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



**FORM 10-Q**

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

**For the quarterly period ended March 31, 2016**

OR

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

Commission file number 1-14287

**Centrus Energy Corp.**

**Delaware**

*(State of incorporation)*

**52-2107911**

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

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

**Two Democracy Center, 6903 Rockledge Drive, Bethesda, Maryland 20817  
(Former Address)**

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  
Yes  No

As of April 30, 2016, there were 7,563,600 shares of the registrant's Class A Common Stock and 1,436,400 shares of the registrant's Class B Common Stock outstanding.

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Part I, Item 2, contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 - that is, statements related to future events. In this context, forward-looking statements may address our expected future business and financial performance, and often contain words such as "expects", "anticipates", "intends", "plans", "believes", "will", "should", "could", "would" or "may" and other words of similar meaning. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For Centrus Energy Corp., particular risks and uncertainties that could cause our actual future results to differ materially from those expressed in our forward-looking statements include, risks and uncertainties related to the adoption of fresh start accounting; risks related to our significant long-term liabilities, including material unfunded defined benefit pension plan obligations and postretirement health and life benefit obligations; risks related to the limited trading markets in our securities; risks related to our ability to maintain the listing of our common stock on the NYSE MKT LLC; the continued impact of the March 2011 earthquake and tsunami in Japan on the nuclear industry and on our business, results of operations and prospects; the impact and potential extended duration of the current supply/demand imbalance in the market for low-enriched uranium ("LEU"); uncertainty regarding our ability to commercially deploy competitive enrichment technology; our dependence on others for deliveries of LEU including deliveries from Russia under a commercial supply agreement (the "Russian Supply Agreement") with the Russian government entity Joint Stock Company "TENEX"; risks related to our ability to sell the LEU we procure under our purchase obligations under our supply agreements including the Russian Supply Agreement; risks related to our ability to sell LEU we procure; risks related to trade barriers and contract terms that limit our ability to deliver LEU to customers in other countries; risks related to actions that may be taken by the U.S. government, the Russian government or other governments that could affect our ability or the ability of our sources of supply to perform under contract obligations, including the imposition of sanctions, restrictions or other

requirements; risks relating to our sales order book, including uncertainty concerning customer actions under current contracts and in future contracting due to market conditions and lack of current production capability; risks associated with our reliance on third-party suppliers to provide essential services to us; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; movement and timing of customer orders; the impact of government regulation by the U.S. Department of Energy and the U.S. Nuclear Regulatory Commission; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits); risks and uncertainties regarding funding for the American Centrifuge project and our ability to enter into an extension of the new agreement with UT-Battelle, LLC, the management and operating contractor for Oak Ridge National Laboratory, for continued research, development and demonstration of the American Centrifuge technology; the competitive environment for our products and services; the potential for further demobilization or termination of the American Centrifuge project; changes in the nuclear energy industry; the impact of financial market conditions on our business, liquidity, prospects, pension assets and insurance facilities; revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year; and other risks and uncertainties discussed in this and our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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

**CENTRUS ENERGY CORP.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(in millions)

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 179.7	\$ 234.0
Accounts receivable	55.9	26.5
Inventories	211.3	319.2
Deferred costs associated with deferred revenue	72.7	63.1
Other current assets	15.1	15.2
Total current assets	534.7	658.0
Property, plant and equipment, net	4.9	3.5
Deposits for surety bonds	29.8	29.8
Intangible assets, net	102.5	105.8
Other long-term assets	23.0	23.0
<b>Total Assets</b>	<b>\$ 694.9</b>	<b>\$ 820.1</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 35.8	\$ 44.8
Payables under SWU purchase agreements	24.4	85.4
Inventories owed to customers and suppliers	47.9	106.8
Deferred revenue	97.7	83.9
Decontamination and decommissioning obligations	29.4	29.4
Total current liabilities	235.2	350.3
Long-term debt	253.9	247.0
Postretirement health and life benefit obligations	184.0	184.3
Pension benefit liabilities	171.5	172.3
Other long-term liabilities	30.5	31.9
<b>Total Liabilities</b>	<b>875.1</b>	<b>985.8</b>
Commitments and Contingencies (Note 13)		
Stockholders' Deficit	(180.2)	(165.7)
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 694.9</b>	<b>\$ 820.1</b>

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

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenue:</b>		
Separative work units	\$ 59.3	\$ 103.6
Uranium	14.3	43.2
Contract services	16.4	21.0
Total Revenue	90.0	167.8
<b>Cost of Sales:</b>		
Separative work units and uranium	65.5	139.6
Contract services	8.7	21.3
Total Cost of Sales	74.2	160.9
Gross profit	15.8	6.9
Advanced technology costs	12.0	1.8
Selling, general and administrative	11.4	12.3
Amortization of intangible assets	3.2	4.0
Special charges for workforce reductions	—	0.6
Other income	(0.3)	(0.8)
Operating loss	(10.5)	(11.0)
Interest expense	5.0	4.9
Interest (income)	(0.3)	(0.2)
Loss before income taxes	(15.2)	(15.7)
Provision (benefit) for income taxes	(0.6)	(0.3)
Net loss	<b>\$ (14.6)</b>	<b>\$ (15.4)</b>
Net loss per share - basic and diluted	\$ (1.60)	\$ (1.71)
Weighted-average number of shares outstanding - basic and diluted	9.1	9.0

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Net loss	\$ (14.6)	\$ (15.4)
Other comprehensive loss, before tax (Note 14):		
Amortization of prior service (credits), net	(0.1)	(0.1)
Other comprehensive loss, before tax	(0.1)	(0.1)
Income tax benefit related to items of other comprehensive income	—	—
Other comprehensive loss, net of tax	(0.1)	(0.1)
Comprehensive loss	<u>\$ (14.7)</u>	<u>\$ (15.5)</u>

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

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

	Three Months Ended March 31,	
	2016	2015
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (14.6)	\$ (15.4)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	3.6	4.2
PIK interest on paid-in-kind toggle notes	3.4	1.8
Gain on sales of assets	(0.3)	(0.8)
Inventory valuation adjustment	0.5	—
Changes in operating assets and liabilities:		
Accounts receivable – (increase) decrease	(29.4)	37.2
Inventories, net – decrease	48.5	124.1
Payables under SWU purchase agreements – (decrease)	(61.0)	(140.1)
Deferred revenue, net of deferred costs – increase (decrease)	4.2	(1.9)
Accounts payable and other liabilities – (decrease)	(9.8)	(8.6)
Other, net	—	1.8
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(54.9)</b>	<b>2.3</b>
<b>Cash Flows Provided by Investing Activities</b>		
Proceeds from sales of assets	0.6	0.2
Deposits for surety bonds - net decrease	—	3.7
<b>Net Cash Provided by Investing Activities</b>	<b>0.6</b>	<b>3.9</b>
<b>Cash Flows Provided by Financing Activities</b>		
<b>Net Cash Provided by Financing Activities</b>	<b>—</b>	<b>—</b>
<b>Net Increase (Decrease)</b>	<b>(54.3)</b>	<b>6.2</b>
Cash and Cash Equivalents at Beginning of Period	234.0	218.8
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 179.7</b>	<b>\$ 225.0</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 3.1	\$ 6.0
<b>Non-cash activities:</b>		
Conversion of interest payable-in-kind to long-term debt	\$ 3.4	\$ 1.8

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

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

	<b>Common Stock, Par Value \$.10 per Share</b>	<b>Excess of Capital over Par Value</b>	<b>Retained Earnings (Deficit)</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total</b>
<b><u>Three Months Ended March 31, 2015</u></b>					
<b>Balance at December 31, 2014</b>	\$ 0.9	\$ 58.6	\$ (42.3)	\$ 4.4	\$ 21.6
Net loss	—	—	(15.4)	—	(15.4)
Other comprehensive loss, net of tax (Note 14)	—	—	—	(0.1)	(0.1)
Restricted stock units and stock options issued, net of amortization	—	0.1	—	—	0.1
<b>Balance at March 31, 2015</b>	<b>\$ 0.9</b>	<b>\$ 58.7</b>	<b>\$ (57.7)</b>	<b>\$ 4.3</b>	<b>\$ 6.2</b>
<b><u>Three Months Ended March 31, 2016</u></b>					
<b>Balance at December 31, 2015</b>	\$ 0.9	\$ 59.0	\$ (229.7)	\$ 4.1	\$ (165.7)
Net loss	—	—	(14.6)	—	(14.6)
Other comprehensive loss, net of tax (Note 14)	—	—	—	(0.1)	(0.1)
Restricted stock units and stock options issued, net of amortization	—	0.2	—	—	0.2
<b>Balance at March 31, 2016</b>	<b>\$ 0.9</b>	<b>\$ 59.2</b>	<b>\$ (244.3)</b>	<b>\$ 4.0</b>	<b>\$ (180.2)</b>

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



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

**1. BASIS OF PRESENTATION**

The unaudited condensed consolidated financial statements of Centrus Energy Corp. (“Centrus” or the “Company”), which include the accounts of the Company, its principal subsidiary United States Enrichment Corporation (“Enrichment Corp.”) and its other subsidiaries, as of and for the three months ended March 31, 2016 and 2015 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the financial results for the interim period. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been omitted pursuant to such rules and regulations. All material intercompany transactions have been eliminated. Certain amounts have been reclassified to conform to the current presentation.

Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes and *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

*New Accounting Standards*

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

In August 2014, the FASB issued guidance requiring management to assess an entity’s ability to continue as a going concern and to provide related disclosures in certain circumstances. The standard is effective for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The implementation of the standard is not expected to have a material impact on Centrus’ consolidated financial statements.

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

In February 2016, the FASB issued guidance that requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. The standard is effective for annual and interim periods beginning after December 15, 2018, and requires expanded disclosures of lease arrangements. Centrus is evaluating the impact of adopting this new guidance on its consolidated financial statements.

In March 2016, the FASB issued guidance for stock compensation that simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. Centrus is evaluating the impact of adopting this new guidance on its consolidated financial statements.

## 2. SPECIAL CHARGES

In September 2015, Centrus completed a successful three-year demonstration of the existing American Centrifuge technology at its facility in Piketon, Ohio. The demonstration effort was funded by the U.S. government through our contract with UT-Battelle, LLC (“UT-Battelle”), the operator of Oak Ridge National Laboratory (“ORNL”). Centrus notified its American Centrifuge employees in September 2015 of possible layoffs beginning in November 2015 as a result of reduced program funding. Based on the level of funding reduction, Centrus incurred a special charge of \$8.7 million in the third quarter of 2015 for estimated termination benefits, consisting primarily of payments under its pre-existing severance plan. Centrus expects to make payments for these workforce reductions through early 2017.

In addition, the cessation of enrichment at the Paducah Gaseous Diffusion Plant (the “Paducah GDP”) and evolving business needs have resulted in workforce reductions since July 2013. In the three months ended March 31, 2015, special charges included related termination benefits of \$0.9 million, less \$0.3 million for severance paid by the Company and invoiced to the U.S. Department of Energy (“DOE”) for its share of employee severance pursuant to the USEC Privatization Act.

Centrus made payments for termination benefits of \$1.8 million in the three months ended March 31, 2016, and the related balance sheet liability declined from \$8.7 million as of December 31, 2015 to \$6.9 million as of March 31, 2016.

## 3. CONTRACT SERVICES AND ADVANCED TECHNOLOGY COSTS

The contract services segment includes *Revenue* and *Cost of Sales* for American Centrifuge work Centrus performs as a contractor to UT-Battelle. The Company’s current contract signed in March 2016 with UT-Battelle provides for continued development work at the Company’s facilities in Oak Ridge, Tennessee, through September 30, 2016. The contract is a firm, fixed-price contract that provides for payments for monthly reports of approximately \$2.7 million per month, down from approximately \$6.9 million per month.

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

American Centrifuge expenses that are outside of our contracts with UT-Battelle, including demobilization and maintenance costs, are included in *Advanced Technology Costs*. In addition to severance costs (see Note 2) and demobilization costs, Centrus will incur expenditures associated with the decontamination and decommissioning (“D&D”) of the Piketon facility in accordance with the requirements of the U.S Nuclear Regulatory Commission (“NRC”) and DOE (see Note 13).

#### 4. RECEIVABLES

	March 31, 2016	December 31, 2015
(in millions)		
Utility customers and other	\$ 38.1	\$ 24.7
Contract services, primarily DOE	17.8	1.8
Accounts receivable	<b>\$ 55.9</b>	<b>\$ 26.5</b>

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

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

#### 5. INVENTORIES

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

	March 31, 2016			December 31, 2015		
	Current Assets	Current Liabilities (a)	Inventories, Net	Current Assets	Current Liabilities (a)	Inventories, Net
Separative work units	\$ 169.9	\$ 16.9	\$ 153.0	\$ 221.5	\$ 33.1	\$ 188.4
Uranium	41.2	31.0	10.2	97.5	73.7	23.8
Materials and supplies	0.2	—	0.2	0.2	—	0.2
	<b>\$ 211.3</b>	<b>\$ 47.9</b>	<b>\$ 163.4</b>	<b>\$ 319.2</b>	<b>\$ 106.8</b>	<b>\$ 212.4</b>

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

Inventories are valued at the lower of cost or net realizable value. In the three months ended March 31, 2016, a valuation adjustment of \$0.5 million was charged to cost of sales for the Company's uranium inventory to reflect declines in uranium market price indicators.

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

Centrus held uranium with estimated values of approximately \$0.4 billion as of March 31, 2016 and as of December 31, 2015 to which title was held by customers and suppliers and for which no assets or liabilities were recorded on the balance sheet. While in some cases Centrus sells both the SWU and uranium components of LEU to customers, utility customers typically provide uranium to Centrus as part of their enrichment contracts. Title to uranium provided by customers generally remains with the customer until delivery of LEU at which time title to LEU is transferred to the customer, and title to uranium is transferred to Centrus.

## 6. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2016	December 31, 2015
	(in millions)	
Property, plant and equipment, gross	\$ 5.6	\$ 4.0
Accumulated depreciation	(0.7)	(0.5)
Property, plant and equipment, net	<u>\$ 4.9</u>	<u>\$ 3.5</u>

Capital expenditures include items in accounts payable and accrued liabilities of \$1.6 million at March 31, 2016 for which cash is paid in subsequent periods.

## 7. INTANGIBLE ASSETS

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

	March 31, 2016			December 31, 2015		
	(in millions)					
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Sales order book	\$ 54.6	\$ 14.1	\$ 40.5	\$ 54.6	\$ 12.0	\$ 42.6
Customer relationships	68.9	6.9	62.0	68.9	5.7	63.2
Total	<u>\$ 123.5</u>	<u>\$ 21.0</u>	<u>\$ 102.5</u>	<u>\$ 123.5</u>	<u>\$ 17.7</u>	<u>\$ 105.8</u>

## 8. DEBT

Long-term debt as of March 31, 2016 and December 31, 2015 consisted of the following (in millions):

	March 31, 2016	December 31, 2015
8% paid-in-kind toggle notes	\$ 254.4	\$ 247.6
Less unamortized deferred financing costs	0.5	0.6
Long-term debt	<u>\$ 253.9</u>	<u>\$ 247.0</u>

The 8.0% paid-in-kind ("PIK") toggle notes (the "PIK Toggle Notes") pay interest at a rate of 8.0% per annum. Interest is payable semi-annually in arrears based on a 360-day year consisting of twelve 30-day months. The principal amount is increased by any payment of interest in the form of PIK payments. The Company has the option to pay up to 5.5% per annum of interest due on the PIK Toggle Notes in the form of PIK payments. For the semi-annual interest periods ending March 31, 2016 and September 30, 2016, the Company has elected to pay interest in the form of PIK payments at 5.5% per annum. As such, interest for the semi-annual period ended March 31, 2016 was paid as \$3.1 million in cash and \$6.8 million in PIK payments, and the principal balance increased accordingly to \$254.4 million. Financing costs for the issuance of the PIK Toggle Notes were deferred and are being amortized on a straight-line basis, which approximates the effective interest method, over the life of the PIK Toggle Notes.

The PIK Toggle Notes will mature on September 30, 2019. However, the maturity date can be extended to September 30, 2024 upon the satisfaction of certain funding conditions described in the Indenture relating to the funding, under binding agreements, of (i) the American Centrifuge project or (ii) the implementation and deployment of a National Security Train Program utilizing American Centrifuge technology.

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

The PIK Toggle Notes are guaranteed and secured on a subordinated, conditional, and limited basis by Enrichment Corp. Enrichment Corp will be released from its guarantee without the consent of the holders of the PIK Toggle Notes upon the occurrence of certain termination events (other than with respect to an unconditional interest claim). The Enrichment Corp. guarantee ranks equally in right of payment with all existing and future unsubordinated indebtedness of Enrichment Corp. (other than the Designated Senior Claims as defined below) and is senior in right of payment to all existing and future subordinated indebtedness of Enrichment Corp. The Enrichment Corp. guarantee is subordinated in right of payment to certain obligations of, and claims against, Enrichment Corp. described in the Indenture (collectively, the “Designated Senior Claims”), including obligations and claims:

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

## 9. FAIR VALUE MEASUREMENTS

Pursuant to the accounting guidance for fair value measurements, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, consideration is given to the principal or most advantageous market and assumptions that market participants would use when pricing the asset or liability. The accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value:

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

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

	March 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Cash and cash equivalents	\$ 179.7	\$ —	\$ —	\$ 179.7	\$ 234.0	\$ —	\$ —	\$ 234.0
Deferred compensation asset (a)	—	1.4	—	1.4	—	1.5	—	1.5
<b>Liabilities:</b>								
Deferred compensation obligation (a)	—	1.2	—	1.2	—	1.4	—	1.4

(a) The deferred compensation obligation represents the balance of deferred compensation plus net investment earnings. The deferred compensation plan is informally funded through a rabbi trust using variable universal life insurance. The cash surrender value of the life insurance policies is designed to track the deemed investments of the plan participants. Investment crediting options consist of institutional and retail investment funds. The deemed investments are classified within Level 2 of the valuation hierarchy because (i) of the indirect method of investing and (ii) unit prices of institutional funds are not quoted in active markets.

There have been no transfers between Levels 1, 2 or 3 during the periods presented.

*Other Financial Instruments*

As of March 31, 2016 and December 31, 2015, the balance sheet carrying amounts for accounts receivable, accounts payable and accrued liabilities (excluding the deferred compensation obligation described above), and payables under SWU purchase agreements approximate fair value because of the short-term nature of the instruments.

The estimated fair value of the PIK Toggle Notes was \$62.3 million at March 31, 2016 and \$36.9 million at December 31, 2015 based on the most recent trading prices as of the balance sheet date (Level 1).

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

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

	Three Months Ended March 31,	
	2016	2015
Service costs	\$ 0.9	\$ 1.0
Interest costs	8.9	9.3
Expected return on plan assets (gains)	(10.5)	(12.2)
Net periodic benefit (credit)	<b>\$ (0.7)</b>	<b>\$ (1.9)</b>

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

	Three Months Ended March 31,	
	2016	2015
Service costs	\$ —	\$ 0.1
Interest costs	2.1	2.2
Expected return on plan assets (gains)	(0.1)	(0.2)
Amortization of prior service (credits), net	(0.1)	(0.1)
Net periodic benefit cost	<b>\$ 1.9</b>	<b>\$ 2.0</b>

Centrus paid \$1.3 million to participants of the non-qualified defined benefit pension plans in the three months ended March 31, 2016, and expects to make payments of \$2.9 million in the remainder of 2016. The Company does not expect there to be required cash contributions for the qualified defined benefit pension plans in 2016 under ERISA, and therefore, does not expect to make contributions to these plans in 2016. The Company expects to contribute \$5.4 million in 2016 to the postretirement health and life benefit plans. There is no required contribution for the postretirement health and life benefit plans under ERISA.

## 11. STOCK-BASED COMPENSATION

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

	Three Months Ended March 31,	
	2016	2015
Total stock-based compensation costs:		
Restricted stock and restricted stock units	\$ 0.1	\$ 0.1
Stock options, performance awards and other	0.1	—
Expense included primarily in selling, general and administrative expense	<u>\$ 0.2</u>	<u>\$ 0.1</u>
Total recognized tax benefit	<u>\$ —</u>	<u>\$ —</u>

As of March 31, 2016, there was \$0.9 million of unrecognized compensation cost, adjusted for estimated forfeitures, of which \$0.9 million relates to stock options and less than \$0.1 million relates to unvested restricted stock units. Unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.6 years.

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

Assumptions used in the Black-Scholes option pricing model to value option grants follow. There were no options granted in the three months ended March 31, 2016.

	Three Months Ended March 31,	
	2016	2015
Risk-free interest rate	—	1.91%
Expected volatility	—	75%
Expected option life (years)	—	6
Weighted-average grant date fair value	—	\$2.89
Options granted	—	300,000

## 12. NET INCOME (LOSS) PER SHARE

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

(in millions, except per share amounts)	Three Months Ended March 31,	
	2016	2015
Numerator for basic and diluted calculation:		
Net loss	\$ (14.6)	\$ (15.4)
Denominator:		
Weighted average common shares	9.1	9.0
Denominator for basic calculation	9.1	9.0
Weighted average effect of dilutive securities:		
Stock compensation awards (a)	—	—
Denominator for diluted calculation	9.1	9.0
Net loss per share - basic and diluted	\$ (1.60)	\$ (1.71)

(a) Compensation awards under the 2014 Equity Incentive Plan resulted in common stock equivalents of less than 0.1 million shares of common stock and are excluded from the diluted calculation as a result of net losses in the three months ended March 31, 2015. There were no common stock equivalents in the three months ended March 31, 2016.

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

	Three Months Ended March 31,	
	2016	2015
Options excluded from diluted net income per share	475,000	85,000
Exercise price of excluded options	\$ 2.71 to	\$ 5.62
	\$ 5.62	

### 13. COMMITMENTS AND CONTINGENCIES

#### Potential ERISA Section 4062(e) Liability

The Company has been engaged in discussions with the PBGC regarding the status of the qualified pension plans, including with respect to potential liability under ERISA Section 4062(e) related to the Company ceasing enrichment operations and returning the Portsmouth and Paducah GDP facilities to DOE.

In the event the PBGC were to determine there are funding obligations under section 4062(e), the Company believes that any such liability would be fully satisfied under the provisions of the Consolidated and Further Continuing Appropriations Act, 2015 (the "CFCAA"), which made major changes to ERISA section 4062(e). The CFCAA changes the criteria for triggering liability under section 4062(e); provides certain exemptions from the applicability of section 4062(e) to certain events; permits companies to satisfy the liability by making payments into the pension over seven years, but ceases once the pension reaches a 90% funding level as calculated under the method provided in the CFCAA; subject to an exception not applicable here, prohibits the PBGC from taking any enforcement, administrative or other action under section 4062(e) that is inconsistent with the amendments made by the CFCAA based on events that occurred before the date of enactment (December 16, 2014); and permits companies to elect to satisfy any liability under section 4062(e) as provided in the CFCAA for an event that had occurred prior to date of enactment as if such cessation had occurred on such date of enactment.



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

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

### **NYSE MKT Listing Standards Notice**

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

### **American Centrifuge**

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

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

DOE has specific remedies under the 2002 DOE-USEC Agreement if Centrus fails to meet a milestone that would adversely impact its ability to begin commercial operations of the American Centrifuge Plant on schedule, and such delay was within Centrus' control or was due to its fault or negligence or if Centrus abandons or constructively abandons the commercial deployment of an advanced enrichment technology. These remedies include terminating the 2002 DOE-USEC Agreement, revoking Centrus' access to DOE's centrifuge technology that is required for the success of the American Centrifuge project, requiring Centrus to transfer certain rights in the American Centrifuge technology and facilities to DOE, and requiring Centrus to reimburse DOE for certain costs associated with the American Centrifuge project.

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

#### *Decontamination and Decommissioning*

Centrus leases facilities in Piketon, Ohio, from DOE for the American Centrifuge project. Centrus has obligations associated with the D&D of the Piketon facility in accordance with the requirements of the NRC and DOE. At the conclusion of the lease, Centrus is obligated to return these leased facilities to DOE in a condition that meets NRC requirements and in the same condition as the facilities were in when they were leased to Centrus (other than due to normal wear and tear). Centrus must remove all Company-owned capital improvements at the Piketon facility, unless otherwise consented to by DOE, by the conclusion of the lease term.

Effective October 1, 2015, the U.S. government discontinued funding of the American Centrifuge demonstration cascade at Piketon. On February 19, 2016, the Company announced its decision to commence with the D&D of the Piketon facility. Estimated costs for D&D have been accrued and the balance of the liability was \$29.4 million as of March 31, 2016 and December 31, 2015. The D&D work began in the second quarter of 2016 and is expected to continue into the first quarter of 2017.

Centrus is required to provide financial assurance to the NRC and DOE for D&D costs under a regulatorily-prescribed methodology that includes potential contingent costs and reserves. As of March 31, 2016 and December 31, 2015, Centrus has provided financial assurance to the NRC and DOE in the form of surety bonds totaling \$29.4 million, which are fully cash collateralized by Centrus. Centrus expects to receive cash when surety bonds are reduced and/or cancelled as the Company fulfills its D&D and lease obligations.

While Centrus currently intends to complete NRC D&D requirements, it has not made a decision on lease turnover. Centrus is continuing to evaluate future uses for the site. If construction of the American Centrifuge Plant at Piketon is resumed or if the site is otherwise utilized, the liability for D&D and financial assurance requirements would increase commensurate with facility construction and operations.

#### **14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The sole component of accumulated other comprehensive income (loss) ("AOCI") relates to activity in the accounting for pension and postretirement health and life benefit plans. Amortization of prior service costs (credits), net, is reclassified from AOCI and included in the computation of net periodic benefit cost (credit) as detailed in Note 10.

## 15. SEGMENT INFORMATION

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

	Three Months Ended March 31,	
	2016	2015
(in millions)		
<b>Revenue</b>		
LEU segment:		
Separative work units	\$ 59.3	\$ 103.6
Uranium	14.3	43.2
	73.6	146.8
Contract services segment	16.4	21.0
Revenue	<b>\$ 90.0</b>	<b>\$ 167.8</b>
<b>Segment Gross Profit</b>		
LEU segment	\$ 8.1	\$ 7.2
Contract services segment	7.7	(0.3)
Gross profit	<b>\$ 15.8</b>	<b>\$ 6.9</b>

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

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

### **Overview**

Centrus Energy Corp. ("Centrus" or the "Company") is a trusted supplier of low-enriched uranium ("LEU") for commercial nuclear power plants. References to "Centrus", the "Company", or "we" include Centrus Energy Corp. and its wholly owned subsidiaries as well as the predecessor to Centrus, unless the context otherwise indicates. LEU is a critical component in the production of nuclear fuel for reactors that produce electricity. We supply LEU to both domestic and international utilities for use in a growing fleet of nuclear reactors worldwide. Centrus is a leader in the development of advanced uranium enrichment technology and is performing research and demonstration work to support U.S. energy and national security.

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

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

### **Business Segments**

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

#### **LEU Segment**

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

Revenue from our LEU segment is derived primarily from:

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

The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting 41% of revenue from our LEU segment in 2015. Our agreements with electric utilities are primarily long-term, fixed-commitment contracts under which our customers are obligated to purchase a specified quantity of the SWU component of LEU (or the SWU and uranium components of LEU) from us. Our agreements for natural uranium sales are generally shorter-term, fixed-commitment contracts.

Our revenues, operating results and cash flows can fluctuate significantly from quarter to quarter and year to year. Revenue is recognized at the time LEU or uranium is delivered under the terms of our contracts. Customer demand is affected by, among other things, electricity markets, reactor operations, maintenance and the timing of refueling outages. Utilities typically schedule the shutdown of their reactors for refueling to coincide with the low electricity demand periods of spring and fall. Thus, some reactors are scheduled for annual or two-year refuelings in the spring or fall, or for 18-month cycles alternating between both seasons. Customer payments for the SWU component of LEU typically average approximately \$15 million to \$20 million per order. As a result, a relatively

small change in the timing of customer orders for LEU due to a change in a customer's refueling schedule may cause operating results to be substantially above or below expectations.

Our financial performance over time can be significantly affected by changes in prices for SWU and uranium. Since 2011, the 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 the current price indicators by several years, which means that prices under contracts today exceed the current declining market prices.

Our contracts with customers are denominated in U.S. dollars, and although revenue has not been directly affected by changes in the foreign exchange rate of the U.S. dollar, we may have a competitive price advantage or disadvantage obtaining new contracts in a competitive bidding process depending upon the weakness or strength of the U.S. dollar. Costs of our primary competitors are denominated in other currencies.

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

Cost of sales for SWU and uranium is based on the amount of SWU and uranium sold and delivered during the period and unit inventory costs. Unit inventory costs are determined using the monthly moving average cost method. Changes in purchase costs have an effect on inventory costs and cost of sales over current and future periods.

### **Contract Services Segment**

#### *American Centrifuge*

The Company has a long record as a global leader in advanced technology, manufacturing and engineering. Our manufacturing, engineering, testing and demonstration facilities and our highly-trained workforce are deeply engaged in advancing the next generation of uranium enrichment technology. We are exploring a number of options for returning to domestic production, including deployment of our American Centrifuge, Centrus' advanced uranium enrichment gas centrifuge technology.

In October 2015, DOE issued a report to Congress finding that the United States must restore its domestic uranium enrichment capability in the future. After evaluating a range of possible technologies, DOE found that the American Centrifuge is the "most technically advanced and lowest risk option" for restoring U.S. uranium enrichment capability to meet long-term national security requirements. The report identified existing sources of enriched uranium fuel that may be available, subject to varying levels of risk, to meet U.S. national security needs through 2041.

In September 2015, Centrus completed a successful three-year demonstration of the existing American Centrifuge technology at its facility in Piketon, Ohio, with 120 machines linked together in a cascade to simulate industrial operating conditions. The demonstration effort was funded by DOE through our contract with UT-Battelle. The current contract signed in March 2016 with UT-Battelle provides for continued development work at the Company's facilities in Oak Ridge, Tennessee, through September 30, 2016.

The contract services segment includes *Revenue* and *Cost of Sales* for American Centrifuge work Centrus performs as a contractor to UT-Battelle. The current contract is a firm, fixed-price contract that provides for payments for monthly reports of approximately \$2.7 million per month, down from approximately \$6.9 million per month through September 2015. Spending levels for the contract work are consistent with the fixed funding levels. Centrus records an unbilled receivable and revenue based on the progress towards the achievement of monthly deliverables. Monthly reports and invoices affirming the achievement of monthly deliverables are submitted shortly following each month. The achievement of monthly deliverables has resulted in revenue consistent with the funding levels.

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

American Centrifuge expenses that are outside of our contracts with UT-Battelle, including demobilization and certain site maintenance costs, are included in *Advanced Technology Costs*. For additional details on the demobilization and decommissioning of the demonstration cascade in Piketon and related workforce reductions, refer below to *Liquidity and Capital Resources*.

#### *Site Services Work and Related Receivables*

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

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

#### **2016 Outlook**

We continue to anticipate SWU and uranium revenue in 2016 in a range of \$250 million to \$275 million and total revenue in a range of \$275 million to \$300 million. We expect to end 2016 with a cash and cash equivalents balance in a range of \$200 million to \$250 million.

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

- Additional short-term sales;
- Timing of customer orders, related deliveries, and purchases of LEU or components;
- The outcome of legal proceedings and other contingencies including on-going discussions with the Pension Benefit Guaranty Corporation ("PBGC");
- Execution and funding of a new agreement with UT-Battelle, the operator of ORNL, for the continuation of American Centrifuge development and testing activities in Oak Ridge following the expiration of our agreement on September 30, 2016; and
- Additional costs for American Centrifuge demobilization or related to the overall transition of Centrus.

## Results of Operations

We have two reportable segments measured and presented through the gross profit line of our income statement: the LEU segment with two components, SWU and uranium, and the contract services segment. The LEU segment is our primary business focus and includes sales of the SWU component of LEU, sales of both SWU and uranium components of LEU, and sales of uranium. The contract services segment includes revenue and cost of sales for American Centrifuge work we perform as a contractor to UT-Battelle. The contract services segment also includes limited services provided by Centrus to DOE and its contractors at the Piketon facility. There were no intersegment sales in the periods presented.

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

	Three Months Ended March 31,		Change	%
	2016	2015		
<b>LEU segment</b>				
Revenue:				
SWU revenue	\$ 59.3	\$ 103.6	\$ (44.3)	(43)%
Uranium revenue	14.3	43.2	(28.9)	(67)%
Total	73.6	146.8	(73.2)	(50)%
Cost of sales	65.5	139.6	74.1	53 %
Gross profit	\$ 8.1	\$ 7.2	\$ 0.9	13 %
<b>Contract services segment</b>				
Revenue	\$ 16.4	\$ 21.0	\$ (4.6)	(22)%
Cost of sales	8.7	21.3	12.6	59 %
Gross profit (loss)	\$ 7.7	\$ (0.3)	\$ 8.0	2,667 %
<b>Total</b>				
Revenue	\$ 90.0	\$ 167.8	\$ (77.8)	(46)%
Cost of sales	74.2	160.9	86.7	54 %
Gross profit	\$ 15.8	\$ 6.9	\$ 8.9	129 %

### Revenue

Revenue from the LEU segment declined \$73.2 million (or 50%) in the three months ended March 31, 2016, compared to the corresponding period in 2015. The volume of SWU sales declined 40%, reflecting the variability in timing of utility customer orders. For the full year, the SWU sales volume for 2016 is expected to be comparable to 2015. The average price billed to customers for sales of SWU declined 3%, reflecting the particular contracts under which SWU were sold during the periods. The volume of uranium sales declined 79%, reflecting the expected decline in uranium deliveries in 2016 compared to 2015. The average price billed to customers for sales of uranium increased 54% reflecting the particular contracts under which uranium was sold during the periods.

Revenue from the contract services segment declined \$4.6 million (or 22%) in the three months ended March 31, 2016 compared to the corresponding period in 2015. The reduced scope of contract work for American Centrifuge technology services resulted in a decline of \$12.7 million, partially offset by \$8.1 million in revenue for March reports on work performed in the fourth quarter of 2015. As a result of the contract signed with UT-Battelle in March 2016, revenue in the three months ended March 31, 2016 includes \$8.1 million for work in the first quarter of 2016 as well as \$8.1 million for work in the fourth quarter of 2015.

### Cost of Sales

Cost of sales for the LEU segment declined \$74.1 million (or 53%) in the three months ended March 31, 2016, compared to the corresponding period in 2015, due to lower SWU and uranium sales volumes and a decline in our SWU purchase costs per unit in recent periods. Changes in purchase costs have an effect on inventory costs and cost of sales over current and future periods. Cost of sales per SWU declined 11% in the three months ended March 31, 2016 compared to the corresponding period in 2015.

Our inventories are valued at the lower of cost or net realizable value. In the three months ended March 31, 2016, a valuation adjustment of \$0.5 million was charged to cost of sales for our uranium inventories to reflect declines in uranium market price indicators.

Cost of sales for the contract services segment declined \$12.6 million (or 59%) in the three months ended March 31, 2016, compared to the corresponding period in 2015, consistent with the decline in contract services revenue for work performed in the first quarter of 2016. Although revenue in the three months ended March 31, 2016 includes a billing for March reports on work performed in the fourth quarter of 2015, related expenses were included in *Advanced Technology Costs* in 2015 before there was a contract.

### Gross Profit

Our gross profit increased \$8.9 million (or 129%) in the three months ended March 31, 2016, compared to the corresponding period in 2015, including \$8.1 million in revenue under the March 2016 UT-Battelle contract for reports on work performed and expensed in the fourth quarter of 2015 before there was a contract.

Our gross profit for the LEU segment increased \$0.9 million (or 13%) in the three months ended March 31, 2016, compared to the corresponding period in 2015, due to the decline in our SWU purchase costs per unit in recent periods, largely offset by lower SWU and uranium sales volumes. Our gross profit margin for the LEU segment was 11.0% in the three months ended March 31, 2016 compared to 4.9% in the corresponding period in 2015.

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

	Three Months Ended March 31,		Change	%
	2016	2015		
Gross profit	\$ 15.8	\$ 6.9	\$ 8.9	129 %
Advanced technology costs	12.0	1.8	(10.2)	(567)%
Selling, general and administrative	11.4	12.3	0.9	7 %
Amortization of intangible assets	3.2	4.0	0.8	20 %
Special charges for workforce reductions	—	0.6	0.6	100 %
Other income	(0.3)	(0.8)	(0.5)	(63)%
Operating loss	(10.5)	(11.0)	0.5	5 %
Interest expense	5.0	4.9	(0.1)	(2)%
Interest (income)	(0.3)	(0.2)	0.1	50 %
Loss from before income taxes	(15.2)	(15.7)	0.5	3 %
Provision (benefit) for income taxes	(0.6)	(0.3)	0.3	100 %
Net loss	\$ (14.6)	\$ (15.4)	\$ 0.8	5 %



### *Advanced Technology Costs*

Advanced technology costs consist of American Centrifuge expenses that are outside of our contracts with UT-Battelle, including certain site maintenance costs. Advanced technology costs in the three months ended March 31, 2016, include demobilization costs for the demonstration cascade in Piketon.

### *Selling, General and Administrative*

Selling, general and administrative (“SG&A”) expenses declined \$0.9 million in the three months ended March 31, 2016, compared to the corresponding period in 2015. Information technology and office related expenses declined \$0.4 million, consulting costs declined \$0.3 million and salaries and other compensation declined \$0.2 million.

### *Amortization of Intangible Assets*

The decline in amortization expense is due to lower SWU sales volume.

### *Other Income*

Other Income consists of net gains on sales of assets.

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

The income tax benefit was \$0.6 million for the three months ended March 31, 2016, and \$0.3 million for the corresponding period in 2015. The income tax benefit in both periods results from a discrete item for reversals of previously accrued amounts associated with liabilities for unrecognized benefits.

### *Net Loss*

Our net loss declined \$0.8 million in the three months ended March 31, 2016, compared to the corresponding period in 2015, due to \$8.1 million in billings for March reports on technology services work performed and expensed in the fourth quarter of 2015, and declines in SG&A expenses, intangible asset amortization expense and special charges, partially offset by demobilization expenses for the demonstration cascade in Piketon.

## **Liquidity and Capital Resources**

We ended the first quarter of 2016 with a consolidated cash balance of \$179.7 million. We anticipate having adequate liquidity to support our business operations for at least the next 12 months. Our view of liquidity is dependent on our operations and the level of expenditures and government funding for the American Centrifuge program. Liquidity requirements for our existing operations are affected by the timing and amount of customer sales and our inventory purchases.

Substantially all revenue-generating operations of the Company are conducted at the subsidiary level. Centrus’ principal source of funding for American Centrifuge activities is provided (i) under the contract with UT-Battelle, the operator of ORNL; and (ii) from Centrus’ wholly owned subsidiary United States Enrichment Corporation (“Enrichment Corp.”) to Centrus and its 100% indirectly owned subsidiary American Centrifuge Operating, LLC pursuant to two secured intercompany financing notes (the “Intercompany Notes”). The financing obtained from Enrichment Corp. funds American Centrifuge activities pending receipt of payments related to work performed under the contract with UT-Battelle, American Centrifuge costs that are outside the scope of work under the contract with UT-Battelle, including demobilization costs and contract termination costs resulting from reductions in scope of work, and general corporate expenses, including cash interest payments on our 8% paid-in-kind (“PIK”) toggle notes (“PIK Toggle Notes”). The Company has the option to pay up to 5.5% per annum of interest due on the

PIK Toggle Notes in the form of PIK payments. For the semi-annual interest periods ending March 31, 2016 and September 30, 2016, the Company has elected to pay interest in the form of PIK payments at 5.5% per annum.

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

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

In September 2015, Centrus completed a successful three-year demonstration of the American Centrifuge technology at its facility in Piketon, Ohio. U.S. government funding for American Centrifuge is now limited to development and testing work at our facilities in Oak Ridge, Tennessee. We notified our American Centrifuge employees in September 2015 of possible layoffs as a result of reduced program funding and commenced involuntary workforce reductions beginning in the first quarter of 2016. Centrus expects to make payments for these workforce reductions through early 2017.

The Company has incurred demobilization and maintenance costs for the Piketon facility that are included in *Advanced Technology Costs*. In addition to severance and demobilization costs, we will incur expenditures associated with the D&D of the Piketon facility in accordance with the requirements of the NRC and DOE. On February 19, 2016, the Company announced its decision to commence with the D&D of the Piketon facility. Estimated costs for D&D have been accrued and the balance of the liability was \$29.4 million as of March 31, 2016 and December 31, 2015. While the Company has not made a decision on lease turnover and is continuing to evaluate future uses for the site, at this time, the Company would like to preserve a core staff, expertise, and facilities at Piketon to enable the facility to be used to support the Company's other business development initiatives as needed.

The D&D work began in the second quarter of 2016 and is expected to continue into the first quarter of 2017. Cash expenditures for D&D, employee severance and other demobilization costs are anticipated to occur primarily in 2016 and are projected in a range of \$50 million to \$60 million. Any costs in excess of approximately \$50 million would result in additional recorded expense. Centrus has previously provided financial assurance to the NRC and DOE for D&D and lease turnover costs in the form of surety bonds of approximately \$16 million and \$13 million, respectively, which are fully cash collateralized by Centrus. Centrus expects to receive cash when surety bonds are reduced and/or cancelled as the Company fulfills its D&D and lease obligations.

In the event that funding by the U.S. government is further reduced or discontinued, the American Centrifuge project may be subject to further demobilization, costs, delays and termination. Any such actions may have a material adverse impact on our ability to deploy the American Centrifuge technology and on our liquidity.

As described below under *Defined Benefit Plan Funding*, we are in discussions with the PBGC and its financial advisor regarding the impact of our de-leases of the Portsmouth and Paducah GDPs and related transition of employees as well as the continuing transition of our business on our defined benefit plan funding obligations.

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

	Three Months Ended March 31,	
	2016	2015
Net Cash Provided by (Used in) Operating Activities	\$ (54.9)	\$ 2.3
Net Cash Provided by Investing Activities	0.6	3.9
Net Cash Provided by Financing Activities	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (54.3)</u>	<u>\$ 6.2</u>

### *Operating Activities*

The net reduction of \$61.0 million in the SWU purchase payables balance, due to the timing of purchase deliveries, was a significant use of cash in the three months ended March 31, 2016. American Centrifuge expenses have been a major use of cash, including demobilization expenses and contract work expenses not paid until April 2016 under the terms of the new agreement. Other uses of cash are reflected in the reduction in accounts payable and accrued liabilities of \$9.8 million. Sources of cash included the monetization of inventory purchased in prior periods. Inventories declined \$48.5 million in the quarter, less an increase in receivables from utility customers of \$13.4 million.

In the corresponding period in 2015, monetization of inventory provided cash as inventories declined \$124.1 million due to sales deliveries exceeding product received under SWU purchase agreements. In addition, accounts receivable declined \$37.2 million due to monetization in the first quarter without increased sales and billings. The net reduction of the SWU purchase payables balance of \$140.1 million, due to the timing of purchase deliveries, was a significant use of cash in the three-month period. The net loss of \$15.4 million in the three months ended March 31, 2015, net of non-cash expenses, was a use of cash.

### *Investing Activities*

There were no significant capital expenditures in the three months ended March 31, 2016 or the corresponding period in 2015. Cash collateral deposits decreased \$3.7 million in the three months ended March 31, 2015, commensurate with declines in surety bonds required for waste disposition.

### *Working Capital*

	March 31, 2016	December 31, 2015
	(in millions)	
Cash and cash equivalents	\$ 179.7	\$ 234.0
Accounts receivable	55.9	26.5
Inventories, net	163.4	212.4
Other current assets and liabilities, net	(99.5)	(165.2)
Working capital	<u>\$ 299.5</u>	<u>\$ 307.7</u>

### *Defined Benefit Plan Funding*

We paid \$1.3 million to participants of the non-qualified defined benefit pension plans in the three months ended March 31, 2016, and expect to make payments of \$2.9 million in the remainder of 2016. We do not expect there to be a required contribution for the qualified defined benefit pension plans in 2016 under the Employee Retirement Income Security Act ("ERISA"), and therefore, do not expect to make contributions to these plans in 2016. We expect to contribute \$5.4 million in 2016 to the postretirement health and life benefit plans. There is no required contribution for the postretirement health and life benefit plans under ERISA.

We have been engaged in discussions with the PBGC regarding the status of the qualified pension plans. The PBGC has indicated it would like to discuss the potential for the Company to make contributions to the pension in advance of statutory funding requirements due to the Company ceasing enrichment operations and returning the Portsmouth and Paducah GDP facilities to DOE. While the Company believes it is in the best interest of all stakeholders, including the PBGC, the covered plan participants and the Company, to continue funding the qualified pension plans in the ordinary course and expects to do so, the Company has been in discussions with the PBGC to resolve the outstanding issues. There is no assurance that the Company and PBGC will reach agreement or that the PBGC will agree with the Company's approach. Additional details are provided in Note 13 to the condensed consolidated financial statements.

### *Capital Structure and Financial Resources*

As of March 31, 2016, our debt consisted of PIK Toggle Notes with a principal amount of \$254.4 million. The PIK Toggle Notes will mature on September 30, 2019. However, the maturity date can be extended to September 30, 2024 upon the satisfaction of certain funding conditions described in the indenture governing the PIK Toggle Notes relating to the funding of (i) the American Centrifuge project or (ii) the implementation and deployment of a National Security Train Program utilizing American Centrifuge technology. The PIK Toggle Notes pay interest at a rate of 8.0% per annum. Interest is payable semi-annually in arrears based on a 360-day year consisting of twelve 30-day months. The principal amount is increased by any payment of interest in the form of PIK payments. The Company has the option to pay up to 5.5% per annum of interest due on the PIK Toggle Notes in the form of PIK payments. For the semi-annual interest periods ending March 31, 2016 and September 30, 2016, the Company has elected to pay interest in the form of PIK payments at 5.5% per annum.

The PIK Toggle Notes are guaranteed on a limited, subordinated and conditional basis by Enrichment Corp. Enrichment Corp. will be released from its guarantee without the consent of the holders of the PIK Toggle Notes upon the occurrence of certain termination events (other than with respect to an unconditional interest claim). Additional terms and conditions of the PIK Toggle Notes are described in Note 8 to the condensed consolidated financial statements.

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

### *NYSE MKT Listing Standards Notice*

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

### *Off-Balance Sheet Arrangements*

Other than outstanding letters of credit and surety bonds, our SWU purchase commitments and the license agreement with DOE relating to the American Centrifuge technology disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, there were no material off-balance sheet arrangements, obligations, or other relationships at March 31, 2016 or December 31, 2015.

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

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

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

At March 31, 2016, the balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and payables under SWU purchase agreements approximate fair value because of the short-term nature of the instruments.

We have not entered into financial instruments for trading purposes. At March 31, 2016, our debt consisted of the PIK Toggle Notes with a principal amount of \$254.4 million. The estimated fair value of the PIK Toggle Notes was \$62.3 million based on the most recent trading price as of March 31, 2016.

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

*Disclosure Controls and Procedures*

Centrus maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by Centrus in reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

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

*Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### **Item 1. *Legal Proceedings***

There have been no material changes to the Legal Proceedings set forth under Part I, Item 1, *Legal Proceedings*, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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

### **Item 1A. *Risk Factors***

There have been no material changes to the Risk Factors described in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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

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



## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Subcontract No. 4000141117 issued by UT-Battelle, LLC acting under contract DE-AC05-00OR22725 with the U.S. Department of Energy, listing American Centrifuge Operating LLC as Seller for U.S. Centrifuge Technology Advancement, dated March 22, 2016. (a)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended. (a)
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended. (a)
32.1	Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350. (a)
101	Condensed consolidated financial statements from the Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, filed in interactive data file (XBRL) format.

(a) Filed herewith.





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

**Subcontract**

**Section A - Agreement Form**

<b>1. Subcontract Number:</b> 4000141117	<b>2. Solicitation Number:</b>	<b>3. Type of Subcontract:</b> Firm Fixed Price Subcontract
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**4a. Subcontract Administrator:** Lisa Cobb

<b>4b. Email Address:</b> COBBLL@ORNL.GOV	<b>4c. Telephone:</b> 865-576-5470	<b>4d. Fax:</b> 865-241-5557
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<b>5. Issued By:</b> UT-Battelle, LLC c/o Oak Ridge National Laboratory P.O. BOX 2008, BLDG. 5300 OAK RIDGE, TN 37831-6050	<b>6. Submit Invoices To:</b> UT-Battelle, LLC - Accounts Payable Email pdf file to ornlap@ornl.gov or Fax to 865-241-1080
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<b>7. Name and Address of Seller</b> Seller Number: 219966 Attn: CHARLES KERNEK AMERICAN CENTRIFUGE OPERATING LLC 6903 ROCKLEDGE DR # 400 2 DEMOCRAC BETHESDA MD 20817-1872	<b>8. Ship To:</b> UT Battelle, LLC for the Dept. of Energy c/o Oak Ridge National Laboratory 1 Bethel Valley Road, Bldg 7001 Oak Ridge TN 37830  Show subcontract number on all packages, D/L, and, if required, invoices.
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**9. TABLE OF CONTENTS**

(X)	Sec.	Description	(X)	Sec.	Description
X	A	Agreement Form	X	F	Performance Period and Payment Information
X	B	Supplies or Services and Prices/Costs	X	G	General Provisions
X	C	Specifications/Statement of Work	X	H	Special Provisions
	D	Delivery, Shipping, Packaging	X	I	List of Attachments
	E	Inspection and Acceptance			

**10. Brief Description of Supplies or Services:** U.S. Centrifuge Technology Advancement

**11. Total Amount of Subcontract:** \$ 32,289,142.00

<b>12. Seller's Agreement.</b> Seller agrees to furnish and deliver the items or perform services to the extent stated in this document for the consideration stated in this subcontract. The rights and obligations of the parties to this subcontract are subject to and governed by this document and any documents attached or incorporated by reference.	<b>13. Award.</b> UT-Battelle, LLC (Company) agrees to award this Subcontract to Seller. The rights and obligations of the parties to this Subcontract are subject to and governed by this document and any documents attached or incorporated by reference.
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(X) Seller is required to sign and return a copy of this document. (Checked if applicable) UT-Battelle, LLC

A. Signature of person authorized to sign for Seller. <i>Steven Penrod</i>	A. Signature of person authorized to sign. <i>Thomas Mason</i>
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B. Name of signer STEVEN PENROD	B. Name of signer Thomas Mason
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C. Title of signer Vice President, American Centrifuge	C. Title of signer Director/President, CEO (R&D) UT-Battelle
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D. Date 3/23/16	D. Date 3/23/16
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UT-Battelle, LLC  
Acting under contract DE-AC05-00OR22725  
With the U.S. Department of Energy  
Internet: <http://www.ornl.gov/adm/contracts/index.shtml>

Page 2 of 16

**Subcontract**  
4000141117

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

### B.1 Description

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

### B.2 Total Price

The total fixed price of this Agreement is \$32,289,142.

### B.3 Incremental Funding

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



## Section C - Specifications/Statement of Work

Section C - Specifications/Statement of Work  
U.S. Centrifuge Technology Advancement  
February 16, 2016

### Task 1: Baseline Report

Seller represents to the Company that it has operated its K-1600 Test Facility in Oak Ridge, Tennessee continuously from October 1, 2015 through the execution date of this Agreement. Such operation has included 24/7 operation of at least one Verification Test Machine (Pathfinder) centrifuge (subject to outages required for regulatory compliance, maintenance and off-normal conditions), periodic operation of additional test stands and related equipment, and the generation and collection of the operational and performance data identified below. Seller further represents to the Company that it has performed centrifuge design research and development work from October 1, 2015 through the execution date of this Agreement. Such design research and development included activities related to Machine Performance, Modeling, Machine Reliability and Cost Improvements and Molecular Pump, as those activities are described in Task 3.0 of this Statement of Work.

Seller shall provide a written, comprehensive technical report, including each of the elements identified below, based upon data that was generated by the operation of the Pathfinder centrifuge(s), test stands and related equipment, and the centrifuge design research and development activities, during the period from October 1, 2015 through February 29, 2016:

#### Pathfinder Centrifuges

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

#### Centrifuge Design Research and Development

Summaries of technical accomplishments achieved during the period from October 1, 2015 through February 29, 2016, and proposed accomplishments to be achieved during the remainder of the performance period, in each of the following areas:



-Machine Performance: testing, evaluation and demonstration of resolution of the machine performance issue identified during FY15 cascade operations at the Seller's Piketon, Ohio facility, including a description of any issues or concerns identified and/or opportunities for improvement.

-Modeling: technical modeling of machine [and cascade] behaviors and performance, including value engineering activities to investigate the potential for cost savings, operational improvements, and improved designs.

-Machine Reliability and Cost Improvements: investigation of potential design changes that may result in lower machine costs, improved machine reliability, or increased cascade availability.

-Molecular Pump: continued development of the molecular pump, beyond the initial design fabricated and successfully tested in FY15.

The baseline report will be due, via classified e-mail or paper copy, to Company by noon (prevailing Eastern Time) of the tenth business day after execution of this Agreement. Company reserves the right to review and inspect the underlying raw data and research and development results, and to interview Seller staff members with knowledge of the data production and collection and research and development activities during the relevant time period. Company will coordinate any such reviews, inspections and interviews in advance with Seller.

#### Task 2: Pathfinder Centrifuges

The technical infrastructure at Seller's K-1600 Test Facility in Oak Ridge, Tennessee includes two (2) Verification Test Stands for operating Verification Test Machine (Pathfinder) centrifuges, as well as Gas Test Stands, a Balance Stand and other test equipment. Seller currently operates at least one Verification Test Machine (Pathfinder) centrifuge, which it plans to continue to operate throughout the period of performance (subject to outages required for regulatory compliance, maintenance and off-normal conditions). Seller periodically operates other test stands and related equipment. Seller shall provide the following technical reports utilizing data generated by the operation of the Pathfinder centrifuge(s), test stands and related equipment.

Provide a written, quarterly comprehensive technical report, including the following elements:

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

Calculated SWU production for each machine

Data from Machine Instrumentation Package

Description, results, and analysis of any off-normal conditions, including:

-Listing of failures, if any, or any problems experienced in any centrifuge or centrifuge support equipment

-Potential likely or root causes of any failures and any needed corrective actions will also be identified.



An assessment of centrifuge machine data that evaluates the performance, condition, and reliability (statements of predicted life) of the centrifuge machines.

Description of any Test Stand operation during the month covered by the report and the purpose of the test(s)

Summary of test, engineering and corrective actions required for centrifuge issues

Summary of engineering support required to keep the K-1600 Test Facility operational

Any regulatory issues and actions

A Gantt-chart type schedule showing the beginning and end dates of all major activities and projects, including major tasks and sub-tasks and major project elements.

Provide a written, monthly summary report (anticipated to not exceed 5 pages for Task 2) including the following elements:

- Regulatory issues or actions
- Total Verification Test Machine operating hours accumulated during the month
- Assessment of the condition of any machines disassembled during the month
- Results from any SWU measurements, and significant changes in operational data beyond expected norms
- Listing of failures and problems experienced in any centrifuge or balance of plant equipment and preliminary root cause(s), if any
- Summary table identifying each test stand and operational mode during the month
- An up-to-date Gantt-chart type schedule showing the beginning and end dates of all major activities and projects, including major tasks and sub-tasks and major project elements.

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

**Task 3: Centrifuge Design Research and Development**

Provide written, comprehensive quarterly reports on each of the following research and development activity subtasks, which includes a Gantt-chart type schedule showing the beginning and end dates of all major activities and projects, including major tasks and sub-tasks and major project elements.

Quarterly reports will summarize technical accomplishments achieved during the quarter and proposed accomplishments to be achieved during the next quarter.

Provide a written, monthly summary report (for example, a chart or summary table) for each of the scheduled projects. The chart should indicate the following:

- Schedule performance



- Forecasted completion date
- Schedule items completed during the month
- Issues identified during the month that may impact overall schedule.

**Subtask 3.1: Machine Performance**

Perform technical analyses to test, evaluate, and demonstrate resolution, using the FY15 proposed solutions, of the machine performance issue identified during historical cascade operations in the Seller's Piketon, Ohio facility. Identify issues, concerns, and/or opportunities for improvement.

Seller plans to conduct tests and/or operational evolutions using AC100 centrifuges at the K-1600 facility that provides sufficient data, including operational and inspection information from a testing period of not less than 120 days, to determine the validity of the proposed solutions. The results of such testing and/or operations shall be documented in the written technical reports.

**Subtask 3.2: Modeling**

Perform technical modeling of machine and cascade behaviors and performance. Using the modeling capabilities, perform value engineering activities to investigate the potential for cost savings, operational improvements, and improved designs. Continue development of computation fluid dynamics model in conjunction with the Joint Institute of Computational Science.

**Subtask 3.3: Machine Reliability and Cost Improvements**

Investigate potential design changes that may result in lower machine costs, improved machine reliability, or increased cascade availability. Work will include reporting and analysis of Seller's continued development of the Build-To-Print MDU.

Seller shall complete a Build to Print Motor Drive Unit prototype, conduct bench-scale testing, and issue a technical report that details the test results. Testing shall be conducted to demonstrate that the MDU can be successfully operated through normal (not emergency or off-normal) operational conditions and scenarios.

**Subtask 3.4: Molecular Pump**

Continue development of the molecular pump, beyond the initial design fabricated and successfully tested in FY15. The molecular pump is expected to improve machine reliability since it is a replacement for a high maintenance item (diffusion pump), reduce fabrication and operating costs, and aid in the solution of the cascade performance issue.

Design, construct and qualify a third verification test stand (VTS) containing necessary components to test and evaluate the performance of the next generation of molecular pump.

Conduct off-gas and on-gas testing in the VTS of the next generation molecular pump, analyze test results to include an analysis of pressure, heat, and flow mechanisms and provide results in the written technical report(s).

These monthly and quarterly reports will cover the data collected for a calendar month and be due, via classified e-mail or paper copy, to Company by noon (prevailing Eastern Time)



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of the fifth business day after the end of each calendar month. Quarterly reports will be required following conclusion of the June 2016 and September 2016 reporting periods. Monthly reports shall not be required for those months when quarterly reports are due. The Company will provide feedback and comments on the proposed accomplishments for the next quarterly and monthly reports, and Seller shall seek to incorporate such comments into its planned activities under this Task.

Company reserves the right to observe and inspect all services performed by Seller under the Statement of Work, including the generation and collection activities at Seller's Oak Ridge facilities. Company will coordinate such site visits in advance with Seller.



## Section F - Performance Period and Payment Information

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

F.2. **Payment Terms** Net 15 days - Milestone 1; Net 30 days - Milestones 2-8.

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

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

### **Invoicing:**

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

### **Milestone Payment Schedule:**

<u>Milestone #</u>	<u>Description</u>	<u>Amount</u>
1	Baseline Report for October 2015 through February 29, 2016 data: due tenth business day after execution of agreement	
	-Task 1 Baseline Report (Milestone #1)	\$13,453,810
2	Summary Report for March 2016 data: due fifth business day of April 2016	
	-Task 2 Pathfinder Centrifuges	\$1,778,002
	-Task 3 Centrifuge Design R&D	\$912,760
	Total for Milestone #2	\$2,690,762
3	Summary Report for April 2016 data: due fifth business day of May 2016	
	-Task 2 Pathfinder Centrifuges	\$1,778,002
	-Task 3 Centrifuge Design R&D	\$912,760
	Total for Milestone #3	\$2,690,762
4	Summary Report for May 2016 data: due fifth business day of June 2016	
	-Task 2 Pathfinder Centrifuges	\$1,778,002
	-Task 3 Centrifuge Design R&D	\$912,760





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Total for Milestone #4	\$2,690,762
5 Comprehensive Report for April 2016 through June 2016 data: due fifth business day of July 2016	
-Task 2 Pathfinder Centrifuges	\$1,778,002
-Task 3 Centrifuge Design R&D	\$912,760
Total for Milestone #5	\$2,690,762
6 Summary Report for July 2016 data: due fifth business day of August 2016	
-Task 2 Pathfinder Centrifuges	\$1,778,002
-Task 3 Centrifuge Design R&D	\$912,760
Total for Milestone #6	\$2,690,762
7 Summary Report for August 2016 data: due fifth business day of September 2016	
-Task 2 Pathfinder Centrifuges	\$1,778,002
-Task 3 Centrifuge Design R&D	\$912,760
Total for Milestone #7	\$2,690,762
8 Comprehensive Report for July 2016 through September 2016 data: due fifth business day of October 2016	
-Task 2 Pathfinder Centrifuges	\$1,778,002
-Task 3 Centrifuge Design R&D	\$912,758
Total for Milestone #8	\$2,690,760
<b>Total of all payments:</b>	<b>\$32,289,142</b>



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### Section G - General Provisions

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

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

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

General Terms and Conditions - Fixed Price (FP July 21, 2015)

**DO NOT INCLUDE SALES OR USE TAXES**

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



## Section H - Special Provisions

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

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

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

Exhibit 11, Limited Rights Notice (Sep 2010)

Exhibit 12, Restricted Rights Notice (Sep 2010)

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

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

Milestone Payment Clause (May 2010)  
(The stipulated performance milestones in Milestone Payment Clause shall be the baseline, monthly, and quarterly technical reports as required in the Scope of Work.)

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

Liability with Respect to Cost Accounting Standards

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

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

Wage Determinations

Service Contract Act Wage Determinations No. 2015-2493 (Rev. 1) dated January 13, 2016, and No. 2015-4643 (Rev. 1) dated January 13, 2016, are made a part of this subcontract.



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

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

Information Technology Special Provision (Mar 2011)

Information Ranking - High Controls

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

**IP Clause**

The Seller agrees that for purposes of this Agreement, Exhibit 9, Technical Data (JUN 2011), Exhibit 11 Limited Rights Notice (SEP 2010), Restricted Rights Notice (SEP 2010) and Exhibit 1B Patent Rights - Acquisition by the Government (FEB 2009) shall cover the activities performed in developing the data delivered under Milestone #1: Baseline Report for October 2015 through February 29, 2016 data and Milestone #2: Summary Report for March 2016 data, to the same extent as if this Agreement was in force during the period from October 1, 2015 through the execution date of this Agreement. The Company reserves the right to review and inspect the underlying raw data and research and development results, and to interview Seller staff members with knowledge of the activities covered by the Specifications/Statement of Work of this Agreement during the period of October 1, 2015 through the execution date to verify compliance with this clause. Company will coordinate any such review, inspections and interviews with Seller.

**Technical Direction**

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

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

Limitation of Company's Obligation



(a) Of the total price of this Agreement, \$16,144,572 is currently allotted and available for payment. It is anticipated that from time to time additional funds will be allotted until the total price of the Agreement is allotted.

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

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

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

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

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

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

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

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

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

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

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



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

General:

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

Terms and Conditions - Fixed-Price (July 21, 2015):

(1) Part 2 is not applicable.

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

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

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

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

(5) The following clause is added:

Confidentiality of Information - Seller

(a) To the extent that the work under this subcontract requires that the Company be given access to information which has been marked or identified as confidential or proprietary, sensitive, technical, or financial belonging to the Seller or other companies, (hereinafter



referred to as "protected information"), the Company shall after receipt thereof, treat protected information as marked or identified from unauthorized use and disclosure. The Company agrees not to appropriate protected information to its own use or to disclose protected such information to third parties unless specifically authorized by the Seller in writing. The foregoing obligations, however, shall not apply to information which:

- (1) at the time of receipt by the Company, is in the public domain;
  - (2) after receipt thereof by the Company is published or otherwise becomes part of the public domain through no fault of the Company;
  - (3) the Company can demonstrate was in its possession at the time of receipt thereof and was not acquired directly or indirectly from the Seller;
  - (4) the Company can demonstrate was received by it from a third party that did not require the Company to hold it in confidence; or
  - (5) must be disclosed under operation of law or regulation.
- (b) The Company agrees to allow access only to those employees that need the protected information to perform services under this subcontract and agrees that the protected information will be used solely for the purpose of performing services under this subcontract. The Company shall ensure that its employees will not discuss, divulge or disclose any protected information to any person or entity except those persons within the Company's organization directly concerned with the performance of the subcontract. Notwithstanding the foregoing, Company may provide employees of DOE access to protected information in accordance with Company's prime contract with DOE for the management and operation of the Oak Ridge National Laboratory. DOE employees are obligated by 18 USC 1905 to protect protected information from unauthorized disclosure.
- (c) The Company shall administer a monitoring process to ensure compliance with the provisions of this clause, promptly report any breaches to the Seller's technical representative, and implement immediate, appropriate corrective actions to contain and prevent recurrence.
- (d) The Seller may terminate this subcontract for default if Company or an employee of the Company fails to comply with the provisions of this clause. The Seller may also exercise any other rights and remedies provided by law or this subcontract, including criminal and civil penalties.



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### Section I - List of Attachments

Attachment A - Wage Determinations No. 2015-2493 (Rev. 1) dated January 13, 2016, and No. 2015-4643 (Rev. 1) dated January 13, 2016.



## 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.

May 10, 2016

/s/ Daniel B. Poneman

**Daniel B. Poneman**

President and Chief Executive Officer

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Stephen S. Greene, certify that:

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

May 10, 2016

/s/ Stephen S. Greene

**Stephen S. Greene**

Senior Vice President, Chief Financial Officer and Treasurer

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

In connection with the quarterly report on Form 10-Q of Centrus Energy Corp. for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), pursuant to 18 U.S.C. § 1350, Daniel B. Poneman, President and Chief Executive Officer, and Stephen S. Greene, Senior Vice President, Chief Financial Officer and Treasurer, each hereby certifies, that, to his knowledge:

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

May 10, 2016

/s/ Daniel B. Poneman

**Daniel B. Poneman**

President and Chief Executive Officer

May 10, 2016

/s/ Stephen S. Greene

**Stephen S. Greene**

Senior Vice President, Chief Financial Officer and Treasurer

