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



**FORM 10-Q**

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

**For the quarterly period ended September 30, 2016**

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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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 November 4, 2016, there were 7,563,600 shares of the registrant's Class A Common Stock and 1,436,400 shares of the registrant's Class B Common Stock outstanding.

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## TABLE OF CONTENTS

	<u>Page</u>
<b>PART I – FINANCIAL INFORMATION</b>	
<u>Item 1. Financial Statements (Unaudited):</u>	
<u>Condensed Consolidated Balance Sheets at September 30, 2016 and December 31, 2015</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2016 and 2015</u>	<u>5</u>
<u>Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2016 and 2015</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015</u>	<u>7</u>
<u>Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the Nine Months Ended September 30, 2016 and 2015</u>	<u>8</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Liquidity and Capital Resources</u>	<u>35</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>39</u>
<u>Item 4. Controls and Procedures</u>	<u>39</u>
<b>PART II – OTHER INFORMATION</b>	
<u>Item 1. Legal Proceedings</u>	<u>40</u>
<u>Item 1A. Risk Factors</u>	<u>40</u>
<u>Item 6. Exhibits</u>	<u>40</u>
<u>Signatures</u>	<u>41</u>
<u>Exhibit Index</u>	<u>42</u>

## 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 - 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 and uncertainties related to the adoption of fresh start accounting; 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 "PIK Toggle Notes") maturing in September 2019, including the potential termination of the guarantee by United States Enrichment Corporation ("Enrichment Corp.") of the PIK Toggle Notes; risks related to the limited trading markets in our securities; risks related to our ability to maintain the listing of our common stock on the NYSE MKT LLC; 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"); uncertainty regarding our ability to commercially deploy competitive enrichment technology; our dependence on others for deliveries of LEU including deliveries from Russia under a commercial supply agreement (the "Russian Supply Agreement") with the Russian government entity Joint Stock Company "TENEX"; risks related to our ability to sell the LEU we procure pursuant to our purchase obligations under our supply agreements including the Russian Supply Agreement; risks related to 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 or the ability of our sources of supply to perform under contract obligations, including the imposition of sanctions, restrictions or other requirements; 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 associated with our reliance on third-party suppliers to provide essential services to us; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; movement and timing of customer orders; the impact of government regulation including by the U.S. Department of Energy and the U.S. Nuclear Regulatory Commission; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits); risks and uncertainties regarding funding for the American Centrifuge project and our ability to perform under our agreement with UT-Battelle, LLC, the management and operating contractor for Oak Ridge National Laboratory, for continued research and development of the American Centrifuge technology; the competitive environment for our products and services; the potential for further demobilization or termination of the American Centrifuge project; risks related to the current demobilization of the portions of the American Centrifuge project including risks that the schedule could be delayed and costs could be higher than expected; the timing, savings and execution of any potential restructurings; potential strategic transactions, which could be difficult to implement, disrupt our business or change our business profile significantly; 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 fiscal year ended December 31, 2015.

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)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 170.8	\$ 234.0
Accounts receivable	7.9	26.5
Inventories	185.8	319.2
Deferred costs associated with deferred revenue	77.4	63.1
Other current assets	15.1	15.2
Total current assets	457.0	658.0
Property, plant and equipment, net	6.1	3.5
Deposits for surety bonds	29.5	29.8
Intangible assets, net	98.2	105.8
Other long-term assets	23.0	23.0
Total assets	<u>\$ 613.8</u>	<u>\$ 820.1</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 30.5	\$ 44.8
Payables under SWU purchase agreements	16.5	85.4
Inventories owed to customers and suppliers	22.2	106.8
Deferred revenue	104.1	83.9
Decontamination and decommissioning obligations - current	28.3	29.4
Total current liabilities	201.6	350.3
Long-term debt	234.1	247.0
Postretirement health and life benefit obligations	185.2	184.3
Pension benefit liabilities	170.6	172.3
Decontamination and decommissioning obligations - long-term	10.6	—
Other long-term liabilities	36.0	31.9
Total liabilities	838.1	985.8
Commitments and contingencies (note 12)		
Stockholders' deficit		
Preferred stock, \$1.00 par value per share, 20,000,000 shares authorized, none issued	—	—
Common stock, \$0.10 par value per share, 100,000,000 shares authorized, 9,000,000 shares issued and outstanding	0.9	0.9
Excess of capital over par value	59.4	59.0
Accumulated deficit	(288.5)	(229.7)
Accumulated other comprehensive income, net of tax	3.9	4.1
Total stockholders' deficit	(224.3)	(165.7)
Total liabilities and stockholders' deficit	<u>\$ 613.8</u>	<u>\$ 820.1</u>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue:				
Separative work units	\$ 14.1	\$ 8.8	\$ 128.3	\$ 154.6
Uranium	—	—	14.3	43.2
Contract services	7.3	20.4	32.2	62.5
Total revenue	21.4	29.2	174.8	260.3
Cost of Sales:				
Separative work units and uranium	15.9	33.8	130.7	210.1
Contract services	7.6	19.8	24.9	63.4
Total cost of sales	23.5	53.6	155.6	273.5
Gross profit (loss)	(2.1)	(24.4)	19.2	(13.2)
Advanced technology costs	21.9	1.9	38.6	7.7
Selling, general and administrative	10.7	13.5	34.6	32.1
Amortization of intangible assets	1.7	1.1	7.6	7.1
Special charges for workforce reductions and advisory costs	0.6	9.8	1.2	13.3
Gains on sales of assets	(0.3)	(0.3)	(1.0)	(1.8)
Operating loss	(36.7)	(50.4)	(61.8)	(71.6)
Gain on early extinguishment of debt	—	—	(16.7)	—
Interest expense	4.7	4.8	14.8	14.6
Interest (income)	(0.1)	(0.1)	(0.5)	(0.3)
Loss before income taxes	(41.3)	(55.1)	(59.4)	(85.9)
Provision (benefit) for income taxes	—	—	(0.6)	(0.3)
Net loss	<u>\$ (41.3)</u>	<u>\$ (55.1)</u>	<u>\$ (58.8)</u>	<u>\$ (85.6)</u>
Net loss per share - basic and diluted	\$ (4.54)	\$ (6.05)	\$ (6.46)	\$ (9.51)
Weighted-average number of shares outstanding - basic and diluted	9.1	9.1	9.1	9.0

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss	\$ (41.3)	\$ (55.1)	\$ (58.8)	\$ (85.6)
Other comprehensive loss, before tax (Note 13):				
Amortization of prior service credits, net	(0.1)	(0.1)	(0.2)	(0.2)
Other comprehensive loss, before tax	(0.1)	(0.1)	(0.2)	(0.2)
Income tax benefit related to items of other comprehensive income	—	—	—	—
Other comprehensive loss, net of tax	(0.1)	(0.1)	(0.2)	(0.2)
<b>Comprehensive loss</b>	<b>\$ (41.4)</b>	<b>\$ (55.2)</b>	<b>\$ (59.0)</b>	<b>\$ (85.8)</b>

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

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

	Nine Months Ended September 30,	
	2016	2015
<b>Operating Activities</b>		
Net loss	\$ (58.8)	\$ (85.6)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	8.1	7.5
Immediate recognition of net actuarial loss	—	20.9
PIK interest on paid-in-kind toggle notes	9.7	5.4
Gain on early extinguishment of debt	(16.7)	—
Gain on sales of assets	(1.0)	(1.8)
Inventory valuation adjustments	3.0	—
Changes in operating assets and liabilities:		
Accounts receivable	18.4	39.0
Inventories, net	45.8	114.9
Payables under SWU purchase agreements	(68.9)	(131.7)
Deferred revenue, net of deferred costs	5.8	(5.7)
Accounts payable and other liabilities	2.2	(12.1)
Other, net	0.5	4.1
Cash used in operating activities	<u>(51.9)</u>	<u>(45.1)</u>
<b>Investing Activities</b>		
Capital expenditures	(3.0)	(0.2)
Proceeds from sales of assets	1.2	1.8
Deposits for surety bonds - net decrease	0.3	5.0
Cash (used in) provided by investing activities	<u>(1.5)</u>	<u>6.6</u>
<b>Financing Activities</b>		
Repurchase of debt	(9.8)	—
Cash used in financing activities	<u>(9.8)</u>	<u>—</u>
Decrease in cash and cash equivalents	(63.2)	(38.5)
Cash and cash equivalents at beginning of period	234.0	218.8
Cash and cash equivalents at end of period	<u>\$ 170.8</u>	<u>\$ 180.3</u>
Supplemental cash flow information:		
Interest paid	\$ 6.5	\$ 12.2
Non-cash activities:		
Conversion of interest payable-in-kind to long-term debt	\$ 3.4	\$ 1.8

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

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

	Common Stock, Par Value \$.10 per Share	Excess of Capital over Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
<b><u>Nine Months Ended September 30, 2015</u></b>					
Balance at December 31, 2014	\$ 0.9	\$ 58.6	\$ (42.3)	\$ 4.4	\$ 21.6
Net loss	—	—	(85.6)	—	(85.6)
Other comprehensive loss, net of tax (Note 13)	—	—	—	(0.2)	(0.2)
Restricted stock units and stock options issued, net of amortization	—	0.3	—	—	0.3
<b>Balance at September 30, 2015</b>	<b>\$ 0.9</b>	<b>\$ 58.9</b>	<b>\$ (127.9)</b>	<b>\$ 4.2</b>	<b>\$ (63.9)</b>
<b><u>Nine Months Ended September 30, 2016</u></b>					
Balance at December 31, 2015	\$ 0.9	\$ 59.0	\$ (229.7)	\$ 4.1	\$ (165.7)
Net loss	—	—	(58.8)	—	(58.8)
Other comprehensive loss, net of tax (Note 13)	—	—	—	(0.2)	(0.2)
Restricted stock units and stock options issued, net of amortization	—	0.4	—	—	0.4
<b>Balance at September 30, 2016</b>	<b>\$ 0.9</b>	<b>\$ 59.4</b>	<b>\$ (288.5)</b>	<b>\$ 3.9</b>	<b>\$ (224.3)</b>

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



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

**1. BASIS OF PRESENTATION**

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 and for the three and nine months ended September 30, 2016 and 2015, 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, 2015 was derived from audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States (“GAAP”). The unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the financial results for the interim period. Certain information and notes normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. All material intercompany transactions have been eliminated. Certain amounts have been reclassified to conform to the current presentation.

Operating results for the three and nine months ended September 30, 2016, are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. 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 fiscal year ended December 31, 2015.

*New Accounting Standards*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a comprehensive standard for revenue recognition and has since issued further implementation guidance. The core principle of the standard is that revenue should be recognized when an entity transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The standard will supersede current standards in effect and may require the use of more judgment and estimates, including estimating the amount of variable revenue to recognize over each identified performance obligation. The standard requires additional disclosures to describe the nature, amount and timing of revenue and cash flows arising from contracts. The standard will become effective for Centrus beginning with the first quarter of 2018 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. Early adoption as of the first quarter of 2017 is permitted. Centrus expects to adopt the standard in the first quarter of 2018 and is evaluating the impact on its consolidated financial statements.

In August 2014, the FASB issued a standard on management’s responsibility to evaluate whether there is substantial doubt about a company’s ability to continue as a going concern and to provide related disclosures in certain circumstances. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company’s ability to continue as a going concern within one year from the date the financial statements are issued. If management identifies such conditions or events, the standard requires disclosures in the notes to the financial statements that outline whether or not there are any plans intended to mitigate the relevant conditions or events to alleviate the substantial doubt. The standard is effective for the Company’s annual reporting period ending December 31, 2016, and for annual and interim periods thereafter. The implementation of the standard is not expected to have a material impact on Centrus’ consolidated financial statements.

In April 2015, the FASB issued a standard to simplify the presentation of debt issuance costs. The standard requires the presentation of debt issuance costs in the balance sheet as a reduction in the carrying amount of the related debt liability instead of a deferred charge asset. Centrus adopted the standard with retrospective application beginning with the first quarter of 2016. The reclassification of debt issuance costs did not have a material impact on Centrus’ consolidated financial statements.

In February 2016, the FASB issued a standard that 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. The standard is effective for Centrus beginning in the first quarter of 2019, and requires expanded disclosures of lease arrangements. Centrus is evaluating the impact of adopting this standard on its consolidated financial statements.

In March 2016, the FASB issued a standard for stock compensation that simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard is effective for Centrus beginning in the first quarter of 2017. The implementation of the standard is not expected to have a material impact on Centrus' consolidated financial statements.

In August 2016, the FASB issued a standard related to the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. The standard is intended to reduce diversity in practice by providing guidance on eight specific cash flow issues. The standard is effective for Centrus beginning in the first quarter of 2018. Early adoption is permitted. Centrus is evaluating the impact of adopting this new standard on its consolidated financial statements.

## 2. SPECIAL CHARGES

### *Enrichment Cessation and Evolving Business Needs*

The cessation of enrichment at the Paducah Gaseous Diffusion Plant (the "Paducah GDP") and evolving business needs have resulted in workforce reductions since July 2013. In the three and nine months ended September 30, 2015, special charges included related termination benefits of \$1.1 million and \$4.9 million, respectively, less \$0.3 million in the nine-month period for employee severance paid by the Company and invoiced to the U.S. Department of Energy ("DOE") for its share of employee severance pursuant to the USEC Privatization Act.

In the second quarter of 2016, the Company commenced a project to align its corporate structure to the scale of its ongoing business operations and to update related information technology. The Company incurred advisory costs related to the reengineering project of \$0.3 million in the three months and \$0.8 million in the nine months ended September 30, 2016. In addition, special charges in the three and nine months ended September 30, 2016, included termination benefits of \$0.3 million related to voluntary workforce reductions.

### *Piketon Demonstration Facility*

In September 2015, Centrus completed a successful three-year demonstration of American Centrifuge technology at its facility in Piketon, Ohio, with 120 machines linked together in a cascade to simulate industrial operating conditions. The demonstration effort was primarily funded by the U.S. government. As a result of reduced program funding, Centrus incurred a special charge of \$8.7 million in the third quarter of 2015 for estimated employee termination benefits, consisting primarily of payments under its pre-existing severance plan. An additional \$0.1 million special charge was incurred in the second quarter of 2016 as an adjustment to accrued severance benefits for current salary levels.

A summary of termination benefit activity and related liabilities follows (in millions):

	Liability December 31, 2015	Nine Months Ended September 30, 2016		Liability September 30, 2016
		Charges for Termination Benefits	Paid	
Workforce reductions:				
Enrichment cessation and evolving business needs	\$ 0.3	\$ 0.3	\$ (0.2)	\$ 0.4
Piketon demonstration facility	8.4	0.1	(2.9)	5.6
	<u>\$ 8.7</u>	<u>\$ 0.4</u>	<u>\$ (3.1)</u>	<u>\$ 6.0</u>

Centrus expects to make payments for these workforce reductions through 2019. Of the \$6.0 million liability as of September, 30, 2016, \$1.2 million is included in *Accounts Payable and Accrued Liabilities* and \$4.8 million is included in *Other Long-Term Liabilities*.

### 3. CONTRACT SERVICES AND ADVANCED TECHNOLOGY COSTS

The contract services segment includes *Revenue* and *Cost of Sales* for engineering and testing work Centrus performs on the American Centrifuge technology under government contract with UT-Battelle, LLC (“UT-Battelle”), the operator of Oak Ridge National Laboratory (“ORNL”). Centrus entered into a new contract with UT-Battelle on September 19, 2016, valued at approximately \$25 million for the period from October 1, 2016, through September 30, 2017 (the “2017 ORNL Contract”). The 2017 ORNL Contract provides for payments for monthly reports of approximately \$2.0 million per month and additional aggregate payments of \$1.0 million based on completion of certain milestones. The 2017 ORNL Contract is currently being funded incrementally. Funding for the program is provided to UT-Battelle by the federal government which is currently operating under a continuing resolution.

The Company’s contract with UT-Battelle that ended September 30, 2016 (the “2016 ORNL Contract”), provided for payments for monthly reports of approximately \$2.7 million per month. The amount of funding under the 2016 ORNL Contract decreased from approximately \$6.9 million per month received under contract for the government fiscal year that ended September 30, 2015 (the “2015 ORNL Contract”).

Although the 2015 ORNL Contract expired September 30, 2015, Centrus continued to perform work at the expected reduced scope as the parties worked toward a successor agreement. The 2016 ORNL Contract, which was signed in March 2016, provided for payment for reports related to work performed since October 1, 2015. *Revenue* in the nine months ended September 30, 2016, includes \$8.1 million for March reports on work performed in the three months ended December 31, 2015, and \$24.2 million for reports on work performed in the nine months ended September 30, 2016. Expenses for contract work performed in the nine months ended September 30, 2016, are included in *Cost of Sales*. Expenses for work performed in the three months ended December 31, 2015, before entering into the 2016 ORNL Contract, were included in *Advanced Technology Costs* in 2015.

American Centrifuge expenses that are outside of the Company’s contracts with UT-Battelle are included in *Advanced Technology Costs*, including costs associated with the decontamination and decommissioning (“D&D”) of the Piketon facility in accordance with the requirements of the U.S. Nuclear Regulatory Commission (“NRC”) and DOE. Charges to *Advanced Technology Costs* in the three and nine months ended September 30, 2016, include approximately \$15 million to increase the accrued D&D liability based on updated cost estimates that reflect changes in the approach and anticipated timeframe over which the work will be conducted. Remaining costs to perform the D&D work are estimated to be within a range of \$38.9 million to \$49.4 million. As of September 30, 2016, Centrus has accrued \$38.9 million on the balance sheet as *Decontamination and Decommissioning Obligations*, of which \$28.3 million is classified as current and \$10.6 million is classified as long-term. Refer to *Note 12, Commitments and Contingencies*, for additional details. *Advanced Technology Costs* also includes ongoing support costs to maintain the facilities at Piketon and our NRC licenses at that location.

#### 4. RECEIVABLES

	September 30, 2016	December 31, 2015
(in millions)		
Utility customers and other	\$ 4.8	\$ 24.7
Contract services, primarily DOE	3.1	1.8
Accounts receivable	<u>\$ 7.9</u>	<u>\$ 26.5</u>

Certain overdue receivables from DOE are included in other long-term assets based on the extended timeframe expected to resolve claims for payment. Unpaid invoices to DOE totaled approximately \$78 million as of September 30, 2016, and December 31, 2015, related to filed claims. Due to the lack of a resolution with DOE and uncertainty regarding the timing and amount of future collections, the long-term receivable for accounting purposes is \$23.0 million as of September 30, 2016, and December 31, 2015, including updated submissions for final indirect rates and incurred costs, as well as invoices for interest.

Centrus has unapplied payments from DOE that may be used, at DOE's direction, (a) to pay for future services provided by the Company or (b) to reduce outstanding receivables balances due from DOE. The balance of unapplied payments of \$19.3 million as of September 30, 2016, and \$19.4 million as of December 31, 2015, is included in other long-term liabilities pending resolution of the long-term receivables from DOE described above.

#### 5. INVENTORIES

Centrus holds uranium at licensed locations in the form of natural uranium and as the uranium component of low enriched uranium ("LEU"). Centrus also holds separative work units ("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):

	September 30, 2016			December 31, 2015		
	Current Assets	Current Liabilities (a)	Inventories, Net	Current Assets	Current Liabilities (a)	Inventories, Net
Separative work units	\$ 146.9	\$ 3.7	\$ 143.2	\$ 221.5	\$ 33.1	\$ 188.4
Uranium	38.7	18.5	20.2	97.5	73.7	23.8
Materials and supplies	0.2	—	0.2	0.2	—	0.2
	<u>\$ 185.8</u>	<u>\$ 22.2</u>	<u>\$ 163.6</u>	<u>\$ 319.2</u>	<u>\$ 106.8</u>	<u>\$ 212.4</u>

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

Inventories are valued at the lower of cost or net realizable value. Valuation adjustments of \$3.0 million were charged to cost of sales in the nine months ended September 30, 2016, including \$2.3 million in the third quarter, for the Company's uranium inventory to reflect declines in uranium market price indicators.

##### *Uranium Provided by Customers and Suppliers*

Centrus held uranium with estimated values of approximately \$215 million as of September 30, 2016, and \$437 million as of December 31, 2015, to which title was held by customers and suppliers and for which no assets or liabilities were recorded on the balance sheet. The reduction reflects a 25% decline in quantities and a 35% decline in uranium spot price indicators. While in some cases Centrus sells both the SWU and uranium components of LEU to customers, utility customers typically provide uranium to Centrus as part of their enrichment contracts. Title to uranium provided by customers generally remains with the customer until delivery of LEU at which time title to LEU is transferred to the customer, and title to uranium is transferred to Centrus.

## 6. PROPERTY, PLANT AND EQUIPMENT

A summary of changes in property, plant and equipment follows (in millions):

	December 31, 2015	Additions / (Depreciation)	Retirements	September 30, 2016
Land	\$ 1.2	\$ —	\$ —	\$ 1.2
Leasehold improvements	0.9	2.3	(0.2)	3.0
Machinery and equipment	1.6	0.1	—	1.7
Other	0.3	0.6	—	0.9
Property, plant and equipment, gross	4.0	3.0	(0.2)	6.8
Accumulated depreciation	(0.5)	(0.4)	0.2	(0.7)
Property, plant and equipment, net	<u>\$ 3.5</u>	<u>\$ 2.6</u>	<u>\$ —</u>	<u>\$ 6.1</u>

Additions to property, plant and equipment in the nine months ended September 30, 2016, include leasehold improvements of \$1.7 million that were funded by the owner of the Company's corporate headquarters. Corresponding deferred rent credits are included in long-term liabilities and are being amortized as a reduction to rent expense over the lease term.

## 7. INTANGIBLE ASSETS

Intangible assets originated from the Company's reorganization and application of fresh start accounting as of September 30, 2014. The intangible asset related to the sales order book is amortized as the order book valued 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 statement of operations.

	September 30, 2016			December 31, 2015		
	(in millions)					
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Sales order book	\$ 54.6	\$ 16.1	\$ 38.5	\$ 54.6	\$ 12.0	\$ 42.6
Customer relationships	68.9	9.2	59.7	68.9	5.7	63.2
Total	<u>\$ 123.5</u>	<u>\$ 25.3</u>	<u>\$ 98.2</u>	<u>\$ 123.5</u>	<u>\$ 17.7</u>	<u>\$ 105.8</u>

## 8. DEBT

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

	December 31, 2015	Nine Months Ended September 30, 2016		September 30, 2016
		PIK Interest	Repurchases	
8% paid-in-kind toggle notes	\$ 247.6	\$ 13.1	\$ (26.1)	\$ 234.6
Less unamortized deferred financing costs	0.6	—	(0.1)	0.5
Long-term debt	<u>\$ 247.0</u>	<u>\$ 13.1</u>	<u>\$ (26.0)</u>	<u>\$ 234.1</u>

In June 2016, Centrus repurchased some of the Company's 8.0% paid-in-kind ("PIK") toggle notes (the "PIK Toggle Notes") pursuant to a pre-arranged trading plan. The Company made cash payments of \$9.8 million for PIK Toggle Notes having an aggregate principal balance of \$26.1 million and accrued interest payable balance of \$0.5 million. The gain on the early extinguishment of the PIK Toggle Notes was \$16.7 million, net of commissions and unamortized deferred financing costs totaling \$0.1 million.

The pre-arranged trading plan was adopted in accordance with guidelines specified under Rule 10b5-1 of the Securities Exchange Act of 1934 (the “10b5-1 Plan”). The 10b5-1 Plan provided that an independent broker selected by the Company repurchase PIK Toggle Notes on the open market within specified guidelines on the Company’s behalf. All repurchases were subject to SEC regulations as well as such other terms and conditions as specified in the 10b5-1 Plan. On July 11, 2016, the Company terminated the 10b5-1 Plan and subsequently cancelled the PIK Toggle Notes that were repurchased.

The PIK Toggle Notes pay interest at a rate of 8.0% per annum. Interest is payable semi-annually in arrears 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 PIK Toggle Notes in the form of PIK payments. For payments in 2016 and through the semi-annual interest period ending March 31, 2017, the Company has elected to pay interest in the form of PIK payments at 5.5% per annum.

Financing costs for the issuance of the 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 PIK Toggle Notes.

The PIK Toggle Notes will 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.

The PIK Toggle Notes rank equally in right of payment with all existing and future unsubordinated indebtedness of the Company (other than the Issuer Senior Debt as defined below) and are senior in right of payment to all existing and future subordinated indebtedness of the Company. The PIK Toggle Notes are subordinated in right of payment to certain indebtedness and obligations of the Company described in the Indenture (the “Issuer Senior Debt”), including (i) any indebtedness of the Company under a future credit facility, (ii) obligations of, and claims against, the Company under any equity investment (or any commitment to make an equity investment) with respect to the financing of the American Centrifuge project, (iii) obligations of, and claims against, the Company under any arrangement with DOE, export credit agencies or any other lenders or insurers with respect to the financing or government support of the American Centrifuge project and (iv) indebtedness of the Company to Enrichment Corp. under the Centrus Intercompany Note.

The PIK Toggle Notes are guaranteed and secured on a subordinated, conditional, and limited basis by Enrichment Corp. Enrichment Corp will be released from its guarantee without the consent of the holders of the PIK Toggle Notes upon the occurrence of certain termination events (other than with respect to an unconditional interest claim), including (i) the involuntary termination by the Pension Benefit Guaranty Corporation (“PBGC”) of any of the qualified pension plans of the Company or Enrichment Corp, (ii) the cessation of funding prior to completion of our ongoing American Centrifuge test programs or (iii) both a decision by the Company to abandon American Centrifuge technology and either (1) the efforts by the Company to commercialize another next generation enrichment technology funded at least in part by new capital provided or to be provided by Enrichment Corp have been terminated or are no longer being pursued or (2) the attainment of capital necessary to commercialize another next generation enrichment technology with respect to which the Issuer is involved which does not include new capital provided or to be provided by Enrichment Corp.

The Enrichment Corp. guarantee ranks equally in right of payment with all existing and future unsubordinated indebtedness of Enrichment Corp. (other than the Designated Senior Claims as defined below) and is senior in right of payment to all existing and future subordinated indebtedness of Enrichment Corp. The Enrichment Corp. guarantee is subordinated in right of payment to certain obligations of, and claims against, Enrichment Corp. described in the Indenture (collectively, the “Designated Senior Claims”), including obligations and claims:

- under a future credit facility;
- held by or for the benefit of the PBGC pursuant to any settlement of any actual or alleged Employee Retirement Income Security Act (“ERISA”) Section 4062(e) event;
- held by any party with respect to any equity investment (or any commitment to make an equity investment) with respect to the financing of the American Centrifuge project;
- held by DOE, export credit agencies or any other lenders or insurers with respect to the financing or government support of the American Centrifuge project; and
- held by the U.S. government.

## 9. FAIR VALUE MEASUREMENTS

Pursuant to the accounting guidance for fair value measurements, fair value is defined as 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 measurements for assets and liabilities required or permitted to be recorded at fair value, consideration is given to the principal or most advantageous market and assumptions that market participants would use when pricing the asset or liability. The accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 – unobservable inputs in which little or no market data exists.

### *Financial Instruments Recorded at Fair Value (in Millions)*

	September 30, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Cash and cash equivalents	\$ 170.8	\$ —	\$ —	\$ 170.8	\$ 234.0	\$ —	\$ —	\$ 234.0
Deferred compensation asset (a)	1.1	—	—	1.1	—	1.5	—	1.5
<b>Liabilities:</b>								
Deferred compensation obligation (a)	1.1	—	—	1.1	—	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. As of September 30, 2016, trust funds were invested in mutual funds for which unit prices are quoted in active markets and are classified within Level 1 of the valuation hierarchy. As of December 31, 2015, the trust was informally funded using variable universal life insurance. The cash surrender value of the life insurance policies was designed to track the deemed investments of the plan participants. Investment crediting options consisted of institutional and retail investment funds. The deemed investments were classified within Level 2 of the valuation hierarchy because (i) of the indirect method of investing and (ii) unit prices of institutional funds are not quoted in active markets.

The transfers from Level 2 to Level 1 noted above comprised the only transfers between Levels 1, 2 or 3 during the periods presented.

#### *Other Financial Instruments*

As of September 30, 2016, and December 31, 2015, 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 the short-term nature of the instruments.

The principal balance and estimated fair value of the PIK Toggle Notes follow (in millions):

	<u>September 30, 2016</u>		<u>December 31, 2015</u>	
	(in millions)			
Principal balance	\$	234.6	\$	247.6
Estimated fair value		103.6		36.9

The estimated fair value of the PIK Toggle Notes is based on the most recent trading price as of the balance sheet date (Level 1).

## **10. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS**

The components of net periodic benefit cost (credit) for the pension plans were as follows (in millions):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Service costs	\$ 1.0	\$ 1.1	\$ 2.9	\$ 3.1
Interest costs	8.9	9.2	26.6	27.8
Expected return on plan assets (gains)	(10.6)	(12.2)	(31.6)	(36.6)
Actuarial loss (gain) from remeasurement, net	—	24.8	0.8	20.9
Net periodic benefit cost (credit)	<u>\$ (0.7)</u>	<u>\$ 22.9</u>	<u>\$ (1.3)</u>	<u>\$ 15.2</u>

In the second quarter of 2016, the level of lump-sum payments under the Company's non-qualified defined benefit pension plans resulted in the remeasurement of pension obligations under settlement accounting rules. The remeasurement resulted in a loss of \$0.8 million included in selling, general and administrative expenses in the second quarter of 2016. The loss includes the effect of a decrease in the discount rate used in the measurement of pension obligations from approximately 4.5% as of December 31, 2015, to approximately 3.7% as of June 30, 2016.

In the second quarter of 2015, the level of lump-sum payments under the Company's non-qualified defined benefit pension plans and the Employees' Retirement Plan of Centrus Energy Corp. resulted in a remeasurement gain of \$3.9 million included in selling, general and administrative expenses. The gain included the effect of an increase in the discount rate from approximately 4.1% as of December 31, 2014, to approximately 4.5% as of June 30, 2015.

In the third quarter of 2015, the level of lump-sum payments under the Retirement Program Plan for Employees of United States Enrichment Corporation and the plans mentioned above resulted in a remeasurement loss of \$21.6 million included in cost of sales and a loss of \$3.2 million included in selling, general and administrative expenses. The discount rate used in the measurement of pension obligations as of September 30, 2015 was approximately 4.4%. The losses also include the effect of actual investment experience for pension plan assets relative to the expected return assumption of 6.75% per year.



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Service costs	\$ —	\$ 0.1	\$ —	\$ 0.2
Interest costs	2.1	2.2	6.1	6.6
Expected return on plan assets (gains)	(0.1)	(0.2)	(0.2)	(0.7)
Amortization of prior service (credits), net	(0.1)	(0.1)	(0.2)	(0.2)
Net periodic benefit cost	<u>\$ 1.9</u>	<u>\$ 2.0</u>	<u>\$ 5.7</u>	<u>\$ 5.9</u>

## 11. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period, excluding any unvested restricted stock. In calculating diluted net income per share, the numerator is increased by interest and dividends on potentially dilutive securities, net of tax, and the denominator is increased by the weighted average number of shares resulting from potentially dilutive securities, assuming full conversion. No dilutive effect is recognized in a period in which a net loss has occurred.

(in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Numerator for basic and diluted calculation:				
Net loss	\$ (41.3)	\$ (55.1)	\$ (58.8)	\$ (85.6)
Denominator:				
Weighted average common shares	9.1	9.1	9.1	9.0
Denominator for basic calculation	9.1	9.1	9.1	9.0
Weighted average effect of dilutive securities:				
Stock compensation awards (a)	—	—	—	—
Denominator for diluted calculation	9.1	9.1	9.1	9.0
Net loss per share - basic and diluted	<u>\$ (4.54)</u>	<u>\$ (6.05)</u>	<u>\$ (6.46)</u>	<u>\$ (9.51)</u>

(a) Compensation awards under the 2014 Equity Incentive Plan resulted in common stock equivalents of less than 0.1 million shares of common stock and are excluded from the diluted calculation as a result of net losses in the three and nine months ended September 30, 2016, and in the three and nine months ended September 30, 2015.

Options to purchase shares of common stock having an exercise price greater than the average share market price are excluded from the calculation of diluted net income (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Options excluded from diluted net income per share	375,000	382,500	375,000	382,500
Exercise price of excluded options	\$ 3.90 to \$ 5.62	\$ 3.90 to \$ 5.62	to \$ 3.90 to \$ 5.62	\$ 3.90 to \$ 5.62

## 12. COMMITMENTS AND CONTINGENCIES

### Potential ERISA Section 4062(e) Liability

The Company had been engaged in discussions with the PBGC regarding the status of the qualified pension plans, including potential liability under ERISA Section 4062(e) related to employee reductions resulting from ceasing enrichment operations at the Portsmouth and Paducah GDP facilities. In the event the PBGC were to determine there are funding obligations under section 4062(e), the Company believes that any such liability would be fully satisfied under the provisions of the Consolidated and Further Continuing Appropriations Act, 2015 (the “CFCAA”), which made major changes to ERISA section 4062(e). The CFCAA changes the criteria for triggering liability under section 4062(e); provides certain exemptions from the applicability of section 4062(e) to certain events; permits companies to satisfy the liability by making payments into the pension over seven years, but ends those pension obligations once the pension reaches a 90% funding level as calculated under the method provided in the CFCAA; subject to an exception not applicable here, prohibits the PBGC from taking any enforcement, administrative or other action under section 4062(e) that is inconsistent with the amendments made by the CFCAA based on events that occurred before the date of enactment (December 16, 2014); and permits companies to elect to satisfy any liability under section 4062(e) as provided in the CFCAA for an event that had occurred prior to date of enactment as if such cessation had occurred on such date of enactment.

The PBGC, however, has other authorities under ERISA that it may otherwise consider in connection with the Company’s qualified defined benefit pension plans. These authorities include, but are not limited to, initiating involuntary termination of underfunded plans and seeking liens or additional funding. The Company would seek to defend against the assertion by the PBGC of any such authorities based on the facts and circumstances at the time. The involuntary termination by the PBGC of any of the qualified pension plans of Centrus or Enrichment Corp. would result in the termination of the limited, conditional guaranty by Enrichment Corp. of the PIK Toggle Notes (other than with respect to certain interest obligations).

The PBGC has indicated it would like the Company to make contributions to the pension in advance of statutory funding requirements as amended by the Highway and Transportation Funding Act of 2014. The Company believes it is in the best interest of all stakeholders, including the PBGC, the covered plan participants and the Company, to continue funding the qualified pension plans in the ordinary course and expects to do so. There is no assurance that the Company and the PBGC will reach agreement or that the PBGC will agree with the Company’s approach.

### NYSE MKT Listing Standards Notice

On November 17, 2015, Centrus Energy Corp. received notice from the NYSE MKT LLC (the “NYSE MKT”) indicating that the Company is not in compliance with Sections 1003(a)(i) and (ii) of the NYSE MKT’s Company Guide since the Company reported a stockholders’ deficit as of September 30, 2015, and net losses in its fiscal years ended December 31, 2011, 2012 and 2013. The Company submitted a plan to regain compliance with the NYSE MKT’s continued listing standards and the NYSE MKT notified the Company in January 2016 that it accepted the plan. With the NYSE MKT’s acceptance of the plan, the Company has until May 17, 2017, to regain compliance. If the Company is not in compliance with the continued listing standards by May 17, 2017, or if the Company does not make progress consistent with the plan, the NYSE MKT may initiate delisting procedures as appropriate. In the meantime, the Company’s common stock will continue to be traded on the NYSE MKT, subject to ongoing monitoring by the NYSE MKT and the Company’s compliance with all other applicable NYSE MKT requirements.

## American Centrifuge

### *Milestones under the 2002 DOE-USEC Agreement*

USEC 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 Centrus' 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 currently 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 continued to be preserved, and that the time limits for each party to respond to any missed milestones continue to be tolled.

### *Piketon Facility Costs and D&D Obligations*

Effective October 1, 2015, the U.S. government discontinued funding of the American Centrifuge demonstration cascade at Piketon. Funding for American Centrifuge is now limited to research and development work at our facilities in Oak Ridge, Tennessee. As a result of reduced program funding, Centrus incurred a special charge in the third quarter of 2015 for estimated employee termination benefits, and began reductions in force. Refer to *Note 2, Special Charges*, for details. Centrus began to incur expenditures in the second quarter of 2016 associated with the decontamination and decommissioning (“D&D”) of the Piketon facility in accordance with the requirements of the NRC and DOE. Centrus leases the Piketon facility from DOE. At the conclusion of the lease, 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 lease will expire on June 30, 2019, unless it is extended.

Remaining costs to perform the D&D work are estimated to be within a range of \$38.9 million to \$49.4 million based on updated cost estimates that reflect changes in the approach and anticipated timeframe over which the work will be conducted, as described below. As of September 30, 2016, Centrus has accrued \$38.9 million on the balance sheet as *Decontamination and Decommissioning Obligations*, of which \$28.3 million is classified as current and \$10.6 million is classified as long-term. Centrus has experienced delays in obtaining the necessary regulatory approvals and therefore implementing the D&D process has been delayed. Centrus is working to finalize contractual and regulatory arrangements for the disposition of materials. As a result of the delays experienced in obtaining regulatory approvals, Centrus has revised its schedule and approach to completing D&D in order to minimize the impact of such delays and to mitigate future cost and schedule risk. The D&D work is expected to extend through 2018.

Centrus is required to provide financial assurance to the NRC and DOE for D&D costs under a regulatorily-prescribed methodology that includes potential contingent costs and reserves. As of September 30, 2016, and December 31, 2015, Centrus has provided financial assurance to the NRC and DOE in the form of surety bonds totaling \$29.4 million, which are fully cash collateralized by Centrus. Centrus expects to receive cash when surety bonds are reduced and/or cancelled as the Company fulfills its D&D and lease obligations. The Company has not made a decision on lease turnover and is continuing to evaluate future uses for the site.

### **13. STOCKHOLDERS EQUITY**

#### **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, 2015, as of December 31, 2015, the Company had federal net operating losses of \$324.7 million that currently expire through 2035.

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.

The Company expects to seek stockholder approval of the Rights Agreement at the 2017 annual meeting of stockholders. The rights issued under the Rights Agreement will expire if, among other things, the Rights Agreement is not approved by the Company's stockholders at the 2017 annual meeting or on April 6, 2019, if the Rights Agreement is so approved.

### Stock-Based Compensation

A summary of stock-based compensation costs follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Total stock-based compensation costs:				
Restricted stock and restricted stock units	\$ —	\$ 0.1	\$ 0.1	\$ 0.2
Stock options, performance awards and other	0.1	—	0.3	0.1
Expense included primarily in selling, general and administrative expense	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 0.4</u>	<u>\$ 0.3</u>
Total recognized tax benefit	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

As of September 30, 2016, there was \$0.8 million of unrecognized compensation cost, adjusted for estimated forfeitures, of which \$0.7 million relates to stock options and less than \$0.1 million relates to unvested restricted stock units. Unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.0 years.

Stock-based compensation cost is measured at the grant date, based on the fair value of the award using the Black-Scholes option pricing model, and is recognized over the vesting period. Stock options vest and become exercisable in equal annual installments over a three- or four-year period and expire 10 years from the date of grant.

Assumptions used in the Black-Scholes option pricing model to value option grants follow.

	Nine Months Ended September 30,	
	2016	2015
Risk-free interest rate	1.9%	1.9%
Expected volatility	75%	75%
Expected option life (years)	6	6
Weighted-average grant date fair value	\$1.77	\$2.85
Options granted	15,000	337,500

### Accumulated Other Comprehensive Income

The sole component of accumulated other comprehensive income ("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 cost (credit) as detailed in *Note 10, Pension and Post-Retirement Health and Life Benefits*.

## 14. SEGMENT INFORMATION

Centrus has two reportable segments: the LEU segment with two components, SWU and uranium, and the contract services segment. The LEU segment includes sales of the SWU component of LEU, sales of both the SWU and uranium components of LEU, and sales of uranium. The contract services segment includes revenue and cost of sales for work that Centrus performs under a fixed-price agreement as a contractor to UT-Battelle. The contract services segment also includes limited services provided by Centrus to DOE and its contractors at the Piketon facility. Gross profit is Centrus' measure for segment reporting. There were no intersegment sales in the periods presented. For additional details on each segment, refer to Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(in millions)				
<b>Revenue</b>				
LEU segment:				
Separative work units	\$ 14.1	\$ 8.8	\$ 128.3	\$ 154.6
Uranium	—	—	14.3	43.2
	14.1	8.8	142.6	197.8
Contract services segment	7.3	20.4	32.2	62.5
Revenue	<u>\$ 21.4</u>	<u>\$ 29.2</u>	<u>\$ 174.8</u>	<u>\$ 260.3</u>
<b>Segment Gross Profit (Loss)</b>				
LEU segment	\$ (1.8)	\$ (25.0)	\$ 11.9	\$ (12.3)
Contract services segment	(0.3)	0.6	7.3	(0.9)
Gross profit (loss)	<u>\$ (2.1)</u>	<u>\$ (24.4)</u>	<u>\$ 19.2</u>	<u>\$ (13.2)</u>

## **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 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 low-enriched uranium ("LEU") for commercial nuclear power plants. 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. 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. Centrus is a leader in the development of advanced uranium enrichment technology and is performing research and development work to support U.S. energy and national security.

As a long-term supplier of LEU to our customers, our goal is to provide value through the reliability and diversity of our supply sources. We provide LEU from multiple sources including our inventory, long- and mid-term supply contracts and spot purchases. Our long-term objective is to resume commercial enrichment production and we are exploring alternative approaches to that end.

We have a contract with UT-Battelle, LLC ("UT-Battelle"), the operator of Oak Ridge National Laboratory ("ORNL"), to conduct research and development of our advanced centrifuge technology for the U.S. government. We believe that this technology could play a critical role in meeting our national and energy security needs and achieving our nation's non-proliferation objectives.

The nuclear industry in general, and the nuclear fuel industry in particular, is in a period of significant change, which could significantly transform the competitive landscape Centrus faces. The nuclear fuel cycle industry remains oversupplied, creating downward pressures on commodity 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 may seek to adjust our cost structure and operations and evaluate opportunities to grow our business organically or through acquisitions and other strategic transactions. From time to time we may consider potential strategic transactions, which include acquisitions and/or dispositions of businesses or assets, 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.

## Business Segments

Centrus has two reportable segments: the LEU segment with two components, separative work units (“SWU”) and uranium, and the contract services segment.

### LEU Segment

#### *Revenue from Sales of SWU and Uranium*

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.

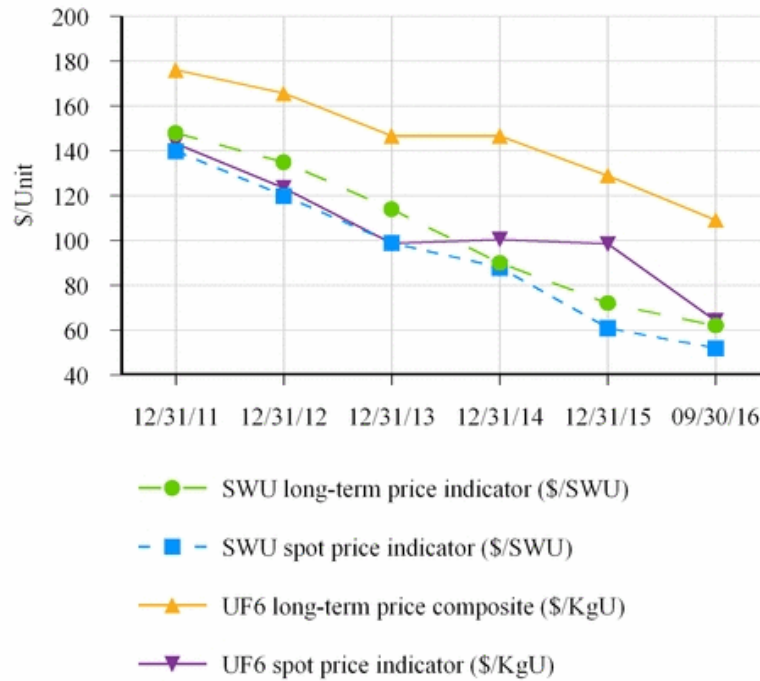
The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting 41% of revenue from our LEU segment in 2015. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers 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. Customer demand is affected by, among other things, electricity markets, reactor operations, maintenance and the timing of refueling outages. Utilities typically schedule the shutdown of their reactors for refueling to coincide with the low electricity demand periods of spring and fall. Thus, some reactors are scheduled for annual or two-year refuelings in the spring or fall, or for 18-month cycles alternating between both seasons. Customer payments for the SWU component of LEU historically average approximately \$15 million to \$20 million per order. As a result, a relatively small change in the timing of customer orders for LEU due to a change in a customer’s refueling schedule may cause operating results to be substantially above or below expectations.

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 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



Our contracts with customers and suppliers 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.

#### *Cost of Sales for SWU and Uranium*

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.

#### **Contract Services Segment**

The contract services segment includes revenue and cost of sales for American Centrifuge work we perform as a contractor to UT-Battelle. Spending levels to perform the contract work are consistent with the funding levels. Centrus records an unbilled receivable and revenue based on the progress towards the achievement of monthly deliverables. Monthly reports and invoices affirming the achievement of monthly deliverables are submitted shortly following each month. The achievement of monthly deliverables has resulted in revenue consistent with the funding levels. The contract services segment also includes limited services provided by Centrus to DOE and its contractors at the Piketon facility.

## *American Centrifuge*

The Company has 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.

In September 2015, Centrus completed a successful three-year demonstration of the existing American Centrifuge technology at its facility in Piketon, Ohio, with 120 machines linked together in a cascade to simulate industrial operating conditions. Since then our government contracts with UT-Battelle have provided for continued engineering and testing work on the American Centrifuge technology at the Company's facilities in Oak Ridge, Tennessee. We entered into a new contract with UT-Battelle on September 19, 2016, valued at approximately \$25 million for the period from October 1, 2016, through September 30, 2017 (the "2017 ORNL Contract"). The 2017 ORNL Contract provides for payments for monthly reports of approximately \$2.0 million per month and additional aggregate payments of \$1.0 million based on completion of certain milestones. The 2017 ORNL Contract is currently being funded incrementally. Funding for the program is provided to UT-Battelle by the federal government which is currently operating under a continuing resolution.

The contract with UT-Battelle that ended September 30, 2016 (the "2016 ORNL Contract"), was a firm, fixed-price contract that provided for payments for monthly reports of approximately \$2.7 million per month. The amount of funding under the 2016 ORNL Contract decreased from approximately \$6.9 million per month received under contract for the government fiscal year that ended September 30, 2015 (the "2015 ORNL Contract").

Although the 2015 ORNL Contract expired September 30, 2015, Centrus continued to perform work at the expected reduced scope as the parties worked toward a successor agreement. The 2016 ORNL Contract, which was signed in March 2016, provided for payment for reports related to work performed since October 1, 2015. *Revenue* in the nine months ended September 30, 2016, includes \$8.1 million for March reports on work performed in the three months ended December 31, 2015, and \$24.2 million for reports on work performed in the nine months ended September 30, 2016. Expenses for contract work performed in the nine months ended September 30, 2016, are included in *Cost of Sales*. Expenses for work performed in the three months ended December 31, 2015, before there was a contract were included in *Advanced Technology Costs* in 2015.

American Centrifuge expenses that are outside of our contracts with UT-Battelle, including ongoing costs related to the demobilized Piketon facility, are included in *Advanced Technology Costs*. In the second quarter of 2016, the Company commenced with the decontamination and decommissioning ("D&D") of the Piketon facility in accordance with the requirements of the U.S. Nuclear Regulatory Commission ("NRC") and the U.S. Department of Energy ("DOE"). For additional details on costs, schedule and accrued liabilities related to the D&D of the Piketon facility, refer to *American Centrifuge - Piketon Facility Costs and D&D Obligations* in *Note 12, Commitments and Contingencies*, of the condensed consolidated financial statements.

## *Site Services Work and Related Receivables*

We formerly performed work under contracts with DOE and its contractors to maintain and prepare the former Portsmouth Gaseous Diffusion Plant (the "Portsmouth GDP") for D&D. In September 2011, our contracts for maintaining the Portsmouth facilities and performing services for DOE at Portsmouth expired and we completed the transition of facilities to DOE's D&D contractor for the Portsmouth site. Additionally, we provided limited services to DOE and its contractors at the Paducah Gaseous Diffusion Plant (the "Paducah GDP") until the leased portions of the Paducah GDP were returned to DOE on October 21, 2014.

There is the potential for additional revenue to be recognized, based on the outcome of DOE reviews and audits, as the result of the release of previously established receivable related reserves. However, uncertainty exists because contract billing periods since June 2002 have not been finalized with DOE, and we have not yet recognized this additional revenue. Certain receivables from DOE are included in other long-term assets based on the extended timeframe expected to resolve claims for payment. Additional details are provided in *Note 4, Receivables* to the condensed consolidated financial statements.

## **2016 Outlook**

We expect to generate approximately 40 percent of our revenue for 2016 in the fourth quarter. We continue to anticipate SWU and uranium revenue in 2016 in a range of \$250 million to \$275 million and total revenue in a range of \$275 million to \$300 million. We anticipate the SWU sales volume for 2016 to be comparable to 2015. We expect to end 2016 with a cash and cash equivalents balance in a range of \$200 million to \$250 million.

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. Factors that could affect our results include the following:

- 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, including discussions with the Pension Benefit Guaranty Corporation (“PBGC”);
- Potential use of cash to manage our capital structure; and
- Additional costs for American Centrifuge demobilization; decontamination and decommissioning of the Company’s facility in Ohio.

## Results of Operations

### Segment Information

We have two reportable segments measured and presented through the gross profit line of our income statement: the LEU segment with two components, SWU and uranium, and the contract services segment. There were no intersegment sales in the periods presented.

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 September 30,		Change	%
	2016	2015		
<b>LEU segment</b>				
Revenue:				
SWU revenue	\$ 14.1	\$ 8.8	\$ 5.3	60 %
Uranium revenue	—	—	—	— %
Total	14.1	8.8	5.3	60 %
Cost of sales	15.9	33.8	17.9	53 %
Gross profit (loss)	\$ (1.8)	\$ (25.0)	\$ 23.2	93 %
<b>Contract services segment</b>				
Revenue	\$ 7.3	\$ 20.4	\$ (13.1)	(64)%
Cost of sales	7.6	19.8	12.2	62 %
Gross profit (loss)	\$ (0.3)	\$ 0.6	\$ (0.9)	(150)%
<b>Total</b>				
Revenue	\$ 21.4	\$ 29.2	\$ (7.8)	(27)%
Cost of sales	23.5	53.6	30.1	56 %
Gross profit (loss)	\$ (2.1)	\$ (24.4)	\$ 22.3	91 %

	Nine Months Ended September 30,		Change	%
	2016	2015		
<b>LEU segment</b>				
Revenue:				
SWU revenue	\$ 128.3	\$ 154.6	\$ (26.3)	(17)%
Uranium revenue	14.3	43.2	(28.9)	(67)%
Total	142.6	197.8	(55.2)	(28)%
Cost of sales	130.7	210.1	79.4	38 %
Gross profit (loss)	\$ 11.9	\$ (12.3)	\$ 24.2	197 %
<b>Contract services segment</b>				
Revenue	\$ 32.2	\$ 62.5	\$ (30.3)	(48)%
Cost of sales	24.9	63.4	38.5	61 %
Gross profit (loss)	\$ 7.3	\$ (0.9)	\$ 8.2	911 %
<b>Total</b>				
Revenue	\$ 174.8	\$ 260.3	\$ (85.5)	(33)%
Cost of sales	155.6	273.5	117.9	43 %
Gross profit (loss)	\$ 19.2	\$ (13.2)	\$ 32.4	245 %

### Revenue

Revenue from the LEU segment increased \$5.3 million (or 60%) in the three months ended September 30, 2016, compared to the corresponding period in 2015. The volume of SWU sales increased 25%, reflecting the variability in timing of utility customer orders. The average price billed to customers for sales of SWU increased 32%, reflecting the particular contracts under which SWU were sold during the periods.

Revenue from the LEU segment declined \$55.2 million (or 28%) in the nine months ended September 30, 2016, compared to the corresponding period in 2015. The volume of SWU sales declined 10%, reflecting the variability in timing of utility customer orders. For the full year, the SWU sales volume for 2016 is expected to be comparable to 2015. The average price billed to customers for sales of SWU declined 6%, reflecting the particular contracts under which SWU were sold during the periods and the trend of lower SWU market prices in recent years. The average SWU price for the full year 2016 is expected to be lower than 2015. The volume of uranium sales declined 79% in the nine-month period and the average sales price increased 54%, reflecting the particular contracts under which uranium was sold during the periods.

Revenue from the contract services segment declined \$13.1 million (or 64%) in the three months and \$30.3 million (or 48%) in the nine months ended September 30, 2016, compared to the corresponding periods in 2015. The reduced scope of contract work for American Centrifuge technology services resulted in declines of \$12.7 million in the three-month period and \$38.3 million in the nine-month period. In the nine-month period, the decline was partially offset by \$8.1 million in revenue for March reports on work performed in the fourth quarter of 2015. As a result of the contract signed with UT-Battelle in March 2016, revenue in the nine months ended September 30, 2016, includes \$24.2 million for reports on work performed in the nine months ended September 30, 2016, as well as \$8.1 million for work in the fourth quarter of 2015.

### Cost of Sales

Our inventories are valued at the lower of cost or net realizable value. Valuation adjustments for our uranium inventory of \$3.0 million were charged to cost of sales in the nine months ended September 30, 2016, including \$2.3 million in the third quarter, to reflect declines in uranium market price indicators.

Lump-sum pension payments to former employees in the first nine months of 2015 resulted in the remeasurement of pension obligations under the Retirement Program Plan for Employees of United States Enrichment Corporation and direct charges to cost of sales of \$21.6 million in both the three and nine months ended September 30, 2015. Refer to *Impact of Legacy Costs* below for a summary of costs related to benefits for former GDP employees and other residual costs related to the Paducah GDP.

Excluding the charges for the pension remeasurement and uranium valuation described above, cost of sales for the LEU segment increased \$1.4 million (or 11%) in the three-month period, primarily due to the increase in SWU delivery volumes partially offset by a 13% decline in the average cost of sales per SWU.

Excluding the charges described above, cost of sales for the LEU segment declined \$60.8 million (or 32%) in the nine-month period, primarily due to lower SWU and uranium sales volumes and a 13% decline in the average cost of sales per SWU. The declines in cost of sales per SWU reflect declines in our purchase costs per SWU in recent periods.

Cost of sales for the contract services segment declined \$12.2 million (or 62%) in the three months and \$38.5 million (or 61%) in the nine months ended September 30, 2016, compared to the corresponding periods in 2015, consistent with the declines in contract services revenue. Revenue in the nine months ended September 30, 2016, includes a billing for March reports on work performed in the fourth quarter of 2015. Related expenses were included in *Advanced Technology Costs* in 2015 as they were incurred before a contract was in place.

#### *Gross Profit (Loss)*

We recorded a gross loss of \$2.1 million in the three months ended September 30, 2016, an improvement of \$22.3 million compared to the gross loss of \$24.4 million in the corresponding period in 2015. We recorded an improvement of \$23.2 million for the LEU segment in the three-month period, primarily due to the remeasurement of pension obligations that resulted in a charge to cost of sales of \$21.6 million in the corresponding period in 2015. SWU volumes and prices were higher in the current three-month period, and our SWU costs per unit were lower. Partially offsetting these favorable impacts was the \$2.3 million uranium valuation adjustment charge in the current period.

We recorded a gross profit of \$19.2 million in the nine months ended September 30, 2016, an improvement of \$32.4 million compared to the gross loss of \$13.2 million in the corresponding period in 2015. The gross profit in the current period includes \$8.1 million in revenue under the March 2016 UT-Battelle contract for reports on work performed and expensed in the fourth quarter of 2015 before there was a contract. Our gross profit (loss) for the LEU segment improved \$24.2 million in the nine-month period primarily due to the \$21.6 million pension remeasurement charge in the corresponding period in 2015. Our SWU costs per unit were lower in the current nine-month period, partially offset by lower SWU and uranium sales volumes, lower average SWU sales prices and \$3.0 million in uranium valuation adjustment charges.

### ***Impact of Legacy Costs***

The Company 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 and other residual costs related to the Paducah GDP. These legacy costs are distinct from the Company's 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):

	Nine Months Ended September 30,	
	2016	2015
<b>LEU segment (GAAP)</b>		
Gross profit (loss)	\$ 11.9	\$ (12.3)
Gross margin	8.3%	(6.2)%
Legacy costs included in cost of sales:		
Pension and postretirement health and life benefits (a)	\$ 3.2	\$ 21.4
Disability obligations and other (b)	3.9	0.2
Legacy costs	\$ 7.1	\$ 21.6
<b>LEU segment excluding legacy costs (Non-GAAP)</b>		
Gross profit excluding legacy costs	\$ 19.0	\$ 9.3
Gross margin excluding legacy costs	13.3%	4.7%

- (a) Costs for pension and postretirement health and life benefits are affected by actuarial assumptions and other factors. Lump-sum pension payments to former employees in the nine months ended September 30, 2015, resulted in the remeasurement of pension obligations and a charge to cost of sales of \$21.6 million.
- (b) Costs for disability payment obligations increased \$2.7 million in the nine months ended September 30, 2016, compared to the corresponding period in 2015, due to disability status changes and other factors related to the fixed population receiving benefits.

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 September 30,		Change	%
	2016	2015		
Gross profit (loss)	\$ (2.1)	\$ (24.4)	\$ 22.3	91 %
Advanced technology costs	21.9	1.9	(20.0)	(1,053)%
Selling, general and administrative	10.7	13.5	2.8	21 %
Amortization of intangible assets	1.7	1.1	(0.6)	(55)%
Special charges for workforce reductions and advisory costs	0.6	9.8	9.2	94 %
Gains on sales of assets	(0.3)	(0.3)	—	— %
Operating loss	(36.7)	(50.4)	13.7	27 %
Interest expense	4.7	4.8	0.1	2 %
Interest (income)	(0.1)	(0.1)	—	— %
Loss before income taxes	(41.3)	(55.1)	13.8	25 %
Provision (benefit) for income taxes	—	—	—	— %
Net loss	\$ (41.3)	\$ (55.1)	\$ 13.8	25 %

	Nine Months Ended September 30,		Change	%
	2016	2015		
Gross profit (loss)	\$ 19.2	\$ (13.2)	\$ 32.4	245 %
Advanced technology costs	38.6	7.7	(30.9)	(401)%
Selling, general and administrative	34.6	32.1	(2.5)	(8)%
Amortization of intangible assets	7.6	7.1	(0.5)	(7)%
Special charges for workforce reductions and advisory costs	1.2	13.3	12.1	91 %
Gains on sales of assets	(1.0)	(1.8)	(0.8)	(44)%
Operating loss	(61.8)	(71.6)	9.8	14 %
Gain on early extinguishment of debt	(16.7)	—	16.7	— %
Interest expense	14.8	14.6	(0.2)	(1)%
Interest (income)	(0.5)	(0.3)	0.2	67 %
Loss before income taxes	(59.4)	(85.9)	26.5	31 %
Provision (benefit) for income taxes	(0.6)	(0.3)	0.3	100 %
Net loss	\$ (58.8)	\$ (85.6)	\$ 26.8	31 %

### Advanced Technology Costs

Advanced technology costs consist of American Centrifuge expenses that are outside of our contracts with UT-Battelle. Costs increased \$20.0 million in the three months and \$30.9 million in the nine months ended September 30, 2016, compared to the corresponding periods in 2015, as the Piketon demonstration facility is no longer under contract effective October 1, 2015, and is now undergoing decontamination and decommissioning (“D&D”). Charges to advanced technology costs in the three and nine months ended September 30, 2016, include approximately \$15 million to increase the accrued D&D liability based on updated cost estimates that reflect



changes in the approach and anticipated timeframe over which the work will be conducted. For additional details on costs, schedule and accrued liabilities related to the D&D of the Piketon facility, refer to *American Centrifuge - Piketon Facility Costs and D&D Obligations* in *Note 12, Commitments and Contingencies*, of the condensed consolidated financial statements.

#### *Selling, General and Administrative*

Selling, general and administrative (“SG&A”) expenses declined \$2.8 million in the three months ended September 30, 2016, compared to the corresponding period in 2015. SG&A expenses in the three months ended September 30, 2015, included a loss of \$3.2 million resulting from the remeasurement of pension obligations under the Employees’ Retirement Plan of Centrus Energy Corp. and the non-qualified supplemental executive pension plans. Consulting costs increased \$0.4 million in the three months ended September 30, 2016, compared to the corresponding period in 2015.

SG&A expenses increased \$2.5 million in the nine months ended September 30, 2016, compared to the corresponding period in 2015, of which \$1.5 million relates to remeasurements of pension obligations. A remeasurement in the second quarter of 2016 resulted in a loss of \$0.8 million and remeasurements in 2015 resulted in a net gain of \$0.7 million over the nine-month period. The losses and gain are mainly attributable to changes in market interest rates used to measure long-term pension obligations. Details are provided in *Note 10, Pension and Postretirement Health and Life Benefits*, of the condensed consolidated financial statements.

Excluding the effects of the pension obligation remeasurements, SG&A expenses increased \$1.0 million (or 3%) in the nine months ended September 30, 2016, compared to the corresponding period in 2015. Overhead costs allocated to SG&A increased \$1.3 million in the nine-month period, as less overhead costs are allocated to the reduced scope of work under our contract with UT-Battelle. Consulting costs increased \$1.0 million in the nine-month period for work related to business development, our debt repurchases and our qualified pension plans. Other SG&A expenses, including for office leases, supplies and other, declined \$1.3 million in the nine-month period compared to the prior year.

#### *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 increased in the three and nine months ended September 30, 2016, compared to the corresponding periods in 2015. Amortization expense for the intangible asset related to customer relationships is amortized on a straight-line basis.

#### *Special Charges for Workforce Reductions and Advisory Costs*

In the second quarter of 2016, the Company commenced a project to align its corporate structure to the scale of its ongoing business operations and to update related information technology. The company incurred advisory costs related to the reengineering project of \$0.3 million in the three months and \$0.8 million in the nine months ended September 30, 2016. In addition, special charges in the three and nine months ended September 30, 2016, included termination benefits of \$0.3 million related to a voluntary workforce reduction.

The cessation of enrichment at the Paducah GDP and evolving business needs have resulted in workforce reductions since July 2013. In the three and nine months ended September 30, 2015, special charges consisted of termination benefits of \$1.1 million and \$4.9 million, respectively, less amounts paid by the Company and invoiced to DOE of \$0.2 million in the three-month period and \$2.4 million in the nine-month period.

### *Gain on Early Extinguishment of Debt*

In June 2016, we repurchased PIK Toggle Notes having an aggregate principal and accrued interest balance of \$26.6 million for cash payments of \$9.8 million. The gain on the early extinguishment of the notes was \$16.7 million, net of commissions and unamortized deferred financing costs totaling \$0.1 million.

### *Provision (Benefit) for Income Taxes*

There was no income tax provision for the three months and there was an income tax benefit of \$0.6 million for the nine months ended September 30, 2016. There was no income tax provision for the three months, and there was an income tax benefit of \$0.3 million for the nine months ended September 30, 2015. The income tax benefit in both nine-month periods resulted from discrete items for reversals of previously accrued amounts associated with liabilities for unrecognized benefits.

Because there is a full valuation allowance against deferred tax assets, pretax losses in continuing operations, and losses in Other Comprehensive Income, there was no income tax provision for the nine months ended September 30, 2016, and 2015, although there were income tax benefits resulting from discrete items.

### *Net Loss*

Our net loss was \$41.3 million in the three months ended September 30, 2016, and \$55.1 million in the three months ended September 30, 2015. The favorable variance of \$13.8 million is the result of an increase in gross profit, primarily due to the \$21.6 million charge in the prior period related to the remeasurement of pension obligations, and a decline in special charges. Partially offsetting the favorable variance was an increase in advanced technology costs related to the demobilized Piketon facility.

Our net loss was \$58.8 million in the nine months ended September 30, 2016, and \$85.6 million in the nine months ended September 30, 2015. The favorable variance of \$26.8 million is the result of an increase in gross profit, primarily due to the \$21.6 million charge in the prior period related to the remeasurement of pension obligations and the \$8.1 million in billings for March 2016 reports on technology services work performed and expensed in the fourth quarter of 2015. Other favorable factors were the gain on the early extinguishment of debt and a decline in special charges. Partially offsetting the favorable variance was an increase in advanced technology costs related to the demobilized Piketon facility.

## Liquidity and Capital Resources

We ended the third quarter of 2016 with a consolidated cash balance of \$170.8 million. We anticipate having adequate liquidity to support our business operations for at least the next 12 months. Our view of liquidity is dependent on our operations and the level of expenditures and government funding for the American Centrifuge program. Liquidity requirements for our existing operations are affected by the timing and amount of customer sales and our inventory purchases.

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 United States Enrichment Corporation ("Enrichment Corp.") to Centrus and its 100% indirectly owned subsidiary American Centrifuge Operating, LLC pursuant to two secured intercompany financing notes (the "Intercompany 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 demobilization costs and contract termination costs resulting from reductions in scope of work, and general corporate expenses, including cash interest payments on our 8% paid-in-kind ("PIK") toggle notes ("PIK Toggle Notes"). The Company has the option to pay up to 5.5% per annum of interest due on the PIK Toggle Notes in the form of PIK payments. For payments in 2016 and through the semi-annual interest period ending March 31, 2017, the Company has elected to pay interest in the form of PIK payments at 5.5% per annum.

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

We believe our sales order book in our LEU segment is a source of stability for our liquidity position. Centrus' sales order book extends for more than a decade. Although we see limited uncommitted demand for LEU prior to the end of the decade based on current market conditions, we continue to seek and make additional sales, including sales for delivery during that time period.

In September 2015, 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 is now limited to research and development work at our facilities in Oak Ridge, Tennessee. We notified our American Centrifuge employees in September 2015 of possible layoffs as a result of reduced program funding and incurred special charges of \$8.8 million for estimated employee termination benefits, consisting primarily of payments under its pre-existing severance plan. Workforce reductions commenced in the fourth quarter of 2015. We expect to make payments of \$5.6 million for remaining workforce reductions through 2019.

Centrus began to incur expenditures in the second quarter of 2016 associated with the D&D of the Piketon facility in accordance with the requirements of the NRC and DOE. Remaining costs to perform the D&D work are estimated to be within a range of \$38.9 million to \$49.4 million based on updated cost estimates that reflect changes in the approach and anticipated timeframe over which the work will be conducted, as described below. As of September 30, 2016, Centrus has accrued \$38.9 million on the balance sheet as *Decontamination and Decommissioning Obligations*, of which \$28.3 million is classified as current and \$10.6 million is classified as long-term. The Company has experienced delays in obtaining the necessary regulatory approvals and therefore implementing the D&D process has been delayed. We are working to finalize contractual and regulatory arrangements for the disposition of materials. As a result of the delays experienced in obtaining regulatory approvals, we have revised our schedule and approach to completing D&D in order to minimize the impact of such delays and to mitigate future cost and schedule risk. The D&D work is expected to extend through 2018.

In addition to expenditures for workforce reductions and D&D, we anticipate that we will incur ongoing support costs of approximately \$5 million per quarter to maintain the facilities at Piketon and our NRC licenses at that location through the completion of D&D.

Centrus has previously provided financial assurance to the NRC and DOE for D&D and lease turnover costs in the form of surety bonds of approximately \$16 million and \$13 million, respectively, which are fully cash collateralized by Centrus. Centrus expects to receive cash when surety bonds are reduced and/or cancelled as the Company fulfills its D&D and lease obligations. The Company has not made a decision on lease turnover and is continuing to evaluate future uses for the site.

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.

Refer below to *Defined Benefit Plan Funding* regarding our discussions with the PBGC and its financial advisor on the status of our qualified defined benefit plans.

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

	Nine Months Ended September 30,	
	2016	2015
Cash used in operating activities	\$ (51.9)	\$ (45.1)
Cash (used in) provided by investing activities	(1.5)	6.6
Cash used in financing activities	(9.8)	—
<b>Decrease in cash and cash equivalents</b>	<b>\$ (63.2)</b>	<b>\$ (38.5)</b>

#### *Operating Activities*

The net reduction of \$68.9 million in the SWU purchase payables balance, due to the timing of purchase deliveries, was a significant use of cash in the nine months ended September 30, 2016. American Centrifuge expenses have been a major use of cash, including demobilization expenses and D&D expenditures. Sources of cash included the monetization of inventory purchased in prior periods. Inventories declined \$45.8 million in the quarter. In addition, accounts receivable declined \$18.4 million due to collections from customers in the nine-month period without increased sales and billings. The net loss of \$58.8 million in the nine months ended September 30, 2016, net of non-cash expenses, was a use of cash.

In the corresponding period in 2015, monetization of inventory provided cash as inventories declined \$114.9 million due to sales deliveries exceeding product received under SWU purchase agreements. In addition, accounts receivable declined \$39.0 million due to collections from customers in the nine-month period without increased sales and billings. The net reduction of the SWU purchase payables balance of \$131.7 million, due to the timing of purchase deliveries, was a significant use of cash in the nine-month period. The net loss of \$85.6 million in the nine months ended September 30, 2015, net of non-cash expenses, was a use of cash.

#### *Investing Activities*

Capital expenditures totaled \$3.0 million in the nine months ended September 30, 2016, including leasehold improvements of \$1.7 million that were funded by the owner of the Company's corporate headquarters. The Company funded leasehold improvements and furniture totaling \$1.3 million. There were no significant capital expenditures in the corresponding period of 2015. Cash collateral deposits decreased \$0.3 million in the nine months ended September 30, 2016, and \$5.0 million in the corresponding period of 2015, commensurate with declines in surety bonds required for waste disposition.

### *Financing Activities*

In June 2016, Centrus repurchased PIK Toggle Notes having an aggregate principal balance of \$26.1 million and accrued interest payable balance of \$0.5 million for cash payments of \$9.8 million.

### *Working Capital*

	September 30, 2016	December 31, 2015
	(in millions)	
Cash and cash equivalents	\$ 170.8	\$ 234.0
Accounts receivable	7.9	26.5
Inventories, net	163.6	212.4
Other current assets and liabilities, net	(86.9)	(165.2)
Working capital	<u>\$ 255.4</u>	<u>\$ 307.7</u>

We had been engaged in discussions with the PBGC regarding the status of our qualified defined benefit pension plans. Refer to *Note 12, Commitments and Contingencies* to the condensed consolidated financial statements for more information about these discussions.

### *Capital Structure and Financial Resources*

Our debt consists of PIK Toggle Notes with a principal amount of \$234.6 million as of September 30, 2016, and \$247.6 million as of December 31, 2015. In June 2016, we repurchased some of the PIK Toggle Notes pursuant to a pre-arranged trading plan. We made cash payments of \$9.8 million for PIK Toggle Notes having an aggregate principal balance of \$26.1 million and accrued interest payable balance of \$0.5 million. The gain on the early extinguishment of the PIK Toggle Notes was \$16.7 million, net of commissions and unamortized deferred financing costs totaling \$0.1 million. Additional details on the PIK Toggle Notes and the pre-arranged trading plan are provided in *Note 8, Debt*, to the 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 considering and from time to time may consider strategic acquisitions and other opportunities, which at any given time, may be in various stages of discussions, diligence or negotiation with respect to a number of potential acquisitions. 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 the indenture. The Company continually evaluates alternatives to manage our capital structure, and may opportunistically repurchase, exchange or redeem the PIK Toggle Notes or other Company securities from time to time, even in the absence of any agreement with the PBGC.

### *NYSE MKT Listing Standards Notice*

On November 17, 2015, we received notice from the NYSE MKT LLC (the “NYSE MKT”) indicating that the Company is not in compliance with Sections 1003(a)(i) and (ii) of the NYSE MKT’s Company Guide since the Company reported a stockholders’ deficit as of September 30, 2015, and net losses in its fiscal years ended December 31, 2011, 2012 and 2013. We submitted a plan to regain compliance with the NYSE MKT’s continued listing standards and the NYSE MKT notified us in January 2016 that it accepted our plan. With the NYSE MKT’s acceptance of the plan, we have until May 17, 2017, to regain compliance. If the Company is not in compliance with the continued listing standards by May 17, 2017, or if the Company does not make progress consistent with the plan, the NYSE MKT may initiate delisting procedures as appropriate. In the meantime, our common stock will continue to be traded on the NYSE MKT, subject to ongoing monitoring by the NYSE MKT and our compliance with all other applicable NYSE MKT requirements.

### *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 fiscal year ended December 31, 2015, there were no material off-balance sheet arrangements, obligations, or other relationships at September 30, 2016, or December 31, 2015.

### **New Accounting Standards Not Yet Implemented**

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

### **Item 3. *Quantitative and Qualitative Disclosures about Market Risk***

At September 30, 2016, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables under SWU purchase agreements approximate fair value because of the short-term nature of the instruments.

We have not entered into financial instruments for trading purposes. At September 30, 2016, our debt consisted of the PIK Toggle Notes with a principal amount of \$234.6 million. The estimated fair value of the PIK Toggle Notes was \$103.6 million based on the most recent trading price as of September 30, 2016.

### **Item 4. *Controls and Procedures***

#### *Disclosure Controls and Procedures*

Centrus maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by Centrus in reports it files or submits under the Securities Exchange Act of 1934 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 disclosure.

As of the end of the period covered by this report, Centrus carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of, this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that 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 September 30, 2016, 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 fiscal year ended December 31, 2015.

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 fiscal year ended December 31, 2015.

### **Item 6. *Exhibits***

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report and such Exhibit Index is incorporated herein by reference. The accompanying Exhibit Index identifies each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.





## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Letter Agreement, dated August 1, 2016, by and between Joint Stock Company “TENEX” and United States Enrichment Corporation. (a) (Certain information has been omitted and filed separately pursuant to confidential treatment under Rule 24b-2)
10.2	Subcontract No. 4000149426 issued by UT-Battelle, LLC acting under contract DE-AC05-00OR22725 with the U.S. Department of Energy, listing American Centrifuge Operating LLC as Seller for U.S. Centrifuge Technology Advancement, dated September 19, 2016. (a)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended. (a)
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended. (a)
32.1	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350. (b)
101	Condensed consolidated financial statements from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed in interactive data file (XBRL) format.

- (a) Filed herewith.
- (b) Furnished herewith.

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.

**Business Proprietary Confidential Information**

**United States Enrichment Corporation**

A Centrus Energy Corp. Subsidiary

August 1, 2016

Business Confidential Proprietary Information

Mr. Sergey I. Polgorodnik  
First Deputy General Director  
Joint Stock Company "TENEX"  
28, bld. 3, Ozerkovskaya nab.  
Moscow , 115484, Russia

Re: Enriched Product Transitional Supply Contract, dated March 23, 2011, between Joint Stock Company "TENEX" ("TENEX") and United States Enrichment Corporation ("USEC"), TENEX Contract No. 08843672/110033-051, USEC Contract No. EC-SC01-11-UE-03127 (the "TSC")

Dear Mr. Polgorodnik:

United States Enrichment Corporation ("USEC") proposes that, by execution of this letter agreement, Joint Stock Company "Techsnabexport" ("TENEX") and USEC hereby agree that notwithstanding any provision of the TSC:

1. Subject to paragraph 4 below USEC shall have the option to Deliver up to \*\*\*\*\* of Related Natural Uranium (the "Deferred Amount") up to \*\*\*\*\* beyond the applicable Feed Delivery Deadline and Feed Deadline Date in Section 7.03(a) (the "Extension Period") for one or more Deliveries \*\*\*\*\*

(a) \*\*\*\*\*

(b) \*\*\*\*\*

(c) \*\*\*\*\*

(d) \*\*\*\*\*

\*\*\*\*\*

2. The above option may be exercised for multiple Deliveries of Related Natural Uranium, provided (a) the total Deferred Amount outstanding at any time shall not exceed the amount permitted in Paragraph 1 above \*\*\*\*\*

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3. \*\*\*\*\*

4. \*\*\*\*\*

5. To elect the \*\*\*\*\* USEC shall notify TENEX of its election not less than \*\*\*\*\*

6. For any period during which \*\*\*\*\* USEC will provide to TENEX a monthly report with available information about the \*\*\*\*\* . An obligation to \*\*\*\*\*.

This letter agreement supplements the TSC and unless it expressly states that it applies notwithstanding a contrary provision of the TSC, this letter agreement shall control to the extent that it is not consistent with an express term of the TSC. All capitalized terms not defined in this letter agreement shall have the meanings ascribed to such terms under the TSC.

Please indicate your agreement to all of the above by signing on behalf of TENEX in the space provided below. This letter agreement shall be effective as of the first date by that TENEX and USEC have signed in the space provided. The letter agreement may be signed in counterparts and delivered by any of the means permitted by Section 16.01 of the TSC, including by electronic mail in Adobe portable document format (.pdf) to the electronic mail addresses in Section 16.01. A counterpart document (including in .pdf format) signed by a Party shall constitute an original and all such signed counterparts assembled together shall constitute a fully executed agreement.

Sincerely,

/s/ Elmer W. Dyke

Elmer W. Dyke

Signed on behalf of the Joint Stock Company "TENEX"

/s/ Sergey I. Polgorodnik  
(signature)

Sergey I. Polgorodnik  
(name)

Acting General Director  
(title)

August 2<sup>nd</sup> 2016  
(date)



UT-Battelle, LLC  
 Acting under contract DE-AC05-00OR22725  
 With the U.S. Department of Energy  
 Internet: <http://www.ornl.gov/admin/contracts/index.shtml>

**Subcontract**

Section A - Agreement Form					
1. Subcontract Number: 4000148426		2. Solicitation Number: 6400014408		3. Type of Subcontract: Firm Fixed Price Subcontract	
4a. Subcontract Administrator: Lisa Cobb					
4b. Email Address: COBLL@ORNL.GOV			4c. Telephone: 865-576-5470		4d. Fax: 865-241-5557
5. Issued By: UT-Battelle, LLC c/o Oak Ridge National Laboratory P.O. BOX 2008, BLDG. 5300 OAK RIDGE, TN 37831-6050			6. Submit Invoices To: UT-Battelle, LLC - Accounts Payable Email pdf file to ornlap@ornl.gov or Fax to 865-241-1080		
7. Name and Address of Seller Seller Number: 219986 Attn: CHARLES KERNER AMERICAN CENTRIFUGE OPERATING LLC 6901 ROCKLEDGE DR STE 800 BETHESDA MD 20817-1867			8. Ship To: UT Battelle, LLC for the Dept. of Energy c/o Oak Ridge National Laboratory 1 Bethel Valley Road, Bldg 7120 Oak Ridge TN 37830  Show subcontract number on all packages, BA., and, if required, invoices.		
9. TABLE OF CONTENTS					
(X)	Sec.	Description	(X)	Sec.	Description
X	A	Agreement Form	X	F	Performance Period and Payment Information
X	B	Supplies or Services and Prices/Costs	X	G	General Provisions
X	C	Specifications/Statement of Work	X	H	Special Provisions
	D	Delivery, Shipping, Packaging	X	I	List of Attachments
	E	Inspection and Acceptance			
10. Brief Description of Supplies or Services: Centrifuge R&D					
11. Total Amount of Subcontract: \$ 24,893,271.00					
12. Seller's Agreement. Seller agrees to furnish and deliver the items or perform services to the extent stated in this document for the consideration stated in this subcontract. The rights and obligations of the parties to this subcontract are subject to and governed by this document and any documents attached or incorporated by reference.			13. Award. UT-Battelle, LLC (Company) agrees to award this Subcontract to Seller. The rights and obligations of the parties to this Subcontract are subject to and governed by this document and any documents attached or incorporated by reference.		
<input type="checkbox"/> Seller is required to sign and return a copy of this document. (Checked if applicable)			UT-Battelle, LLC		
A. Signature of person authorized to sign for Seller 			A. Signature of person authorized to sign 		
B. Name of signer Charles Kerner			B. Name of signer J. Scott Branham		
C. Title of signer Director, Procurement & Contracts			C. Title of signer Chief Financial Officer		
D. Date 9/19/2016			D. Date 9/15/16		



UT-Battelle, LLC  
Acting under contract DE-AC05-00OR22725  
With the U.S. Department of Energy  
Internet: <http://www.ornl.gov/adm/contracts/index.shtml>

**Subcontract**  
4000149426

**Section B - Supplies or Services and Prices/Costs**

B.1. Line Item Description. The Seller shall provide all necessary materials, labor, equipment, and facilities (except as specified herein to be furnished by the Company) necessary for the satisfactory and timely performance of the following subcontract line items.

Item	Material/Description	Quantity	Unit	Deliver by	Unit Price	Extended Price*
1	Centrifuge Research & Development Milestone #1 - Summary Report for October 2016 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements).	1.00	JOB	09/30/2017	\$ 1,991,105.00	\$ 1,991,105.00

**B.1 Description**

The Seller shall provide all necessary materials, labor, equipment, and facilities (except as specified herein to be furnished by the Company) necessary for the satisfactory and timely performance of the work described in Section C.

**B.2 Total Price**

The total fixed price of this Agreement is \$24,893,271.

**B.3 Incremental Funding**

This Agreement is incrementally funded. The clause, Limitation of Company's Obligation is incorporated in Section H.



## Section C - Specifications/Statement of Work

Statement of Work  
Centrifuge Research and Development Tasks  
August 23, 2016

### Research and Development Tasks

#### Task 1 - Development of Machine Startup Protocols

Develop and produce procedures and operational protocols for drying rotors and the pre-operational cleaning and treatment of AC-100 centrifuges. Also, develop means for reconditioning used rotor parts. Perform full-scale effectiveness testing of drying, pre-cleaning, and reconditioning procedures. Provide, in the monthly reports, detailed schedule, milestone performance, and accomplishment information.

#### Task 2 - Development and testing of Machine Performance Issue solutions

Perform technical analyses to test, evaluate, and demonstrate resolution, using the latest information, the proposed hardware and process solutions of the machine performance issue identified during historical cascade operations in the Seller's Piketon, Ohio facility. Identify issues, concerns, and/or opportunities for improvement.

For the hardware solution, design, fabricate, install, and test (in a full AC-100 VTM centrifuge) a new design with modified/optimized features. Investigate materials and enhancements for the process solution and test. All testing should be of sufficient time periods, four months or more, to clearly prove the effectiveness of the solutions. Continued testing of the latest generation of molecular pump (developed and tested in FY16) may be conducted, at the Seller's convenience, concurrently with the testing required here. Provide, in the monthly reports, detailed schedule, milestone performance, and accomplishment information.

Any testing requiring fully assembled and operable centrifuges, including the conduct of tests and/or operational evolutions, should be accomplished using AC100 centrifuges at the K-1600 facility. The results of such testing and/or operations shall be documented in a written technical report (see below).

Seller shall be paid a performance based payment in the amount of \$250,000 upon completion of testing to inject tracer gases into a centrifuge operation on flow through and evaluation of the relative distribution of the light gases in the casing, product, and tails. This milestone must meet the requirements of the project plan and must be achieved by March 31, 2017 to receive the payment.

Seller shall be paid a performance based payment in the amount of \$250,000 upon completion of initial testing of the improved component in a gas test stand and completion of 120 days of gas testing using the improved component in a Verification Test Machine to demonstrate reliability. This milestone must meet the requirements of the project plan and must be achieved by September 30, 2017 to receive the payment.



Task 3 - Machine Reliability and Cost Improvements

Seller shall perform several developmental sub-tasks in support of this task.

3.1 Complete design and design documentation for the latest generation of the "Build To Print" (BTP) Machine Drive Unit (MDU).

Seller shall be paid a performance based payment in the amount of \$250,000 upon release of the initial production design package for the BTP MDU. This milestone must meet the requirements of the project plan and must be achieved by **December 31, 2016** to receive the payment.

3.2 Model, build, test, and evaluate new internal hardware for enrichment improvements. Investigate potential design changes that may result in improved machine enrichment performance.

Seller shall be paid a performance based payment in the amount of \$250,000 upon completion of the experimental optimization of an advanced machine design. This milestone must meet the requirements of the project plan and must be achieved by **September 30, 2017** to receive the payment.

3.3 Perform computation fluid dynamics (CFD) model development. Perform technical modeling of machine and cascade behaviors and performance. Using the modeling capabilities, perform engineering analyses to investigate the potential for cost savings, operational improvements, and improved designs. Continue development of a complex, internal flow computation fluid dynamics model.

For each of the above tasks:

Provide written, monthly summary reports (anticipated not to exceed 5-10 pages), including the following elements:

- Regulatory issues or actions
- Listing of failures and problems experienced in any centrifuge or balance of plant equipment and preliminary root cause(s), if any
- Summary table identifying each test stand and operational mode during the month
- Summary table or chart for each scheduled project indicating the following:
  - Schedule performance
  - Forecasted completion date
  - Schedule item completed during the month
  - Issues identified during the month that may impact overall schedule

Provide written, comprehensive quarterly reports on each of the above research and development activity subtasks, which summarize the technical accomplishments achieved during the quarter and proposed accomplishments to be achieved during the next quarter. Each such report should include:

- Total machine-hours operated during the month covered by the report





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Page 5 of 15

**Subcontract**  
4000149426

- Calculated SWU production for each machine (for VTM tests)
- Data from Machine Instrumentation Package (for VTM tests)
- Description, results, and analysis of any off-normal conditions, including:
  - Listing of failures, if any, or any problems experienced in any centrifuge or centrifuge support equipment
  - Potential likely or root causes of any failures and any needed corrective actions will also be identified.
  - An assessment of centrifuge machine, assembly, or component data that evaluates the performance, condition, and reliability (statements of predicted life) of the device tested.
- Description of any Test Stand operation during the month covered by the report and the purpose of the test(s)
- Summary of test, engineering, and corrective actions required for centrifuge issues
- Summary of engineering support required to keep the K-1600 Test Facility operational
- Any regulatory issues and actions
- A Gantt-chart type schedule showing the beginning and end dates of all major activities and projects, including major tasks and sub-tasks and major project elements.

These monthly and quarterly reports will cover the data collected for a calendar month and be due, via classified e-mail or paper copy, to Company by noon (prevailing Eastern Time) of the fifth business day after the end of the calendar month. Quarterly reports will be required following conclusion of the December 2016, March 2017, June 2017 and September 2017 reporting periods. Monthly reports shall not be required for those months when quarterly reports are due.

Company reserves the right to observe and inspect all services performed by Seller under the Statement of Work, including the generation and collection activities at Seller's Oak Ridge facilities. Company will coordinate such site visits in advance with Seller. The technical Points-of-Contact (POCs) will agree to project plan, containing milestones and schedules for each task, prior to execution of the agreement. Achievement of all activities identified in the project plan will be a pre-requisite to final payment.



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Page 6 of 15

**Subcontract**  
4000149426

## Section F - Performance Period and Payment Information

F.1. **Performance Period.** The performance period of this subcontract shall begin on 10/01/2016 and end on 09/30/2017.

F.2. **Payment Terms** The payment terms are Net 30 Days - No discount.

F.3. **Electronic Funds Transfer (EFT).** Electronic Funds Transfer (EFT) expedites payments to subcontractors and is our preferred method of payment. A remittance notification (email or fax) is automatically generated to you at the time of payment. To sign up for EFT, revise your banking information, or contact us to verify your current payment information, visit <http://www.ornl.gov/adm/contracts/eft.shtml>.

F.4. **Vendor Account Status System.** For detailed payment information or inquiries concerning invoices and payments visit the UT-Battelle, LLC Accounts Payable Vendor Status System (VASS) at <http://www.ornl.gov/adm/ap/> or email your questions to [ornlap@ornl.gov](mailto:ornlap@ornl.gov).

### Invoicing:

The Seller shall submit a proper invoice for payment in accordance with the negotiated terms to the address shown in the block titled "Send Invoices To" on the first page of this document. Each invoice shall reflect milestones or services complete and billable under the Agreement and the cumulative amount of all invoices to date. All payments will be made in U.S. Dollars.

### Milestone Payment Schedule:

Milestone payments will be made based on the successful completion of the applicable deliverables shown below and more fully described in the SOW. The Company's sole determination of sufficient progress shall determine acceptance of the deliverables listed in the SOW and will constitute successful completion of the milestone.

Deliverable	Due Date	Amount
Milestone #1 - Summary Report for October 2016 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements).	Fifth business day of November 2016	\$1,991,106
Milestone #2 - Summary Report for November 2016 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements).	Fifth business day of December 2016	\$1,991,106
Milestone #3 - BTP MDU Design Release: Release of the initial production design package for the BTP MDU.	December 31, 2016	\$250,000
Milestone #4 - Comprehensive Report for October 2016 through December 2016 data		



{Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements}. Fifth business day of January 2017  
\$1,991,106

Milestone #5 - Summary Report for January 2017 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of February 2017  
\$1,991,106

Milestone #6 - Summary Report for February 2017 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of March 2017  
\$1,991,106

Milestone #7 - Process Solution: Completion of testing to inject tracer gases into a centrifuge operation on flow through and evaluation of the relative distribution of the light gases in the casing, product, and tails. March 31, 2017  
\$250,000

Milestone #8 - Comprehensive Report for January 2017 through March 2017 data (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of April 2017  
\$1,991,106

Milestone #9 - Summary Report for April 2017 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of May 2017  
\$1,991,106

Milestone #10 - Summary Report for May 2017 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of June 2017  
\$1,991,106

Milestone #11- Comprehensive Report for April 2017 through June 2017 data (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of July 2017  
\$1,991,106

Milestone #12 - Summary Report for July 2017 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of August 2017  
\$1,991,106

Milestone #13 - Summary Report for August 2017 (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of September 2017



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With the U.S. Department of Energy  
Internet: <http://www.ornl.gov/adm/contracts/index.shtml>

Page 8 of 15

**Subcontract**  
4000149426

\$1,991,106

Milestone #14 - Hardware Solution: Completion of initial testing of the improved component in a gas test stand and completion of 120 days of gas testing using the improved component in a Verification Test Machine (VTM) to demonstrate reliability.  
\$250,000 September 30, 2017

Milestone #15 - Performance Testing: Completion of the experimental optimization of an advanced machine design.  
\$250,000 September 30, 2017

Milestone #16 - Comprehensive Report for July 2017 through September 2017 data (Development of Machine Startup Protocols; Development and Testing of Machine Performance Issue Solutions; Machine Reliability and Cost Improvements). Fifth business day of October 2017  
\$1,991,105



UT-Battelle, LLC  
Acting under contract DE-AC05-00OR22725  
With the U.S. Department of Energy  
Internet: <http://www.ornl.gov/adm/contracts/index.shtml>

Page 9 of 15

**Subcontract**  
4000149426

## Section G - General Provisions

NOTE: Standard government forms (SF) mentioned herein are available at <http://www.gsa.gov/forms>. Other forms, clauses, articles, and documents are available at our web site, <http://www.ornl.gov/adm/contracts/documents.shtml>.

### NOTICE:

This contractor and subcontractor shall abide by the requirements of 41 CFR 60-1.4(a) [41 CFR 60-1.4(b) for Construction], 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, sexual orientation, gender identity, or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, protected veteran status or disability.

To the extent applicable, the employee notice requirements set forth in 29 CFR Part 471, Appendix A to Subpart A, are hereby incorporated by reference into this agreement.

Any Representations and Certifications submitted by the Seller that resulted in this document are incorporated by reference.

All articles and documents incorporated by reference, including those made a part of General Provisions, apply as if they were set forth in their entirety.

General Terms and Conditions - Fixed Price (FP January 26, 2016)

### DO NOT INCLUDE SALES OR USE TAXES

See Blanket Certificate of Resale at <http://www.ornl.gov/adm/contracts/documents.shtml>.



UT-Battelle, LLC  
Acting under contract DE-AC05-00OR22725  
With the U.S. Department of Energy  
Internet: <http://www.ornl.gov/adm/contracts/index.shtml>

Page 10 of 15

**Subcontract**  
4000149426

## Section H - Special Provisions

NOTE: Standard government forms (SF) mentioned herein are available at <http://www.gsa.gov/forms>. Other forms, clauses, articles, and documents are available at our web site, <http://www.ornl.gov/adm/contracts/documents.shtml>.

All articles and documents incorporated by reference, including those made a part of Special Provisions, apply as if they were set forth in their entirety.

Exhibit 4, Authorization and Consent (Dec 2005)  
Exhibit 9, Technical Data (Jun 2011)

Exhibit 11, Limited Rights Notice (Sep 2010)

Exhibit 12, Restricted Rights Notice (Sep 2010)

Exhibit 1B, Patent Rights-Acquisition By The Government  
(Feb 2009)

Protection of Personally Identifiable Information (PII) (Oct 2010)

Milestone Payment Clause (May 2010)

Cost Accounting Standards--Clauses (Sep 2012), Parts I & V

Liability with Respect to Cost Accounting Standards

(a) Notwithstanding the provisions of the Cost Accounting Standards - Clauses, or any other provision of this Agreement, the Seller shall be liable to the Government for increased costs or interest resulting from failure of the Seller or a lower-tier subcontractor to comply with an applicable Cost Accounting Standard or to follow any cost accounting practice consistently.

Service Contract Act of 1965, as Amended (Jan 2006)  
FAR 52.222.17 Nondisplacement of Qualified Workers (May 2014)  
FAR 52.222-55 Minimum Wages Under Executive Order 13658 (Dec 2014)

### Wage Determinations

Service Contract Act Wage Determinations No. 2015-2493 (Rev. 1) dated January 13, 2016, No. 2015-2643 (Rev. 1) dated January 13, 2016, No. 1994-0520 (Rev. 28) dated December 29, 2015, and No. 1991-0101 (Rev. 35) dated December 29, 2015, are made a part of this subcontract.



UT-Battelle, LLC  
Acting under contract DE-AC05-00OR22725  
With the U.S. Department of Energy  
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**Subcontract**  
4000149426

Insurance - Form 2 (Sep 2012)  
{Insurance Form 2 replaces Insurance Form 1}

Fair Labor Standards Act and Service Contract Act- Price Adjustment (Multiple Year and Option Contracts) (Sept 2009)

Information Technology Special Provision (Mar 2011)

Information Ranking - High Controls

Prior to commencement of work under this Agreement, the Seller must (1) submit a copy of its Authority to Operate (ATO) at the classification level and category required for this Agreement and the "Information System Certification Form for High Controls" and (2) obtain approval from ORNL Cyber Security through the Company's Technical Project Officer. The form is available under the title Special Articles and Forms at <http://www.ornl.gov/adm/contracts/documents.shtml>.

**Technical Direction**

The clause, Technical Direction (Jan 2006), is incorporated by reference and amended as follows: "Performance under this subcontract is subject to the technical direction of the Company's Technical Project Officer (TPO):"

TPO Name.....: William (Bill) Strunk  
TPO Telephone #...: (865) 574-8121  
TPO Email Address.: [strunkwd@ornl.gov](mailto:strunkwd@ornl.gov)

**Limitation of Company's Obligation**

(a) Of the total price of this Agreement, \$1,991,106 is currently allotted and available for payment. It is anticipated that from time to time additional funds will be allotted until the total price of the Agreement is allotted.

(b) The Seller agrees to perform work on the Agreement up to, and is not obligated to continue performance beyond, the point at which, in event of termination of this Agreement pursuant to the clause entitled Termination for Convenience, the total amount payable by the Company (including amounts payable for lower-tier subcontracts and settlement costs), would in the exercise of reasonable judgment by the Seller approximate the total amount at the time allotted to Agreement. Company is not obligated to pay or reimburse the Seller more than the amount allotted under the Agreement at the time of termination regardless of anything to the contrary in the Termination for Convenience clause and regardless of the availability of funds.

(c) (1) Funds currently allotted are expected to cover the work to be performed until October 31, 2016.

(2) If the Seller considers the funds allotted to be inadequate to cover the work



until that date, or an agreed date substituted for it, the Seller must notify the Company in writing when, within the next thirty (30) days, the work will reach a point at which, if the Agreement is terminated for convenience, the total amount payable by the Company (including amounts payable for lower-tier subcontracts and settlement costs), will approximate 85 percent of the amount then allotted.

(3) The notice shall state the expected date when the point in (c)(2) will be reached and the estimated amount of additional funds required to continue performance to the date in (c)(1) or an agreed substituted date.

(4) Thirty (30) days before the date in (c)(1) or an agreed substituted date, the Seller must advise the Company in writing of the estimated additional funds required for performance for a further period as may be specified in the Agreement or otherwise agreed to by the parties.

(5) If after the notification in (c)(4), additional funds are not allotted by the date in (c)(1) or by an agreed substituted date, the Company will, upon written request of the Seller, terminate this Agreement on that date or the date set forth in the request, whichever is later, pursuant to the Termination for Convenience clause.

(d) When additional funds are allotted for continued performance, the parties shall agree on the period of performance covered by the funds. Paragraphs (b) and (c) above shall apply to the additional allotted funds and the substituted date pertaining to them, and the Agreement shall be modified accordingly.

(e) If the Seller incurs additional costs or is delayed in performance solely because the Company failed to allot sufficient additional funds, and if additional funds are allotted, an equitable adjustment shall be made in price (including target, billing, and ceiling prices and hourly rates where applicable) or in the time for delivery, or both.

(f) The Company may at any time before termination (and, after notice of termination, with the consent of the Seller), allot additional funds for this Agreement.

(g) Nothing in this clause affects the rights of the Company to terminate this Agreement in whole or in part under the Termination for Default and Termination for Convenience clauses.

(h) Funds are allocated for performance of specific tasks and may not be used for other purposes or for performance of other tasks under this Agreement.

#### SECTION H. EXCEPTIONS/DELETIONS/ADDITIONS/CLARIFICATIONS:

##### General:

Prior Government Agreements - Nothing herein shall be construed as altering any agreements between Seller and the Government including but not limited to Agreement Between U.S. Department of Energy and USEC Inc. dated June 17, 2002 as amended; Nonexclusive Patent License granted by U.S. Department of Energy to USEC Inc. dated December 7, 2006; Cooperative Agreement dated June 12, 2012 between DOE and USEC Inc. and American Centrifuge Demonstration, LLC ("ACD") Contract No. DE-NE-0000530; Contract dated June 12, 2012 between DOE and ACD Contract No. DE-NE-0000488; Lease Agreement Between the DOE and United States Enrichment Corporation for the Gas Centrifuge Enrichment Plant (GCEP Lease) dated as of December 7, 2006; CRADA No. 00-0579 between UT-Battelle, LLC, and USEC Inc., dated June 28, 2002, as amended; and Lease Agreement between DOE and USEC Inc. for Buildings K-1600 and K-101, dated December 20, 2002. The rights and obligations of Seller and the Government with respect to matters under those agreements shall be addressed exclusively by the





provisions thereof. All parties recognize that Seller's ability to perform this subcontract is subject to access granted to certain equipment and facilities owned by the U.S. government under one or more of those agreements.

**Exceptions to Terms and Conditions - Fixed-Price (January 26, 2016):**

(1) Part 2 is not applicable.

(2) Part 3A shall not apply to Seller's activities under this Agreement to the extent Seller's access to classified information or special nuclear material in connection with such activities is subject to regulation by the NRC, or is subject to regulation by DOE under other agreements or authorizations.

(3) Section 1.18 Public Release of Information - It is agreed that nothing shall prevent Seller from making disclosures as required by law, including public disclosures as required by securities laws and Securities and Exchange Commission regulations.

(4) Section 1.6 Warranty, Section 1.19 Government Property, Section 1.15 Hazardous Material Identification and Material Safety Data Sheets, and Section 1.25 Electrical Equipment are deleted and replaced with the following:

"It is agreed that the scope of the work and deliverables under this subcontract are the provision of technical reports required under the Scope of Work. No property, materials, or equipment shall be considered a deliverable under this Subcontract".

(5) The following clause is added:

**Confidentiality of Information - Seller**

(a) To the extent that the work under this subcontract requires that the Company be given access to information which has been marked or identified as confidential or proprietary, sensitive, technical, or financial belonging to the Seller or other companies, (hereinafter referred to as "protected information"), the Company shall after receipt thereof, treat protected information as marked or identified from unauthorized use and disclosure. The Company agrees not to appropriate protected information to its own use or to disclose such protected information to third parties unless specifically authorized by the Seller in writing. The foregoing obligations, however, shall not apply to information which:

- (1) at the time of receipt by the Company, is in the public domain;
- (2) after receipt thereof by the Company is published or otherwise becomes part of the public domain through no fault of the Company;
- (3) the Company can demonstrate was in its possession at the time of receipt thereof and was not acquired directly or indirectly from the Seller;
- (4) the Company can demonstrate was received by it from a third party that did not require the Company to hold it in confidence; or
- (5) must be disclosed under operation of law or regulation.

(b) The Company agrees to allow access only to those employees that need the protected information to perform services under this subcontract and agrees that the protected information will be used solely for the purpose of performing services under this



subcontract. The Company shall ensure that its employees will not discuss, divulge or disclose any protected information to any person or entity except those persons within the Company's organization directly concerned with the performance of the subcontract. Notwithstanding the foregoing, Company may provide employees of DOE access to protected information in accordance with Company's prime contract with DOE for the management and operation of the Oak Ridge National Laboratory. DOE employees are obligated by 18 USC 1905 to protect protected information from unauthorized disclosure.

(c) The Company shall administer a monitoring process to ensure compliance with the provisions of this clause, promptly report any breaches to the Seller's technical representative, and implement immediate, appropriate corrective actions to contain and prevent recurrence.

(d) The Seller may terminate this subcontract for default if Company or an employee of the Company fails to comply with the provisions of this clause. The Seller may also exercise any other rights and remedies provided by law or this subcontract, including criminal and civil penalties.

#### Government-Furnished Property

(a) The following items shall be Government-furnished:

-K-1600 Site, Oak Ridge, TN:

-Shaker, vibration testing system, Manufacturer: Unholtz-Dickey, Model: TA250206,  
Property #Y272921

-Tennessee Manufacturing Center (TMC), Centrifuge Way, Oak Ridge, TN:

-Property Number: 0061499, Description: Server/CPU, Manufacturer: SILICON GRAPHICS,  
Model: ALTIX XE320, Serial #: S6FTW1F18715056

-Property Numbers: (Part of the computer, above) 0061500, 0061502, 0061503, 0061504,  
0061506, 0061507, 0061508, 0061509, 061510, 0061511, 0061512, 0061513, X189943, and  
X189943-A, Description: Server/CPU, Manufacturer: SILICON GRAPHICS, Model: ALTIX XE320,  
Serial #s:

S6FTW1F18715056  
S6FTW1F18715067  
S6FTW1F18715070  
S6FTW1F18715075  
S6FTW1F18715064  
S6FTW1F18715069  
S6FTW1F18715072  
S6FTW1F18715065  
S6FTW1F18715059  
S6FTW1F18715095  
S6FTW1F18715058  
S6FTW1F18715098  
S625WXTF8815101  
S625WXTF8815114



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Internet: <http://www.ornl.gov/adm/contracts/index.shtml>

Page 15 of 15

**Subcontract**  
4000149426

### Section I - List of Attachments

Attachment A - Wage Determinations No. 2015-2493 (Rev. 1) dated January 13, 2016, No. 2015-2643 (Rev. 1) dated January 13, 2016, No. 1994-0520 (Rev. 28) dated December 29, 2015, and No. 1991-0101 (Rev. 35) dated December 29, 2015.

## 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.

November 10, 2016

/s/ Daniel B. Poneman

**Daniel B. Poneman**

President and Chief Executive Officer

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Stephen S. Greene, 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.

November 10, 2016

/s/ Stephen S. Greene

**Stephen S. Greene**

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 September 30, 2016, 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 Stephen S. Greene, 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.

November 10, 2016

/s/ Daniel B. Poneman

**Daniel B. Poneman**

President and Chief Executive Officer

November 10, 2016

/s/ Stephen S. Greene

**Stephen S. Greene**

Senior Vice President, Chief Financial Officer and Treasurer

