriched Product.
- 4.7.2 If, pursuant to Section 4.7.1, Customer cancels a Delivery and elects to replace the Enriched Product that Supplier failed to Deliver with substitute Enriched Product, the following remedies shall apply:
- 4.7.2.1 In the case of a Delivery pursuant to an Order, Supplier shall *****.
- 4.7.2.2 In the case of a Physical Delivery pursuant to a Withdrawal Notice, Supplier shall reimburse Customer for *****.
- 4.7.2.3 In all remedies under this Section 4.7.2, Customer shall use its commercially reasonable efforts to procure substitute Enriched Product on reasonable terms, conditions, and prices reasonably available to Customer, taking into account the market conditions prevailing at the time. Following cancellation of a Delivery pursuant to any of these remedies, Customer shall submit an invoice for *****.
- 4.7.3 Customer shall not have the right to cancel a Delivery if during the Cure Period, Supplier is able to procure, and Delivers to Customer, substitute Enriched Product that complies with the specification defined under this Agreement.
- 4.7.4 In addition to its reimbursement obligation under Sections 4.7.1 and 4.7.2, Supplier also shall reimburse Customer for *****.
- 4.7.5 If, pursuant to Section 4.7.1, Customer cancels part of or all of a Delivery for an Order and procures substitute Enriched Product from another source pursuant to Section 4.7.2, Customer's purchase obligation shall be reduced by the SWU Component of the Enriched Product that Supplier failed to Deliver.

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4.7.6 Reimbursement under this Section 4.7 shall be Customer’s exclusive remedy for Supplier’s failure to Deliver Enriched Product under this Agreement; provided however that such right shall not preclude Customer from exercising any other remedy under this Agreement.

4.8 *****.

ARTICLE 5 – FEED MATERIAL DELIVERIES

5.1 Required Delivery of Feed Material.

5.1.1 Customer shall have the right to provide the Feed Material to meet its obligation under Section 5.1.4 by *****.

5.1.2 Customer shall also have the right to provide the Feed Material to meet its obligation under Section 5.1.4 *****.

5.1.3 *****.

5.1.4 Customer shall ensure that, no later than ***** the Feed Material required to produce the quantity of Enriched Product to be Delivered by Supplier to Customer (as determined using Appendix F using the Assay(s) ordered and the Tails Assay stipulated in the Order) is *****.

5.1.5 *****.

5.1.6 *****. Supplier shall comply with the instructions provided by Customer on or prior to the applicable Feed Delivery Date concerning the quantity of each Origin to allocate to the Enriched Product Delivery. If there is an insufficient quantity of Feed Material of the Origin(s) specified by Customer, Supplier shall notify Customer and Customer shall promptly designate other Origins to allocate.

5.2 *****.

*****.

*****.

5.3 Late Delivery of Feed Material

5.3.1 If all the required Feed Material for the Delivery of Enriched Product has not been supplied to Supplier under Section 5.1 by the close of business on the Enriched Product Delivery Date, Supplier shall, effective on the Enriched Product Delivery Date, *****.

5.3.2 *****.

5.3.3 With respect to any portion of the Remaining Feed Shortfall that is satisfied by ***** (the “Late Delivered Feed”), Customer may withdraw from the Customer Product

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Account, pursuant to Article 4, Enriched Product containing such Late Delivered Feed and a corresponding portion of the SWU *****.

5.3.4 *****.

5.3.5 The ***** penalties in Section 5.2 and this Section 5.3 shall not apply if Customer's failure to Deliver Feed Material occurs due to reasons excused under Article 9, but in no event shall Supplier be obligated to Deliver Enriched Product until the Feed Material for such Enriched Product has been Delivered.

5.3.6 If only a portion of the required Feed Material for the Delivery of Enriched Product pursuant to the Order has been Delivered by the Feed Delivery Date, Sections 5.2 and 5.3 shall apply only to an amount of Enriched Product, the Feed Component of which equals the Feed Shortfall. All other Enriched Product (in other words, the Enriched Product for which adequate Feed Material has been Delivered) shall be Delivered, notwithstanding the Feed Shortfall.

5.4 Country of Origin.

5.4.1 Customer shall supply Feed Material of any Origin, except ***** , which is not subject to any restrictions, *i.e.* which is acceptable for use in commercial nuclear power reactors in the United States of America and the European Union without restriction or duty on the Feed Delivery Date.

5.4.2 Supplier shall supply Enriched Product with a Feed Component of any Origin, except ***** , which is not subject to any restrictions, *i.e.* which is acceptable for use in commercial nuclear power reactors in the United States of America and the European Union without restriction or duty on the delivery date.

5.4.3 If Customer notifies Supplier of the Origin of the Feed Material later than the applicable deadline for such Notice in Section 3.3.3.4 or Section 3.3.3.5, as applicable, but prior to the Enriched Product Delivery Date, Supplier shall use its reasonable efforts to Deliver the Enriched Product with the same Origin(s) of Feed Material provided in Customer's Notice. However, if Supplier is not in a position to do so, it shall use Feed Material of another Origin or Origins that meets the requirements of this Section 5.4 in order to avoid any delay in the Delivery of the Enriched Product. In such a case, Supplier shall not be liable to Customer regarding the Origin(s) of the Feed Component of the Enriched Product and shall notify Customer of the Origin(s) of the Feed Component of the Enriched Product it shall Deliver.

5.5 Title and Risk of Loss.

5.5.1 Customer shall hold title to all Feed Material Delivered ***** under Section 5.1.1. or ***** under Section 5.1.2, either in its own name or on behalf of its Client, and Supplier shall at least quarterly provide to Customer a Notice of the balance of Feed Material to which Customer holds title ***** . Once Feed Material is allocated under

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Section 5.1 to Enriched Product to be Delivered pursuant to Customer's Order, Customer shall continue to hold title to the allocated Feed Material until Delivery of the corresponding Enriched Product to Customer or its Client. Upon such Delivery of Enriched Product, Customer or its Client shall hold title to the Enriched Product Delivered and such Enriched Product shall be deemed to include the Feed Material allocated to the Delivery pursuant to Section 5.1. Accordingly, with respect to the allocated Feed Material *****, this Feed Material shall be *****.

5.5.2 Supplier shall bear risk of loss of, and shall enjoy the exclusive and unrestricted right to use, Feed Material ***** under Section 5.1.1 or ***** under Section 5.1.2, and such Feed Material may be commingled and treated as fungible with other uranium inventories of Supplier. Supplier shall remain responsible for all Feed Material *****.

ARTICLE 6 – PRICES AND PAYMENT

6.1 Price.

6.1.1. The Customer shall pay Supplier *****.

6.1.1.1 *****.

6.1.1.2 *****.

6.1.1.3 *****.

6.1.1.4 *****.

6.1.1.5 *****.

6.2 *****.

6.3 Taxes and Other Governmental Impositions.

*****.

6.3.1 *****.

6.3.2 *****.

6.3.3 *****.

6.3.4 *****.

6.3.5 Nothing herein shall require a Party to manage its inventories or modify its operations except as it deems appropriate in its sole discretion.

6.3.6 *****.

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6.3.7 In the event of a change in tax law or regulation after the Effective Date of the Agreement which was not foreseen by a Party at such date, and which may have an economic impact that would materially increase the cost to a Party under this Agreement of the purchase or sale of SWU or the costs of Delivery of Feed Material, SWU or Enriched Product, such Party may give a Notice to the other Party, and ***** after receipt of such Notice, the Parties shall endeavor in good faith to reach an agreement on measures to mitigate such economic impact to the mutual satisfaction of the Parties.

6.4 Supplier Invoices.

6.4.1 *****, Supplier shall issue to Customer an invoice (a "Delivery Invoice") for the SWU Component of the Enriched Product Delivered. For other prices, fees, charges or costs which Supplier is entitled to charge or collect from Customer under this Agreement (*****), Supplier shall issue an invoice (an "Other Invoice") according to Supplier's invoicing procedures. A Delivery Invoice and an Other Invoice are referred to herein individually as an "Invoice" and all such Delivery Invoices and Other Invoices are referred to herein collectively as "Invoices".

6.4.2 All invoiced amounts shall be paid in United States dollars ("USD" or "US\$") and Euros ("EUR").

6.4.3 Customer shall pay each Invoice ***** in EUR and ***** in USD ***** by wire transfer of immediately available funds in accordance with Supplier's invoice instructions not later than ***** the "Payment Due Date").

6.4.4 *****.

6.4.5 *****.

6.4.6 *****.

6.4.7 If Customer fails to pay an invoice in full on, or prior to, the Payment Due Date, Customer shall pay Supplier interest *****.

6.4.8 *****.

6.4.9 Notwithstanding any other provision of this Agreement, Supplier's failure to issue an invoice in accordance with this Section for a payment due to Supplier shall not be deemed to be a waiver by Supplier of its right to receive such payment, but the ***** payment period shall run from the date the invoice is received.

6.5 Customer Invoices.

6.5.1 In the case of charges that can be billed by Customer under this Agreement (for example, under Section 4.7), an invoice shall be issued according to Customer's invoicing procedures.

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- 6.5.2 All invoiced amounts shall be expressed and paid in United States dollars.
- 6.5.3 Supplier shall pay each Customer invoice by wire transfer to a U.S. bank of immediately available funds in accordance with Customer's invoice instructions (and without deduction for any amounts owed by Customer with respect to goods and services not covered by the invoice or for any bank fees or any other charges) no later than the Payment Due Date (as defined in Section 6.4);
- 6.5.4 If Supplier fails to pay the invoice in full on, or prior to, the Payment Due Date, Supplier shall pay Customer interest *****.
- 6.5.5 *****.
- 6.5.6 Notwithstanding any other provision of this Agreement, Customer's failure to issue an invoice in accordance with this Section shall not be deemed to be a waiver by Customer of its right to receive payment pursuant to this Agreement, but the ***** payment period shall run from the date the invoice is received.

ARTICLE 7 – TAILS MATERIAL

Title to Tails Material associated with the Enriched Product Delivered to Customer under this Agreement shall be transferred to Supplier free of charge at the Enriched Product Delivery Date and Supplier shall be responsible for storage and disposal thereof. If, however, Customer wishes to obtain Tails Material, it shall notify Supplier and the Parties shall work cooperatively to implement such Delivery under mutually agreed terms and pricing.

ARTICLE 8 – REPRESENTATIONS AND WARRANTIES

8.1 Supplier Representations.

Supplier represents to Customer as follows:

- 8.1.1 This Agreement is a valid and binding obligation of Supplier, enforceable against Supplier in accordance with its terms.
- 8.1.2 Supplier has, or will have at the time required, all necessary licenses and governmental approvals required to engage in the transactions contemplated by this Agreement.
- 8.1.3 All Enriched Product Delivered by Supplier to Customer or a Client under this Agreement shall be Delivered free and clear of all liens, pledges, encumbrances, security interests or title claims created by Supplier, its agents or others acting on its behalf and Supplier shall indemnify, hold harmless and, at Customer's option, defend Customer from any claim contrary to the representations in this Section 8.1.3.
- 8.1.4 Material credited to the Orano Cycle Feed Account, the Customer Product Account or any other account at a facility of Supplier or its Affiliate pursuant to a Book Transfer Delivery shall at all times be free and clear of any lien, pledge, encumbrance, security interest or other claim arising from or on account of Supplier or its Affiliates;

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and Supplier shall indemnify, hold harmless and, at Customer's option, defend Customer from any claim contrary to the representations in this Section 8.1.4.

8.1.5 *****.

8.2 Customer Representations.

Customer represents to Supplier as follows:

8.2.1 This Agreement is a valid and binding obligation of Customer, enforceable against it in accordance with its terms.

8.2.2 Customer has, or will have at the time required, all necessary licenses and governmental approvals required to engage in the transactions contemplated by this Agreement.

8.2.3 Material credited to the Orano Cycle Feed Account shall at all times be free and clear of any lien, pledge, encumbrance, security interest or other claim that could impair Supplier's right to the exclusive use of such Material and shall be free and clear of any lien, pledge, encumbrance, security interest or other claim that could impair Supplier's right to produce Enriched Product with such Material for Delivery to Customer; and Customer shall indemnify, hold harmless and, at Supplier's option, defend Supplier from any claim contrary to the representations in this Section 8.2.3.

8.3 Supplier Warranties.

8.3.1 Supplier warrants to Customer that Enriched Product Delivered by Supplier to Customer pursuant to Article 4 shall be Conforming Material and shall also conform to the quantity and Assay ordered and to the Origin requirements in Article 4. Replacement by Supplier in accordance with the terms of this Agreement of Enriched Product that fails to meet this warranty and payment by Supplier of any costs provided for in Section 4.7 shall be Customer's exclusive remedies for (i) any breach of this warranty by Supplier or (ii) Supplier's failure to Deliver Enriched Product in accordance with the terms of this Agreement; provided, that, *****, replacement shall not be required in the event Customer procures substitute Enriched Product from another source pursuant to Section 4.7.

8.3.2 Supplier warrants to Customer that Supplier is authorized to use ***** by Supplier to Customer under Article 5.

8.3.3 Supplier warrants to Customer that Supplier shall not impair or diminish Customer's right to title to, and ownership of, all of Customer's Material whether or not processed and/or held for processing while in Supplier's possession, care, custody or control, and shall not issue a document of title purporting to convey ownership of Customer's Material to a third party. Supplier shall indemnify, hold harmless and, at Customer's option, defend Customer from any claim, liability, cost or expense, including reasonable attorney's fees incurred in defending itself against such claim, liability,

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cost or expense, arising from a breach of this warranty, up to the Replacement Value of the affected Customer's Material as of the date of such breach by Supplier.

8.4 Supplier Affiliates.

Supplier warrants that all of its Affiliates shall comply with the representation and warranties of Supplier as if made by such Affiliates to Customer. Supplier shall indemnify, hold harmless and, at Customer's option, defend Customer from any claim, liability, cost or expense, arising from a breach of any of these representations and warranties by Supplier's Affiliate, up to the amount that Supplier would be required to pay if Supplier itself had breached the applicable representation or warranty.

8.5 Disclaimer.

EACH PARTY'S EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT ARE EXCLUSIVE AND IT MAKES NO OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY REPRESENTATION OR WARRANTY (A) OF MERCHANTABILITY; (B) OF FITNESS FOR ANY PARTICULAR PURPOSE; (C) ARISING FROM COURSE OF DEALING OR USAGE OF TRADE; OR (D) THAT MATERIAL DELIVERED BY SUCH PARTY WILL NOT RESULT IN INJURY OR DAMAGE WHEN USED FOR ANY PURPOSE.

8.6 Transferability. All Supplier warranties in this Agreement regarding Enriched Product shall be transferable to the third parties to whom Customer shall convey or transfer such Enriched Product (each a "Transferee"), provided that (i) Customer notifies Supplier of the identity of such Transferee in the Order given pursuant Section 3.3 or the Withdrawal Notice given pursuant to Article 4, or (ii) if Customer does not provide such identity in the Order or Withdrawal Notice, Customer provides the name of such third party or parties to Customer prior to Acceptance, provided that the Acceptance (as defined in Appendix D) occurs no later than ***** and identifies the specific Cylinders containing such Enriched Product. For the avoidance of doubt, the transferred warranties shall only apply to the Enriched Product Delivered by Supplier.

ARTICLE 9 – FORCE MAJEURE

9.1 Excused Delays.

A Party shall not be liable for any expense, loss or damage resulting from delay in, or prevention of, performance of its obligations under this Agreement to the extent due to a cause beyond the reasonable control (a "Force Majeure") of that Party (the "Affected Party") which may include (but only to the extent they are beyond the reasonable control of the Affected Party) but is not limited to the following: fires; floods; explosions; acts of God; strikes; labor disputes; war; insurrection or riots; sabotage; terrorist acts; transportation delays; acts or failures to act of governmental authorities, third parties, or the other Party (irrespective of whether excused); or inability to secure labor, materials, equipment or utilities. A delay in, or prevention of, performance of obligations resulting from the failure of a subcontractor engaged specifically to provide goods and services for this Agreement

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(as distinct from suppliers who provide utilities and other goods or services that are not specific to this Agreement) may only be claimed as a Force Majeure if the cause of the subcontractor's failure to perform was beyond the subcontractor's reasonable control. In the event of any delay or prevention of performance arising by reason of a Force Majeure, the time for performance shall be extended by a period of time equal to the time lost by reason of such delay or prevention of performance. Notwithstanding the above, in no event shall a Force Majeure excuse either Party from the obligation to pay money when due under this Agreement, or require the Affected Party to settle any labor difficulty except as the Affected Party, in its sole discretion, determines appropriate.

9.2 Notification.

The Affected Party shall notify the other Party, in writing, of the Force Majeure for which excuse is claimed under Section 9.1 and the expected duration of the resultant delay within a reasonable period of time after it appears that the Force Majeure is likely to prevent or delay the performance of the Affected Party's obligation under this Agreement, and the Affected Party shall use reasonable efforts to keep the other Party informed of any change in the facts set forth in the Notice.

9.3 Delayed Deliveries.

If a Force Majeure other than an act or omission of Customer or Customer's agent, contractor or a person acting on Customer's behalf (irrespective of whether such act or omission is excused) prevents Supplier from Delivering Enriched Product hereunder for more than *****, Customer shall have the option to cancel up to the quantity that Supplier has been unable to Deliver and to procure the canceled quantity of Enriched Product from another source, without cost or liability to or by Supplier. If, however, Supplier provides Notice prior to the end of such ***** period that it can resume performance before the end of such period, Customer shall take Delivery of the previously canceled quantity of Material from Supplier. If Customer elects to cancel pursuant to the first sentence of this Section 9.3, Customer's minimum commitment as specified in Article 3 for the Delivery Year in which Delivery of the delayed Enriched Product was to have been made shall be reduced accordingly. Further, the Feed Material allocated to the cancelled Delivery pursuant to Section 5.1 shall no longer be subject to such allocation, and instead, shall be returned to Customer at a Converter in North America where it can be used to procure substitute Enriched Product from a third party. If not returned to Customer within *****, Supplier shall *****.

ARTICLE 10 – NUCLEAR LIABILITY

10.1 Responsibility and Indemnification

10.1.1 Regarding Physical Delivery of Material ***** and also regarding Physical Delivery by Supplier further to a Book Transfer Delivery, Supplier shall be responsible for, and shall hold harmless and fully indemnify Customer under the conditions and within the limit of the Paris Convention and of the provisions of Chapter VII of Title IX – Book V of the French Environmental Code applicable to third party nuclear liability in respect of, any and all risk of injury to third parties or damage to third party property arising

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from any nuclear incident (as defined in the Paris Convention) at the Orano Cycle Facility, or during transportation of Material up to the moment the Material:

- (a) enters the boundary of the Fabricator facility when located in a country that is a contracting party to the Paris Convention, or
- (b) enters the territorial limits (including territorial waters) of the country of the Fabricator facility when such country is not a contracting party to the Paris Convention.

10.1.2 Customer shall be responsible for, and Customer shall hold harmless and fully indemnify Supplier in respect of, any and all risk of injury to third parties or damage to third party property arising from any nuclear incident (as defined in the Paris Convention) caused by Material Physically Delivered to Customer at an Orano Cycle Facility, during the portion of transportation by Customer from the moment such Material has left the territorial limits of the Paris Convention up to a Fabricator facility located in a country that is not a contracting party to the Paris Convention but before such Material arrives at the boundary of such facility.

Further, Customer agrees not to ship the Enriched Product to any facility outside the territory of the Paris Convention other than a Fabricator unless the operator of such other facility either (i) under applicable law is responsible for any and all risk of injury to third parties or damage to third party property arising from any nuclear incident (as defined in the Paris Convention) occurring at such facility or (ii) has agreed to indemnify Customer and its suppliers (under a definition that includes Supplier) for such risk.

10.1.3 “Paris Convention” shall mean the Convention on Third Party Liability in the Field of Nuclear Energy signed in Paris on July 29, 1960.

10.1.4 Nothing herein shall be deemed to limit any greater financial or legal protection afforded to a Party under applicable law or the Paris Convention.

10.1.5 The allocation of liability in this Section 10.1 is without prejudice to the liability of a Fabricator under the laws or treaties applicable to it, or to the liability of an insurer under any indemnifications or policy of insurance applicable at the Fabricator facility or during transportation to or from such facility, which laws, treaties, indemnifications and insurance in all cases shall be deemed primary over any indemnification provided by a Party under this Section 10.1.

10.2 Waiver of Liability.

In no event shall a Party or its directors, officers, employees, suppliers, agents or Affiliates or the directors, officers, employees or suppliers of such directors, officers, employees, suppliers, agents or Affiliates (collectively, the “Protected Party”) be liable to the other Party or its directors, officers, employees, suppliers, Affiliates or agents for loss of, or damage to

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property of the other Party or its Affiliates resulting from a Nuclear Incident involving Material Delivered to the other Party by the Protected Party under this Agreement and occurring after the point at which risk of loss for such Material transferred to the other Party.

ARTICLE 11 – OTHER LIABILITY

11.1 Limitation of Liability.

- 11.1.1 Neither Party shall be liable to the other Party for any incidental, consequential, special, exemplary, penal, indirect or punitive damages of any nature arising out of or relating to the performance or breach of this Agreement including, but not limited to, replacement power costs, loss of revenue, loss of business opportunities, loss of anticipated profits or loss of use of, or damage to, plant or other property; provided, however, that expenses, penalties or other charges incurred by a Party that are expressly reimbursable under this Agreement by the other Party shall not be considered “damages” for purposes of this Section 11.1.1.
- 11.1.2 Either Party’s maximum liability for any claims arising out of or relating to the performance or breach of this Agreement (including, without limitation, claims under Section 4.7), whether based upon contract, tort (regardless of degree of fault or negligence), strict liability, warranty, or otherwise, shall in no event exceed an amount *****. However, this Section 11.1.2 shall not limit the liability of Supplier to Customer under Section 11.1.4 to pay the Replacement Value of Material for which Supplier bears the risk of loss or the liability for failure to return under this Agreement or for any failure of a Party to comply with its obligations under Article 10.
- 11.1.3 Subject to Section 11.1.6, either Party’s maximum aggregate liability for all claims arising out of or relating to the performance or breach of this Agreement, other than a failure to perform the obligation to purchase or sell SWU, or to Deliver Enriched Product, shall be limited to *****. This liability limitation also shall not limit the liability of Supplier for the cost of replacement (based on Replacement Value) of Feed Material, or Enriched Product pursuant to Section 11.1.4.
- 11.1.4 In the event of loss or damage to Customer’s Material for which Supplier bears the risk of loss, or in the event Supplier fails to return Material to Customer ***** under Section 4.7, Section 9.3 or Section 14.3 or Supplier breaches its warranty in Section 8.3.3, Customer shall have the right to procure replacement Material or seek compensation for the impaired value of Customer’s Material and Supplier shall pay up to the Replacement Value of Customer’s Material, as determined on the date of such loss, damage, failure to return or breach, to cover the reasonable costs of such replacement or compensation.
- 11.1.5 All claims that a Party (the “Claiming Party”) may have against the other Party, whether based upon contract, tort (regardless of degree of fault or negligence), strict liability, warranty, or otherwise, for any losses or damages arising out of, connected with, or resulting from the performance or breach of this Agreement shall be limited to specifically identified written claims submitted by the Claiming Party to the other

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Party prior to the expiration of one (1) year after the Claiming Party knows or should have known of the occurrence of the event or the first of a series of events which gives rise to the claim; provided, however, that this one (1) year limit shall not (i) bar any counterclaim, setoff or similar cause of action asserted subsequent to the expiration of such one (1) year limit in response to any written claim submitted prior thereto; nor (ii) be construed as extending or waiving any shorter statute of limitations applicable to any claim, counterclaim, or setoff.

11.1.6 Nothing in this Section 11.1 (other than Section 11.1.1 in the case of item (ii) and (iii) hereof) shall be construed as limiting the liability of a Party (i) for any failure to comply with Article 10; (ii) to purchase or sell the quantities of SWU required to be purchased hereunder; (iii) to pay the Price per SWU for the SWU Component of Enriched Product Delivered hereunder or any cost or charge that is specifically payable by such Party under this Agreement, including the Replacement Value of Feed Material, or any indemnity provision hereof; or (iv) for willful misconduct or gross negligence.

11.2 Effect of Acceptance.

Supplier's obligation to Physically Deliver Conforming Material of the Assay(s) required by this Agreement shall be deemed to have been satisfied upon Acceptance of such Material by Customer in accordance with Appendix D. After Acceptance of Material Physically Delivered to Customer, Supplier shall have no responsibility for damages or other claims arising from such Material except to the extent provided in Section 10.1.1 with respect to nuclear incidents occurring in the territory of a contracting party to the Paris Convention.

11.3 Scope of Protection.

The provisions of this Article and of the other Articles of this Agreement that provide for limitation or protection against liability of a Party shall (i) also protect such Party's agents, and, to the extent they are acting on behalf of such Party, such Party's Affiliates, contractors, subcontractors, suppliers and vendors of every tier; (ii) apply to the full extent permitted by law and regardless of fault; and (iii) survive termination or suspension of this Agreement, as well as the fulfillment of the obligations of the Parties hereunder.

ARTICLE 12 – GOVERNMENTAL AUTHORIZATIONS AND REQUIREMENTS

12.1 Each Party shall (i) obtain (or cause its agents to obtain) all permits, licenses or approvals required for performance of its obligations under this Agreement, including any special nuclear material licenses and those required for the possession, storage and transportation of Material; and (ii) comply with all applicable treaties, conventions and similar international agreements to which the United States or France is a party.

12.2 The Delivery of Enriched Product is subject to the granting of an export license by the relevant French Authorities. This Agreement shall be subject to such reasonable actions as each Party may make in order to comply with any applicable law, regulation, ruling, or request of their respective authorities. In the event of occurrence of prohibition of export or

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of import due to a French or U.S. governmental authority, then the Parties shall promptly confer to determine the consequences of the situation. The Parties shall not be held liable in case of prohibition of export or of import under this Agreement; provided, however, that such a prohibition shall not excuse Supplier from its obligation to Deliver by Book Transfer to the extent Supplier holds sufficient inventory of Enriched Product in the country where Book Transfer is to be made to permit the completion of the Book Transfer or to the extent the prohibition does not constitute a Force Majeure for which Supplier can claim excuse under Article 9 hereof.

ARTICLE 13 – ENTIRE AGREEMENT; TERMINATION OF PRIOR AGREEMENTS

The terms and conditions set forth herein are intended by Customer and Supplier to constitute the final, complete and exclusive statement of their agreement, and all prior proposals, communications, negotiations, understandings, representations, contracts and agreements, whether oral or written, relating to the supply of the Enriched Product that is subject to this Agreement (the “Prior Agreements”), are hereby terminated and superseded. The Parties hereby mutually release each other from any claim, liability or obligation under or arising from such terminated Prior Agreements other than any agreement of confidentiality arising from such Prior Agreements. The executed agreements between the Parties as of the Effective Date, including the agreement cited in Section 1.32, are not Prior Agreements and are not terminated and superseded. *****.

ARTICLE 14 – TERMINATION AND SUSPENSION

14.1 Right to Terminate.

14.1.1 In addition to any other rights it may have and subject to applicable law, a Party shall have the right, at no cost to the either Party, to terminate or suspend this Agreement in whole or in part, by Notice to the other Party, in the event the other Party enters into any voluntary or involuntary receivership, bankruptcy or insolvency proceeding, other than a proceeding under Chapter 11 of the United States Bankruptcy Code; provided, however, that in the case of an involuntary proceeding, the right to terminate or suspend shall arise only if the proceeding has not been dismissed within *****. In addition, Customer’s obligations under this Agreement to take Delivery of Enriched Product shall be deemed suspended if Supplier’s right to Deliver Enriched Product expires or is suspended or terminated by any governmental authority having the power to take such action. The Parties shall promptly discuss the situation to clarify the extent and impact of the suspension of Customer’s obligations and to agree upon a date for resumption of Delivery, if applicable.

14.1.2 In addition to (and without limiting) any other rights it may have under this Agreement (including under Section 4.7, 5.3 or 9.3) and subject to applicable law, a Party (a “Suspending/Terminating Party”) shall have the right, at no cost to such Suspending/Terminating Party, to terminate or suspend this Agreement in whole or in part, by Notice to the other Party (a “Breaching Party”), in the event:

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- 14.1.2.1 the Breaching Party fails to perform its material obligations under this Agreement other than a failure to perform attributable to a cause meeting the definition of Force Majeure in Section 9.1 (each, a "Material Breach"); and
- 14.1.2.2 the Terminating Party delivers Notice of such breach to the Breaching Party (the "Material Breach Notice"); and
- 14.1.2.3 the Breaching Party (A) fails to timely and fully complete any remedy for such Material Breach provided in this Agreement (e.g., Section 4.7), or (B) if no remedy is provided in this Agreement, does not cure the Material Breach ***** after it receives the Material Breach Notice; provided, such failure to complete the remedy or to cure the Material Breach is not attributable to a cause meeting the definition of Force Majeure in Section 9.1.

For these purposes, a Material Breach shall not include any failure to perform that does not materially reduce the financial benefits of this Agreement for the Suspending/Terminating Party.

- 14.1.3 A Party that has delivered a Material Breach Notice shall have the right to suspend its obligations under this Agreement, but may not exercise such right until (i) it has notified the Breaching Party of its intention so to do (the "Suspension Warning Notice"); and (ii) the Breaching Party has failed to cure the Material Breach ***** after receiving such Suspension Warning Notice with respect to a Material Breach of this Agreement or such shorter Cure Period as may be provided in this Agreement (for example, in Section 4.7.1).

14.2 Obligations upon Termination, Suspension or Expiration.

A Party shall not be required to purchase or sell SWU on or after the effective date of any termination, suspension or expiration of this Agreement. Customer shall deliver Feed Material, and pay Supplier for SWU sold in connection with Deliveries of Enriched Product completed before such date.

14.3 Return of Material.

- 14.3.1 No later than ***** after the effective date of any termination or expiration of this Agreement, Supplier and Customer shall agree upon terms for the return of any Material remaining in the Orano Cycle Feed Account or the Customer Product Account. In case of termination of this Agreement for a reason attributable to a Party, that Party shall *****.
- 14.3.2 If, for any reason, Supplier is not willing to agree to terms for such a return, Customer shall have the replacement rights set forth in Section 11.1.4.
- 14.3.3 If, for any reason, Customer is not willing to agree to terms for such a return, Supplier shall send Customer a request to agree, with its best and final offer of terms. If

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Customer thereafter fails to agree ***** after receiving Supplier's request, Supplier may *****.

ARTICLE 15 – ASSIGNMENT AND TRANSFER OF INTEREST

15.1 General.

Except as provided in this Article 15, this Agreement shall not be assigned by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

15.2 Permitted Assignments.

15.2.1 A Party's consent shall not be required for an assignment by the other Party of this Agreement as collateral for financing of the other Party's business, or for an assignment of the other Party's right to receive any payment owed to the assigning Party hereunder, or any further assignment thereof, provided that the assignee receives no greater rights under this Agreement than the assignor and the other Party remains the primary obligor under the Agreement following the assignment subject to the assignee's right to perform in the event of enforcement of its lien.

15.2.2 A Party's consent shall not be required for an assignment (in whole or in part) by the other Party to its Affiliate, to an entity that succeeds to substantially all of the assets or business of the assigning Party or, in the case of an assignment by Customer, a trust, corporation, or other entity utilized by Customer for purposes of financing the acquisition, use and/or maintenance of Enriched Product or nuclear fuel; provided that (i) the assignor notifies the non-assigning Party in writing that this Agreement has been assigned; (ii) the assignee notifies the non-assigning Party in writing that it agrees to be bound by this Agreement; (iii) the assignee's rights and obligations hereunder shall be subject to any defenses or claims of the non-assigning Party under this Agreement; (iv) the assignment does not reduce the amount of SWU sold, or Enriched Product Delivered, under this Agreement; and (v) the assigning Party shall not be released from its obligations under this Agreement.

15.2.3 Neither the disposition of a Party's stock nor a transfer of ownership of such a Party (whether in whole or in part) by merger or otherwise shall be construed as an assignment or otherwise require consent of the other Party.

15.3 Successors.

Subject to Sections 15.1 and 15.2, this Agreement shall be binding upon and shall inure to the benefit of the legal representatives, successors and permitted assigns of the Parties hereto.

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ARTICLE 16 – CONFIDENTIALITY

16.1 Restricted Proprietary Information.

16.1.1 Except as provided in Section 16.1.3, Supplier and Customer shall treat this Agreement, its terms and conditions, and appendices, including all modifications, and all related communications as “Restricted Proprietary Information.”

16.1.2 Except as provided in Section 16.1.3 a Party shall not disclose any part of such Restricted Proprietary Information to any other person or entity other than officers, directors, or employees of a Party, and accountants, bankers, and legal counsel acting on behalf of such Party (provided such accountants, bankers, and legal counsel have agreed in writing to maintain such Restricted Proprietary Information in confidence or are otherwise subject to an obligation of confidentiality that will provide at least the level of protection afforded by this Article 16), without the prior written consent of an authorized representative of the other Party (which consent shall not be unreasonably withheld), except as such disclosure may be required (i) by court order, subpoena, or other appropriate governmental authority or to meet legal reporting obligations to a government agency or a Party’s shareholders under, for example, the rules of the U.S. Securities and Exchange Commission; (ii) to fulfill obligations under this Agreement (including communications by either Party with Fabricators, transporters or others concerning matters necessary to effect a Delivery of Material or a payment required under this Agreement) or obligations under a Party’s agreements with financial institutions; or (iii) to enforce either Party’s rights hereunder. In all cases under this Section 16.1.2, the disclosing Party shall take reasonable precautions to protect the confidentiality of the disclosed Restricted Proprietary Information. Further, if disclosure of Restricted Proprietary Information is required under item (i) above, the disclosing Party shall promptly notify the other Party of the requirement and shall take such further measures as necessary to minimize or oppose the disclosure, if requested by the other Party.

16.1.3 Following execution of this Agreement, the Parties shall agree upon the terms that Customer may share on a confidential basis with a Client or its agents on a confidential basis to the extent Customer deems necessary to ensure performance of this Agreement or deliver and/or sell the Material provided by Supplier under this Agreement. Subject to further review of details of these provisions by each Party, it is the Parties’ intention that these terms shall include the Restricted Proprietary Information in Articles 1 and 4 and Appendices C and D, which is relevant to the Delivery of Enriched Product to such Client or the handling of such Delivery by its agents and not commercially sensitive.

16.2 Applicability.

The provisions of this Article are applicable to all officers, directors, employees, and agents of each Party and its Affiliates. Each Party shall be responsible for ensuring the compliance with the terms hereof by all such officers, directors, employees, and agents.

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ARTICLE 17 – DISPUTE RESOLUTION

17.1 Disputes.

17.1.1 This Article 17 shall provide the exclusive means of resolving any other dispute, claim, controversy or failure to agree arising out of, relating to, or connected with this Agreement or the breach, termination, or validity thereof (a “Dispute”).

17.1.2 Either Party may invoke the provisions of this Article by giving Notice thereof to the other Party with a detailed description of the matters involved in the Dispute. The Parties shall attempt to resolve such Dispute through good faith negotiations, including one or more meetings between senior executive representatives of the Parties, during the ***** following such Notice. The ***** for negotiation may be shortened or lengthened by mutual agreement. The failure to conduct such negotiations for any reason shall not bar the referral of the Dispute to arbitration pursuant to the remaining provisions of this Article.

17.2 Arbitration Rules.

Any Dispute that the Parties have not resolved within the ***** period in Section 17.1 (or with respect to which either Party elects to forego negotiations under Section 17.1) shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce (the “Rules”) by three (3) arbitrators (the “Tribunal”) appointed as follows: Each Party shall appoint one of the arbiters, and the third arbiter shall be selected in accordance with the Rules. The seat of the arbitration shall be Stockholm, Sweden. The Parties shall use their reasonable efforts to select an arbitrator who has experience in complex commercial matters involving the application of Swedish Law.

17.3 Hearings and Award.

All hearings shall be held, if possible, within ***** following the appointment of the arbitrator. At a time designated by the Tribunal, each Party shall simultaneously submit to the Tribunal and exchange with each other its final proposed award, and in rendering the final award, the Tribunal shall be limited to choosing the award proposed by one Party or the other, in either case without modification; provided, however, that in no event shall the Tribunal award any damages prohibited under Article 11 hereof, or make any award that is otherwise inconsistent with the terms and conditions of this Agreement or exceeds the ***** caps on liability imposed hereunder. Unless the Tribunal determines that extraordinary circumstances require additional time or both Parties jointly request an extension in writing, the Tribunal shall issue the final and binding award, which shall not be subject to appeal, no later than ***** after completion of the hearings, and judgment on any award may be entered in any court having jurisdiction thereof. Nothing herein shall limit the rights of either Party under the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

17.4 Notice.

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Each Party consents to service of the Notice of arbitration, and any other paper in the arbitration or in any proceeding brought pursuant to this Agreement, by registered mail or personal delivery at its address specified in Article 18.

17.5 Confidentiality.

The fact that either Party has invoked the provisions of this Article 17, the arbitration proceedings and related communications or disclosures, and the decision of the Tribunal, shall all be considered Restricted Propriety Information under Article 16, and the Parties shall ensure that the Tribunal agrees not to make disclosure of any Restricted Proprietary Information that would not be permitted to be disclosed by a Party under the terms of Article 16.

17.6 Binding Upon Successors.

This agreement to arbitrate and any award made hereunder shall be binding upon the successors and assigns and any trustee or receiver of each Party.

17.7 Effect of Arbitration on Performance.

The fact that either Party has invoked the provisions of this Article 17 shall not relieve either Party of any obligations it may otherwise have to continue performance in accordance with the provisions of the Agreement.

17.8 Waiver.

To the extent either Party has or hereafter may acquire any immunity (including sovereign immunity) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Party hereby irrevocably waives such immunity in respect of its obligations and liabilities under, or in connection with, this Agreement.

17.9 Costs.

Each Party shall *****.

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ARTICLE 18 – NOTICES AND ADDRESSES

18.1 Notices.

Any notice, request, demand, claim or other communication related to this Agreement (a “Notice”) must be in writing and delivered by hand, registered mail (return receipt requested), overnight courier, or transmitted by electronic mail if a confirming copy is promptly delivered to the other Party by one of the foregoing methods (or by first class mail) at the following addresses and numbers:

Customer:

United States Enrichment Corporation
c/o Centrus Energy Corp.
6901 Rockledge Drive
Bethesda, Maryland 20817
ATTENTION: Vice President, Sales and Chief Marketing Officer
Electronic mail: donelsonj@centrusenergy.com

Supplier:

Orano Cycle Site du Tricastin - BP 16
26702 Pierrelatte Cedex
FRANCE
ATTENTION: Sandra Mateos
Electronic mail: sandra.mateos@orano.group

Either Party may change its address, including electronic mail address, for receiving Notices by giving Notice of such change to the other Party no later than thirty (30) Business Days prior thereto.

18.2 Giving of Notice.

All Notices shall be deemed given upon actual receipt thereof. Compliance with Section 18.1 for a particular Notice shall be deemed waived if the other Party acknowledges actual receipt of the Notice by one of the means in Section 18.1.

ARTICLE 19 – GENERAL

19.1 Governing Law.

The validity, performance, and all matters relating to interpretation and effect of this Agreement and any amendment hereto shall be governed by the laws of Sweden.

19.2 Captions and Headings of No Effect.

The captions and headings in this Agreement are inserted for convenience only and shall not affect the interpretation or construction of this Agreement or any provision hereof.

19.3 Invalid or Unenforceable Provisions.

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If any provision of this Agreement is or becomes invalid or unenforceable, the remainder of this Agreement shall not be affected. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, only as to such jurisdiction, be ineffective only to the extent of the prohibition or unenforceability. The Parties shall cooperate to negotiate mutually acceptable terms to replace any invalid or unenforceable provision.

19.4 No Waiver.

The failure of either Party to enforce any of the provisions of this Agreement, or to require at any time strict performance by the other Party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement or any part hereof, or the right of such Party thereafter to enforce each and every such provision.

19.5 Contractors.

19.5.1 A Party may fulfill its obligations under this Agreement through one or more contractors. No such contractor and/or subcontractor is authorized to modify the terms of this Agreement, waive any requirement hereof, or settle any claim or dispute arising hereunder.

19.5.2 References in this Agreement to the liability of a Party for its negligence or intentional acts shall be deemed to include the negligence or intentional acts or omissions of the Party's contractors, subcontractors, employees, or agents if, under applicable law, the Party would be vicariously liable for such acts or omissions.

19.6 Survival.

This Article and the provisions set forth in Articles 1, 7 (first sentence only) 8, 9, 10, 11, 13, 16, 17 and 18; and Sections 5.4, 5.5, 6.2, 6.3, 6.4, 6.5, 14.2 and 14.3 and the Appendices (Appendices shall survive for twelve (12) months following the month the Agreement terminates or expires) shall survive termination or expiration of this Agreement.

19.7 Amendment.

No modification or amendment of this Agreement shall be effective unless it is in writing and signed by both Parties.

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19.8 No Third Party Beneficiaries.

Except where the Agreement specifically states otherwise (for example, in Section 11.3), nothing in this Agreement shall be interpreted as creating any right of enforcement of any provision herein by any person or entity that is not a Party to this Agreement.

19.9 Consent to be Reasonably Given.

Where a Party must give its consent under this Agreement, such consent may not be unreasonably withheld or delayed unless the Agreement provides that such consent is at the sole discretion of such Party.

19.10 Execution in Counterparts.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are attached to the same document.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed in two (2) originals by their duly authorized officers as of the Effective Date.

Orano Cycle

UNITED STATES ENRICHMENT
CORPORATION

By: /s/ Philippe T. Knoche

By: /s/ Daniel B. Poneman

Name: Philippe T. Knoche

Name: Daniel B. Poneman

Title: Chief Executive Officer

Title: President and Chief Executive Officer

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APPENDIX A: ORDER FOR DELIVERY

1. EP Delivery Date
2. Quantity (in KgU) of Enriched Product to be Delivered by Supplier
3. The Assay(s) of the Enriched Product to be Delivered by Supplier
4. The quantity of SWU to be supplied in the Enriched Product
5. The quantity (in KgU of natural UF6) of Feed Material to be supplied by Customer, as well as, if known, the Feed Delivery location(s) for such quantity and the Feed Material Origin(s)

Quantity	Delivery location(s) and Origin(s) (if known; otherwise provide under Section 3.3)
[fill in]	[fill in]
[fill in]	[fill in]

6. Tails Assay
8. Enriched Product Delivery location(s)
9. Method of Enriched Product Delivery (*i.e.*, Physical Delivery or Book Transfer) and, if a Book Transfer *****
10. Confirmation from Customer that the Feed Material to be Delivered has an Origin or Origins that can lawfully be used in licensed commercial nuclear reactors in the United States

RESTRICTED PROPRIETARY INFORMATION
CONTRACT NO. EC-SC01-08AC03077

APPENDIX B: PLANNING DATA

Subject to Section 3.5, Customer provides the following non-binding information, which will be update annually:

Delivery Year	2023	2024	2025	2026	2027	2028
The amount of SWU expected to be purchased in the Delivery Year	*****	*****	*****	*****	*****	*****
The anticipated Enriched Product Delivery location(s)	*****	*****	*****	*****	*****	*****

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APPENDIX C – CYLINDERS

1. Obligation to Provide Cylinders and Overpacks.

(a) Where Customer has requested a Physical Delivery in an Order or Withdrawal Notice, Customer shall physically deliver to Supplier, *****, all Cylinders necessary for Supplier to make a Physical Delivery of Material to Customer or Client, no later than *****. In the case of replacement or additional Enriched Product to be provided by Supplier under Appendix D, Supplier shall provide all Cylinders and overpacks required for Deliveries of replacement or additional Enriched Product under such Appendix, unless Customer elects to supply Cylinders and overpacks for such replacement or additional Enriched Product. Overpacks required for a Physical Delivery need not be provided until *****.

(b) If Customer does not supply Cylinders as required in Paragraph 1(a) of this Appendix for a Physical Delivery of Enriched Product pursuant to an Order or Withdrawal Notice, Supplier may offer to rent Cylinders to Customer subject to Supplier's terms and conditions for use and return of Cylinders.

2. Specifications.

All Cylinders, overpacks or equipment supplied by either Party must meet all applicable regulatory specifications and requirements as to safety, design criteria, cleanliness and freedom from contamination in effect at the time furnished under vacuum, utilized or returned, as the case may be, and shall conform to the requirements described in USEC-651(Rev.10) (The UF₆ Manual: Good Handling Practices for Uranium Hexafluoride) or any successor publication or revision thereof provided to Supplier.

3. Other Equipment.

In addition to Cylinders and overpacks, Customer shall supply P-10 sample containers for the samples to be provided to Customer by Supplier except that sample containers required for Physical Delivery of replacement or additional Enriched Product shall be provided by Supplier. All equipment other than Cylinders, overpacks and sample containers required to make a Physical Delivery, including sample containers for Official Samples to be retained by Supplier (as defined in Appendix D) and for use in analysis of samples by Supplier, shall, unless otherwise agreed, be supplied by Supplier.

4. Responsibility for Loss or Damage.

Upon physical delivery of a Cylinder, overpack, or other equipment to Supplier, Supplier shall bear risk of loss of, or damage to, such Cylinder, overpack, or other equipment until such Cylinder, overpack, or equipment is physically delivered to *****, at which point responsibility for loss or damage shall transfer back to Customer. Supplier also shall bear risk of loss of, or damage to, to P-10 sample containers provided by Customer until such sample containers are physically delivered to Customer, *****, at which point responsibility for loss or damage shall transfer back to Customer.

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APPENDIX D – SAMPLING, ACCEPTANCE AND DISAGREEMENTS

1. Statement of Quantities and Properties.

With each Physical Delivery of Material, Supplier shall furnish Customer with a Certificate of Quality and Quantity (“CQQ” or “Statement”) for the Material Physically Delivered by Supplier, that includes the empty gross weight of the Cylinder, the gross weight of the filled Cylinder, the net weight of the Material it contains, the Assay, the technical information needed to establish that the Material is Conforming Material, and Supplier’s certification that the Material is Conforming Material and meets the terms of the Order or Withdrawal Notice. The Statement may be provided in a form agreed by the Parties, but if not agreed by the Parties, it shall be provided in the form commonly used by Supplier with customers in Japan.

2. Official Samples.

(a) Supplier shall sample Material Physically Delivered in accordance with Supplier’s procedures. *****. Samples of Material taken by Supplier in accordance with Supplier’s procedures shall be the official samples (the “Official Samples”) and shall be binding upon Supplier, Customer, and any umpire selected by the Parties. The amount of Enriched Product in any samples that are taken by Supplier at Customer’s request shall be paid for by Customer at the prices established for SWU under this Agreement.

(b) From each Cylinder of Enriched Product to be Delivered to Customer or from each mother cylinder use to fill such Cylinders, *****.

(c) *****;

(d) Supplier shall retain Official Samples from all Cylinders of Enriched Product until *****, provided that such Official Samples may be provided to an umpire under Paragraph 7. All Official Samples held pursuant to the proceeding sentence shall be held in sample containers provided by Supplier at no cost to Customer that are suitable for shipment to an umpire as needed.

3. Official Weights.

(a) Supplier shall determine the gross weight of all filled Cylinders, the empty gross weight of all empty Cylinders, and the net weight of all Material Physically Delivered by or to Supplier using Supplier’s weighing procedures and equipment. For purposes of this Appendix D, “net weight” shall mean the difference between the gross weight of a Cylinder filled with Material and the empty gross weight of such Cylinder. “Empty gross weight” shall mean the weight of the Cylinder after it has been emptied, but including any Material left in the Cylinder after emptying (“heels”). Supplier’s gross weight determination shall be final unless the gross weight determined by Customer (or Fabricator, if Supplier Physically Delivers such Cylinder to Fabricator) differs from Supplier’s gross weight determination by more than the “Applicable Dispute Limit,” which shall mean, *****; provided, that Customer notifies Supplier of such discrepancy prior to Acceptance of the Material.

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(b) The Parties shall follow the check-weight procedures in Paragraph 8 of this Appendix D in resolving such disputes, and the resolution of such disputes in accordance with Paragraph 8 shall be final and binding on the Parties. Notwithstanding the existence of a discrepancy in gross weight or a dispute concerning such discrepancy, Supplier's gross weight determination shall be final and binding on the Parties if Customer or its agent (including Fabricator) breaks the seal on, or evacuates any of the Material from, the disputed Cylinder prior to resolution of the discrepancy or Supplier's agreement to accept Customer's (or Fabricator's) gross weight determination.

(c) As between the Parties, the weight determined by the Parties under this Paragraph 3 shall be considered the "official weight" for purposes of this Agreement.

4. Observation of Filling Cylinder, Weighing and Sampling.

If requested in Customer's Order or Withdrawal Notice, Customer (or its representative, which may be a Client if qualified and approved in advance by Supplier for plant access to the Orano Cycle Enrichment Facility) shall be given an opportunity to observe, at Customer's expense, (a) the filling of any Cylinder; (b) the weighing of any Cylinder pursuant to Paragraph 3 of this Appendix; and (c) the taking of Official Samples by Supplier pursuant to Paragraph 2 of this Appendix. Supplier shall notify Customer of the date(s) and place(s) for observing such events.

5. Acceptance.

(a) Acceptance shall be deemed to have occurred in the event:

(i) Customer fails to notify Supplier of its disagreement with the Statement, or that the Material is not Conforming Material, within *****; or

(ii) Customer uses, commingles or otherwise disposes of such Material, except to the extent necessary for storage or protection against health and safety hazards; or

(iii) an umpire determines (or the Parties agree) that the Parties must accept the Statement as correct and that the Material is Conforming Material.

(b) The Customer's right to reject Material shall terminate upon Acceptance of such Material.

6. Rejection and Replacement.

(a) If Customer disagrees with the Statement (other than net weight, which shall be finally determined by Supplier under Paragraph 3 of this Appendix) or determines that the Material is not Conforming Material, Customer may, prior to Acceptance, notify Supplier of its disagreement, including the measurements and analytical data supporting Customer's position (Customer's Notice being referred to herein as a "Rejection Notification"), and, subject to resolution of such disagreement, require Supplier to replace the Material with Conforming Material, or in the case of an alleged shortage in quantity, to Deliver the shortfall. The Supplier shall make such replacement or additions as soon as practicable, but in no event later than: *****.

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(b) *****. If Supplier disputes the Rejection Notification, and such dispute is resolved in favor of Customer, Supplier shall *****. Customer shall use its reasonable efforts to assist Supplier *****.

(c) Title to, and risk of loss of, Material that is rejected by Customer pursuant to this Paragraph shall pass to Supplier upon *****. Title to and risk of loss of replacement or additional Material Delivered pursuant to this Paragraph shall pass to Customer upon *****.

(d) *****. If the defect in the Material can be corrected through a means other than replacement of the defective Material, Supplier may utilize such means. The Parties shall finally resolve disputes concerning the Assay of Material and its conformance with the applicable specification under the procedures set forth in Paragraph 7. The procedures in Paragraph 8 shall apply to weight disputes. All other disputes shall be subject to Article 17.

7. Resolution of Disputed Rejection Notification.

(a) If a dispute of a Rejection Notification is not resolved by mutual agreement ***** , the applicable Official Sample(s) shall be submitted to a mutually agreed-upon umpire for analysis. The umpire's results shall be conclusive on both Parties if such results are within the range determined by both Parties' results. If the umpire's results are outside the range determined by the Parties' results, the Parties shall accept the results of the Party that are nearest to the umpire's results.

(b) *****.

8. Resolution of Weight Disputes.

If, in accordance with Paragraph 3 of this Appendix D, Customer notifies Supplier that the gross weight of a filled Cylinder Physically Delivered by Supplier differs by more than the Applicable Dispute Limit (as defined in Paragraph 3) from the gross weight determined by Supplier, then, if the discrepancy cannot be resolved by mutual agreement within ***** , Customer shall arrange for a separate check weighing to determine the gross weight of the filled Cylinder. Supplier shall have the right to witness the check weighing. Customer shall give Supplier ***** notice of the time and place for the check weighing. The check weighing shall be conducted on calibrated scales and weighing machines properly certified for such purpose. The check weighing procedure shall be as follows:

(a) All Cylinders and/or weights shall be first removed from the scales, and the scales shall be zero-checked.

(b) A mutually agreed standard weight shall then be placed on the scales in order to verify their accuracy. If the indicated weight of the standard weight differs from its known weight by more than ***** , the scales shall be recalibrated.

(c) The Cylinder to be check-weighed shall be examined to ensure that the valve protector and other removable items have been removed and then it shall be reweighed. The results of the reweighing shall be defined as the "Check Weight."

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(d) If the Check Weight and Supplier's gross weight determination differ by an amount equal to or less than the Applicable Dispute Limit, Supplier's gross weight determination shall be binding.

(e) If the Check Weight and Supplier's original gross weight differ by more than the Applicable Dispute Limit, the Check Weight shall be binding.

(f) *****.

(g) *****.

Neither Customer nor any party acting on its behalf shall evacuate or break the seal of a Cylinder which is the subject of a dispute concerning gross weight until any discrepancy concerning weight is resolved under this Appendix.

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APPENDIX E – ENRICHED PRODUCT CERTIFICATION

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RESTRICTED PROPRIETARY INFORMATION

AREVA CONTRACT NO. C16 017 CEN SW 00

USEC CONTRACT NO. EC-SC01-18MI03174

APPENDIX F - DETERMINATION OF RESPECTIVE AMOUNTS OF FEED MATERIAL AND SWU

1. Determination of the amount of SWU

The relationship between the amount of SWU, the amount of Enriched Product, the amount of Feed Material and the isotopic Assay is:

$$Q = Q_p [V(N_p) - V(N_w)] - Q_f [V(N_f) - V(N_w)]$$

where:

$$V(N_x) = (2 N_x - 1) \text{Ln} [N_x / (1 - N_x)]$$

and:

$$Q_f = Q_p (N_p - N_w) / (N_f - N_w)$$

where:

Q = amount of SWU to be invoiced

Q_p = amount of Enriched Product (kgU) Delivered by Supplier

Q_f = amount of Feed Material (kgU) as UF₆ supplied by Customer

N_p = Enriched Product Assay

N_f = Feed Material Assay equal to 0.00711 U-235

N_w = Tails Material Assay

V(N_x) = function of N_x, the value of which must be calculated for N_x = N_p, N_x
= N_w, N_x = N_f

Ln = natural logarithm (base e)

For the application of the above formula the figures shall be treated as follows:

- Intermediate calculation (i.e. V(N_p), V(N_f) and V(N_w)) will be rounded to the eighth decimal place.
- The amount of Enriched Product is expressed in kilograms of uranium, rounded to the nearest third decimal place (i.e. to the gram).

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- The amount of Feed Material to be supplied is expressed in kilograms of uranium, rounded to the nearest third decimal place (i.e. to the gram).
- The amount of Feed material used in the formula to calculate the amount of SWU to be invoiced will be rounded to the eighth decimal place.
- Amounts of uranium, either Feed Material or Enriched Product, are obtained by multiplying the measured quantities of corresponding UF6 material (expressed in Kilograms rounded up to the nearest first decimal place for the UF6 weighed in 30B containers and, in the case of UF6 weighed in 48Y containers, rounded up to the nearest integral number) by the measured ratio of uranium content. This ratio is expressed to the nearest fourth decimal place.
- The Enriched Product Assay is expressed in weight fraction and rounded up to the nearest fifth decimal place.
- The amounts of separative work, expressed in SWU, are rounded up to the nearest third decimal (i.e. to the 1/1,000 SWU).

2. Determination of the amount of Feed Material

The amount of Feed Material to be supplied by Customer for a given amount of Enriched Product is defined by the relationship mentioned in the above Paragraph 1:

$$Q_f = Q_p (N_p - N_w) / (N_f - N_w)$$

The Tails Assay used in this formula is the Tails Assay in Customer's Order.

It is not necessary to take into account any losses which might arise during Enrichment. These losses are for the sole account of Supplier.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Daniel B. Poneman, certify that:

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

August 9, 2018

/s/ Daniel B. Poneman

Daniel B. Poneman

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Marian K. Davis, certify that:

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

August 9, 2018

/s/ Marian K. Davis

Marian K. Davis

Senior Vice President, Chief Financial Officer and Treasurer

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

In connection with the quarterly report on Form 10-Q of Centrus Energy Corp. for the quarter ended June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. § 1350, Daniel B. Poneman, President and Chief Executive Officer, and Marian K. Davis, Senior Vice President, Chief Financial Officer and Treasurer, each hereby certifies, that, to his knowledge:

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

August 9, 2018

/s/ Daniel B. Poneman

Daniel B. Poneman

President and Chief Executive Officer

August 9, 2018

/s/ Marian K. Davis

Marian K. Davis

Senior Vice President, Chief Financial Officer and Treasurer

