

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, 2019

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, if any, every Interactive Data File required to be submitted 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 such files). Yes No

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

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

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

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

Yes No

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

Yes No

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Class A Common Stock, par value \$0.10 per share	LEU	NYSE American
Rights to purchase Series A Participating Cumulative Preferred Stock, par value \$1.00 per share	LEU*	Not applicable

*The rights currently transfer with the shares of Common Stock

As of November 1, 2019, there were 8,051,307 shares of the registrant's Class A Common Stock, par value \$0.10 per share, and 1,406,082 shares of the registrant's Class B Common Stock, par value \$0.10 per share, outstanding.

TABLE OF CONTENTS

Page

PART I – FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited):	
	Condensed Consolidated Balance Sheets at September 30, 2019 and December 31, 2018	4
	Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2019 and 2018	5
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2018	6
	Condensed Consolidated Statements of Stockholders' Deficit for the Three and Nine Months Ended September 30, 2019 and 2018	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 4.	Controls and Procedures	42

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	43
Item 1A.	Risk Factors	44
Item 6.	Exhibits	44
	Signatures	45

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 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 8.25% notes (the "8.25% Notes") maturing in February 2027 and our Series B Senior Preferred Stock; risks related to the use of our net operating loss ("NOLs") carryforwards and net unrealized built-in losses ("NUBILs") to offset future taxable income and the use of the Rights Agreement (as defined herein) to prevent an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the "Code") and our ability to generate taxable income to utilize all or a portion of the NOLs and NUBILs prior to the expiration thereof; risks related to the limited trading markets in our securities; risks related to our ability to maintain the listing of our Class A Common Stock on the NYSE American LLC (the "NYSE American"); risks related to decisions made by our Class B stockholders regarding their investment in the Company based upon factors that are unrelated to the Company's performance; risks related to the Company's capital concentration; the continued impact of the March 2011 earthquake and tsunami in Japan on the nuclear industry and on our business, results of operations and prospects; the impact and potential extended duration of the current supply/demand imbalance in the market for low-enriched uranium ("LEU"); our dependence on others for deliveries of LEU including deliveries from the Russian government-owned entity TENEX, Joint-Stock Company ("TENEX"), under a commercial supply agreement with TENEX and deliveries under a long-term supply agreement with Orano Cycle ("Orano"); risks related to our ability to sell the LEU we procure pursuant to our purchase obligations under our supply agreements; risks relating to our sales order book, including uncertainty concerning customer actions under current contracts and in future contracting due to market conditions and lack of current production capability; risks related to financial difficulties experienced by customers, including possible bankruptcies, insolvencies or any other inability to pay for our products or services; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; movement and timing of customer orders; risks related to the value of our intangible assets

related to the sales order book and customer relationships; risks associated with our reliance on third-party suppliers to provide essential products and services to us; risks related to existing or new trade barriers and contract terms that limit our ability to deliver LEU to customers; risks related to actions, including government reviews, that may be taken by the U.S. government, the Russian government or other governments that could affect our ability to perform under our contract obligations or the ability of our sources of supply to perform under their contract obligations to us, including the imposition of sanctions, restrictions or other requirements; the impact of government regulation including by the U.S. Department of Energy (“DOE”) and the U.S. Nuclear Regulatory Commission; uncertainty regarding our ability to commercially deploy competitive enrichment technology; risks and uncertainties regarding funding for the American Centrifuge project and our ability to perform under our agreement with DOE to demonstrate the capability to produce high assay low enriched uranium (“HALEU”) and our ability to obtain and/or perform under our future agreements with the DOE, UT-Battelle, LLC (“UT-Battelle”), the management and operating contractor for Oak Ridge National Laboratory (“ORNL”), for continued research and development of the American Centrifuge technology; the potential for further demobilization or termination of our American Centrifuge work; risks related to our ability to perform and receive timely payment under agreements with the DOE, including risk and uncertainties related to the ongoing funding of the government and potential audits; the competitive bidding process associated with obtaining a federal contract; risks related to our ability to perform fixed-price contracts, including the risk that costs could be higher than expected; risks that we will be unable to obtain new business opportunities, achieve market acceptance of our products and services or that products or services provided by others will render our goods or services obsolete or noncompetitive; risks that we will not be able to timely complete the work that we are obligated to perform; failures or security breaches of our information technology systems; potential strategic transactions, which could be difficult to implement, disrupt our business or change our business profile significantly; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits); the competitive environment for our products and services; changes in the nuclear energy industry; the impact of financial market conditions on our business, liquidity, prospects, pension assets and insurance facilities; risks related to the identification of a material weakness in our internal controls over financial reporting; the risks of revenue and operating results fluctuating 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 under Part 1. Item1A - “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018.

These factors may not constitute all factors that could cause actual results to differ from those discussed in any forward-looking statement. Accordingly, forward-looking statements should be not be relied upon as a predictor of actual results. 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, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 77.2	\$ 123.1
Accounts receivable	19.1	60.2
Inventories	105.2	129.7
Deferred costs associated with deferred revenue	136.1	134.9
Deposits for financial assurance	17.2	30.3
Other current assets	8.3	6.3
Total current assets	363.1	484.5
Property, plant and equipment, net of accumulated depreciation of \$2.1 as of September 30, 2019 and \$1.6 as of December 31, 2018	3.8	4.2
Deposits for financial assurance	5.7	6.3
Intangible assets, net	71.9	76.0
Other long-term assets	6.7	0.7
Total assets	<u>\$ 451.2</u>	<u>\$ 571.7</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42.0	\$ 52.4
Payables under SWU purchase agreements	13.0	46.0
Inventories owed to customers and suppliers	36.9	103.0
Deferred revenue and advances from customers	233.1	204.5
Current debt	6.1	32.8
Total current liabilities	331.1	438.7
Long-term debt	114.1	120.2
Postretirement health and life benefit obligations	130.3	136.2
Pension benefit liabilities	159.0	168.9
Advances from customers	29.4	15.0
Other long-term liabilities	22.7	14.6
Total liabilities	786.6	893.6
Commitments and contingencies (Note 12)		
Stockholders' deficit:		
Preferred stock, par value \$1.00 per share, 20,000,000 shares authorized		
Series A Participating Cumulative Preferred Stock, none issued	—	—
Series B Senior Preferred Stock, 7.5% cumulative, 104,574 shares issued and outstanding and an aggregate liquidation preference of \$125.2 as of September 30, 2019 and \$119.3 as of December 31, 2018	4.6	4.6
Class A Common Stock, par value \$0.10 per share, 70,000,000 shares authorized, 8,051,307 and 8,031,308 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	0.8	0.8
Class B Common Stock, par value \$0.10 per share, 30,000,000 shares authorized, 1,406,082 shares issued and outstanding as of September 30, 2019 and December 31, 2018	0.1	0.1
Excess of capital over par value	61.4	61.2
Accumulated deficit	(402.2)	(388.5)
Accumulated other comprehensive income, net of tax	(0.1)	(0.1)
Total stockholders' deficit	(335.4)	(321.9)
Total liabilities and stockholders' deficit	<u>\$ 451.2</u>	<u>\$ 571.7</u>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
Separative work units	\$ 75.0	\$ 17.6	\$ 87.4	\$ 68.2
Uranium	12.8	11.3	38.1	14.9
Contract services	16.9	5.2	28.5	26.1
Total revenue	104.7	34.1	154.0	109.2
Cost of Sales:				
Separative work units and uranium	54.4	20.9	100.4	98.6
Contract services	14.8	5.4	27.9	18.8
Total cost of sales	69.2	26.3	128.3	117.4
Gross profit (loss)	35.5	7.8	25.7	(8.2)
Advanced technology costs	1.3	5.8	13.0	19.2
Selling, general and administrative	8.7	8.8	24.5	29.7
Amortization of intangible assets	1.8	1.7	4.1	4.5
Special charges (credits) for workforce reductions and advisory costs	0.8	0.6	(2.2)	1.5
Gain on sales of assets	(0.2)	—	(0.7)	(0.3)
Operating income (loss)	23.1	(9.1)	(13.0)	(62.8)
Nonoperating components of net periodic benefit expense (income)	(0.1)	(1.6)	(0.2)	(4.9)
Interest expense	0.9	1.0	2.9	3.0
Investment income	(0.5)	(0.7)	(1.9)	(1.9)
Income (loss) before income taxes	22.8	(7.8)	(13.8)	(59.0)
Income tax benefit	—	—	(0.1)	(0.1)
Net income (loss) and comprehensive income (loss)	22.8	(7.8)	(13.7)	(58.9)
Preferred stock dividends - undeclared and cumulative	1.9	1.9	5.9	5.9
Net income (loss) allocable to common stockholders	\$ 20.9	\$ (9.7)	\$ (19.6)	\$ (64.8)
Net income (loss) per common share:				
Basic	\$ 2.18	\$ (1.06)	\$ (2.05)	\$ (7.11)
Diluted	\$ 2.17	\$ (1.06)	\$ (2.05)	\$ (7.11)
Average number of common shares outstanding (in thousands):				
Basic	9,582	9,133	9,560	9,118
Diluted	9,626	9,133	9,560	9,118

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

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

	Nine Months Ended September 30,	
	2019	2018
OPERATING		
Net loss	\$ (13.7)	\$ (58.9)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	4.5	5.1
PIK interest on paid-in-kind toggle notes	1.1	1.2
Gain on sales of assets	(0.7)	(0.3)
Inventory valuation adjustments	2.3	—
Changes in operating assets and liabilities:		
Accounts receivable	31.3	57.6
Inventories, net	(9.3)	30.6
Payables under SWU purchase agreements	(33.0)	(64.8)
Deferred revenue and advances from customers, net of deferred costs	18.9	(16.7)
Accounts payable and other liabilities	(11.2)	(10.3)
Pension and postretirement liabilities	(15.9)	(21.4)
Other, net	(0.8)	0.2
Cash used in operating activities	<u>(26.5)</u>	<u>(77.7)</u>
INVESTING		
Capital expenditures	—	(0.1)
Proceeds from sales of assets	0.7	0.4
Cash provided by investing activities	<u>0.7</u>	<u>0.3</u>
FINANCING		
Principal payments on debt	(27.5)	—
Payments for deferred financing costs	(0.2)	—
Payment of interest classified as debt	(6.1)	(6.1)
Cash used in financing activities	<u>(33.8)</u>	<u>(6.1)</u>
Decrease in cash, cash equivalents and restricted cash	(59.6)	(83.5)
Cash, cash equivalents and restricted cash, beginning of period ⁽¹⁾	159.7	244.8
Cash, cash equivalents and restricted cash, end of period ⁽¹⁾	<u>\$ 100.1</u>	<u>\$ 161.3</u>
Supplemental cash flow information:		
Interest paid in cash	\$ 1.5	\$ 0.8
Non-cash activities:		
Conversion of interest payable-in-kind to debt	\$ 0.7	\$ 1.7
Deferred financing costs included in accounts payable and accrued liabilities	\$ 0.4	\$ —
Right to use lease assets acquired under operating lease	\$ 2.9	\$ —
Disposal of right to use lease assets for early termination	\$ 0.2	\$ —

⁽¹⁾ Refer to Note 4, *Cash, Cash Equivalents and Restricted Cash*.

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

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

	Preferred Stock, Series B	Common Stock, Class A, Par Value \$.10 per Share	Common Stock, Class B, Par Value \$.10 per Share	Excess of Capital Over Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2018	\$ 4.6	\$ 0.8	\$ 0.1	\$ 61.2	\$ (388.5)	\$ (0.1)	\$ (321.9)
Net loss for the three months ended March 31, 2019	—	—	—	—	(20.9)	—	(20.9)
Issuance and amortization of restricted stock units and stock options	—	—	—	0.1	—	—	0.1
Balance at March 31, 2019	4.6	0.8	0.1	61.3	(409.4)	(0.1)	(342.7)
Net loss for the three months ended June 30, 2019	—	—	—	—	(15.6)	—	(15.6)
Balance at June 30, 2019	4.6	0.8	0.1	61.3	(425.0)	(0.1)	(358.3)
Net income for the three months ended September 30, 2019	—	—	—	—	22.8	—	22.8
Issuance and amortization of restricted stock units and stock options	—	—	—	0.1	—	—	0.1
Balance at September 30, 2019	\$ 4.6	\$ 0.8	\$ 0.1	\$ 61.4	\$ (402.2)	\$ (0.1)	\$ (335.4)

	Preferred Stock, Series B	Common Stock, Class A, Par Value \$.10 per Share	Common Stock, Class B, Par Value \$.10 per Share	Excess of Capital Over Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2017	\$ 4.6	\$ 0.8	\$ 0.1	\$ 60.0	\$ (284.5)	\$ 0.1	\$ (218.9)
Adoption of Accounting Standards Codification 606 as of January 1, 2018	—	—	—	—	0.1	—	0.1
Net loss for the three months ended March 31, 2018	—	—	—	—	(25.0)	—	(25.0)
Issuance and amortization of restricted stock units and stock options	—	—	—	0.1	—	—	\$ 0.1
Balance at March 31, 2018	4.6	0.8	0.1	60.1	(309.4)	0.1	\$ (243.7)
Net loss for the three months ended June 30, 2018	—	—	—	—	(26.1)	—	(26.1)
Other comprehensive loss, net of tax benefit	—	—	—	—	—	(0.1)	(0.1)
Issuance and amortization of restricted stock units and stock options	—	—	—	0.1	—	—	0.1
Balance at June 30, 2018	4.6	0.8	0.1	60.2	(335.5)	—	(269.8)
Net loss for the three months ended September 30, 2018	—	—	—	—	(7.8)	—	(7.8)
Issuance and amortization of restricted stock units and stock options	—	—	—	0.1	—	—	0.1
Balance at September 30, 2018	\$ 4.6	\$ 0.8	\$ 0.1	\$ 60.3	\$ (343.3)	\$ —	\$ (277.5)

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

CENTRUS ENERGY CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Basis of Presentation and Principles of Consolidation

The unaudited condensed consolidated financial statements of Centrus Energy Corp. (“Centrus” or the “Company”), which include the accounts of the Company, its principal subsidiary, United States Enrichment Corporation, and its other subsidiaries, as of September 30, 2019, and for the three and nine months ended September 30, 2019 and 2018, 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, 2018, was derived from audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States (“GAAP”). In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary for a fair statement of the financial results for the interim period. Certain prior year amounts have been reclassified for consistency with the current year presentation. Certain information and notes normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. All material intercompany transactions have been eliminated. The Company’s components of comprehensive income for the three and nine months ended September 30, 2019 and 2018 are insignificant.

Operating results for the three and nine months ended September 30, 2019, are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes and *Management’s Discussion and Analysis of Financial Condition and Results of Operations* included in the Annual Report on Form 10-K for the year ended December 31, 2018.

New Accounting Standards

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)* (“Topic 842”), which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. The Company adopted this standard on January 1, 2019, using the modified transition method which provides for recognition of existing leases as of the adoption date without requiring comparable presentation for the prior period. Lease assets and liabilities are recognized based on the present value of lease payments over the lease term. The Company’s leases do not provide an implicit interest rate. The Company uses an estimated incremental borrowing rate based on the term of the lease using information available at the adoption date or the lease commencement, if later, including the yield on the Company’s collateralized debt. The Company has elected to adopt the package of practical expedients provided under Topic 842, which allowed the Company to not apply a reassessment of whether any existing or expired contracts contain leases, reassessment of lease classification for existing or expired leases and reassessment of initial direct costs for leases. The adoption of this standard had no impact on the Company’s consolidated statement of operations or statement of cash flows. Refer to *Note 8, Leases*, for additional information.

In February 2018, the FASB issued ASU 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments in ASU 2018-02 allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cut and Jobs Act of 2017 (the “Tax Act”). However, because the amendments only relate to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The Company adopted the new standard effective January 1, 2019, and elected not to reclassify the stranded tax effect resulting from the 2017 Tax Act to retained earnings.

Accounting Standards Effective in Future Periods

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)*, which modifies the disclosure requirements for employers that sponsor defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The standard is to be applied on a retrospective basis to all periods presented and early adoption is permitted. The Company is evaluating the effect that the provisions of ASU 2018-14 will have on its consolidated financial statements.

Significant Accounting Policies

The accounting policies of the Company are set forth in Note 1 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Updates to those policies as a result of the adoption of ASC 842 have been included in *Note 8, Leases*.

2. REVENUE AND CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
United States	\$ 53.7	\$ 0.3	\$ 91.4	\$ 54.3
Foreign	34.1	28.6	34.1	28.8
Revenue - SWU and uranium	\$ 87.8	\$ 28.9	\$ 125.5	\$ 83.1

Refer to *Note 13, Segment Information*, for disaggregation of revenue by segment. Disaggregation by end-market is provided in Note 13 and the condensed consolidated statements of operations. SWU and uranium sales are made primarily to electric utility customers. Contract services revenue resulted primarily from services provided to the government and its contractors and, in the first quarter of 2018, the settlement with the U.S. Department of Energy (“DOE”) and the U.S. government. SWU and uranium revenue is recognized at point of sale and contract services revenue is generally recognized over time.

Contract Balances

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

	September 30, 2019	December 31, 2018	Year-To-Date Change
Contract assets			
Accounts receivable:			
Billed	\$ 8.8	\$ 50.4	\$ (41.6)
Unbilled	10.3	—	10.3
Uranium feed receivable	—	9.8	(9.8)
Accounts receivable	\$ 19.1	\$ 60.2	\$ (41.1)
Deferred costs associated with deferred revenue	\$ 136.1	\$ 134.9	\$ 1.2
Contract liabilities			
Accounts payable and accrued liabilities	\$ 0.2	\$ —	\$ 0.2
Deferred revenue - current	\$ 209.8	\$ 204.5	\$ 5.3
Advances from customers - current	\$ 23.3	\$ —	\$ 23.3
Advances from customers - noncurrent	\$ 29.4	\$ 15.0	\$ 14.4

Deferred cost and deferred revenue activity in the nine months ended September 30, 2019, follows (in millions):

	Deferred Sales in the Period	Previously Deferred Sales Recognized in the Period	Year-To-Date Change
Deferred costs associated with deferred revenue	\$ 3.8	\$ (2.6)	\$ 1.2
Deferred revenue	16.0	(10.7)	5.3

LEU Segment

Under the terms of certain contracts with customers in the low-enriched uranium (“LEU”) segment, the Company will accept payment in the form of uranium. Revenue from the sale of SWU under such contracts is recognized at the time LEU is delivered and is based on the fair value of the uranium at contract inception, or as the quantity of uranium is finalized, if variable. In the three and nine months ended September 30, 2019, SWU revenue of \$23.4 million was recognized under such contracts based on the fair market value of uranium acquired in exchange for SWU delivered. Uranium received from customers as advance payments for the future sales of SWU totaled \$52.7 million as of September 30, 2019. The advance payments are included in either *Advances from Customers, Current* or *Advances from Customers, Noncurrent*, based on the anticipated SWU sales period.

In the three months ended September 30, 2019, the Company borrowed SWU inventory valued at \$1.7 million from a customer under terms that require repayment within 48 months. The Company recorded the SWU and the related liability for the borrowings using an average purchase price over the borrowing period. The cumulative liability to the customer of \$9.0 million for borrowed inventory is included in *Other Liabilities*, which is included in noncurrent liabilities.

Contract Services Segment

Revenue for the contract services segment, representing the Company’s technical, manufacturing, engineering, procurement, construction and operations services offered to public and private sector customers, is recognized over the contractual period as services are rendered.

On October 31, 2019, the Company signed a three-year \$115 million contract with DOE (“the HALEU Agreement”) to deploy a cascade of centrifuges to demonstrate production of high-assay, low-enriched uranium (“HALEU”) fuel for advanced reactors. HALEU is a component of an advanced nuclear reactor fuel that is not commercially available today and may be required for a number of advanced reactor designs currently under development in both the commercial and government sectors. The program has been under way since May 31, 2019, when the Company and DOE signed a preliminary agreement (“the HALEU Letter Agreement”) that allowed work to begin while the full contract was being finalized.

The HALEU Agreement is an incrementally funded, cost reimbursable contract with DOE reimbursing up to 80% of total program costs up to a maximum amount of \$115 million. The corresponding 20 percent cost share for the Company would be \$29 million. Any costs incurred above these amounts would increase the Company’s cost share. Based on current program cost estimates under review, Centrus expects to recognize a portion of its anticipated total cost share as a loss in the fourth quarter of 2019 in the approximate range of \$17-22 million. The total cost share is expected to exceed \$29 million, including certain operating costs in support of the program that will be recognized as expense as incurred over the three-year contract term. The anticipated loss on the contract will be adjusted if necessary over the contract term based on actual results and remaining cost projections. Under the HALEU Agreement, DOE is currently obligated for costs up to \$35 million of the \$115 million and is authorized for payments to the Company up to \$35 million. The Company received cash payments of \$3.4 million through September 30, 2019.

For the quarter ended June 30, 2019, the Company recorded a loss provision of \$0.5 million which represented the anticipated gross loss for the remaining initial phase of contract work performed under the HALEU Letter Agreement as the parties worked to enter into a definitive contract. In the three months ended September 30, 2019, the loss provision was reduced by \$0.3 million and the remaining accrued loss provision as of September 30, 2019 for the remaining initial phase of the contract work through October 31, 2019, is \$0.2 million.

Services to be provided over the three-year HALEU Agreement include constructing and assembling centrifuge machines and related infrastructure in a cascade formation. Provisions for losses are recognized in advance for such an integrated, construction-type contract when costs are projected to exceed estimates of total revenue to be earned. The loss provision is recorded to *Cost of Sales* in the period the loss is determined and is reflected in *Current Liabilities*.

On January 11, 2018, the Company entered into a settlement agreement with DOE and the U.S. government regarding breach of contract claims brought by the Company relating to work performed by the Company under contracts with DOE and subcontracts with DOE contractors. In connection with the settlement, the Company (a) received \$4.7 million from the U.S. government, (b) applied approximately \$19.3 million of advances from the U.S. government received in prior years against the receivables balance, and (c) recorded additional revenue of \$9.5 million.

Centrus and DOE have yet to fully settle the Company's claims for reimbursements for certain pension and postretirement benefits costs related to past contract work performed for DOE. There is the potential for additional revenue to be recognized for this work pending the outcome of legal proceedings related to the Company's claims for payment and the potential release of previously established valuation allowances on receivables. As a result of the application of fresh start accounting following the Company's emergence from Chapter 11 bankruptcy on September 30, 2014, the receivables related to the Company's claims for payment are carried at fair value as of September 30, 2014, which is net of the valuation allowances. Refer to *Note 12, Commitments and Contingencies*.

LEU Segment Order Book

The SWU component of LEU is typically bought and sold under long-term contracts with deliveries over several years. The Company's agreements for natural uranium sales are generally shorter-term, fixed-commitment contracts. The Company's order book sales under contract in the LEU segment ("order book") extends to 2030. The order book represents the Company's remaining performance obligations under these contracts and includes the *Deferred Revenue* and *Advances from Customers* amounts in the Contract Balances table above. As of September 30, 2019 and December 31, 2018, the order book was \$1.0 billion, reflecting completed deliveries and new contracts signed in the nine months ended September 30, 2019.

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

3. SPECIAL CHARGES

As a result of the HALEU Letter Agreement, special charges in the three and nine months ended September 30, 2019, included a credit of \$2.9 million for the reversal of accrued termination benefits for employees who were retained at the Company's facility in Piketon, Ohio. For the nine months ended September 30, 2018, special charges totaled \$1.5 million, consisting of estimated employee termination benefits related to corporate functions of \$1.4 million and advisory costs related to updating the Company's information technology systems of \$0.1 million. The remaining balance of termination benefits of \$1.0 million is expected to be paid within twelve months and is classified in *Accounts Payable and Accrued Liabilities* in the condensed consolidated balance sheet.

A summary of termination benefit activity and the accrued liability follows (in millions):

	Liability December 31, 2018	Nine Months Ended September 30, 2019		Liability September 30, 2019
		Charges (Credits) for Termination Benefits	Paid/ Settled	
Workforce reductions:				
Corporate functions	\$ 0.9	\$ 0.7	\$ (0.8)	\$ 0.8
Piketon facility	3.2	(2.9)	(0.1)	0.2
Total	\$ 4.1	\$ (2.2)	\$ (0.9)	\$ 1.0

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 77.2	\$ 123.1
Deposits for financial assurance - current	17.2	30.3
Deposits for financial assurance - noncurrent	5.7	6.3
Total cash, cash equivalents and restricted cash	\$ 100.1	\$ 159.7

The following table provides additional detail regarding the Company's deposits for financial assurance (in millions):

	September 30, 2019		December 31, 2018	
	Current	Long-Term	Current	Long-Term
NRC license	\$ 17.0	\$ —	\$ 16.6	\$ —
DOE lease	—	—	13.5	—
Workers compensation	—	5.4	—	6.0
Other	0.2	0.3	0.2	0.3
Total deposits for financial assurance	\$ 17.2	\$ 5.7	\$ 30.3	\$ 6.3

Piketon Facility Obligations and Surety Bonds

Centrus leases gas centrifuge enrichment plant facilities and related personal property in Piketon, Ohio from DOE. Centrus previously provided financial assurance to DOE for lease turnover obligations in the form of surety bonds that were fully cash collateralized. On May 31, 2019, DOE and Centrus amended the lease agreement, which was scheduled to expire by its terms on June 30, 2019. In the second quarter of 2019, Centrus completed its lease turnover obligations related to the term ended June 30, 2019. DOE released the bonds and Centrus received the cash collateral of \$13.5 million. In addition, Centrus has previously provided financial assurance to the U.S. Nuclear Regulatory Commission (“NRC”) for the decontamination and decommissioning (“D&D”) of the facility in the form of surety bonds that are fully cash collateralized by Centrus. The Company completed the D&D work and, on September 23, 2019, the NRC cancelled the financial assurance instruments. On October 4, 2019, the Company received the cash collateral of \$17.0 million from the cancellation of the surety bonds.

Financial Assurance for Workers’ Compensation

The Company has provided financial assurance to states in which it was previously self-insured for workers’ compensation in accordance with each state’s requirements in the form of a surety bond or letters of credit that are fully cash collateralized by Centrus. As each state determines that the likelihood of further workers’ compensation obligations related to the period of self-insurance is reduced, the surety bond or letters of credit are subject to cancellation and the Company would receive the cash collateral. During the three months ended September 30, 2019, the Company received \$0.6 million as return of cash collateral related to the cancellation of a letter of credit.

5. INVENTORIES

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

	September 30, 2019			December 31, 2018		
	Current Assets	Current Liabilities (a)	Inventories, Net	Current Assets	Current Liabilities (a)	Inventories, Net
Separative work units	\$ 12.1	\$ —	\$ 12.1	\$ 20.1	\$ 3.6	\$ 16.5
Uranium	93.1	36.9	56.2	109.6	99.4	10.2
Total	\$ 105.2	\$ 36.9	\$ 68.3	\$ 129.7	\$ 103.0	\$ 26.7

(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 for uranium inventory to reflect declines in uranium market price indicators totaled \$2.3 million in the nine months ended September 30, 2019. There were no valuation adjustments in the three months ended September 30, 2019, or the three and nine months ended September 30, 2018.

6. INTANGIBLE ASSETS

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

	September 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Sales order book	\$ 54.6	\$ 28.6	\$ 26.0	\$ 54.6	\$ 28.0	\$ 26.6
Customer relationships	68.9	23.0	45.9	68.9	19.5	49.4
Total	\$ 123.5	\$ 51.6	\$ 71.9	\$ 123.5	\$ 47.5	\$ 76.0

7. DEBT

A summary of debt is as follows (in millions):

	Maturity	September 30, 2019		December 31, 2018	
		Current	Long-Term	Current	Long-Term
8.25% Notes:	Feb. 2027				
Principal		\$ —	\$ 74.3	\$ —	\$ 74.3
Interest		6.1	39.8	6.1	45.9
8.25% Notes		\$ 6.1	\$ 114.1	\$ 6.1	\$ 120.2
8% PIK Toggle Notes	Sep. 2019	\$ —	\$ —	\$ 26.7	\$ —
Total		\$ 6.1	\$ 114.1	\$ 32.8	\$ 120.2

Repayment of 8% PIK Toggle Notes

On September 30, 2019, the Company repaid the outstanding 8% PIK Toggle Notes that matured on September 30, 2019. The Company paid a total of \$28.5 million, including \$1.0 million in accrued interest. The payment was made in accordance with the terms of the Indenture dated September 30, 2014 (as amended, supplanted, or otherwise modified from time to time) among the Company, the Company's subsidiary, United States Enrichment Corp., as the note guarantor, and Delaware Trust Company, as trustee and collateral agent. The payment constituted full satisfaction and discharge of the Indenture and the Notes.

Interest on the 8% PIK Toggle Notes was payable semi-annually in arrears on March 31 and September 30 based on a 360-day year consisting of twelve 30-day months. The principal amount was increased by any payment of interest in the form of PIK payments. The Company had the option to pay up to 5.5% per annum of interest due on the 8% PIK Toggle Notes in the form of in-kind PIK payments. For the semi-annual interest periods in 2018 and 2019, the Company elected to pay interest in the form of PIK payments at 5.5% per annum. Financing costs for the issuance of the 8% PIK Toggle Notes were deferred and were amortized on a straight-line basis, which approximates the effective interest method, over the life of the 8% PIK Toggle Notes. The remaining financing costs were amortized with the final payment on September 30, 2019.

8.25% Notes

Interest on the 8.25% Notes is payable semi-annually in arrears as of February 28 and August 31 based on a 360-day year consisting of twelve 30-day months. The 8.25% Notes mature on February 28, 2027. As described above, all future interest payment obligations on the 8.25% Notes are included in the carrying value of the 8.25% Notes. As a result, the Company's reported interest expense will be less than its contractual interest payments throughout the term of the 8.25% Notes. As of September 30, 2019, and December 31, 2018, \$6.1 million of interest is recorded as current and classified as *Current Debt* in the condensed consolidated balance sheet.

Additional terms and conditions of the 8.25% Notes and the 8% PIK Toggle Notes are described in *Note 9, Debt*, of the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

8. LEASES

Centrus leases facilities and equipment under operating leases. Lease expense for operating leases is recognized on a straight-line basis over the lease term. The Company has facility leases with terms greater than 12 months, and the Company records the related asset and obligation at the present value of lease payments over the term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Refer to *Note 1, Basis of Presentation*, for information regarding the Company's adoption of Topic 842 on January 1, 2019.

Lease assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Lease assets exclude lease incentives. Lease terms reflect options to extend or terminate the lease when it is reasonably certain that those options will be exercised. The depreciable life of lease assets and leasehold improvements is limited by the expected lease term. The weighted-average remaining lease term was 4.0 years at September 30, 2019, with maturity dates ranging from July 2021 to September 2027, and the weighted-average discount rate was 12.1%. Lease expense amounted to \$0.8 million in the three months and \$1.9 million for the nine months ended September 30, 2019. Lease expense was \$0.9 million in the three months ended and \$2.6 million for the nine months ended September 30, 2018. Lease expense primarily related to operating leases and for the nine months ended September 30, 2019 includes a \$0.5 million credit from DOE for true up of prior year lease expense. Other amounts related to short-term lease expense were insignificant. Operating lease expense is included in Cost of Sales, Selling, General and Administrative Expenses and Advance Technology Costs on the Statement of Operations. Cash paid for amounts included in operating cash flows for operating leases was \$0.8 million in the three months and \$2.1 million for the nine months ended September 30, 2019.

The Company leases gas centrifuge enrichment plant facilities and related personal property in Piketon, Ohio from DOE. On May 31, 2019, in connection with the HALEU Letter Agreement, DOE and the Company amended the lease agreement, which was scheduled to expire by its terms on June 30, 2019. The lease was renewed and extended until May 31, 2022, provided, however, that the lease may be terminated early upon completion of the work under the HALEU Agreement. Any facilities or equipment constructed or installed under contract with DOE will be owned by DOE and may be returned to DOE in an "as is" condition at the end of the lease term, and DOE would be responsible for its decontamination and decommissioning. The Company accounted for the amendment as a modification and reassessed its classification. The Company classified the lease as an operating lease as the lease does not contain a transfer of ownership or purchase option, the fair value of the underlying asset cannot be practicably determined, and the economic life of the asset is indeterminate. The remeasurement of the remaining future lease payments through May 31, 2022 resulted in the recording of \$2.9 million of additional lease assets and liabilities related to the modification. The modification resulted in an insignificant impact on the consolidated statement of operations.

Centrus had a lease with DOE for centrifuge testing facilities in Oak Ridge through December 2019. In connection with the completion of work performed for decontamination and decommissioning of the facility, the Company terminated the lease on September 30, 2019. The Company derecognized the remaining lease asset and related liability of \$0.2 million. There was no gain or loss associated with the termination of the lease.

Operating Lease Assets and Liabilities

The table below presents the lease-related assets and liabilities recorded on the balance sheet (in millions).

	September 30, 2019	Classification on the Balance Sheet
Lease assets	\$ 6.4	Other long-term assets
Lease liabilities:		
Current	2.0	Accounts payable and accrued liabilities
Noncurrent	6.8	Other long-term liabilities
Total lease liabilities	<u>\$ 8.8</u>	

Maturity of Operating Lease Liabilities

The table below reconciles undiscounted payments for operating leases with terms greater than 12 months to the operating lease liabilities recorded on the balance sheet (in millions).

Remainder of 2019	\$ 0.7
2020	2.6
2021	2.6
2022	1.7
2023	1.0
Thereafter	3.8
Total lease payments	<u>12.4</u>
Less imputed interest	3.6
Present value of lease payments	<u>\$ 8.8</u>

Minimum Lease Payments

Prior to the adoption of Topic 842, future estimated minimum lease payments as of December 31, 2018 for leases with remaining terms in excess of one year were as follows (in millions):

2019	\$ 0.9
2020	0.9
2021	0.9
2022	1.0
2023	1.0
Thereafter	3.8
	<u>\$ 8.5</u>

9. FAIR VALUE

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

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

Financial Instruments Recorded at Fair Value (in millions):

	September 30, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Cash and cash equivalents	\$ 77.2	\$ —	\$ —	\$ 77.2	\$ 123.1	\$ —	\$ —	\$ 123.1
Deferred compensation asset (a)	1.6	—	—	1.6	1.4	—	—	1.4
Liabilities:								
Deferred compensation obligation (a)	\$ 1.6	\$ —	\$ —	\$ 1.6	\$ 1.4	\$ —	\$ —	\$ 1.4

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

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

Other Financial Instruments

As of September 30, 2019, and December 31, 2018, the balance sheet carrying amounts for *Accounts Receivable*, *Accounts Payable* and *Accrued Liabilities* (excluding the deferred compensation obligation described above), and *Payables under SWU Purchase Agreements* approximate fair value because of their short-term nature.

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

	September 30, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value ^(a)	Carrying Value	Estimated Fair Value ^(a)
8.25% Notes	\$ 120.2 ^(b)	\$ 59.6	\$ 126.3 ^(b)	\$ 57.9
8% PIK Toggle Notes	—	—	26.7	21.8

- ^(a) Based on recent trading prices and bid/ask quotes as of or near the balance sheet date, which are considered Level 2 inputs based on the frequency of trading.

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

10. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Service costs	\$ 0.8	\$ 0.9	\$ 2.4	\$ 2.5
Interest costs	7.5	7.1	22.7	21.5
Expected return on plan assets (gains)	(9.1)	(10.3)	(27.3)	(30.7)
Net periodic benefit (credits)	<u>\$ (0.8)</u>	<u>\$ (2.3)</u>	<u>\$ (2.2)</u>	<u>\$ (6.7)</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest costs	\$ 1.5	\$ 1.5	\$ 4.5	\$ 4.4
Amortization of prior service costs (credits), net	—	—	(0.1)	(0.1)
Net periodic benefit costs	<u>\$ 1.5</u>	<u>\$ 1.5</u>	<u>\$ 4.4</u>	<u>\$ 4.3</u>

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

11. NET INCOME (LOSS) PER COMMON SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator (in millions):				
Net income (loss)	\$ 22.8	\$ (7.8)	\$ (13.7)	\$ (58.9)
Preferred stock dividends - undeclared and cumulative	1.9	1.9	5.9	5.9
Net income (loss) allocable to common stockholders	\$ 20.9	\$ (9.7)	\$ (19.6)	\$ (64.8)
Denominator (in thousands):				
Average common shares outstanding - basic	9,582	9,133	9,560	9,118
Potentially dilutive shares related to stock options and restricted stock units ^(a)	44	—	—	—
Average common shares outstanding - diluted	9,626	9,133	9,560	9,118
Net income (loss) per common share (in dollars):				
Basic	\$ 2.18	\$ (1.06)	\$ (2.05)	\$ (7.11)
Diluted	\$ 2.17	\$ (1.06)	\$ (2.05)	\$ (7.11)
(a) Common stock equivalents excluded from the diluted calculation as a result of a net loss in the period (in thousands)	—	3	67	10
Options outstanding and considered anti-dilutive as their exercise price exceeded the average share market price (in thousands)	460	360	460	360

12. COMMITMENTS AND CONTINGENCIES

Commitments under SWU Purchase Agreements

TENEX

A major supplier of SWU to the Company is the Russian government entity TENEX, Joint-Stock Company (“TENEX”). Under a 2011 agreement with TENEX, as amended, (the “Russian Supply Agreement”), the Company purchases SWU contained in LEU received from TENEX, and the Company delivers natural uranium to TENEX for the LEU’s uranium component. The LEU that the Company obtains from TENEX under the agreement is subject to quotas and other restrictions applicable to commercial Russian LEU.

The Russian Supply Agreement was originally signed with commitments through 2022 but was modified in 2015 to give the Company the right to reschedule certain quantities of SWU of the original commitments into the period 2023 and beyond, in return for the purchase of additional SWU in those years. The Company has exercised this right to reschedule in each year through December 31, 2018. If the Company exercises this right to reschedule in full during the remaining years of the contract’s original term, the Company will have a rescheduled post-2022 purchase commitment through 2028.

The Russian Supply Agreement provides that the Company must pay for all SWU in its minimum purchase obligation each year, even if it fails to submit orders for such SWU. In such a case, the Company would pay for the SWU but have to take the unordered SWU in the following year.

Pricing terms for SWU under the Russian Supply Agreement are based on a combination of market-related price points and other factors. This formula was subject to an adjustment at the end of 2018 that will reduce the unit costs of SWU under this contract for the duration of the contract.

Orano

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

Milestones Under the 2002 DOE-USEC Agreement

The Company and DOE signed an agreement dated June 17, 2002, as amended (the “2002 DOE-USEC Agreement”), pursuant to which the parties made long-term commitments directed at resolving issues related to the stability and security of the domestic uranium enrichment industry. DOE consented to the assumption by Centrus of the 2002 DOE-USEC Agreement and other agreements between the Company and DOE subject to an express reservation of all rights, remedies and defenses by DOE and the Company under those agreements. The 2002 DOE-USEC Agreement requires Centrus to develop, demonstrate and deploy advanced enrichment technology in accordance with milestones, including the deployment of a commercial American Centrifuge Plant, 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 Company's ongoing work with the American Centrifuge technology, 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 technology.

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 the American Centrifuge Plant milestone under the 2002 DOE-USEC Agreement, DOE and the Company will jointly meet to discuss in good faith possible adjustments to the milestones as appropriate to accommodate the delaying event. The Company notified DOE that it had not met the June 2014 milestone within the time period provided due to events beyond its control and without the fault or negligence of the Company. The assumption of the 2002 DOE-USEC Agreement provided for in the plan of reorganization in the Company's 2014 Chapter 11 bankruptcy (now completed) 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 the Company have agreed that all rights, remedies and defenses of the parties with respect to any missed milestones since March 5, 2014, including the June 2014 and November 2014 milestones, and all other matters under the 2002 DOE-USEC Agreement continue to be preserved, and that the time limits for each party to respond to any missed milestones continue to be tolled.

Legal Matters

On August 30, 2013, the Company submitted a claim to DOE under the Contract Disputes Act for payment of \$42.8 million, representing DOE's share of pension and postretirement benefits costs related to the transition of Portsmouth site employees to DOE's D&D contractor. On August 27, 2014, the DOE contracting officer denied the Company's claim. As a result, the Company filed an appeal of the decision in the U.S. Court of Federal Claims in January 2015. Centrus believes that DOE is responsible for a significant portion of any pension and postretirement benefit costs associated with the transition of employees at Portsmouth. The receivable for DOE's share of pension and postretirement benefits costs has a full valuation allowance due to the lack of a resolution with DOE and uncertainty regarding the amounts owed and the timing of collection. The parties filed cross motions for partial summary judgment to seek a judicial determination of two issues related to the calculation of the pension liability and the entitlement of Centrus to reimbursement for postretirement benefit costs. The Court ruled on the pension calculation methodology and ruled Centrus was entitled to recover costs associated with postretirement benefits for employees afforded protection under the USEC Privatization Act. At the Parties' request, the Court has issued a revised scheduling order providing for expert opinions to be disclosed by November 8, 2019, exchange of expert response reports on December 9, 2019, and expert discovery to close on January 9, 2020. A status report is due by January 15, 2020. The Company is still pursuing settlement.

On May 26, 2019, the Company, its subsidiary United States Enrichment Corp. ("Enrichment Corp."), and five other DOE contractors who have operated facilities at the Portsmouth Gaseous Diffusion Plant (including, in the case of the Company, the American Centrifuge Plant site located on the premises) (the "Portsmouth GDP" site) were named as defendants in a class action complaint filed by Ursula McGlone, Jason McGlone, Julia Dunham, and K.D. and C.D., minor children by and through their parent and natural guardian Julia Dunham (collectively, the "Plaintiffs") in the U.S. District Court in the Southern District of Ohio, Eastern Division. The complaint seeks damages for alleged off-site contamination allegedly resulting from activities on the Portsmouth GDP site. The Plaintiffs are seeking to represent a class of (i) all current or former residents within a 7-mile radius of the Portsmouth GDP site and (ii) all students and their parents at the Zahn's Corner Middle School from 1993-present. The Company believes that its operations at the Portsmouth GDP site were fully in compliance with the Nuclear Regulatory Commission's regulations. Further the Company believes that any such liability should be covered by

our indemnification under the Price-Anderson Act. The Company and Enrichment Corp. has provided notifications to DOE required to invoke indemnification under the Price-Anderson Act and other contractual provisions.

On June 28, 2019, the Company, Enrichment Corp., and four other Department of Energy (“DOE”) contractors who have operated facilities at the Portsmouth GDP site were named as defendants in a class action complaint filed by Ray Pritchard and Sharon Melick (collectively, the “Plaintiffs”) in the U.S. District Court in the Southern District of Ohio, Eastern Division. The complaint seeks damages for alleged off-site contamination allegedly resulting from activities on the Portsmouth GDP site. The Plaintiffs are seeking to represent a class of all current or former residents within a 7-mile radius of the Portsmouth GDP site. The Company believes that its operations at the Portsmouth GDP site were fully in compliance with the Nuclear Regulatory Commission’s regulations. Further the Company believes that any such liability should be covered by our indemnification under the Price-Anderson Act. The Company and Enrichment Corp. has provided notifications to DOE required to invoke indemnification under the Price-Anderson Act and other contractual provisions.

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, other than the above, Centrus does not believe that the outcome of any of these legal matters, individually and in the aggregate, will have a material adverse effect on its cash flows, results of operations or consolidated financial condition.

13. SEGMENT INFORMATION

Gross profit is Centrus' measure for segment reporting. There were no intersegment sales in the periods presented. Refer to *Note 2, Revenue and Contracts with Customers*, for additional details on revenue for each segment. The following table presents the Company's segment information (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue				
LEU segment:				
Separative work units	\$ 75.0	\$ 17.6	\$ 87.4	\$ 68.2
Uranium	12.8	11.3	38.1	14.9
Total	87.8	28.9	125.5	83.1
Contract services segment	16.9	5.2	28.5	26.1
Total revenue	\$ 104.7	\$ 34.1	\$ 154.0	\$ 109.2
Segment Gross Profit (Loss)				
LEU segment	\$ 33.4	\$ 8.0	\$ 25.1	\$ (15.5)
Contract services segment	2.1	(0.2)	0.6	7.3
Gross profit (loss)	\$ 35.5	\$ 7.8	\$ 25.7	\$ (8.2)

Revenue from Major Customers (10% or More of Total Revenue)

In the three months ended September 30, 2019, three customers in the LEU segment represented \$39.0 million, \$23.4 million, and \$10.7 million, respectively, of revenue and one customer in the contract services segment represented \$15.2 million of revenue. In the nine months ended September 30, 2019, two customers in the LEU segment represented \$74.0 million and \$23.4 million, respectively, of revenue and one customer in the contract services segment represented \$23.9 million of revenue.

In the three months ended September 30, 2018, two customers in the LEU segment represented \$17.5 million and \$6.5 million, respectively, of revenue and one customer in the contract services segment represented \$4.3 million of revenue. In the nine months ended September 30, 2018, three customers in the LEU segment represented \$17.6 million, \$15.1 million, and \$14.4 million, respectively, of revenue and one customer in the contract services segment represented \$13.6 million.

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

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

Overview

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

Centrus operates two business segments: low-enriched uranium ("LEU"), which supplies various components of nuclear fuel to utilities, and contract services, which provides advanced engineering, design, and manufacturing services to government and private sector customers.

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

Our contract services segment utilizes the unique technical expertise, operational experience and specialized facilities that we developed over nearly two decades as part of our uranium enrichment technology program. We are leveraging these capabilities to expand and diversify our business beyond uranium enrichment, offering new services to existing and new customers in complementary markets.

With the specialized capabilities and workforce at our Technology and Manufacturing Center in Oak Ridge, Tennessee, we are performing technical, engineering and manufacturing services for a range of commercial and government customers and actively working to secure new customers. Our experience developing, licensing and manufacturing advanced nuclear fuels and technologies positions us to provide critical design, engineering, manufacturing and other services to a broad range of potential clients, including those involving sensitive or classified technologies. This work includes design, engineering, manufacturing and licensing services support for advanced reactor and fuel fabrication projects. Based on our experience at our uranium enrichment facilities, we also performed decontamination and decommissioning ("D&D") work for the U.S. government in Oak Ridge, Tennessee.

With several decades of experience in enrichment, we continue to be a leader in the development of an advanced U.S. uranium enrichment technology, which we believe could play a critical role in supplying fuel for advanced reactors, meeting U.S. national and energy security needs, and achieving our nation's nonproliferation objectives.

On October 31, 2019, we signed a three-year \$115 million contract with DOE ("the HALEU Agreement") to deploy a cascade of centrifuges to demonstrate production of high-assay, low-enriched uranium ("HALEU") fuel with existing United States origin enrichment technology and provide DOE with HALEU for near term use in its research and development for the advancement of civilian nuclear energy and security, and other programmatic missions. The program has been under way since May 31, 2019, when the Company and DOE signed a preliminary agreement ("the HALEU Letter Agreement") that allowed work to begin while the full contract was being finalized.

HALEU is a component of an advanced nuclear reactor fuel that is not commercially available today and may be required for a number of advanced reactor designs currently under development in both the commercial and government sectors. Existing reactors typically operate on LEU with the uranium-235 isotope concentration just below 5%. HALEU has a uranium-235 concentration of up to 20%, giving it several potential technical and economic advantages. For example, the higher concentration of uranium means that fuel assemblies and reactors can be smaller and reactors will require less frequent refueling. Reactors can also achieve higher “burnup” rates, meaning a smaller volume of fuel will be required overall and less waste will be produced. HALEU may also be used in the future to fabricate next-generation fuel forms for the existing fleet of reactors in the United States and around the world; these new HALEU-based fuels could bring improved economics and inherent safety features while increasing the amount of electricity that can be generated at existing reactors.

Centrus believes its investment in the technology will position the Company to meet the needs of its customers as they deploy advanced reactors and next generation fuels. There are no guarantees about whether or when government or commercial demand for HALEU will materialize, and there are a number of technical, regulatory and economic hurdles that must be overcome for these fuels and reactors to come to the market.

As described below under *Revenue - Contract Services*, the Company contributes toward the costs of the HALEU program. The Company continues to invest in advanced U.S. uranium enrichment technology to meet the anticipated needs of the commercial advanced reactor market and U.S. government national security requirements as they develop.

We lease gas centrifuge enrichment plant facilities and related personal property in Piketon, Ohio from DOE. In connection with the letter agreement, DOE and Centrus amended the lease agreement, which was scheduled to expire by its terms on June 30, 2019. The lease was renewed and extended until May 31, 2022, provided, however, that DOE has the right to terminate the lease if the parties do not enter into a definitive contract as contemplated by the letter agreement. Any facilities or equipment constructed or installed under contract with DOE will be owned by DOE, may be returned to DOE in an “as is” condition at the end of the lease term, and DOE would be responsible for its decontamination and decommissioning.

The nuclear industry in general, and the nuclear fuel industry in particular, is in a period of significant change, which continues to affect the competitive landscape. In the seven years following the 2011 Fukushima accident, the published market prices for uranium enrichment declined more than 75 percent. While the monthly price indicators have gradually increased since August 2018, the uranium enrichment segment of the nuclear fuel market remains oversupplied and faces uncertainty about future demand for nuclear power generation. Changes in the competitive landscape affect pricing trends, change customer spending patterns, and create uncertainty. To address these changes, we have taken steps to adjust our cost structure and may seek further adjustments to our cost structure and operations and to evaluate opportunities to grow our business organically or through acquisitions and other strategic transactions.

We are also actively considering, and expect to consider from time to time in the future, potential strategic transactions, which could involve, without limitation, acquisitions and/or dispositions of businesses or assets, 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.

Competition and Foreign Trade

Russian Suspension Agreement

Imports into the United States of LEU and other uranium products produced in the Russian Federation, including LEU imported by Centrus under the long-term supply agreement we signed with the Russian government entity TENEX, Joint-Stock Company (“TENEX”) in 2011, as amended, are subject, through 2020, to quotas imposed under legislation enacted into law in September 2008 and under the 1992 Russian Suspension Agreement (“RSA”), as amended in 2008. These quotas limit the amount of Russian LEU that can be imported into the United States for U.S. consumption.

The U.S. Department of Commerce (“DOC”) is currently conducting an administrative review of the current status of, and compliance with, the RSA during the period October 2017 through September 2018 (the “Second Administrative Review”). In an earlier review, completed in December 2017, the DOC said that in the Second Administrative Review, the DOC would conduct an analysis of whether the RSA continues to meet the statutory requirements that the RSA (i) prevent the suppression or undercutting of price levels of domestic uranium products and (ii) continue to be in the public interest. If the Department found evidence either of non-compliance with the RSA, or that the statutory requirements are no longer being met, it could terminate the RSA, reinstate the antidumping investigation that the RSA suspended, and begin collecting duties in excess of 100% ad valorem on imports of Russian uranium products, including the LEU that the Company imports under the Russian Supply Contract. A preliminary determination in the Second Administrative Review is expected to be issued in December 2019 and a final determination is expected to be issued in the second quarter of 2020.

In February 2019, the DOC formally opened consultations with the Russian Federation State Atomic Energy Corporation “Rosatom” with respect to a possible extension of the Agreement’s term. In connection with these negotiations, it is possible that the RSA, including the quotas now imposed on imports of Russian uranium products, will be extended for a significant additional period of years.

Imposition of additional restrictions as a result of an adverse final determination in the Second Administrative Review, or through an extension of the RSA on terms that do not ensure that we can meet our purchase obligations under the Russian Supply Agreement and our existing and future supply commitments to customers, could adversely affect our financial condition and operations.

Other Trade Actions

In July 2019, in response to a finding of the Secretary of Commerce that uranium was being imported in such quantities and under such circumstances that it threatened to impair the national security of the United States, the President directed that a high-level U.S. government working group be formed to develop recommendations for reviving and expanding domestic nuclear fuel production. The working group’s report to the President, which was due in October 2019, but delayed at least until November 2019, cannot be predicted with certainty, but may include recommendations for direct and indirect U.S. government support to the domestic fuel cycle.

On October 29, 2019, the U.S. government’s waiver of sanctions against Russian and other foreign entities with respect to their support of certain Iranian nuclear products was extended for an additional ninety days. If, following a future expiration of the waiver, the U.S. government imposed sanctions that included designating Rosatom as a “Specially Designated National”, all U.S. persons, including the Company, would be precluded from engaging in transactions with any entity that is directly or indirectly owned 50 percent or more in the aggregate by Rosatom, including TENEX, except to the extent authorized by a license issued by the U.S. Department of Treasury’s Office of Foreign Assets Control (“OFAC”). While the Company would expect to seek such a license, there is no assurance it would be granted. If it were not granted, the Company would need to look to alternative sources of LEU to replace the LEU that it could not procure from TENEX, and to the extent these sources were insufficient, it would adversely impact our business, results of operations, and prospects.

Revenue

We have two reportable segments: the LEU segment and the contract services segment.

Revenue from our LEU segment is derived primarily from:

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

Our contract services segment reflects our technical, manufacturing, engineering and operations services offered to public and private sector customers, including engineering and testing activities as well as technical and resource support currently being performed by the Company. This includes our agreement with DOE to demonstrate HALEU production and a variety of other contracts with public and private sector customers.

SWU and Uranium Sales

Revenue from our LEU segment accounted for approximately 85% of our total revenue in 2018. The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting approximately 31% of revenue from our LEU segment in recent years. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers are obligated to purchase a specified quantity of the SWU component of LEU (or the SWU and uranium components of LEU) from us. Our agreements for natural uranium and enriched uranium product sales, where we sell both the SWU and uranium component of LEU, are generally shorter-term, fixed-commitment contracts.

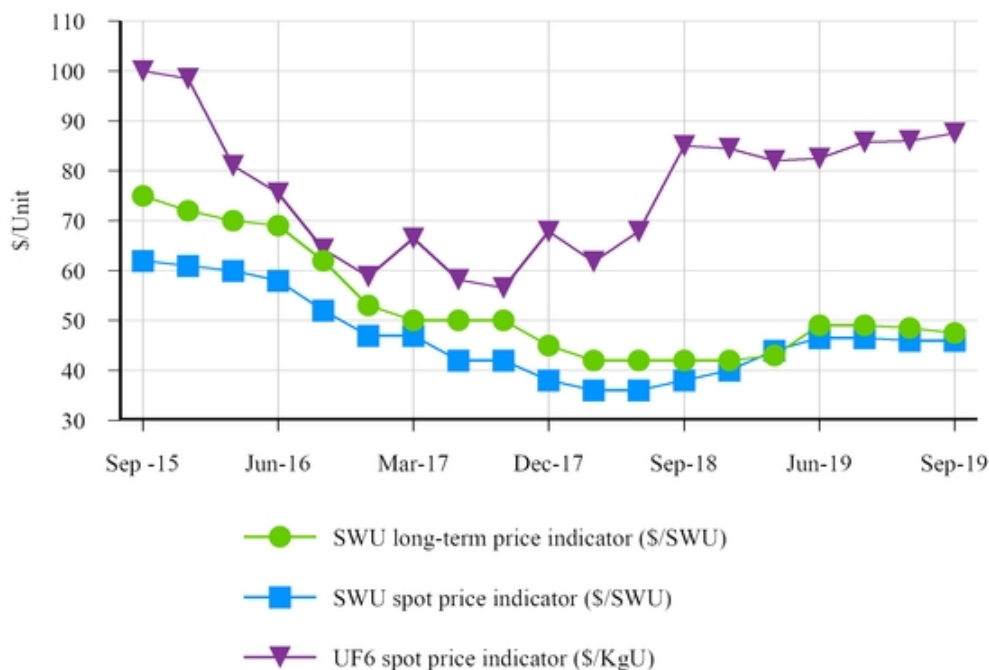
Our revenues, operating results and cash flows can fluctuate significantly from quarter to quarter and year to year. Revenue is recognized at the time LEU or uranium is delivered under the terms of our contracts. The timing of customer deliveries is affected by, among other things, electricity markets,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

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

Our financial performance over time can be significantly affected by changes in prices for SWU and uranium. Since 2011, market prices for SWU and uranium have significantly declined. Since our sales order book includes contracts awarded to us in previous years, the average SWU price billed to customers typically lags behind published price indicators by several years, which means that average prices under contract today exceed current market prices.

The long-term SWU price indicator, as published by TradeTech, LLC in *Nuclear Market Review*, is an indication of base-year prices under new long-term enrichment contracts in our primary markets. The following chart summarizes TradeTech's long-term and spot SWU price indicators, and TradeTech's spot price indicator for natural uranium hexafluoride ("UF6"):

SWU and Uranium Market Price Indicators*



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

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

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

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

Contract Services

Our contract services segment reflects our technical, manufacturing, engineering and operations services offered to public and private sector customers, including the American Centrifuge engineering and testing activities we have performed as a contractor for UT-Battelle and the engineering, procurement, construction, manufacturing and operations services being performed under the HALEU Letter Agreement. With our private sector customers, we seek to leverage our domestic enrichment experience, engineering know-how, and precision manufacturing facility to assist customers with a range of engineering, design, and advanced manufacturing projects including the production of fuel for next-generation nuclear reactors and the development of related facilities.

Government Contracting

On October 31, 2019, we signed the three-year \$115 million HALEU Agreement with DOE to deploy a cascade of centrifuges to demonstrate production of HALEU fuel for advanced reactors. The program has been under way since May 31, 2019, when the Company and DOE signed the HALEU Letter Agreement that allowed work to begin while the full contract was being finalized.

The HALEU Agreement is an incrementally funded, cost reimbursable contract with DOE reimbursing up to 80% of costs and the Company incurring at least 20% of costs. The HALEU Agreement runs through June 1, 2022, and the total amount of DOE's share is capped at \$115 million. Based upon the cost share described above, and the total amount of DOE's share of \$115 million, our cost share would be approximately \$29 million. Any costs incurred above these amounts would increase our cost share. Under the HALEU Agreement, DOE is currently obligated for costs up to \$35 million of the \$115 million and is authorized for payments to the Company up to \$35 million. We received cash payments of \$3.4 million through September 30, 2019.

Costs under the HALEU Agreement include program costs, including direct labor and materials and associated indirect costs that are classified as *Cost of Sales*, and an allocation of corporate costs supporting the program that are classified as *Selling, General and Administrative Expenses*. Services to be provided over the three-year contract include constructing and assembling centrifuge machines and related infrastructure in a cascade formation. When estimates of total program costs to be incurred for such an integrated, construction-type contract exceed estimates of total revenue to be earned, a provision for the entire loss on the contract is recorded to *Cost of Sales* in the period the loss is determined, and is reflected in *Current Liabilities*. Provisions for contract losses are reviewed regularly based on actual results and remaining cost projections. Allocated corporate costs supporting the program are recognized as expense as incurred over the duration of the contract term.

For the quarter ended June 30, 2019, we recorded a loss provision of \$0.5 million which represented the anticipated gross loss for the remaining initial phase of contract work performed under the HALEU Letter Agreement as the parties worked to enter into a definitive contract. In the three months ended September 30, 2019, the loss provision was reduced by \$0.3 million and the remaining accrued loss provision as of September 30, 2019 for the remaining initial phase of the contract work through October 31, 2019, is \$0.2 million. With the signing of the HALEU Agreement on October 31, 2019, we expect to recognize a loss in the fourth quarter of 2019 in the approximate range of \$17-22 million, for our projected share of program costs over the remaining contract term, based on cost projections that are currently under review.

Effective June 1, 2019 with the commencement of the HALEU work, ongoing costs of the Piketon facility that were included in *Advanced Technology Costs* on the condensed consolidated statement of operations prior to June 1, 2019, are included in *Cost of Sales* of the contract services segment.

Over the past five years, our government contracts with UT-Battelle have provided for engineering and testing work on the American Centrifuge technology at our facilities in Oak Ridge, Tennessee. Our completed contract with UT-Battelle for the period from October 1, 2017, through September 30, 2018, generated revenue of approximately \$16.0 million upon completion of defined milestones. Although the contract expired September 30, 2018, we continued to perform work towards the expected milestones as the parties worked toward a successor agreement. Costs for work performed in the first quarter of 2019 were classified as *Cost of Sales*. As the scope of work became viewed as more limited than originally anticipated, costs for work performed in the second quarter and most of the third quarter of 2019 were classified as *Advanced Technology Costs*. In September 2019, we entered into an agreement with UT-Battelle for one of the defined milestones with expected revenue of approximately \$1.2 million through the end of 2019.

While the Company still anticipates entering into additional agreements for the expected remaining milestones, we have no assurance that a successor agreement will be executed for any of the remaining milestones.

We continue to invest in advanced technology because of the potential for future growth into new areas of business for the Company, while also preserving our unique workforce at the Technology and Manufacturing Center in Oak Ridge, Tennessee.

On September 27, 2018, we leveraged our D&D experience and entered into an agreement with DOE to decontaminate and decommission the K-1600 facility located at the East Tennessee Technology Park. Under the terms of the agreement, pursuant to a work authorization under our lease with DOE, we were required to remove and dispose of government owned materials and equipment in order to render the facility radiologically uncontaminated and unclassified. The contract was a cost-plus fixed fee contract totaling approximately \$15 million. The Company announced that it had successfully completed decontamination and decommissioning of the facility on October 9, 2019. In connection with the substantial completion of the work, we terminated our lease with DOE for the K-1600 facility on September 30, 2019.

In addition, we have entered into other contracts with DOE, other agencies and their contractors to provide engineering, design and manufacturing services.

Commercial Contracting

On March 26, 2018, we entered into a services agreement with X Energy, LLC (“X-energy”). Under the terms of the services agreement, we provided (i) technical and resource support to X-energy for criticality safety evaluation of processing equipment, design of fresh fuel transport packages, and conceptual mock-up of a nuclear fuel production facility and (ii) non-cash in-kind contributions to X-energy subject to a cooperative agreement between X-energy and the U.S. government. The technical and resource support provided by us to X-energy was performed pursuant to separate task orders issued under and pursuant to the services agreement. The initial task orders ran through December 31, 2018. Depending upon the pricing outlined in the task orders, payment for work performed by us pursuant to the services agreement was either fixed price based or time-and-materials based. The initial task orders in 2018 provided for time-and-materials based pricing with payments to us totaling approximately \$4.4 million. In addition, we contributed non-cash in-kind contributions with a value of approximately \$2.5 million.

On November 29, 2018, we entered into a second services agreement with X-energy. Under the terms of the second services agreement, we will provide (i) technical and resource support to the design and license application development of X-energy’s nuclear fuel production facility and (ii) non-cash in-kind contributions to X-energy subject to a cooperative agreement between X-energy and the United States government. The technical and resource support provided by us to X-energy will be performed pursuant to separate task orders issued under and pursuant to the second services agreement. The initial task orders run through September 30, 2019 with deliverables to be completed through November 30, 2019. The awarding of any additional task orders to us will be dependent upon the receipt of additional funding. Depending upon the pricing outlined in the task orders, payment for work performed by us pursuant to the services agreement will either be fixed-price based or time-and-materials based. The initial task orders provide for time-and-materials based pricing with payments to be made to us totaling

approximately \$4.2 million. In addition, we have agreed to provide non-cash in-kind contributions with a value of approximately \$2.4 million.

In addition, we have entered into other contracts for the engineering, design, and advanced manufacturing services with other commercial entities.

Prior Site Services Work

We formerly performed sites services work under contracts with DOE and its contractors at the former Portsmouth (Ohio) and Paducah (Kentucky) Gaseous Diffusion Plants. On January 11, 2018, we entered into a settlement agreement with DOE and the U.S. government regarding breach of contract claims relating to this work. Refer to *Note 2, Revenue and Contracts with Customers*.

The Company and DOE have yet to fully settle the Company's claims for reimbursements for certain pension and postretirement benefits costs related to past contract work performed at the Portsmouth and Paducah plant sites. There is the potential for additional revenue to be recognized for this work pending the outcome of legal proceedings related to the Company's claims for payment and the potential release of previously established valuation allowances on receivables. Refer to Part II, Item 1, *Legal Proceedings*, for additional information.

2019 Outlook

We reiterate our annual guidance for 2019, including SWU and uranium revenue in the range of \$155 million to \$180 million and total revenue to be in a range of \$205 million to \$230 million. Consistent with prior years, revenue continues to be most heavily weighted to the second half of the year. We continue to expect to end 2019 with a cash and cash equivalents balance in a range of \$105 million to \$125 million.

Based on cost estimates that are currently under review for the three-year HALEU program, we expect to recognize a contract loss in the fourth quarter of 2019 in the approximate range of \$17-22 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. Among the factors that could affect our results are:

- Additional purchases or sales of SWU and uranium;
- Conditions in the LEU and energy markets, including pricing, demand, operations, and regulations;
- Timing of customer orders, related deliveries, and purchases of LEU or components;
- Contracts for any additional scope of work with UT-Battelle;
- Financial market conditions and other factors that may affect pension and benefit liabilities and the value of related assets;
- The outcome of legal proceedings and other contingencies;
- Potential use of cash for strategic or financial initiatives;
- Actions taken by customers, including actions that might affect existing contracts; and,
- Market, international trade and other conditions impacting Centrus' customers and the industry.

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

Results of Operations

Segment Information

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

	Three Months Ended September 30,		\$ Change	% Change
	2019	2018		
LEU segment				
Revenue:				
SWU revenue	\$ 75.0	\$ 17.6	\$ 57.4	326 %
Uranium revenue	12.8	11.3	1.5	13 %
Total	87.8	28.9	58.9	204 %
Cost of sales	54.4	20.9	(33.5)	(160)%
Gross profit	\$ 33.4	\$ 8.0	\$ 25.4	
Contract services segment				
Revenue	\$ 16.9	\$ 5.2	\$ 11.7	225 %
Cost of sales	14.8	5.4	(9.4)	(174)%
Gross profit (loss)	\$ 2.1	\$ (0.2)	\$ 2.3	
Total				
Revenue	\$ 104.7	\$ 34.1	\$ 70.6	207 %
Cost of sales	69.2	26.3	(42.9)	(163)%
Gross profit	\$ 35.5	\$ 7.8	\$ 27.7	

	Nine Months Ended September 30,		\$ Change	% Change
	2019	2018		
LEU segment				
Revenue:				
SWU revenue	\$ 87.4	\$ 68.2	\$ 19.2	28 %
Uranium revenue	38.1	14.9	23.2	156 %
Total	125.5	83.1	42.4	51 %
Cost of sales	100.4	98.6	(1.8)	(2)%
Gross profit (loss)	\$ 25.1	\$ (15.5)	\$ 40.6	
Contract services segment				
Revenue	\$ 28.5	\$ 26.1	\$ 2.4	9 %
Cost of sales	27.9	18.8	(9.1)	(48)%
Gross profit	\$ 0.6	\$ 7.3	\$ (6.7)	
Total				
Revenue	\$ 154.0	\$ 109.2	\$ 44.8	41 %
Cost of sales	128.3	117.4	(10.9)	(9)%
Gross profit (loss)	\$ 25.7	\$ (8.2)	\$ 33.9	

Revenue

Revenue from the LEU segment increased \$58.9 million (or 204%) in the three months and \$42.4 million (or 51%) in the nine months ended September 30, 2019, compared to the corresponding periods in 2018, reflecting the variability in timing of utility customer orders. As noted in the *2019 Outlook* above and consistent with prior years, revenue is anticipated to be heavily weighted to the second half of the year. The volume of SWU sales increased 752% in the three-month period and 41% in the nine-month period. The average price billed to customers for sales of SWU declined 50% in the three-month period and 9% in the nine-month period ended September 30, 2019, compared to the corresponding period in 2018, reflecting the trend of lower SWU market prices in recent years and the particular contracts under which SWU were sold during the periods. The volume of uranium sales increased 15% in the three-month period and 137% in the nine-month period ended September 30, 2019, compared to the corresponding period in 2018. The average price billed to customers for uranium sales declined 2% in the three-month period and increased 8% in the nine-month period.

Revenue from the contract services segment increased \$11.7 million (or 225%) in the three months and increased \$2.4 million (or 9%) in the nine months ended September 30, 2019, compared to the corresponding periods in 2018. The increase in the three and nine-month periods was primarily the result of work performed under the HALEU contract and the K-1600 D&D, partially offset by a decrease in work performed for the Battelle contract. The nine-month period in 2018 included \$9.5 million of revenue related to the January 2018 settlement with DOE related to past work performed.

Cost of Sales

Cost of sales for the LEU segment increased \$33.5 million (or 160%) in the three months and \$1.8 million (or 2%) in the nine months ended September 30, 2019, compared to the corresponding periods in 2018, reflecting the increases in SWU and uranium sales volumes partially offset by declines in the average cost of sales per SWU. The average cost of sales per SWU declined approximately 48% in the nine months ended September 30, 2019, compared to the corresponding period in 2018, primarily due to lower pricing in supply contracts. Cost of sales includes legacy costs related to former employees of the Portsmouth and Paducah Gaseous Diffusion Plants of \$2.8 million in the nine months ended September 30, 2019 and \$2.9 million in the nine months ended September 30, 2018. Our inventories are valued at the lower of cost or net realizable value. Valuation adjustments for our uranium inventory to reflect declines in uranium market price indicators totaled \$2.3 million in the nine months ended September 30, 2019.

Cost of sales for the contract services segment increased \$9.4 million (or 174%) in the three months and \$9.1 million (or 48%) in the nine months ended September 30, 2019, compared to the corresponding periods in 2018, reflecting the mix of contract services work performed in each of the periods.

Gross Profit (Loss)

We realized a gross profit of \$35.5 million in the three months ended September 30, 2019, compared to a gross profit of \$7.8 million in the corresponding period in 2018. In the nine months ended September 30, 2019, we realized a gross profit of \$25.7 million, compared to a gross loss of \$8.2 million in the corresponding period in 2018.

The gross profit for the LEU segment was \$33.4 million in the three months ended September 30, 2019, compared to \$8.0 million in the corresponding period in 2018. In the nine months ended September 30, 2019, we realized a gross profit of \$25.1 million, compared to a gross loss of \$15.5 million in the corresponding period in 2018. The improvement for the LEU segment in the three- and nine-month periods was primarily due to the increase in SWU and uranium volumes sold and the decline in the average cost of sales per SWU, partially offset by declines in the average price billed to customers for sales of SWU. The average price billed to customers for the sale of uranium increased during the three-month period and declined in the nine-month period.

For the contract services segment, we realized a gross profit of \$2.1 million for the three months ended September 30, 2019, compared to a gross loss of \$0.2 million in the corresponding period in 2018. In the nine months ended September 30, 2019, we realized a gross profit of \$0.6 million compared to a gross profit of \$7.3 million in the corresponding period in 2018 that included \$9.5 million of revenue from the January 2018 settlement with DOE.

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	% Change
	2019	2018		
Gross profit (loss)	\$ 35.5	7.8	\$ 27.7	355 %
Advanced technology costs	1.3	5.8	4.5	78 %
Selling, general and administrative	8.7	8.8	0.1	1 %
Amortization of intangible assets	1.8	1.7	(0.1)	(6)%
Special charges (credits) for workforce reductions and advisory costs	0.8	0.6	(0.2)	(33)%
Gain on sales of assets	(0.2)	—	0.2	
Operating income (loss)	23.1	(9.1)	32.2	354 %
Nonoperating components of net periodic benefit expense (income)	(0.1)	(1.6)	(1.5)	(94)%
Interest expense	0.9	1.0	0.1	10 %
Investment income	(0.5)	(0.7)	(0.2)	(29)%
Income (Loss) before income taxes	22.8	(7.8)	30.6	392 %
Income tax benefit	—	—	—	— %
Net income (loss)	22.8	(7.8)	30.6	392 %
Preferred stock dividends - undeclared and cumulative	1.9	1.9	—	— %
Net income (loss) allocable to common stockholders	\$ 20.9	\$ (9.7)	\$ 30.6	315 %

	Nine Months Ended September 30,		\$ Change	% Change
	2019	2018		
Gross income (loss)	\$ 25.7	(8.2)	\$ 33.9	413 %
Advanced technology costs	13.0	19.2	6.2	32 %
Selling, general and administrative	24.5	29.7	5.2	18 %
Amortization of intangible assets	4.1	4.5	0.4	9 %
Special charges (credits) for workforce reductions and advisory costs	(2.2)	1.5	3.7	247 %
Gain on sales of assets	(0.7)	(0.3)	0.4	133 %
Operating loss	(13.0)	(62.8)	49.8	79 %
Nonoperating components of net periodic benefit expense (income)	(0.2)	(4.9)	(4.7)	(96)%
Interest expense	2.9	3.0	0.1	3 %
Investment income	(1.9)	(1.9)	—	— %
Loss before income taxes	(13.8)	(59.0)	45.2	77 %
Income tax benefit	(0.1)	(0.1)	—	— %
Net loss	(13.7)	(58.9)	45.2	77 %
Preferred stock dividends - undeclared and cumulative	5.9	5.9	—	— %
Net loss allocable to common stockholders	\$ (19.6)	\$ (64.8)	\$ 45.2	70 %

Advanced Technology Costs

Advanced technology costs consist of American Centrifuge expenses that are outside of our customer contracts in the contract services segment, including costs for work at the Piketon facility prior to the commencement of the HALEU work in June 2019. Costs decreased \$4.5 million (or 78%) from \$5.8 million to \$1.3 million in the three months and decreased \$6.2 million (or 32%) in the nine months ended September 30, 2019, compared to the corresponding periods in 2018.

Selling, General and Administrative

Selling, general and administrative (“SG&A”) expenses declined \$0.1 million (or 1%) in the three months and \$5.2 million (or 18%) in the nine months ended September 30, 2019, compared to the corresponding periods in 2018. In the nine-month period, compensation and benefits declined \$2.7 million, consulting costs declined \$1.2 million and information technology costs declined \$0.4 million.

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 to \$1.8 million in the three months and declined to \$4.1 million in the nine months ended September 30, 2019, compared to the corresponding periods in 2018. Amortization expense for the intangible asset related to customer relationships is amortized on a straight-line basis.

Special Charges (Credits) for Workforce Reductions and Advisory Costs

Special charges increased \$0.2 million in the three months and declined \$3.7 million in the nine months ended September 30, 2019, compared to the corresponding periods in 2018. In the nine months ended September 30, 2019, special charges included a credit of \$2.9 million for the reversal of accrued termination benefits for employees who were retained with the May 31, 2019 signing of the HALEU Letter Agreement. In the corresponding period in 2018, special charges consisted of estimated employee termination benefits related to corporate functions of \$1.4 million and advisory costs related to updating the Company's information technology systems of \$0.1 million.

Nonoperating Components of Net Periodic Benefit Expense (Income)

Nonoperating components of net periodic benefit expense (income) netted to income of \$0.1 million for the three months ended September 30, 2019, compared to income of \$1.6 million in the corresponding period in 2018. In the nine months ended September 30, 2019, nonoperating components of net periodic benefit expense (income) netted to \$0.2 million income, compared to \$4.9 million income in the corresponding period in 2018. Nonoperating components of net periodic benefit expense (income) consist primarily of the expected return on plan assets, offset by interest cost as the discounted present value of benefit obligations nears payment.

Income Tax Benefit

The income tax benefit was \$0 million in the three months ended September 30, 2019 and 2018. The income tax benefit was \$0.1 million the nine months ended September 30, 2019 and 2018. 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.

Net Income (Loss)

Our net income was \$22.8 million in the three months ended September 30, 2019, compared to a net loss of \$7.8 million in the three months ended September 30, 2018. The favorable variance of \$30.6 million was primarily a result of a \$27.7 million decline in gross loss and a \$4.5 million decline in advanced technology costs, partially offset by a \$1.5 million decline in nonoperating components of net periodic benefit income.

Our net loss was \$13.7 million in the nine months ended September 30, 2019, compared to a net loss of \$58.9 million in the nine months ended September 30, 2018. The favorable variance of \$45.2 million was primarily a result of a decline in gross loss of \$33.9 million, a \$5.2 million decline in SG&A expenses, \$6.2 million decline in advanced technology costs, and a \$3.7 million decline in special charges, partially offset by \$4.7 million decline in nonoperating components of net periodic benefit income.

Preferred Stock Dividends - Undeclared and Cumulative

Holder of the Series B Preferred Stock are entitled to cumulative dividends of 7.5% per annum of the aggregate liquidation preference at origination of \$104.6 million. We did not meet the criteria for a dividend payment obligation for the three and nine months ended September 30, 2019 and the corresponding periods in 2018, and we have not declared, accrued or paid dividends on the Series B Preferred Stock since issuance on February 14, 2017. Dividends on the Series B Preferred Stock are cumulative to the extent not paid at any quarter-end, whether or not declared and whether or not there are assets of the Company legally available for the payment of such dividends in whole or in part.

Liquidity and Capital Resources

We ended the third quarter of 2019 with a consolidated cash balance of \$77.2 million. We anticipate having adequate liquidity to support our business operations for at least the next 12 months from the date of this report. Our view of liquidity is dependent on, among other things, our operations and the level of expenditures and government funding for our services contracts and the timing of customer payments. Liquidity requirements for our existing operations are affected primarily by the timing and amount of customer sales and our inventory purchases.

We believe our sales order book in our LEU segment is a source of stability for our liquidity position. Our sales order book extends to 2030. Although based on current market conditions, we see limited uncommitted demand for LEU for the next few years before an anticipated rise in uncommitted demand later in the 2020s, we continue to seek and make additional sales, including sales for delivery through the late 2020s.

Substantially all revenue-generating operations of the Company are conducted at the subsidiary level. Centrus' principal source of funding for American Centrifuge activities has been provided: (i) under the contract with UT-Battelle for the period October 1, 2017 through September 30, 2018, the operator of ORNL; and (ii) from Centrus' wholly-owned subsidiary, Enrichment Corp. to Centrus and its 100% indirectly owned subsidiary American Centrifuge Operating, LLC pursuant to two secured intercompany financing notes.

The financing obtained from Enrichment Corp. funds American Centrifuge costs that are outside of our customer contracts in the contract services segment and general corporate expenses, including cash interest payments on our debt. Although the most recent contract with UT-Battelle expired September 30, 2018, we continue to perform work towards the expected milestones as the parties work toward a successor agreement. However, we have no assurance that a successor agreement will be executed.

On October 31, 2019, we signed the three-year \$115 million HALEU Agreement with DOE to deploy a cascade of centrifuges to demonstrate production of HALEU fuel for advanced reactors. The program has been under way since May 31, 2019, when Centrus and DOE signed a preliminary letter agreement that allowed work to begin while the full contract was being finalized. The HALEU Agreement is an incrementally funded, cost reimbursable contract with DOE reimbursing up to 80% of total program costs up to a maximum amount of \$115 million. The corresponding 20 percent cost share for us would be \$29 million. Any costs incurred above these amounts would increase our cost share. Based on current program cost estimates under review, we expect to recognize a portion of our anticipated total cost share as a loss in the fourth quarter of 2019 in the approximate range of \$17-22 million. The total cost share is expected to exceed \$29 million, including certain operating costs in support of the program that will be recognized as expense as incurred over the three-year contract term. Under the HALEU Agreement, DOE is currently obligated for costs up to \$35 million of the \$115 million and is authorized for payments to us up to \$35 million. We received cash payments of \$3.4 million through September 30, 2019.

We lease gas centrifuge enrichment plant facilities and related personal property in Piketon, Ohio from DOE. We previously provided financial assurance to DOE for lease turnover obligations in the form of surety bonds that were fully cash collateralized. In the three months ended June 30, 2019, we completed our lease turnover obligations, DOE released the bonds and we received the cash collateral of \$13.5 million. In addition, we have previously provided financial assurance to the NRC for the D&D of the facility in the form of surety bonds that are fully cash collateralized by us for \$16.9 million. We completed the D&D work required for elimination of financial assurance under NRC license requirements. On September 23, 2019, the NRC cancelled the financial assurance instruments, which permitted the Company to request a return of its cash collateral. On October 4, 2019, we received \$17.0 million, which included \$1.0 million of accrued interest, from the cancellation of the surety bonds.

In connection with the HALEU program, DOE and Centrus renewed the lease agreement and extended the lease term through May 31, 2022 provided, however, that the lease may be terminated early upon completion of the work under the HALEU Agreement. Any facilities or equipment constructed or installed under contract with DOE will be owned by DOE, may be returned to DOE in an "as is" condition at the end of the lease term, and DOE would be responsible for its decontamination and decommissioning.

In the event that funding by the U.S. government for research, development and demonstration of gas centrifuge technology is reduced or discontinued, such actions may have a material adverse impact on our ability to deploy the American Centrifuge technology and on our liquidity.

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

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

	Nine Months Ended September 30,	
	2019	2018
Cash used in operating activities	\$ (26.5)	\$ (77.7)
Cash provided by investing activities	0.7	0.3
Cash used in financing activities	(33.8)	(6.1)
Decrease in cash, cash equivalents and restricted cash	<u>\$ (59.6)</u>	<u>\$ (83.5)</u>

Operating Activities

In the nine months ended September 30, 2019, net cash used in operating activities was \$26.5 million. The net reduction of \$33 million in the SWU purchase payables balance, due to the timing of purchase deliveries, was a significant use of cash in the period. Uses of cash also included a \$9.3 million increase in net inventories and the net loss of \$13.7 million in the nine months, net of non-cash expenses. Sources of cash included the net reduction in receivables of \$31.3 million in the nine-month period.

In the corresponding period in 2018, net cash used in operating activities was \$77.7 million. The net reduction of \$64.8 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, 2018. The operating loss of \$62.8 million in the nine months ended September 30, 2018, net of non-cash expenses, was a use of cash. Sources of cash included the net reduction in receivables from utility customers of \$42.1 million.

Investing Activities

There were no significant capital expenditures in the nine months ended September 30, 2019 and 2018. Sales of unneeded assets and property yielded net proceeds of \$0.7 million and \$0.4 million in the nine months ended September 30, 2019 and the corresponding period in 2018, respectively.

Financing Activities

In the nine months ended September 30, 2019, net cash used for financing included the repayment of \$27.5 million of principal due on maturity of the 8% PIK Notes. In the nine months ended September 30, 2019 and the corresponding period in 2018, payments of \$6.1 million of interest classified as debt related to the 8.25% Notes were classified as a financing activity. Refer to *Note 7, Debt*, of the condensed consolidated financial statements regarding the accounting for the 8.25% Notes.

Working Capital

The following table summarizes the Company's working capital (in millions):

	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 77.2	\$ 123.1
Accounts receivable	19.1	60.2
Inventories, net	68.3	26.7
Deposits for financial assurance	17.2	30.3
Current debt	(6.1)	(32.8)
Other current assets and liabilities, net	(143.7)	(161.7)
Working capital	<u>\$ 32.0</u>	<u>\$ 45.8</u>

Capital Structure and Financial Resources

On September 30, 2019, the Company repaid the outstanding 8% paid-in-kind ("PIK") Toggle Notes that matured on September 30, 2019. The Company paid a total of \$28.5 million, including \$1.0 million in accrued interest. The payment was made in accordance with the terms of the Indenture dated September 30, 2014 (as amended, supplanted, or otherwise modified from time to time) among the Company, the Company's subsidiary, United States Enrichment Corp., as the note guarantor, and Delaware Trust Company, as trustee and collateral agent. The payment constituted full satisfaction and discharge of the Indenture and the Notes.

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

Additional terms and conditions of the 8.25% Notes and the 8% PIK Toggle Notes are described in *Note 7, Debt*, of the condensed consolidated financial statements and *Note 9, Debt*, of the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Holders of the Series B Preferred Stock are entitled to cumulative dividends of 7.5% per annum of the liquidation preference. We are obligated to pay cash dividends on our Series B Preferred Stock to the extent dividends are declared by the Board of Directors and certain criteria are met. We have not met these criteria for the periods from issuance through September 30, 2019, and have not declared, accrued or paid dividends on the Series B Preferred Stock as of September 30, 2019. Additional terms and conditions of the Series B Preferred Stock, including the criteria that must be met for the payment of dividends, are described in *Note 15, Stockholders' Equity*, of the consolidated financial statements of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

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

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

Commitments under Long-Term SWU Purchase Agreements

The Company purchases SWU contained in LEU from Russia supplied to us under a long-term agreement, as amended, signed in 2011 with the Russian government owned entity TENEX. Under a 2018 agreement, the Company will purchase SWU contained in LEU from Orano with deliveries starting as early as 2021. Refer to *Note 12, Commitments and Contingencies*, of the condensed consolidated financial statements for additional information.

DOE Technology License

We have a non-exclusive license in DOE inventions that pertain to enriching uranium using gas centrifuge technology. The license agreement with DOE provides for annual royalty payments based on a varying percentage (1% up to 2%) of our annual revenues from sales of the SWU component of LEU produced by us using DOE centrifuge technology. There is a minimum annual royalty payment of \$100,000 and the maximum cumulative royalty over the life of the license is \$100 million. There is currently no commercial enrichment facility producing LEU using DOE centrifuge technology. We are continuing to advance our U.S. centrifuge technology that has evolved from DOE inventions at specialized facilities in Oak Ridge, Tennessee, with a view to deploying a commercial enrichment facility over the long term once market conditions recover.

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, there were no material off-balance sheet arrangements at September 30, 2019, or December 31, 2018.

New Accounting Standards

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Centrus maintains disclosure controls and procedures 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, as amended, (the “Exchange Act”) is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosures.

As previously disclosed in *Part II, Item 9A, Controls and Procedures* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, management identified a material weakness in the Company’s internal control over financial reporting. Specifically, we did not maintain effective controls over the determination and assessment of accounting impacts for arrangements with customers that could result in modification accounting or other impacts when executed. Because of this material weakness, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective as of December 31, 2018.

As of September 30, 2019, the end of the period covered by this report, our management performed an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective due to the previously identified material weakness in internal control over financial reporting, which continued to exist as of September 30, 2019.

Notwithstanding the material weakness described below, our management concluded that the condensed consolidated financial statements included in this report fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods presented, in accordance with GAAP.

Efforts to Address Material Weakness

The Company has and expects to continue to make progress in improving internal control over the evaluation of arrangements with customers that could result in modification accounting or other impacts for a sales contract. Management has enhanced its evaluation process of these arrangements. The material weakness will not be considered remediated until the remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed by the end of 2019.

Changes in Internal Control Over Financial Reporting

Other than the steps taken to work towards the remediation of the material weakness identified above, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. *Legal Proceedings*

On August 30, 2013, the Company submitted a claim to DOE under the Contract Disputes Act for payment of \$42.8 million, representing DOE's share of pension and postretirement benefits costs related to the transition of Portsmouth site employees to DOE's D&D contractor. On August 27, 2014, the DOE contracting officer denied the Company's claim. As a result, the Company filed an appeal of the decision in the U.S. Court of Federal Claims in January 2015. Centrus believes that DOE is responsible for a significant portion of any pension and postretirement benefit costs associated with the transition of employees at Portsmouth. The receivable for DOE's share of pension and postretirement benefits costs has a full valuation allowance due to the lack of a resolution with DOE and uncertainty regarding the amounts owed and the timing of collection. The parties filed cross motions for partial summary judgment to seek a judicial determination of two issues related to the calculation of the pension liability and the entitlement of Centrus to reimbursement for postretirement benefit costs. The Court ruled on the pension calculation methodology and ruled Centrus was entitled to recover costs associated with postretirement benefits for employees afforded protection under the USEC Privatization Act. At the Parties' request, the Court has issued a revised scheduling order providing for expert opinions to be disclosed by November 8, 2019, exchange of expert response reports on December 9, 2019, and expert discovery to close on January 9, 2020. A status report is due by January 15, 2020. The Company is still pursuing settlement.

On May 26, 2019, the Company, its subsidiary United States Enrichment Corp. ("Enrichment Corp."), and five other Department of Energy ("DOE") contractors who have operated facilities at the Portsmouth, Ohio, Gaseous Diffusion Plant site (including, in the case of the Company, the American Centrifuge Plant site located on the premises (the "Portsmouth GDP" site) were named as defendants in a class action complaint filed by Ursula McGlone, Jason McGlone, Julia Dunham, and K.D. and C.D., minor children by and through their parent and natural guardian Julia Dunham (collectively, the "Plaintiffs") in the U.S. District Court in the Southern District of Ohio, Eastern Division. The complaint seeks damages for alleged off-site contamination allegedly resulting from activities on the Portsmouth GDP site. The Plaintiffs are seeking to represent a class of (i) all current or former residents within a 7-mile radius of the Portsmouth GDP site and (ii) all students and their parents at the Zahn's Corner Middle School from 1993-present. The Company believes that its operations at the Portsmouth GDP site were fully in compliance with the Nuclear Regulatory Commission's regulations. Further the Company believes that any such liability should be covered by our indemnification under the Price-Anderson Act. The Company and Enrichment Corp. have provided notifications to DOE required to invoke indemnification under the Price-Anderson Act and other contractual provisions.

On June 28, 2019, the Company, its subsidiary Enrichment Corp. and four other DOE contractors who have operated facilities at the Portsmouth GDP site were named as defendants in a class action complaint filed by Ray Pritchard and Sharon Melick (collectively, the "Plaintiffs") in the U.S. District Court in the Southern District of Ohio, Eastern Division. The complaint seeks damages for alleged off-site contamination allegedly resulting from activities on the Portsmouth GDP site. The Plaintiffs are seeking to represent a class of all current or former residents within a 7-mile radius of the Portsmouth GDP site. The Company believes that its operations at the Portsmouth GDP site were fully in compliance with the Nuclear Regulatory Commission's regulations. Further the Company believes that any such liability should be covered by our indemnification under the Price-Anderson Act. The Company and Enrichment Corp. have provided notifications to DOE required to invoke indemnification under the Price-Anderson Act and other contractual provisions.

We are 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, other than the above, we do not believe that the outcome of any of these legal matters, individually or in the aggregate, will have a material adverse effect on our cash flows, results of operations or consolidated financial condition.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors described in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Letter Agreement, dated September 23, 2019, by and between Joint Stock Company “TENEX” and United States Enrichment Corporation (a)(b)
10.2	Amendment No. 009, dated September 23, 2019, to the Enriched Product Transitional Supply Contract dated March 23, 2011, between United States Enrichment Corporation and TENEX (a)(b)
10.3	Letter Agreement, dated June 12, 2018, by and between Joint Stock Company “TENEX” and United States Enrichment Corporation (a)(b)
10.4	Letter Agreement, dated September 28, 2019, by and between Joint Stock Company “TENEX” and United States Enrichment Corporation (a)(b)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) (a)
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) (a)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (a)
101	Unaudited condensed consolidated financial statements from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, filed in interactive data file (XBRL) format.

(a) Filed herewith.

(b) Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[***]”) because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Centrus Energy Corp.

November 8, 2019

/s/ Philip O. Strawbridge

Philip O. Strawbridge

Senior Vice President, Chief Financial Officer,
Chief Administrative Officer and Treasurer
(Duly Authorized Officer and Principal Financial Officer)

THE SYMBOL “[**]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED**

September 23, 2019

Business Confidential Proprietary Information

Ms. Maria N. Vladimirova
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TENEX, Joint Stock Company
28, bld. 3, Ozerkovskaya nab.
Moscow, 115484, Russia

- Re: 1. 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 “Contract”)
2. Letter Agreement, between TENEX and USEC, dated August 1, 2016, (the “Feed Letter Agreement”)
3. Letter Agreement, between TENEX and USEC, dated June 12, 2018, amending the Feed Letter Agreement (the “Letter Agreement Amendment-1”)
4. Letter Agreement, between TENEX and USEC, dated September 28, 2018, amending the Feed Letter Agreement (the “Letter Agreement Amendment-2”)

Dear Ms. Vladimirova:

United States Enrichment Corporation (“USEC”) proposes that, by execution of this letter agreement and notwithstanding anything to the contrary in the Contract (also referred to as the “TSC” in the other agreements referenced above) or in the other agreements referenced above, TENEX, Joint-Stock Company (formerly, known as Joint Stock Company “TENEX”) and USEC hereby agree to implement the Feed Letter Agreement, as amended by the Letter Agreement Amendment-1 and Letter Agreement Amendment-2 (the “Amended Feed Letter Agreement”), in 2019 and beyond, as follows:

1. For purpose of this letter agreement and the Amended Feed Letter Agreement, the term “Limit” shall mean the maximum (at any moment of time within the applicable period stipulated below) amount of Related Natural Uranium eligible to be outstanding Deferred Amounts under the Amended Feed Letter Agreement in 2019 and 2020. The following statements are provided for clarification:
- (a) The term “Deferred Amount” is defined in the Amended Feed Letter Agreement and means the amount of Related Natural Uranium that USEC may elect not to Deliver on the Feed Delivery Deadline or Feed Deadline Date (as both terms are defined in Section 7.03(a) of the Contract), which is the date when the Related Natural Uranium is due for Delivery under the Contract but instead to elect to Deliver, [****] permitted by the Contract, the Amended Feed Letter Agreement or this letter agreement, on or before the end of the Extension Period (as defined in Paragraph 1 of the Amended Feed Letter Agreement) applicable to such Deferred Amount.
- (b) USEC’s right to defer Delivery of such Related Natural Uranium is subject to [****].

- (c) A Deferred Amount is considered to be “outstanding” for so long as it has not been Delivered to TENEX.
2. Notwithstanding anything to the contrary in Paragraph 3 of the Amended Feed Letter Agreement, the Limit at any time during the period through December 31, 2019 shall be equal to [****] KgU. Starting January 1, 2020, the Limit in 2020 shall be [****]

 3. For avoidance of doubt, as Deferred Amounts that were deferred in 2019 are Delivered to TENEX in 2020, USEC shall be permitted to defer Deliveries of Related Natural Uranium with respect to Deliveries of Related EUP in 2020, provided that, at no point in time shall the total outstanding Deferred Amounts exceed the Limit that is then applicable under Paragraph 2 of this letter agreement.
 4. Upon the expiration of the Limit in point (iv) of Paragraph 2 above at the end of the fourth quarter of 2020, USEC may not defer Deliveries of Related Natural Uranium with respect to Deliveries of Related EUP to be made under the Contract in 2021. Further, the Deferred Amounts that are outstanding as of December 31, 2020 with respect to Deliveries of Related EUP made in 2020 shall be Delivered by USEC to TENEX in 2021 not later than the end of the Extension Period applicable to such Deferred Amounts and subject, in all cases, to continued payment of the Deferral Fee until such Deferred Amounts are Delivered to TENEX.
 5. Notwithstanding Paragraph 2 of the Amended Feed Letter Agreement, beginning from the date of this letter agreement through July 1, 2020, USEC shall have the right to Deliver, [****].

 6. In addition to USEC’s right to Deliver [****] under Paragraph 5 of this letter agreement and notwithstanding Paragraph 2 of the Amended Feed Letter Agreement, USEC shall have the right to Deliver [****]

 7. [****]

 8. The Parties further agree that the second, fourth and fifth paragraphs of Letter Agreement Amendment-2 shall continue to apply. Further, the third paragraph of Letter Agreement Amendment-2, which shall continue to apply, shall be modified as follows: (a) the phrase “through December 31, 2019” shall be replaced with “through December 31, 2020”, and (b) the phrase “in 2018 and 2019 Delivery Years” shall be replaced with “in the 2018, 2019, 2020 and 2021 Delivery Years.”
 9. For the avoidance of doubt, each Party shall fully comply with its obligations under this letter agreement and the Amended Feed Letter Agreement. This includes (i) the obligation of USEC to Deliver all Deferred Amounts not later than the end of the Extension Period applicable to such Deferred Amounts and to [****] and (ii) the obligation of TENEX to accept Book Transfers of Related Natural Uranium and Deferred Amounts in accordance with the Contract, the Amended Feed Letter Agreement and this letter agreement and to [****].

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

Please indicate your agreement to all the above by signing on behalf of TENEX in the space provided below. Upon signature by TENEX, this letter agreement shall be effective as of date this letter is signed by both Parties. The letter agreement may be signed in counterparts and delivered by any of the means permitted by Section 16.01 of the Contract, 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 TENEX, Joint-Stock Company

/s/ Ivan Gavrilev
(signature)

Ivan Gavrilev
(name)

Acting Deputy General Director of Commerce
(title)

September 25, 2019
(date)

THE SYMBOL “[**]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED**

TENEX Contract No. 08843672/110033-051
USEC Contract No. EC-SC01-11-UE-03127
Amendment No. 009

AMENDMENT No. 009, signed as of September 23, 2019 (the “Amendment No. 009 Effective Date”), to the Enriched Product Transitional Supply Contract, TENEX Contract No. 08843672/110033-051, USEC Contract No. EC-SC01-1 I-UE-03127, entered into on March 23, 2011 (the “CONTRACT”) by and between United States Enrichment Corporation (“USEC”) and TENEX, Joint-Stock Company (“TENEX”). USEC and TENEX are referred to herein individually as a “Party” and collectively as the “Parties”. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the CONTRACT.

Whereas, without making a substantial modification in its method or basis of calculation, [****];

Whereas, currently [****];

Whereas, the [****].

Whereas, due to [****], previously known [****], are not identified as such.

Whereas, the same applies to the mechanism of [****]; and

Whereas, in view of such changes [****], the Parties wish to update the terms for calculation of [****]

Now therefore, in consideration of the foregoing and for other good and valuable consideration, which the Parties acknowledge is sufficient and intending to be legally bound hereby, the Parties agree as follows:

Section 1. Pursuant to Section 20.04 of the CONTRACT, USEC and TENEX hereby agree as follows:

[****]

SECTION 2. Nothing in this Amendment No. 009 shall require the revision of [****] under the CONTRACT prior to the Amendment No. 009 Effective Date. This Amendment No. 009 shall take effect upon signature by the Parties. Except as amended hereby, the CONTRACT, as in effect on the Amendment No. 009 Effective Date, shall remain unchanged and in full force and effect.

SECTION 3. This Amendment No. 009 may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 009 as of the Amendment No. 009 Effective Date.

**Signed for and on behalf of
TENEX, Joint-Stock Company**

/s/ Maria N. Vladimirova
(signature)

Maria N. Vladimirova
(name)

Deputy General Director for Commerce
(title)

September 30, 2019
(date)

**Signed for and on behalf of
United States Enrichment Corporation**

/s/ Elmer W. Dyke
(signature)

Elmer W. Dyke
(name)

Senior Vice President, Business Operations and Chief
Commercial Officer
(title)

September 23, 2019
(date)

THE SYMBOL “[**]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED**

June 12, 2018

Business Confidential Proprietary Information

Ms. Maria Vladimirova
Commercial Director
Joint Stock Company “TENEX”
28, bld. 3, Ozerkovskaya nab.
Moscow, 115484, Russia

- Re:
1. 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”)
 2. Letter Agreement, between TENEX and USEC, dated August 1, 2016, re: the TSC (the “Feed Letter Agreement”)

Dear Ms. Maria Vladimirova:

United States Enrichment Corporation (“USEC”) proposes that, by execution of this letter agreement and notwithstanding anything to the contrary in the TSC or the above-referenced Feed Letter Agreement, TENEX and USEC hereby agree to modify Paragraph 3 of the Feed Letter Agreement, by changing “June 30, 2018” to “September 30, 2018”. During this period, USEC shall not [****]. This short extension of the Letter Agreement is intended to give USEC and TENEX an opportunity to complete a longer extension.

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

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 Dyke

Elmer Dyke

Signed on behalf of the Joint Stock Company "TENEX"

/s/ Maria Vladimirova
(signature)

Maria Vladimirova
(name)

Commercial Director
(title)

June 20, 2018
(date)

THE SYMBOL “[**]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED**

September 28, 2018

Business Confidential Proprietary Information

Ms. Maria Vladimirova
Commercial Director
Joint Stock Company “TENEX”
28, bld. 3, Ozerkovskaya nab.
Moscow, 115484, Russia

- Re:
1. 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”)
 2. Letter Agreement, between TENEX and USEC, dated August 1, 2016, re: the TSC (the “Feed Letter Agreement”)
 3. Letter Agreement, between TENEX and USEC, dated June 12, 2018, amending the Feed Letter Agreement (the “Letter Agreement Amendment”)

Dear Ms. Vladimirova:

United States Enrichment Corporation (“USEC”) proposes that, by execution of this letter agreement and notwithstanding anything to the contrary in the TSC or the above-referenced Feed Letter Agreement, as amended by the Letter Agreement Amendment, TENEX and USEC hereby agree to modify the Feed Letter Agreement, as amended by the Letter Agreement Amendment, (i) by replacing “September 30, 2018” in Paragraph 3 with “December 31, 2019”, (ii) replacing the quantity of [****] in Paragraph 1 with [****].

The Parties further agree that, [****], USEC shall report in writing to TENEX (the “Feed Deferral Report”), [****]. This Feed Deferral Report will be provided in addition to the monthly report required by Paragraph 6 of the Feed Letter Agreement.

The Parties further agree that, notwithstanding any contrary term in the TSC, [****].

The Parties shall continue to work cooperatively to seek other means of returning Related Natural Uranium to TENEX under the TSC, [****].

Each Party hereby confirms that Related Natural Uranium Delivered to TENEX shall remain subject to the terms of any certification submitted by TENEX or USEC to the Department of Commerce regarding the disposition of such Related Natural Uranium.

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

Please indicate your agreement to all of the above by signing on behalf of TENEX in the space provided below. Upon signature by TENEX, this letter agreement shall be effective as of September 28, 2018. 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 Dyke

Elmer Dyke

Signed on behalf of the Joint Stock Company “TENEX”

/s/ Maria N. Vladimirova
(signature)

M. N. Vladimirova
(name)

Deputy General Director for Commerce
(title)

October 16, 2018
(date)

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 8, 2019

/s/ Daniel B. Poneman

Daniel B. Poneman

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Philip O. Strawbridge, 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 8, 2019

/s/ Philip O. Strawbridge

Philip O. Strawbridge

Senior Vice President, Chief Financial Officer, Chief
Administrative 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 period ended September 30, 2019, 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 Philip O. Strawbridge, Senior Vice President, Chief Financial Officer, Chief Administrative 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 8, 2019

/s/ Daniel B. Poneman

Daniel B. Poneman

President and Chief Executive Officer

November 8, 2019

/s/ Philip O. Strawbridge

Philip O. Strawbridge

Senior Vice President, Chief Financial Officer, Chief Administrative Officer and Treasurer