

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



FORM 10-Q

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

For the quarterly period ended September 30, 2018

OR

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

Commission file number 1-14287

Centrus Energy Corp.

Delaware

(State of incorporation)

52-2107911

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

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

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

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

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

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

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

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

Yes No

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

Yes No

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

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FORWARD-LOOKING STATEMENTS

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

Cycle; risks related to our ability to sell the LEU we procure pursuant to our purchase obligations under our supply agreements; risks relating to our sales order book, including uncertainty concerning customer actions under current contracts and in future contracting due to market conditions and lack of current production capability; risks related to financial difficulties experienced by customers, including possible bankruptcies, insolvencies or any other inability to pay for our products or services; pricing trends and demand in the uranium and enrichment markets and their impact on our profitability; movement and timing of customer orders; risks related to the value of our intangible assets related to the sales order book and customer relationships; risks associated with our reliance on third-party suppliers to provide essential services to us; risks related to existing or new trade barriers and contract terms that limit our ability to deliver LEU to customers; risks related to actions that may be taken by the U.S. government, the Russian government or other governments that could affect our ability to perform or the ability of our sources of supply to perform under their contract obligations to us, including the imposition of sanctions, restrictions or other requirements; the impact of government regulation including by the U.S. Department of Energy and the U.S. Nuclear Regulatory Commission; uncertainty regarding our ability to commercially deploy competitive enrichment technology; risks and uncertainties regarding funding for the American Centrifuge project and our ability to obtain and/or perform under our future agreements with UT-Battelle, LLC (“UT-Battelle”), the management and operating contractor for Oak Ridge National Laboratory (“ORNL”), for continued research and development of the American Centrifuge technology; the potential for further demobilization or termination of the American Centrifuge project; risks related to the current demobilization of portions of the American Centrifuge project, including risks that the schedule could be delayed and costs could be higher than expected; failures or security breaches of our information technology systems; potential strategic transactions, which could be difficult to implement, disrupt our business or change our business profile significantly; the outcome of legal proceedings and other contingencies (including lawsuits and government investigations or audits); the competitive environment for our products and services; changes in the nuclear energy industry; the impact of financial market conditions on our business, liquidity, prospects, pension assets and insurance facilities; revenue and operating results can fluctuate significantly from quarter to quarter, and in some cases, year to year; and other risks and uncertainties discussed in this and our other filings with the Securities and Exchange Commission, including under Part 1. Item 1A - “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017.

These factors may not constitute all factors that could cause actual results to differ from those discussed in any forward-looking statement. Accordingly, forward-looking statements should be not be relied upon as a predictor of actual results. Readers are urged to carefully review and consider the various disclosures made in this report and in our other filings with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect our business. We do not undertake to update our forward-looking statements to reflect events or circumstances that may arise after the date of this Quarterly Report on Form 10-Q, except as required by law.

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

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 124.9	\$ 208.8
Accounts receivable	2.5	60.2
Inventories	129.4	153.1
Deferred costs associated with deferred revenue	122.7	122.3
Deposits for financial assurance	30.2	16.3
Other current assets	6.9	6.2
Total current assets	416.6	566.9
Property, plant and equipment, net of accumulated depreciation of \$1.5 as of September 30, 2018 and \$1.9 as of December 31, 2017	4.4	4.9
Deposits for financial assurance	6.2	19.7
Intangible assets, net	78.1	82.7
Other long-term assets	0.7	1.1
Total assets	\$ 506.0	\$ 675.3
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 46.9	\$ 48.2
Payables under SWU purchase agreements	14.6	79.4
Inventories owed to customers and suppliers	70.2	77.9
Deferred revenue and advances from customers	175.6	191.8
Current debt	39.1	6.1
Total current liabilities	346.4	403.4
Long-term debt	120.2	157.5
Postretirement health and life benefit obligations	150.9	154.2
Pension benefit liabilities	143.5	161.6
Advances from customers	14.5	—
Other long-term liabilities	8.0	17.5
Total liabilities	783.5	894.2
Commitments and contingencies (Note 11)		
Stockholders' deficit:		
Preferred stock, par value \$1.00 per share, 20,000,000 shares authorized		
Series A Participating Cumulative Preferred Stock, none issued	—	—
Series B Senior Preferred Stock, 7.5% cumulative, 104,574 shares issued and outstanding and an aggregate liquidation preference of \$117.4 as of September 30, 2018 and \$111.5 as of December 31, 2017	4.6	4.6
Class A Common Stock, par value \$0.10 per share, 70,000,000 shares authorized, 7,632,669 shares issued and outstanding as of September 30, 2018 and December 31, 2017	0.8	0.8
Class B Common Stock, par value \$0.10 per share, 30,000,000 shares authorized, 1,406,082 shares issued and outstanding as of September 30, 2018 and December 31, 2017	0.1	0.1
Excess of capital over par value	60.3	60.0
Accumulated deficit	(343.3)	(284.5)
Accumulated other comprehensive income, net of tax	—	0.1
Total stockholders' deficit	(277.5)	(218.9)
Total liabilities and stockholders' deficit	\$ 506.0	\$ 675.3

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue:				
Separative work units	\$ 17.6	\$ 43.5	\$ 68.2	\$ 82.2
Uranium	11.3	—	14.9	—
Contract services	5.2	6.8	26.1	19.3
Total revenue	34.1	50.3	109.2	101.5
Cost of Sales:				
Separative work units and uranium	20.9	32.7	98.6	77.9
Contract services	5.4	6.3	18.8	19.9
Total cost of sales	26.3	39.0	117.4	97.8
Gross profit (loss)	7.8	11.3	(8.2)	3.7
Advanced technology license and decommissioning costs	5.8	4.5	19.2	15.0
Selling, general and administrative	8.8	11.0	29.7	33.1
Amortization of intangible assets	1.7	2.5	4.5	5.7
Special charges for workforce reductions and advisory costs	0.6	2.4	1.5	7.1
Gains on sales of assets	—	(0.6)	(0.3)	(2.3)
Operating loss	(9.1)	(8.5)	(62.8)	(54.9)
Gain on early extinguishment of debt	—	—	—	(33.6)
Nonoperating components of net periodic benefit expense (income)	(1.6)	(0.3)	(4.9)	(1.1)
Interest expense	1.0	0.7	3.0	4.3
Investment income	(0.7)	(0.4)	(1.9)	(1.0)
Loss before income taxes	(7.8)	(8.5)	(59.0)	(23.5)
Income tax benefit	—	—	(0.1)	(0.2)
Net loss	(7.8)	(8.5)	(58.9)	(23.3)
Preferred stock dividends - undeclared and cumulative	1.9	2.0	5.9	5.0
Net loss allocable to common stockholders	\$ (9.7)	\$ (10.5)	\$ (64.8)	\$ (28.3)
Net loss per common share - basic and diluted	\$ (1.06)	\$ (1.15)	\$ (7.11)	\$ (3.12)
Average number of common shares outstanding - basic and diluted (in thousands)	9,133	9,103	9,118	9,081

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net loss	\$ (7.8)	\$ (8.5)	\$ (58.9)	\$ (23.3)
Other comprehensive loss, before tax (Note 12):				
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 benefit	—	—	(0.1)	(0.1)
Comprehensive loss	\$ (7.8)	\$ (8.5)	\$ (59.0)	\$ (23.4)

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

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

	Nine Months Ended September 30,	
	2018	2017
Operating Activities:		
Net loss	\$ (58.9)	\$ (23.3)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	5.1	6.6
PIK interest on paid-in-kind toggle notes	1.2	1.2
Gain on early extinguishment of debt	—	(33.6)
Gain on sales of assets	(0.3)	(2.3)
Changes in operating assets and liabilities:		
Accounts receivable	57.6	14.5
Inventories, net	30.6	17.9
Payables under SWU purchase agreements	(64.8)	(42.3)
Deferred revenue, net of deferred costs	(16.7)	2.9
Accounts payable and other liabilities	(1.4)	(20.1)
Pension and postretirement liabilities	(21.3)	(6.2)
Other, net	(8.8)	(1.9)
Cash used in operating activities	(77.7)	(86.6)
Investing Activities:		
Capital expenditures	(0.1)	(0.3)
Proceeds from sales of assets	0.4	2.1
Cash provided by investing activities	0.3	1.8
Financing Activities:		
Payment of interest classified as debt	(6.1)	(3.4)
Repurchase of debt	—	(27.6)
Payment of securities transaction costs	—	(9.0)
Cash used in financing activities	(6.1)	(40.0)
Decrease in cash, cash equivalents and restricted cash	(83.5)	(124.8)
Cash, cash equivalents and restricted cash, beginning of period ⁽¹⁾	244.8	296.7
Cash, cash equivalents and restricted cash, end of period ⁽¹⁾	\$ 161.3	\$ 171.9
Supplemental cash flow information:		
Interest paid in cash	\$ 0.8	\$ 4.2
Non-cash activities:		
Conversion of interest payable-in-kind to debt	\$ 1.7	\$ 0.4
Exchange of debt for Series B preferred stock	\$ —	\$ 4.6

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

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

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

	Preferred Stock, Series B	Common Stock, Class A, Par Value \$.10 per Share	Common Stock, Class B, Par Value \$.10 per Share	Excess of Capital Over Par Value	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2016	\$ —	\$ 0.8	\$ 0.1	\$ 59.5	\$ (296.7)	\$ 0.2	\$ (236.1)
Net loss	—	—	—	—	(23.3)	—	(23.3)
Issuance of preferred stock	4.6	—	—	—	—	—	4.6
Other comprehensive loss, net of tax benefit (Note 12)	—	—	—	—	—	(0.1)	(0.1)
Restricted stock units and stock options issued, net of amortization	—	—	—	0.3	—	—	0.3
Balance at September 30, 2017	\$ 4.6	\$ 0.8	\$ 0.1	\$ 59.8	\$ (320.0)	\$ 0.1	\$ (254.6)
Balance at December 31, 2017	\$ 4.6	\$ 0.8	\$ 0.1	\$ 60.0	\$ (284.5)	\$ 0.1	\$ (218.9)
Adoption of ASC 606 as of January 1, 2018 (Note 1)	—	—	—	—	0.1	—	0.1
Net loss	—	—	—	—	(58.9)	—	(58.9)
Other comprehensive loss, net of tax benefit (Note 12)	—	—	—	—	—	(0.1)	(0.1)
Restricted stock units and stock options issued, net of amortization	—	—	—	0.3	—	—	0.3
Balance at September 30, 2018	\$ 4.6	\$ 0.8	\$ 0.1	\$ 60.3	\$ (343.3)	\$ —	\$ (277.5)

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

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

1. BASIS OF PRESENTATION

Basis of Presentation and Principles of Consolidation

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

Operating results for the three and nine months ended September 30, 2018, are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes and *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in the Annual Report on Form 10-K for the year ended December 31, 2017.

Correction of Error

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

New Accounting Standards

Recently Adopted Accounting Standards

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

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

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

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

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

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	As Reported	Under Previous Accounting	Effect of Adoption	As Reported	Under Previous Accounting	Effect of Adoption
Revenue	\$ 34.1	\$ 32.2	\$ 1.9	\$ 109.2	\$ 109.3	\$ (0.1)
Net loss	(7.8)	(9.7)	1.9	(58.9)	(58.8)	(0.1)

The effect of adoption for the nine months ended September 30, 2018, includes the opening balance adjustment of \$0.1 million.

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

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	As Previously Reported	Adjustments	Current Presentation	As Previously Reported	Adjustments	Current Presentation
Cost of sales - separative work units and uranium	\$ 32.4	\$ 0.3	\$ 32.7	\$ 76.8	\$ 1.1	\$ 77.9
Nonoperating components of net periodic benefit expense (income)	—	(0.3)	(0.3)	—	(1.1)	(1.1)

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

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

	Nine Months Ended September 30, 2017		
	As Previously Reported	Adjustments	Current Presentation
Cash used in operating activities	\$ (95.6)	\$ 9.0	\$ (86.6)
Cash used in financing activities	(31.0)	(9.0)	(40.0)

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

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, requiring the recognition of the current and deferred income taxes resulting from an intra-entity transfer of assets other than inventory when the transfer occurs. The Company adopted the new standard on January 1, 2018, on a modified retrospective basis. The adoption of ASU 2016-16 did not have a material impact on our consolidated financial statements, including the cumulative effect adjustment required upon adoption.

Accounting Standards Effective in Future Periods

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting expense recognition in the statement of operations. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The new guidance, as amended in July 2018 by ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, requires a transition adoption election using either 1) a modified retrospective approach with periods prior to the adoption date being recast or 2) a prospective adoption approach with a cumulative-effect adjustment recognized to the opening balance of retained earnings on the adoption date with prior periods not recast. The Company is finalizing its evaluation of lease arrangements. In the Company's most recent Annual Report on Form 10-K, the Company reported undiscounted operating lease obligations of approximately \$13 million as of December 31, 2017. The Company anticipates adopting this standard on January 1, 2019, using the prospective adoption approach.

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

Significant Accounting Policies

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

2. REVENUE RECOGNITION AND CONTRACTS WITH CUSTOMERS

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

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

Disaggregation of Revenue

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
United States	\$ 0.3	\$ 26.2	\$ 54.3	\$ 37.1
Europe	28.6	17.3	28.7	17.4
Asia	—	—	0.1	27.7
Revenue - SWU and uranium	\$ 28.9	\$ 43.5	\$ 83.1	\$ 82.2

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

Contract Balances

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

	September 30, 2018	January 1, 2018	Year-To-Date Change
Contract assets			
Accounts receivable:			
Billed	\$ 2.5	\$ 60.2	\$ (57.7)
Unbilled contract revenue	—	0.1	(0.1)
Accounts receivable	\$ 2.5	\$ 60.3	\$ (57.8)
Deferred costs associated with deferred revenue	\$ 122.7	\$ 122.3	\$ 0.4
Contract liabilities			
Deferred revenue and advances from customers - current:			
Deferred revenue	\$ 175.6	\$ 172.5	\$ 3.1
Advances from customers	—	19.3	(19.3)
Deferred revenue and advances from customers - current	\$ 175.6	\$ 191.8	\$ (16.2)
Advances from customers - noncurrent	\$ 14.5	\$ —	\$ 14.5

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

	Deferred Sales in the Period	Previously Deferred Sales Recognized in the Period	Year-To-Date Change
Deferred costs associated with deferred revenue	\$ 10.6	\$ (10.2)	\$ 0.4
Deferred revenue	23.3	(20.2)	3.1

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

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

LEU Segment Order Book

The SWU component of LEU is typically bought and sold under long-term contracts with deliveries over several years. The Company's agreements for natural uranium sales are generally shorter-term, fixed-commitment contracts. The Company's order book of sales under contract in the LEU Segment ("order book") extends for more than a decade. The order book represents the Company's remaining performance obligations under these contracts and includes the *Deferred Revenue* amounts in the Contract Balances table above. The order book was \$1.1 billion as of September 30, 2018, compared to \$1.3 billion at December 31, 2017, reflecting completed deliveries and new contracts signed in the nine months ended September 30, 2018, and a rejection of a contract by a customer in bankruptcy proceedings. No other adjustments were required to the Company's condensed consolidated financial statements as a result of the contract rejection. Refer to Note 14, *Subsequent Event*, for additional information regarding the customer and claims filed by the Company.

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

3. SPECIAL CHARGES

Special charges totaled \$1.5 million and \$7.1 million for the nine months ended September 30, 2018, and 2017, respectively, including advisory costs of \$0.1 million and \$5.0 million. In 2018 and 2017, advisory costs related to updating the Company's information technology systems.

Workforce reductions have resulted from evolving business needs and the completion of the demonstration of American Centrifuge technology at the Company's facility in Piketon, Ohio. Without mutual agreement between Centrus and DOE regarding other possible uses for the Piketon facility, the remaining balance of termination benefits of \$3.2 million related to the Piketon facility is expected to be paid in the third quarter of 2019 and is classified in *Accounts Payable and Accrued Liabilities* in the condensed consolidated balance sheet. A summary of termination benefit activity and related liabilities follows (in millions):

	Liability December 31, 2017	Nine Months Ended September 30, 2018		Liability September 30, 2018
		Charges for Termination Benefits	Paid/Settled	
Workforce reductions:				
Evolving business needs	\$ 0.8	\$ 1.3	\$ (1.5)	\$ 0.6
Piketon demonstration facility	5.7	0.1	(2.6)	3.2
Total	\$ 6.5	\$ 1.4	\$ (4.1)	\$ 3.8

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 124.9	\$ 208.8
Deposits for financial assurance - current	30.2	16.3
Deposits for financial assurance - noncurrent	6.2	19.7
Total cash, cash equivalents and restricted cash	\$ 161.3	\$ 244.8

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

	September 30, 2018		December 31, 2017	
	Current	Long-Term	Current	Long-Term
NRC license	\$ 16.3	\$ —	\$ 16.1	\$ —
DOE lease	13.7	—	—	13.5
Workers compensation	—	5.9	—	5.9
Other	0.2	0.3	0.2	0.3
Total deposits for financial assurance	\$ 30.2	\$ 6.2	\$ 16.3	\$ 19.7

Piketon Facility Obligations and Surety Bonds

Centrus commenced with the decontamination and decommissioning (“D&D”) of the Piketon facility in accordance with the U.S. Nuclear Regulatory Commission (“NRC”) license requirements in 2016. Centrus has previously provided financial assurance to the NRC for the D&D work in the form of surety bonds that are fully cash collateralized by Centrus for \$16.3 million. Centrus believes the D&D work required for elimination of financial assurance under NRC license requirements has been completed and is working with the NRC to have the surety bonds cancelled, which would permit the Company to receive the cash collateral.

Centrus leases the Piketon facility from DOE. At the conclusion of the lease on June 30, 2019, without mutual agreement between Centrus and DOE regarding other possible uses for the facility, Centrus is obligated to return the facility to DOE in a condition that meets NRC license requirements and in the same condition as the facility was in when it was leased to Centrus (other than due to normal wear and tear). Centrus must remove all Company-owned capital improvements at the Piketon facility, unless otherwise consented to by DOE, by the conclusion of the lease term. The estimated cost for these lease termination obligations, included in *Accounts Payable and Accrued Liabilities* on the condensed consolidated balance sheet, is \$1.6 million and \$1.8 million as of September 30, 2018 and December 31, 2017, respectively. Centrus has previously provided financial assurance to DOE for the lease turnover obligations in the form of surety bonds that are fully cash collateralized by Centrus for \$13.7 million. Centrus expects to receive cash when these surety bonds are reduced and/or cancelled as the Company fulfills its lease turnover obligations.

Financial Assurance for Workers’ Compensation

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

5. INVENTORIES

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

	September 30, 2018			December 31, 2017		
	Current Assets	Current Liabilities (a)	Inventories, Net	Current Assets	Current Liabilities (a)	Inventories, Net
Separative work units	\$ 31.2	\$ 4.7	\$ 26.5	\$ 47.2	\$ 15.0	\$ 32.2
Uranium	98.2	65.5	32.7	105.9	62.9	43.0
Total	\$ 129.4	\$ 70.2	\$ 59.2	\$ 153.1	\$ 77.9	\$ 75.2

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

6. INTANGIBLE ASSETS

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

	September 30, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Sales order book	\$ 54.6	\$ 27.0	\$ 27.6	\$ 54.6	\$ 25.9	\$ 28.7
Customer relationships	68.9	18.4	50.5	68.9	14.9	54.0
Total	\$ 123.5	\$ 45.4	\$ 78.1	\$ 123.5	\$ 40.8	\$ 82.7

7. DEBT

A summary of debt follows (in millions):

	Maturity	September 30, 2018		December 31, 2017	
		Current	Long-Term	Current	Long-Term
8.25% Notes:	Feb. 2027				
Principal		\$ —	\$ 74.3	\$ —	\$ 74.3
Interest		6.1	45.9	6.1	52.0
8.25% Notes		\$ 6.1	\$ 120.2	\$ 6.1	\$ 126.3
8% PIK Toggle Notes	Sep. 2019 ^(a)	\$ 33.0	\$ —	\$ —	\$ 31.3
Less deferred issuance costs		—	—	—	0.1
8% PIK Toggle Notes		\$ 33.0	\$ —	\$ —	\$ 31.2
Total		\$ 39.1	\$ 120.2	\$ 6.1	\$ 157.5

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

Note Exchange

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

8.25% Notes

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

8% PIK Toggle Notes

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

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

8. FAIR VALUE

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

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

Financial Instruments Recorded at Fair Value (in millions):

	September 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Cash and cash equivalents	\$ 124.9	\$ —	\$ —	\$ 124.9	\$ 208.8	\$ —	\$ —	\$ 208.8
Deferred compensation asset (a)	1.6	—	—	1.6	1.4	—	—	1.4
Liabilities:								
Deferred compensation obligation (a)	\$ 1.6	\$ —	\$ —	\$ 1.6	\$ 1.4	\$ —	\$ —	\$ 1.4

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

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

Other Financial Instruments

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

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

	September 30, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value (a)	Carrying Value	Estimated Fair Value (a)
8.25% Notes	\$ 126.3 (b)	\$ 60.5	\$ 132.4 (b)	\$ 61.7
8% PIK Toggle Notes	33.0	28.4	31.3	25.1

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

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

9. PENSION AND POSTRETIREMENT HEALTH AND LIFE BENEFITS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Service costs	\$ 0.9	\$ 0.9	\$ 2.5	\$ 2.8
Interest costs	7.1	8.0	21.5	24.1
Expected gains on plan assets	(10.3)	(10.1)	(30.7)	(30.5)
Net periodic benefit income	\$ (2.3)	\$ (1.2)	\$ (6.7)	\$ (3.6)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest costs	\$ 1.5	\$ 1.8	\$ 4.4	\$ 5.4
Amortization of prior service credits	—	—	(0.1)	(0.1)
Net periodic benefit expense	\$ 1.5	\$ 1.8	\$ 4.3	\$ 5.3

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

10. NET LOSS PER COMMON SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator (in millions):				
Net loss	\$ (7.8)	\$ (8.5)	\$ (58.9)	\$ (23.3)
Preferred stock dividends - undeclared and cumulative	1.9	2.0	5.9	5.0
Net loss allocable to common stockholders	\$ (9.7)	\$ (10.5)	\$ (64.8)	\$ (28.3)
Denominator (in thousands):				
Average common shares outstanding - basic	9,133	9,103	9,118	9,081
Potentially dilutive shares related to stock options and restricted stock units ^(a)	—	—	—	—
Average common shares outstanding - diluted	9,133	9,103	9,118	9,081
Net loss per common share (in dollars) - basic and diluted:	\$ (1.06)	\$ (1.15)	\$ (7.11)	\$ (3.12)
(a) Common stock equivalents excluded from the diluted calculation as a result of a net loss in the period (in thousands)	3	13	10	60
Options outstanding and considered anti-dilutive as their exercise price exceeded the average share market price (in thousands)	360	327	360	30

11. COMMITMENTS AND CONTINGENCIES

Commitments under SWU Purchase Agreements

TENEX

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

The Russian Supply Agreement provides that the Company must pay for all SWU in its minimum purchase obligation each year, even if it fails to submit orders for such SWU. The Company would then have the right to take the unordered SWU in the following year. Pricing terms for SWU under the Russian Supply Agreement are based on a mix of market-related price points and other factors. This formula is subject to an adjustment that the Company anticipates will reduce the unit costs of SWU under this contract beginning in 2019.

Orano

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

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

Milestones Under the 2002 DOE-USEC Agreement

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

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

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

Legal Matters

Refer to *Note 14, Subsequent Event*, for information on legal proceedings in which the Company is involved. See also *Legal Proceedings* under Part I, Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

12. STOCKHOLDERS' EQUITY

Series B Preferred Stock

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

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

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

Centrus has not met these criteria for the periods from issuance through September 30, 2018, and has not declared, accrued or paid dividends on the Series B Preferred Stock as of September 30, 2018. Dividends on the Series B Preferred Stock are cumulative to the extent not paid at any quarter-end, whether or not declared and whether or not there are assets of the Company legally available for the payment of such dividends in whole or in part. As of September 30, 2018, the Series B Preferred Stock has an aggregate liquidation preference of \$117.4 million including accumulated dividends of \$12.8 million. As of December 31, 2017, the Series B Preferred Stock had an aggregate liquidation preference of \$111.5 million, including accumulated dividends of \$6.9 million.

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

Rights Agreement

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

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

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

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

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

Shares Outstanding

Changes in the number of shares outstanding are as follows:

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

Accumulated Other Comprehensive Income (Loss)

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

13. SEGMENT INFORMATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue				
LEU Segment:				
Separative work units	\$ 17.6	\$ 43.5	\$ 68.2	\$ 82.2
Uranium	11.3	—	14.9	—
Total	28.9	43.5	83.1	82.2
Contract Services Segment	5.2	6.8	26.1	19.3
Total revenue	\$ 34.1	\$ 50.3	\$ 109.2	\$ 101.5
Segment Gross Profit (Loss)				
LEU Segment	\$ 8.0	\$ 10.8	\$ (15.5)	\$ 4.3
Contract Services Segment	(0.2)	0.5	7.3	(0.6)
Gross profit (loss)	\$ 7.8	\$ 11.3	\$ (8.2)	\$ 3.7

14. SUBSEQUENT EVENT

On October 11, 2018, the Company's subsidiaries, United States Enrichment Corporation ("Enrichment") and American Centrifuge Enrichment, LLC ("ACE", together with Enrichment, the "Company Subsidiaries") filed proofs of claim in the U.S. Bankruptcy Court for the Northern District of Ohio (the "Bankruptcy Court") against each of FirstEnergy Nuclear Operating Company ("FENOC"), FirstEnergy Nuclear Generation, LLC ("FENG," and together with FENOC, the "FirstEnergy Contract Parties"), FirstEnergy Solutions Corp. ("FES") and FirstEnergy Generation, LLC ("FG") in the amount of approximately \$314 million. The claims relate to damages arising from the rejection and breach of a long-term contract between the Company Subsidiaries and the FirstEnergy Contract Parties that was approved by the Bankruptcy Court and made effective as of July 26, 2018. The proofs of claim filed by the Company Subsidiaries include claims against FENOC and FENG based on their liability as parties to the contract that was rejected and breached. The proofs of claim filed by the Company Subsidiaries also include claims against FES and FG based on their liability under guaranties they issued that may obligate FES and FG to satisfy the rejection and breach of contract damages claims. No amounts have been recorded in the Company's condensed consolidated financial statements related to the claims.

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

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

Overview

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

Our primary business involves the sale of low-enriched uranium ("LEU") or its components and natural uranium to utilities operating commercial nuclear power plants. LEU is a critical component in the production of nuclear fuel for reactors that produce electricity. We have been expanding our business offerings by providing technical, engineering and manufacturing services to commercial and government customers, including performing decontamination and decommissioning work for the U.S. government and advanced engineering and manufacturing services to the nuclear industry.

We supply LEU to both domestic and international utilities for use in nuclear reactors worldwide. We provide LEU from multiple sources including our inventory, medium- and long- term supply contracts, and spot purchases. As a long-term supplier of LEU to our customers, our objective is to provide value through the reliability and diversity of our supply sources. Our long-term goal is to resume commercial enrichment production, and we are actively exploring approaches to that end.

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

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

We are working to leverage our unique technical expertise and facilities to support leading companies in the nuclear industry, including supporting development of advanced nuclear reactors and related industries, as well as supporting the U.S. government. Our experience developing, licensing and manufacturing advanced nuclear technologies positions us to provide critical design, engineering, manufacturing and other services to a broad range of potential clients, including those involving sensitive or classified technologies. We are providing design, engineering and manufacturing services to government and commercial customers, including performing decontamination and decommissioning ("D&D") work for the U.S. government, and performing design, engineering, manufacturing and licensing services support for advanced reactors and fuel fabrication.

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

Revenue

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

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

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

SWU and Uranium Sales

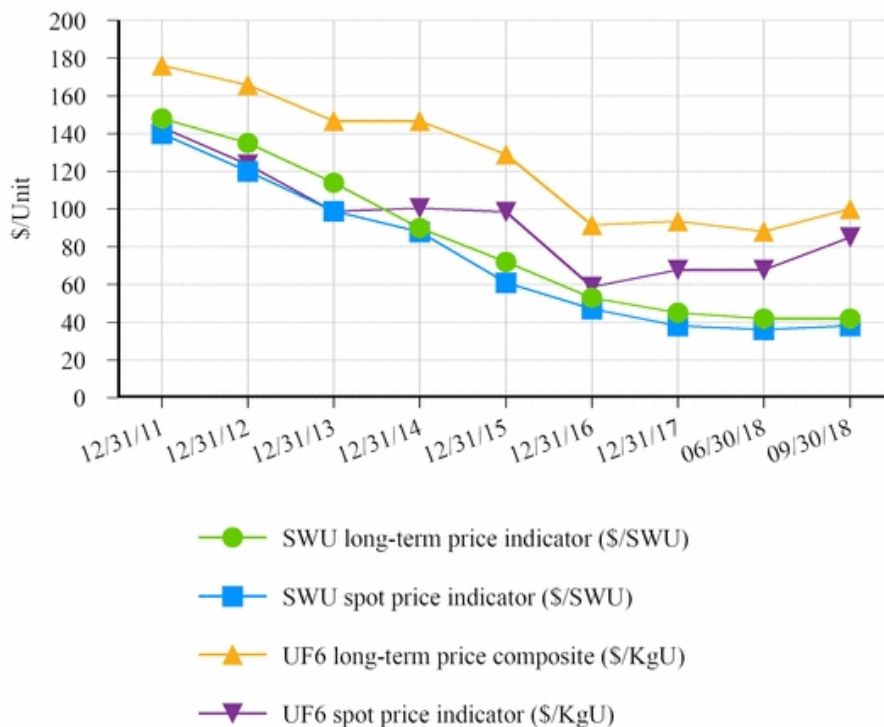
Revenue from our LEU Segment accounted for approximately 89% of our total revenue in 2017. The majority of our customers are domestic and international utilities that operate nuclear power plants, with international sales constituting approximately 25% to 45% of revenue from our LEU Segment in recent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

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

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

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

SWU and Uranium Market Price Indicators*



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

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

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

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

Contract Services

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

American Centrifuge

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

Our government contracts with UT-Battelle provide for engineering and testing work on the American Centrifuge technology at our facilities in Oak Ridge, Tennessee. Our recently completed contract with UT-Battelle was for the period from October 1, 2017, through September 30, 2018, and generated total revenue of approximately \$16.0 million upon completion of defined milestones. The ORNL contracts have been funded incrementally. Funding for the American Centrifuge program was provided to UT-Battelle by the federal government. Our previous contract with UT-Battelle was for the period from October 1, 2016, through September 30, 2017, and generated revenue of approximately \$25.0 million. Although the most recent contract expired September 30, 2018, we continue to perform work towards the expected milestones as the parties work toward a successor agreement. However, we have no assurance that a successor agreement will be executed.

American Centrifuge expenses that are outside of our contracts with UT-Battelle are included in *Advanced Technology License and Decommissioning Costs* on the consolidated statement of operations, including ongoing costs for work related to the U.S. Nuclear Regulatory Commission (“NRC”) license and the DOE lease for the Piketon facility. The lease expires on June 30, 2019, absent any mutual agreement between us and DOE regarding other possible uses for the Piketon facility. Centrus commenced the D&D of the Piketon facility in 2016 and we believe the D&D work required under NRC license requirements has been completed. As of September 30, 2018, we have remaining accrued liabilities of \$1.6 million for lease turnover obligations and \$3.2 million for termination benefits related to the Piketon facility. In addition, we anticipate incurring expenses of approximately \$10 million from the fourth quarter of 2018 through the second quarter of 2019 to continue to maintain the lease facilities in accordance with the lease.

X-energy

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

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

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

Department of Energy

On September 27, 2018, we entered into an agreement pursuant to our lease with DOE to decontaminate and decommission the K-1600 facilities located at the East Tennessee Technology Park. Under the terms of the agreement, we will remove and dispose of government owned materials and equipment in order to render the facility non-contaminated and un-classified.

The work to be performed is expected to be completed by September 30, 2019. The contract is a cost-plus fixed fee contract totaling approximately \$15 million. The contract is incrementally funded and subject to appropriations by the federal government.

Site Services Work

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

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

2018 Outlook

We continue to anticipate SWU and uranium revenue in 2018 in a range of \$150 million to \$175 million and total revenue in a range of \$175 million to \$200 million. Consistent with prior years, revenue continues to be most heavily weighted to the fourth quarter; we expect nearly one-half of our 2018 revenue to be generated in the fourth quarter. We expect to end 2018 with a cash and cash equivalents balance in a range of \$100 million to \$125 million.

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

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

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

Results of Operations

Basis of Presentation

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

Segment Information

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

	Three Months Ended September 30,		\$ Change	% Change
	2018	2017		
LEU Segment				
Revenue:				
SWU revenue	\$ 17.6	\$ 43.5	\$ (25.9)	(60)%
Uranium revenue	11.3	—	11.3	—
Total	28.9	43.5	(14.6)	(34)%
Cost of sales	20.9	32.7	11.8	36 %
Gross profit	\$ 8.0	\$ 10.8	\$ (2.8)	
Contract Services Segment				
Revenue	\$ 5.2	\$ 6.8	\$ (1.6)	(24)%
Cost of sales	5.4	6.3	0.9	14 %
Gross profit (loss)	\$ (0.2)	\$ 0.5	\$ (0.7)	
Total				
Revenue	\$ 34.1	\$ 50.3	\$ (16.2)	(32)%
Cost of sales	26.3	39.0	12.7	33 %
Gross profit	\$ 7.8	\$ 11.3	\$ (3.5)	

	Nine Months Ended September 30,		\$ Change	% Change
	2018	2017		
LEU Segment				
Revenue:				
SWU revenue	\$ 68.2	\$ 82.2	\$ (14.0)	(17)%
Uranium revenue	14.9	—	14.9	—
Total	83.1	82.2	0.9	1 %
Cost of sales	98.6	77.9	(20.7)	(27)%
Gross profit (loss)	\$ (15.5)	\$ 4.3	\$ (19.8)	
Contract Services Segment				
Revenue	\$ 26.1	\$ 19.3	\$ 6.8	35 %
Cost of sales	18.8	19.9	1.1	6 %
Gross profit (loss)	\$ 7.3	\$ (0.6)	\$ 7.9	
Total				
Revenue	\$ 109.2	\$ 101.5	\$ 7.7	8 %
Cost of sales	117.4	97.8	(19.6)	(20)%
Gross profit (loss)	\$ (8.2)	\$ 3.7	\$ (11.9)	

Revenue

Revenue from the LEU Segment declined \$14.6 million in the three months and increased \$0.9 million in the nine months ended September 30, 2018, compared to the corresponding periods in 2017. Revenue in the three months and nine months ended September 30, 2018, includes uranium revenue of \$11.3 million and \$14.9 million, respectively, with no uranium revenue in the corresponding prior periods. The volume of SWU sales declined 61% in the three-month period and increased 31% in the nine-month period ended September 30, 2018, reflecting the variability in timing of utility customer orders. The average price billed to customers for sales of SWU increased 2% in the three-month period reflecting the particular contracts under which SWU were sold during the periods. The average SWU price declined 37% in the nine-month period ended September 30, 2018 reflecting the trend of lower SWU market prices in recent years and a greater concentration of sales made under contracts under more recent market conditions.

Revenue from the Contract Services Segment declined \$1.6 million in the three months and increased \$6.8 million in the nine months ended September 30, 2018, compared to the corresponding periods in 2017, reflecting the reduced scope of work under the contract with UT-Battelle in the current periods, partially offset by services provided under the X-energy contract beginning in the second quarter of 2018. The increase in the nine-month period also reflects \$9.5 million of revenue related to the January 2018 settlement with DOE related to past work performed.

Cost of Sales

Cost of sales for the LEU Segment declined \$11.8 million in the three months and increased \$20.7 million in the nine months ended September 30, 2018, compared to the corresponding periods in 2017, primarily reflecting changes in SWU and uranium sales volumes and partially offset by declines in the average cost of sales per SWU.

Cost of sales is affected by sales volumes, unit costs of inventory, and direct charges to cost of sales such as legacy costs related to former uranium enrichment employees. Refer to *Impact of Legacy Costs* below. In the nine-month period ended September 30, 2018, the average cost of sales per SWU declined approximately 15%. We anticipate our average cost of sales per SWU to decline again in 2019, with further declines in subsequent years, as a result of lower pricing in new supply contracts and the pricing provisions of existing contracts.

Cost of sales for the Contract Services Segment declined \$0.9 million in the three months and \$1.1 million in the nine months ended September 30, 2018, compared to the corresponding periods in 2017, reflecting the reduced scope of work under the contract with UT-Battelle over the current nine-month period, partially offset by costs for services provided under the X-energy contract beginning in the second quarter of 2018.

Gross Profit (Loss)

We realized a gross profit of \$7.8 million in the three months ended September 30, 2018, a decline of \$3.5 million compared to the gross profit of \$11.3 million in the corresponding period in 2017. In the nine months ended September 30, 2018, we realized a gross loss of \$8.2 million, down \$11.9 million compared to the gross profit of \$3.7 million in the corresponding period in 2017. Excluding the \$9.5 million of revenue in the current period from the January 2018 settlement with DOE related to past work performed, we realized a gross loss in the nine months ended September 30, 2018, of \$17.7 million.

The gross profit for the LEU Segment in the three months ended September 30, 2018, was \$8.0 million compared to \$10.8 million in the corresponding period in 2017. The decline of \$2.8 million was primarily due to the decline in SWU sales volume. In the nine months ended September 30, 2018, the gross loss for the LEU Segment was \$15.5 million, down \$19.8 million compared to the gross profit of \$4.3 million in the corresponding period in 2017. SWU sales in the nine months ended September 30, 2018, reflect a greater concentration of sales made under contracts that reflect lower prices under more recent market conditions.

For the Contract Services Segment, we realized a gross loss of \$0.2 million in the three months ended September 30, 2018, compared to a gross profit of \$0.5 million in the corresponding period in 2017. We realized a gross profit of \$7.3 million in the nine months ended September 30, 2018, including \$9.5 million of revenue from the January 2018 settlement with DOE, compared to a gross loss of \$0.6 million in the corresponding period in 2017. Gross losses are due to costs incurred which are greater than the revenue under the contracts with UT-Battelle and X-energy.

Impact of Legacy Costs

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

	Nine Months Ended September 30,	
	2018	2017
LEU Segment (GAAP)		
Gross profit (loss)	\$ (15.5)	\$ 4.3
Gross margin	(18.7)%	5.2%
Legacy costs included in cost of sales:		
Pension and postretirement health and life benefits	\$ 2.3	\$ 3.3
Disability obligations and other	0.6	0.4
Legacy costs	\$ 2.9	\$ 3.7
LEU Segment excluding legacy costs (non-GAAP)		
Gross profit (loss) excluding legacy costs	\$ (12.6)	\$ 8.0
Gross margin excluding legacy costs	(15.2)%	9.7%

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

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

Non-Segment Information

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

	Three Months Ended September 30,		\$ Change	% Change
	2018	2017		
Gross profit	\$ 7.8	\$ 11.3	\$ (3.5)	(31)%
Advanced technology license and decommissioning costs	5.8	4.5	(1.3)	(29)%
Selling, general and administrative	8.8	11.0	2.2	20 %
Amortization of intangible assets	1.7	2.5	0.8	32 %
Special charges for workforce reductions and advisory costs	0.6	2.4	1.8	75 %
Gains on sales of assets	—	(0.6)	(0.6)	(100)%
Operating loss	(9.1)	(8.5)	(0.6)	(7)%
Nonoperating components of net periodic benefit expense (income)	(1.6)	(0.3)	1.3	433 %
Interest expense	1.0	0.7	(0.3)	(43)%
Investment income	(0.7)	(0.4)	0.3	75 %
Loss before income taxes	(7.8)	(8.5)	0.7	8 %
Income tax benefit	—	—	—	—
Net loss	(7.8)	(8.5)	0.7	8 %
Preferred stock dividends - undeclared and cumulative	1.9	2.0	0.1	5 %
Net loss allocable to common stockholders	\$ (9.7)	\$ (10.5)	\$ 0.8	8 %

	Nine Months Ended September 30,		\$ Change	% Change
	2018	2017		
Gross profit (loss)	\$ (8.2)	3.7	\$ (11.9)	(322)%
Advanced technology license and decommissioning costs	19.2	15.0	(4.2)	(28)%
Selling, general and administrative	29.7	33.1	3.4	10 %
Amortization of intangible assets	4.5	5.7	1.2	21 %
Special charges for workforce reductions and advisory costs	1.5	7.1	5.6	79 %
Gains on sales of assets	(0.3)	(2.3)	(2.0)	(87)%
Operating loss	(62.8)	(54.9)	(7.9)	(14)%
Gain on early extinguishment of debt	—	(33.6)	(33.6)	(100)%
Nonoperating components of net periodic benefit expense (income)	(4.9)	(1.1)	3.8	345 %
Interest expense	3.0	4.3	1.3	30 %
Investment income	(1.9)	(1.0)	0.9	90 %
Loss before income taxes	(59.0)	(23.5)	(35.5)	(151)%
Income tax benefit	(0.1)	(0.2)	(0.1)	(50)%
Net loss	(58.9)	(23.3)	(35.6)	(153)%
Preferred stock dividends - undeclared and cumulative	5.9	5.0	(0.9)	(18)%
Net loss allocable to common stockholders	\$ (64.8)	\$ (28.3)	\$ (36.5)	(129)%

Advanced Technology License and Decommissioning Costs

Advanced technology license and decommissioning costs consist of American Centrifuge expenses that are outside of our customer contracts in the Contract Services Segment, including ongoing costs for work at the Piketon facility. Costs increased \$1.3 million (or 29%) in the three months and \$4.2 million (or 28%) in the nine months ended September 30, 2018, compared to the corresponding periods in 2017. In the current periods, efforts at the Piketon facility were focused on supporting NRC requirements, including working towards an elimination of the required financial assurance, and DOE lease turnover activities and the related costs were charged to expense. In the prior period, efforts were primarily focused on D&D of the Piketon facility and the related costs were recorded as a reduction of the D&D liability. In addition, a greater allocation of Piketon facility costs was charged to advanced technology license and decommissioning costs in the current periods following the relocation of certain corporate functions from the Piketon facility.

Selling, General and Administrative

Selling, general and administrative (“SG&A”) expenses declined \$2.2 million (or 20%) in the three months and \$3.4 million (or 10%) in the nine months ended September 30, 2018, compared to the corresponding periods in 2017. Overhead allocated to SG&A expenses declined \$0.5 million in the three months and \$2.1 million in the nine months ended September 30, 2018, following the relocation of certain corporate functions from the Piketon facility. Compensation and benefits declined \$0.8 million in the three-month period and \$1.2 million in the nine-month period. Consulting costs declined \$0.4 million in the three-month period and increased \$0.2 million in the nine-month period, primarily for work related to business development.

Amortization of Intangible Assets

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

Special Charges for Workforce Reductions and Advisory Costs

Special charges declined \$1.8 million (or 75%) in the three months and \$5.6 million (or 79%) in the nine months ended September 30, 2018, compared to the corresponding periods in 2017. Special charges in the nine months ended September 30, 2018, and 2017, consisted of estimated employee termination benefits of \$1.4 million and \$2.1 million and advisory costs of \$0.1 million and \$5.0 million, respectively. Advisory costs related to updating the Company’s information technology systems.

Gain on Early Extinguishment of Debt

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

Nonoperating Components of Net Periodic Benefit Expense (Income)

Effective January 1, 2018, a new accounting standard requires components of retirement benefit expense/income other than service cost to be presented below the subtotal for operating income (loss). The increases in nonoperating components of net periodic benefit income for the three and nine months ended September 30, 2018, reflect a decline in market interest rates used to increase recorded retirement benefit obligations for the passage of time, compared to the corresponding periods in 2017. For the three and nine months ended September 30, 2017, \$0.3

million and \$1.1 million, respectively, of income was reclassified from Cost of Sales of the LEU Segment to conform with the current presentation.

Interest Expense

Interest expense increased \$0.3 million (or 43%) in the three months ended September 30, 2018, and decreased \$1.3 million (or 30%) in the nine months ended September 30, 2018, compared to the corresponding periods in 2017. The decline for the nine-month period was the result of the early extinguishment of 87% of the outstanding principal amount of the 8% PIK Toggle Notes on February 14, 2017. No interest expense is recognized on the 8.25% Notes as described in *Note 7, Debt*, of the unaudited condensed consolidated financial statements.

Income Tax Benefit

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

Net Loss

Our net loss was \$7.8 million in the three months ended September 30, 2018, compared to a net loss of \$8.5 million in the three months ended September 30, 2017. The favorable variance of \$0.7 million includes a \$2.2 million decline in SG&A expenses, a \$1.8 million decline in special charges and a \$1.3 million increase in net periodic benefit income, partially offset by a \$1.3 million increase in advanced technology license and decommissioning costs and a \$3.5 million decline in the gross profit.

Our net loss was \$58.9 million in the nine months ended September 30, 2018, compared to a net loss of \$23.3 million in the nine months ended September 30, 2017. The net loss for the nine months ended September 30, 2017, included the non-recurring gain on early extinguishment of debt of \$33.6 million. Additionally, the unfavorable variance of \$35.6 million was impacted by a \$11.9 million increase in the gross loss (\$21.4 million excluding the settlement with DOE) and a \$4.2 million increase in advanced technology license and decommissioning costs, partially offset by a \$5.6 million decline in special charges, a \$3.8 million increase in net periodic benefit income and a \$3.4 million decline in SG&A expenses.

Preferred Stock Dividends - Undeclared and Cumulative

Holders of the Series B Preferred Stock are entitled to cumulative dividends of 7.5% per annum of the aggregate liquidation preference at origination of \$104.6 million. We did not meet the criteria for a dividend payment obligation for the three and nine months ended September 30, 2018, and we have not declared, accrued or paid dividends on the Series B Preferred Stock since issuance on February 14, 2017. Dividends on the Series B Preferred Stock are cumulative to the extent not paid at any quarter-end, whether or not declared and whether or not there are assets of the Company legally available for the payment of such dividends in whole or in part. Refer to *Note 12, Stockholders' Equity*.

Liquidity and Capital Resources

We ended the third quarter of 2018 with a consolidated cash balance of \$124.9 million. We anticipate having adequate liquidity to support our business operations for at least the next 12 months from the date of this report. Our view of liquidity is dependent on, among other things, our operations and the level of expenditures and government funding for our services contracts and the timing of customer payments. Liquidity requirements for our existing operations are affected primarily by the timing and amount of customer sales and our inventory purchases.

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

Substantially all revenue-generating operations of the Company are conducted at the subsidiary level. Centrus' principal source of funding for American Centrifuge activities is provided: (i) under the recently-completed contract with UT-Battelle, the operator of ORNL; and (ii) from Centrus' wholly-owned subsidiary, Enrichment Corp. to Centrus and its 100% indirectly owned subsidiary American Centrifuge Operating, LLC pursuant to two secured intercompany financing notes. The financing obtained from Enrichment Corp. funds American Centrifuge activities pending receipt of payments related to work performed under the contract with UT-Battelle, American Centrifuge costs that are outside the scope of work under the contract with UT-Battelle, including D&D and other costs of the Piketon facility, and general corporate expenses, including cash interest payments on our debt. Although the most recent contract with UT-Battelle expired September 30, 2018, we continue to perform work towards the expected milestones as the parties work toward a successor agreement. However, we have no assurance that a successor agreement will be executed.

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

In February 2016, Centrus completed a successful three-year demonstration of the American Centrifuge technology at its facility in Piketon, Ohio. U.S. government funding for American Centrifuge since October 2015 is now limited to research and development work at our facilities in Oak Ridge, Tennessee. 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.

We have previously provided financial assurance to the NRC for the D&D of the Piketon test facility in the form of surety bonds that are fully cash collateralized by us for \$16.3 million. We believe the D&D work required for elimination of financial assurance under NRC license requirements has been completed and we are working with the NRC to have the surety bonds cancelled which would permit the Company to receive the cash collateral.

We lease the Piketon facility from DOE. At the conclusion of the lease on June 30, 2019, without mutual agreement between us and DOE regarding other possible uses for the facility, we are obligated to return the facility to DOE in a condition that meets NRC requirements and in the same condition as the facility was in when it was leased to us (other than due to normal wear and tear). As of September 30, 2018, we have remaining accrued lease turnover obligations of \$1.6 million. We have previously provided financial assurance to DOE for the lease turnover obligations in the form of surety bonds that are fully cash collateralized by us for \$13.7 million. We expect to receive cash when these surety bonds are reduced and/or cancelled as the Company fulfills its lease turnover obligations.

In addition to remaining lease turnover obligations of \$1.6 million and accrued employee termination benefits of \$3.2 million related to the Piketon facility, we anticipate incurring expenses of approximately \$10 million from the fourth quarter of 2018 through the second quarter of 2019 to continue to maintain the lease facilities in accordance with the lease. If remaining costs related to the Piketon facility are greater than our estimates, then such increased costs could have an adverse impact on our results of operations and liquidity.

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

	Nine Months Ended September 30,	
	2018	2017
Cash used in operating activities	\$ (77.7)	\$ (86.6)
Cash provided by investing activities	0.3	1.8
Cash used in financing activities	(6.1)	(40.0)
Decrease in cash and cash equivalents	\$ (83.5)	\$ (124.8)

Operating Activities

The net reduction of \$64.8 million in the SWU purchase payables balance, due to the timing of purchase deliveries, was a significant use of cash in the nine months ended September 30, 2018. The operating loss of \$62.8 million in the nine months ended September 30, 2018, net of non-cash expenses, was a use of cash. Sources of cash included the net reduction in receivables from utility customers of \$42.1 million.

In the corresponding period in 2017, the net reduction of \$42.3 million in the SWU purchase payables balance, due to the timing of purchase deliveries, was a significant use of cash in the nine months ended September 30, 2017. Other major uses of cash were corporate costs including benefits funding and costs for D&D of the American Centrifuge demonstration cascade. Sources of cash included the monetization of inventory as inventories declined \$17.9 million in the nine-month period and receivables from utility customers declined \$6.2 million.

Investing Activities

There were no significant capital expenditures in the nine months ended September 30, 2018 and 2017. Sales of unneeded assets and property yielded net proceeds of \$0.4 million and \$2.1 million in the nine months ended September 30, 2018 and 2017, respectively.

Financing Activities

In the nine months ended September 30, 2018, the \$6.1 million payment of interest classified as debt is classified as a financing activity. Refer to *Note 7, Debt*, of the unaudited condensed consolidated financial statements regarding the accounting for the 8.25% Notes.

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

Working Capital

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

	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 124.9	\$ 208.8
Accounts receivable	2.5	60.2
Inventories, net	59.2	75.2
Deposits for financial assurance	30.2	16.3
Current debt	(39.1)	(6.1)
Other current assets and liabilities, net	(107.5)	(190.9)
Working capital	\$ 70.2	\$ 163.5

Capital Structure and Financial Resources

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

New Accounting Standards

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

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

PART II

Item 1. *Legal Proceedings*

On October 11, 2018, the Company's subsidiaries, United States Enrichment Corporation ("Enrichment") and American Centrifuge Enrichment, LLC ("ACE", together with Enrichment, the "Company Subsidiaries") filed proofs of claim in the U.S. Bankruptcy Court for the Northern District of Ohio (the "Bankruptcy Court") against each of FirstEnergy Nuclear Operating Company ("FENOC"), FirstEnergy Nuclear Generation, LLC ("FENG," and together with FENOC, the "FirstEnergy Contract Parties"), FirstEnergy Solutions Corp. ("FES") and FirstEnergy Generation, LLC ("FG") in the amount of approximately \$314 million. The claims relate to damages arising from the rejection and breach of a long-term contract between the Company Subsidiaries and the FirstEnergy Contract Parties that was approved by the Bankruptcy Court and made effective as of July 26, 2018. The proofs of claim filed by the Company Subsidiaries include claims against FENOC and FENG based on their liability as parties to the contract that was rejected and breached. The proofs of claim filed by the Company Subsidiaries also include claims against FES and FG based on their liability under guaranties they issued that may obligate FES and FG to satisfy the rejection and breach of contract damages claims.

Refer to Note 14, *Subsequent Event*, of the condensed consolidated financial statements (unaudited) under Part I, Item 1 for information on legal proceedings in which the Company is involved. See also *Legal Proceedings* under Part I, Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

Item 1A. *Risk Factors*

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

Item 6. *Exhibits*

- 10.48 [Centrus Energy Corp. 2014 Equity Incentive Plan \(as amended and restated in May 2017\).](#)
- 10.49 [Work Authorization dated September 27, 2018 under the Supply of Service Agreement Between United States Department of Energy and Centrus Energy Corp, Exhibit J to the Centrifuge Deployment Project Lease Agreement between the Department of Energy and USEC Inc.](#)
- 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.](#)
- 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.](#)
- 32.1 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.](#)
- 101 Unaudited condensed consolidated financial statements from the Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, filed in interactive data file (XBRL) format.

Centrus Energy Corp.
2014 Equity Incentive Plan
(as amended and restated in May 2017)

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Centrus Energy Corp.
2014 Equity Incentive Plan

1.Establishment, Duration and Purpose of Plan.

1.1 Establishment and Duration of Plan. Centrus Energy Corp., a Delaware corporation (the “*Company*”), hereby

establishes the Centrus Energy Corp. 2014 Equity Incentive Plan (the “**Plan**”). The Plan’s effective date (“**Effective Date**”) is the date, following entry of the order of confirmation by the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) with respect to the Company’s voluntary Chapter 11 case filed on March 5, 2014, on which the plan of reorganization of the Company, becomes effective in accordance with its terms, with such approval of such Bankruptcy Court being in lieu of initial approval by shareholders of the Company. The Plan shall continue in effect until its termination by the Committee; *provided, however*, that any Award shall be granted, if at all, within ten (10) years from the Effective Date.

1.2 Purpose. The purpose of the Plan is to advance the interests of the Company, its Affiliates and its shareholders by providing incentives to attract, retain and reward individuals performing services for the Company or its Affiliates and by promoting the growth and profitability of the Company and its Affiliates. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Units, Restricted Stock, Performance Awards, Cash-Based Awards and Other Stock-Based Awards.

2. Definitions. Whenever used herein, the following terms shall have their respective meanings set forth below.

2.1 “Affiliate” means (a) an entity that directly, or indirectly through one or more intermediary entities, controls the Company or (b) an entity that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the terms “control” and “controlled by” mean ownership of (i) stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock entitled to vote, or more than fifty percent (50%) of the total value of all shares of all classes of stock of such corporation, or (ii) an aggregate of more than fifty percent (50%) of the profits interest or capital interest of a non-corporate entity; *provided*, that with respect to any entity in which the Company owns at least a twenty percent (20%) interest but less than or equal to a fifty percent (50%) interest, the Committee may determine that such entity will be an Affiliate for purposes of this Plan or for purposes of any Award under this Plan if the Committee has determined prior to the granting of such Award that there are legitimate business criteria for treating such entity as an Affiliate.

2.2 “Award” means any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Cash-Based Award or Other Stock-Based Award.

2.3 “Award Agreement” means a written agreement, contract, or other instrument evidencing an Award setting forth the terms and conditions of an Award which shall incorporate the terms of the Plan by reference.

2.4 “Board” means the Board of Directors of the Company.

2.5 “Cash-Based Award” means an Award granted to a grantee as described in Section 11.1.

2.6 “Cause” means, unless otherwise defined in the applicable Award Agreement, any of the following: (a) the engaging by the grantee in willful misconduct that is injurious to the Company or its Affiliates, (b) the embezzlement or misappropriation of funds or material property of the Company or its Affiliates by the grantee, or the conviction of the grantee of a felony or the entrance of a plea of guilty, or *nolo contendere* by the grantee to a felony, (c) the willful failure or refusal by the grantee to substantially perform his or her duties or responsibilities that continues after demand for substantial performance is delivered by the Company to the grantee that specifically identifies the manner in which the Company believes the grantee has not substantially performed his or her duties (other than any such failure resulting from the grantee’s incapacity due to Disability). For purposes of this definition, no act, or failure to act, on the grantee’s part shall be considered “willful” unless done, or omitted to be done, by him or her not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company. Any determination of Cause shall be made by the Committee in its sole discretion. Any such determination shall be final and binding on a grantee.

2.7 “Change in Control” means, unless such term or an equivalent term is otherwise defined in the applicable Award Agreement, the occurrence of any of the following occurring after the Effective Date:

(a) any “Person,” as such term is used in Sections 13(d) and 14(d) of the Exchange Act or Persons acting as a group (other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (C) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Shares), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company by reason of having acquired such securities during the 12-month period ending on the date of the most recent acquisition (not including any securities acquired directly from the Company or its Affiliates) representing thirty percent (30%) or more of the total voting power of the Company’s then outstanding voting securities;

(b) the majority of members of the Company's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board before the date of the appointment;

(c) there is consummated a merger or consolidation of the Company or any subsidiary of the Company with any other corporation or other entity, resulting in a change described in clauses (a), (b), (d), (e) or (f) of this definition, other than (A) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) more than sixty percent (60%) of the total voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person, directly or indirectly, acquired forty percent (40%) or more of the total voting power of the Company's then outstanding securities (not including any securities acquired directly from the Company or its Affiliates);

(d) a liquidation of the Company involving the sale to any Person or Persons acting as a group of at least forty percent (40%) of the total gross fair market value of all of the assets of the Company immediately before the liquidation;

(e) the sale or disposition by the Company or any direct or indirect subsidiary of the Company to any Person or Persons acting as a group (other than any subsidiary of the Company) of assets that have a total fair market value equal to forty percent (40%) or more of the total gross fair market value of all of the assets of the Company and its subsidiaries (taken as a whole) immediately before such sale or disposition (or any transaction or related series of transactions having a similar effect), other than a sale or disposition by the Company or any direct or indirect subsidiary of the Company to an entity, at least sixty percent (60%) of the total voting power of the voting securities of which is beneficially owned by shareholders of the Company in substantially the same proportions as their beneficial ownership of the Company immediately prior to such sale;

(f) the sale or disposition by the Company or any direct or indirect subsidiary of the Company to any Person or Persons acting as a group (other than any subsidiary of the Company) of a subsidiary or subsidiaries of the Company credited under GAAP with forty percent (40%) or more of the total revenues of the Company and its subsidiaries (taken as a whole) in the current fiscal year or in any of the two most recently completed fiscal years (or any transaction or related series of transactions having a similar effect), other than a sale or disposition by the Company or any direct or indirect subsidiary of the Company to an entity, at least sixty percent (60%) of the total voting power of the voting securities of which is beneficially owned by shareholders of the Company in substantially the same proportions as their beneficial ownership of the Company immediately prior to such sale; or

(g) a change of the kind described in clauses (a), (b), (c), or (d) of this definition with respect to any Material Subsidiary (with such determination made by replacing "Company" with "Material Subsidiary" in each instance in such clauses); *provided, however*, that for purposes of applying this provision to clause (a) of this definition, a "Change in Control" shall not be deemed to occur solely as a result of a Person or Persons acting as a group becoming the beneficial owner (as determined under clause (a) of this definition) of less than fifty percent (50%) of the ownership interests of a Material Subsidiary, but shall be deemed to occur if such Person or Persons acting as a group thereafter become the beneficial owner (as determined under clause (a) of this definition) of fifty percent (50%) or more of the ownership interests of such Material Subsidiary.

2.8 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations or administrative guidelines promulgated thereunder.

2.9 "Committee" means the Compensation, Nominating and Governance Committee of the Board, or such other committee or subcommittee of the Board as may be duly appointed to administer the Plan and having such powers as shall be specified herein or by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers. For purposes of Awards granted to Non-Employee Directors pursuant to Section 12 of the Plan, references to the Committee shall be deemed to be references to the Board. For purposes of qualifying transactions as exempt under Rule 16b-3, the Committee shall be the entire Board or a Committee established by the Board of two or more "non-employee directors" within the meaning of Rule 16b-3. To the extent desirable to qualify Awards granted under the Plan for the Section 162(m) Exemption, the Committee shall consist exclusively of two or more "outside directors" within the meaning of Section 162(m) of the Code.

2.10 "Company" means Centrus Energy Corp., a Delaware corporation.

2.11 "Covered Employee" means any employee who is designated by the Committee at the time of any Award or at any

subsequent time as reasonably expected to be a “covered employee” as defined in Section 162(m) of the Code and related regulations, or any successor statute, and related regulations.

2.12 “Disability” means, unless otherwise defined in the applicable Award Agreement, a disability that would qualify as such under the Company’s then current long-term disability plan; *provided*, that with respect to Incentive Stock Options, “Disability” means the permanent and total disability of the grantee, within the meaning of Section 22(e)(3) of the Code.

2.13 “Dividend Equivalent Right” means the right of a grantee, granted at the discretion of the Committee or as otherwise provided by the Plan or the Award Agreement, to receive a credit for the account of such grantee in an amount equal to the amount of ordinary cash dividends paid on one Share represented by an Award held by such grantee payable in cash, Shares or other securities or other property as determined by the Committee. Dividend Equivalent Rights shall be forfeited or cancelled if the underlying Award is forfeited or cancelled.

2.14 “Exchange Act” means the Securities Exchange Act of 1934, as amended.

2.15 “Exercise Price” means the price at which an Option shall be exercised.

2.16 “Fair Market Value” with respect to Shares, as of any date, shall mean, as determined by the Committee, (a) the closing sales price per Share on the New York Stock Exchange (or, if the Shares are no longer traded on the New York Stock Exchange, any other such market on which the Shares are traded) on such date, or in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported, (b) an arithmetic mean of selling prices on all trading days over a specified averaging period or a specified averaging period weighted by volume of trading on each trading day in the period, that is within thirty (30) days before or thirty (30) days after the applicable date as determined by the Committee in its discretion; *provided*, that if an arithmetic mean of prices is used to set an Exercise Price or Strike Price, the commitment to grant such Award based on such arithmetic mean must be irrevocable before the beginning of the specified averaging period in accordance with Treasury Regulation 1.409A-1(b)(5)(iv)(A), or (c) in the event there is no public market for the Shares, the fair market value as determined, in good faith, by the Committee in its sole discretion; *provided*, that such manner is consistent with Treasury Regulation 1.409A-1(b)(5)(iv)(B).

2.17 “Freestanding SAR” means an SAR granted independently of any Option.

2.18 “Grant Date” means the date an Award is duly granted by the Committee or the Board or such later date as may be specified by the Committee or the Board.

2.19 “Incentive Stock Option” means an Option that is identified in the Award Agreement as intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, and that actually does so qualify.

2.20 “Material Subsidiary” means any subsidiary of the Company (a) whose total assets represent forty percent (40%) or more of the total gross fair market value of all of the assets of the Company and its subsidiaries (taken as a whole) at any time in the current fiscal year or in any of the two most recently completed fiscal years or (b) credited under GAAP with forty percent (40%) or more of the total revenues of the Company and its subsidiaries (taken as a whole) in the current fiscal year or in any of the two most recently completed fiscal years.

2.21 “Net Exercise” means a procedure for exercising an Option, subject to Section 19.6, by which the grantee will receive a number of Shares determined in accordance with the following formula:

$$N = X(A-B)/A, \text{ where}$$

“N” = the number of Shares to be delivered to the grantee upon exercise of the Option, rounded to the next lower whole number of Shares;

“X” = the total number of whole Shares with respect to which the grantee has elected to exercise the Option;

“A” = the Fair Market Value of one (1) Share on the exercise date; and

“B” = the Exercise Price per Share

2.22 “Nonqualified Stock Option” means an option that is not an Incentive Stock Option.

2.23 “Non-Employee Director” means a member of the Board who is not an employee of the Company or any of its Affiliates.

2.24 “Option” means an Incentive Stock Option or a Nonqualified Stock Option.

2.25 “Other Stock-Based Award” means any Award granted under Section 11 of the Plan of unrestricted Shares or other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan.

2.26 “Performance Award” means performance shares or performance units or any other Award, denominated in cash or Shares in accordance with Section 10 which are based upon the achievement of Performance Goals.

2.27 “Performance Goals” means the objective performance goals established by the Committee for each performance period. Performance Goals may be based upon the performance of the Company, of any Affiliate, of a division or unit thereof, or of an individual, or groups of individuals, using one or more of the Performance Measures or performance formulas selected by the Committee. Performance Goals may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders’ equity and/or shares outstanding, or to assets or net assets. With respect to grantees who are not Covered Employees and for Awards not intended to qualify for the Section 162(m) Exemption, the Committee may establish other subjective or objective goals, including individual Performance Goals, which it deems appropriate.

2.28 “Performance Measures” means measures of business or financial performance as described in Section 10.3(a) on which Performance Goals are based. Performance Measures may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders’ equity and/or shares outstanding, or to assets or net assets.

2.29 “Restricted Stock” means any restricted Share granted under Section 8 of the Plan.

2.30 “Restricted Stock Unit” means any unit granted under Section 9 of the Plan.

2.31 “Retirement” means, unless otherwise defined in the applicable Award Agreement, the termination of employment of a grantee with a right to an immediate normal retirement benefit or immediate unreduced early retirement benefit under the terms of the applicable Company tax-qualified retirement plan or, if a grantee is not covered by any such plan, termination of such grantee’s employment for a reason other than Cause on or after such grantee’s 65th birthday. In the case of non-employee directors, “retirement” shall mean a termination of service on or after the non-employee director’s 75th birthday.

2.32 “Rule 16b-3” means Rule 16b-3 as promulgated under the Exchange Act.

2.33 “SAR” or “Stock Appreciation Right” means an Award granted under Section 7 of the Plan.

2.34 “Section 162(m) Exemption” means the exemption from the limitation on deductibility imposed by Section 162(m)(4) (C) of the Code.

2.35 “Section 409A” means Section 409A of the Code and related regulations, or any successor statute, and related regulations.

2.36 “Securities Act” means the Securities Act of 1933, as amended.

2.37 “Shares” means the Class A Common Stock \$0.10 par value, of the Company, or such other securities of the Company as may be designated by the Committee from time to time, and as adjusted from time to time in accordance with Section 16.

2.38 “Strike Price” means the price with reference to which the value of an SAR is measured.

2.39 “Subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than fifty percent (50%) of the equity or more than fifty percent (50%) of the ordinary voting power or, in the case of a partnership, more than fifty percent (50%) of the general partnership interests are, as of such date, or were, prior to a Change of Control, owned, controlled or held, or (b) that is, or was prior to a Change of Control, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. For purposes of this paragraph, “Controlled” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract, or otherwise.

2.40 “Tandem SAR” means an SAR granted with all or any portion of a related Option.

3. Administration.

3.1 Administration by the Committee. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all persons, including the Company, any Affiliate, any grantee, any holder or beneficiary of any Award, any employee, any Non-Employee Director and any individual providing bona fide services to or for the Company.

3.2 Delegation of Authority. The Committee shall have the right, from time to time, to delegate to one or more of its members or to one or more officers of the Company the authority of the Committee to grant and determine the terms and conditions of Awards granted under the Plan, subject to the requirements of Section 157(c) of the Delaware General Corporation Law (or any successor provision) and such other limitations as the Committee shall determine. In no event shall any such delegation of authority be permitted with respect to Awards to any members of the Board or to any person who is subject to Rule 16b-3 under the Exchange Act, to any Covered Employee, or to such delegate. The Committee shall also be permitted to delegate, to any appropriate officer or employee of the Company, responsibility for performing certain ministerial functions under the Plan. In the event that the Committee’s authority is delegated to officers or employees in accordance with the foregoing, all provisions of the Plan relating to the Committee shall be interpreted in a manner consistent with the foregoing by treating any such reference as a reference to such officer or employee for such purpose. Any action undertaken in accordance with the Committee’s delegation of authority hereunder shall have the same force and effect as if such action was undertaken directly by the Committee and shall be deemed for all purposes of the Plan to have been taken by the Committee.

3.3 Powers of the Committee. In addition to any other powers set forth in the Plan and subject to the express provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion to: (a) determine the persons to whom, and the time or times at which, Awards shall be granted and the number of Shares, units or monetary value to be subject to each Award; (b) determine the number of Shares to be covered by or with respect to which payments, rights, or other matters are to be calculated in connection with Awards; (c) determine the type of Awards to be granted; (d) determine the Fair Market Value of Shares or other property; (e) determine the terms and conditions applicable to each Award (which need not be identical) and any Shares or cash or other property acquired pursuant thereto; (f) determine the exercise or purchase price of Shares pursuant to any Award; (g) determine the method of payment for Shares purchased pursuant to any Award; (h) determine the method for satisfaction of any tax withholding obligation arising in connection with Award, including by the withholding or delivery of Shares; (i) determine the timing, terms and conditions of the exercisability or vesting of any Award or any Shares acquired pursuant thereto; (j) determine the Performance Measures, performance period, performance formula and Performance Goals applicable to any Award and to determine and certify the extent to which such Performance Goals have been attained; (k) determine the time of the expiration of any Award; (l) determine the type and time of the grantee’s termination of service and the effect of such termination on any Award; (m) determine all other terms and conditions applicable to any Shares acquired pursuant an Award not inconsistent with the terms of the Plan; (n) determine whether and under what circumstances an Award will be settled in Shares, cash, other securities, other Awards or other property, or any combination thereof, or canceled, forfeited, or suspended, and the method by which Awards may be settled, exercised, canceled, forfeited or suspended; (o) approve one or more forms of Award Agreement; (p) amend, modify, extend, cancel or renew any Award or waive any restrictions or conditions applicable to any Award or any Shares or other securities acquired pursuant thereto; (q) accelerate, continue, extend or defer the exercisability or vesting of any Award or any Shares acquired pursuant thereto, including with respect to the period following a grantee’s termination of service; (r) determine whether, to what extent, and under what circumstances amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (s) construe and interpret the Plan, any Award Agreement, and any other document affecting Awards under the Plan or rights under such Awards; (t) prescribe, amend, suspend, waive or rescind rules, guidelines and policies relating to the Plan, and adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens or residents may be granted Awards; (u) appoint such agents as it shall deem appropriate for proper administration of the Plan; (v) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement; and (w) to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the express provisions of the Plan or applicable law. The Committee’s actions and determinations under the Plan need not be uniform and may be made by the Committee selectively among

individuals who receive, or are eligible to receive, Awards under the Plan, whether or not such individuals are similarly situated.

3.4 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Company or its Affiliates and subject to Delaware law, the members of the Committee and individuals to whom authority to act for the Board, the Committee or the Company is delegated in accordance with Section 3 hereof, shall have no liability for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder and shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act, determination made in good faith under or in connection with the Plan, or any Award or right granted hereunder; *provided, however*, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. Shares Subject to Plan.

4.1 Maximum Number of Shares. Subject to adjustment as provided in Section 16, the number of Shares reserved for delivery under the Plan pursuant to Awards settled in Shares shall be one million two hundred thousand (1,200,000) Shares. As required under Treasury Regulation Section 1.422-2(b)(3)(i), in no event will the number of Shares that may be delivered pursuant to Incentive Stock Options granted under the Plan exceed this Share limit. The Shares that may be delivered under the Plan may consist of authorized but unissued Shares or treasury Shares or any combination thereof.

4.2 Awards Intended to Qualify for the Section 162(m) Exemption. The following limitations shall apply to any Award intended to qualify for the Section 162(m) Exemption:

(i) Options and Freestanding SARs. The maximum aggregate number of Shares underlying any Option or SAR that may be granted to any one individual within any fiscal year of the Company is 600,000 Shares.

(ii) Restricted Stock and Restricted Stock Units. The maximum aggregate number of Shares underlying any Restricted Stock or Restricted Stock Unit to be settled in Shares that may be granted to any one individual within any fiscal year of the Company is 600,000 Shares.

(iii) Performance Awards. The maximum aggregate number of Shares underlying any Performance Award to be settled in Shares that may be granted to any one individual in any fiscal year of the Company is 600,000 Shares.

(iv) Cash-Based Awards. The maximum aggregate value as of the Grant Date of any Cash-Based Award or Performance Award payable in cash that may be granted during any fiscal year of the Company to any single employee is U.S. \$2,000,000.

4.3 Share Counting Rules. If an Award for any reason expires, is forfeited, or becomes unexercisable without having been exercised in full, any unpurchased Shares which were subject thereto shall become available for future grant under the Plan. Restricted Stock that is forfeited shall become available for future grant or sale under the Plan, provided no dividends have been paid thereon. Shares that are tendered, whether by physical delivery, by attestation, or by Net Exercise to the Company by the grantee as full or partial payment of the Exercise Price of any Award or in payment of any applicable withholding for federal, state, local or foreign taxes incurred in connection with the exercise, vesting or settlement of any Award shall become available for future grant under the Plan. Except as otherwise provided in this Section, the Committee may determine rules for counting Shares.

5. Eligibility and Participation.

5.1 Persons Eligible for Awards. Awards may be granted to employees, officers, directors and other individuals providing bona fide services to or for, the Company or any Affiliate, as selected by the Committee, in its sole discretion, from time to time; *provided*, that Non-Employee Directors shall only be eligible to receive Awards granted pursuant to Section 12. The Committee may also grant Awards to individuals in connection with hiring or other initial engagement, prior to the date the individual first performs services for the Company or an Affiliate, *provided*, that such Awards shall not become vested or exercisable, and no Shares shall be delivered to such individual, prior to the date the individual first commences performance of such services.

5.2 Participation in the Plan. Awards are granted solely at the discretion of the Committee. Eligible persons may be granted

more than one Award.

6. Stock Options.

6.1 Grant. Options shall be evidenced by an Award Agreement specifying the number of Shares subject to the Award, the Exercise Price, and such other terms and conditions as the Committee shall provide, subject to the provisions of this Section 6.

6.2 Exercise Price. The Exercise Price for each Option shall be established in the discretion of the Committee; *provided, however,* that the Exercise Price per Share shall not be less than the Fair Market Value of a Share on the Grant Date.

6.3 Exercisability and Term of Options. Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms and conditions as shall be determined by the Committee and set forth in the Award Agreement; *provided, however,* that no Option shall be exercisable after the expiration of ten (10) years after the Grant Date, and no Option shall be exercisable after an act or omission of the Grantee that constitutes Cause (whether before, coincident with, or after the grantee's termination of employment). Subject to the foregoing, unless otherwise specified in the Award Agreement, each Option shall terminate ten (10) years after the Grant Date, unless earlier terminated in accordance with its provisions.

6.4 Payment of Exercise Price. Except as otherwise provided in the Award Agreement and subject to Section 19.6, payment of the Exercise Price for the number of Shares being purchased pursuant to any Option shall be made (%4) in cash or by check or cash equivalent, (%3) by tender to the Company, or attestation to the ownership, of Shares owned by the grantee having a Fair Market Value not less than the Exercise Price, (%3) by delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the Shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System), (%3) by delivery of a properly executed notice electing a Net Exercise, (%3) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (%3) by any combination thereof. Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of Shares to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Shares.

6.5 Effect of Termination of Service. Subject to earlier termination of the Option as otherwise provided herein and except as otherwise set forth in the Award Agreement, an Option shall terminate immediately upon the grantee's termination of service to the extent that it is then unvested and shall be exercisable after the grantee's termination of service to the extent it is then vested only during the applicable time period determined in accordance with this section, and thereafter shall terminate.

(a) ***Death, Disability, Retirement and Termination Without Cause.*** If the grantee's service terminates by reason of the death, Disability or Retirement of the grantee, or termination of the grantee's service by the Company or an Affiliate for reasons other than for Cause, the portion of the Option that is unvested as of such date shall immediately terminate and the portion of the Option that is vested as of such date may, to the extent unexercised, be exercised by the grantee (or the grantee's guardian or legal representative, if applicable) at any time prior to the expiration of (i) in the case of Retirement or termination for reasons other than Cause, three (3) months after the date the grantee's service terminates, and (ii) in the case of death or Disability, twelve (12) months after the date the grantee's service terminates, but in any event no later than the expiration of the term of the Option, and shall thereafter terminate.

(b) ***Termination for Cause.*** If the grantee's service is terminated by the Company or an Affiliate for Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon the act or omission of the Grantee that constituted Cause.

(c) ***Voluntary Termination of Service.*** If the grantee voluntarily terminates his or her service for any reason other than Retirement, the Option, to the extent unexercised and exercisable for vested Shares on the date the grantee's service terminates, may be exercised by the grantee at any time prior to the expiration of thirty (30) days after the date the grantee's service terminates, but in any event no later than the expiration of the term of the Option, and shall thereafter terminate.

6.6 Incentive Stock Option Limitations and Terms.

(a) ***Persons Eligible.*** Incentive Stock Options may be granted only to a person who, on the Grant Date, is an employee of the Company, or any "parent corporation" or a "subsidiary corporation" of the Company as defined in Sections 424(e)

and (f) of the Code, respectively.

(b) ***\$100,000 Limitation.*** To the extent that Incentive Stock Options (granted under all plans of the Company or any “subsidiary corporation” become exercisable by a grantee for the first time during any calendar year for Shares having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such Options which exceeds such amount shall be treated as Nonqualified Stock Options. For purposes of this section, Options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value per Share shall be determined as of the Grant Date.

(c) ***Exercise Price.*** No Incentive Stock Option granted to any employee who as of the Grant Date owns stock possessing more than ten percent (10%) of the total combined voting power of the Company shall have an Exercise Price per Share less than one hundred ten percent (110%) of the Fair Market Value of a Share on the Grant Date of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonqualified Stock Option) may be granted with an Exercise Price lower than the minimum Exercise Price set forth above if such Option is granted pursuant to an assumption or substitution for another Option in a manner qualifying under the provisions of Section 424(a) of the Code.

(d) ***Term.*** No Incentive Stock Option granted to any employee who as of the Grant Date owns stock possessing more than ten percent (10%) of the total combined voting power of the Company shall be exercisable after the expiration of five (5) years after the Grant Date of such Option.

(e) ***Transferability.*** Incentive Stock Options shall not be assignable or transferable other than by will or the laws of descent and distribution and may be exercised, during the grantee’s lifetime, only by the grantee; *provided, however,* that the grantee may, to the extent provided in the Plan in any manner specified by the Committee, designate in writing a beneficiary to exercise his or her Incentive Stock Option after the grantee’s death.

(f) ***Notification of Disqualifying Disposition.*** If any grantee shall make any disposition of Shares delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), such grantee shall notify the Company of such disposition within ten (10) days thereof.

7. Stock Appreciation Rights.

7.1 Grant. An SAR shall be evidenced by an Award Agreement specifying the number of Shares subject to the Award, the Strike Price and such other terms and conditions as the Committee shall provide, subject to the provisions of this Section 7.

7.2 Types of SARs Authorized and Strike Price. Tandem SARs and Freestanding SARs may be granted under the Plan.

7.3 Strike Price. The Strike Price for each SAR shall be established in the discretion of the Committee on the Grant Date; *provided, however,* that (a) the Strike Price per Share subject to a Tandem SAR shall be equal to the Exercise Price per Share under the related Option on the Grant Date, and (b) the Strike Price per Share subject to a Freestanding SAR shall be not less than the Fair Market Value of a Share on the Grant Date.

7.4 Exercisability and Term of SARs.

(a) ***Tandem SARs.*** Tandem SARs shall be exercisable only at the time and to the extent the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of Shares subject to the related Option. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires, terminates or is forfeited or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the Shares subject to such SAR, the related Option shall be canceled automatically as to the number of Shares with respect to which the Tandem SAR is exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the Shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of Shares with respect to which the related Option is exercised.

(b) ***Freestanding SARs.*** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms and conditions as shall be determined by the Committee and set forth in the Award Agreement; *provided, however,* that no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the Grant Date.

7.5 Exercise of SARs. Upon the exercise of an SAR, the grantee (or the grantee’s legal representative or other person who

acquired the right to exercise the SAR by reason of the grantee's death) shall be entitled to receive payment of an amount for each Share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the Strike Price. Payment of such amount following exercise shall be made in Shares or cash (or in any combination thereof) as provided in the Award Agreement. When the Award Agreement provides for payment in Shares, the number of Shares to be delivered shall be determined on the basis of the Fair Market Value of a Share on the date of exercise of the SAR.

7.6 Effect of Termination of Service. Subject to earlier termination of the SAR as provided herein, an SAR shall be exercisable after a grantee's termination of service only to the extent and during the applicable time period determined in accordance with Section 6.5 (treating the SAR as if it were an Option) and thereafter shall terminate.

8. Restricted Stock.

8.1 Grant. Restricted Stock shall be evidenced by Award Agreements specifying the number of Shares subject to the Award and such other terms and conditions as the Committee shall provide, subject to the provisions of this Section 8.

8.2 Vesting. Restricted Stock shall be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or Performance Goals, as shall be established by the Committee and set forth in the Award Agreement. Unless otherwise provided in the Award Agreement, Restricted Stock that vests based on continued provision of service shall vest automatically when the grantee becomes eligible for Retirement. If either the grant of or satisfaction of vesting conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals and the Award is intended to qualify for the Section 162(m) Exemption, the Committee shall follow procedures substantially equivalent to those set forth in Section 10.

8.3 Purchase Price. The Committee shall determine the purchase price, if any, that a grantee shall pay for a Restricted Stock. Notwithstanding the foregoing, if required by applicable state corporate law, the grantee shall furnish consideration in the form of cash or past services rendered to a Company or any Affiliate or for its benefit having a value not less than the par value of the Shares subject to a Restricted Stock Award. The purchase price, if any, shall be paid no more than thirty (30) days from the Grant Date of the Restricted Stock.

8.4 Payment of Purchase Price. Payment of the purchase price, if any, for the number of Shares being purchased pursuant to any Restricted Stock shall be made (a) in cash or by check or cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

8.5 Voting Rights; Dividends and Distributions. Except as provided in the Award Agreement, during any period in which Shares acquired pursuant to a Restricted Stock Award remain subject to vesting conditions, the grantee shall have all of the rights of a shareholder of the Company holding Shares, including the right to vote such Shares and to receive all dividends and other distributions paid with respect to such Shares; *provided, however*, that, except as otherwise provided in an Award Agreement, any dividends or other distributions payable on any Restricted Stock the restrictions for which have not lapsed shall be withheld and accumulated, and paid, if at all, upon the lapse of such restrictions, and in the event of a forfeiture of such Restricted Stock, such dividends and other distributions shall be forfeited. The right to receive dividends shall end on the date on which the Restricted Stock Award is terminated, canceled or forfeited. Notwithstanding the foregoing, where the vesting of the Award is contingent upon performance, no dividends or Dividend Equivalent Rights shall be paid unless and until the Award vests.

8.6 Effect of Termination of Service. Unless otherwise provided in the Award Agreement, if the grantee's service terminates for any reason prior to the date the Restricted Stock becomes vested, all such Restricted Stock shall automatically be forfeited for no consideration on the date of such termination of service.

9. Restricted Stock Units.

9.1 Grant. Restricted Stock Units shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award and such other terms and conditions as the Committee shall provide, subject to the provisions of this Section 9.

9.2 Vesting. Restricted Stock Units may (but need not) be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or Performance Goals, as shall be established by the Committee and set forth in the Award Agreement. If either the grant of Restricted Stock Units or the vesting conditions with respect to such Award is to be contingent

upon the attainment of one or more Performance Goals and the Award is intended to qualify for the Section 162(m) Exemption, the Committee shall follow procedures substantially equivalent to those set forth in Section 10.

9.3 Settlement of Restricted Stock Units. The Company shall deliver to a grantee on the date on which Restricted Stock Units subject to the grantee's Restricted Stock Unit Award vest or on such other date as provided in the Award Agreement one (1) Share for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. Notwithstanding the foregoing, the Committee, in its discretion, may provide in the Award Agreement on the Grant Date for settlement of any Restricted Stock Units by payment to the grantee in cash of an amount equal to the Fair Market Value on the payment date of the Shares or other property otherwise to be delivered to the grantee pursuant to this section.

9.4 Voting Rights, Dividend Equivalent Rights and Distributions. A grantee shall have no voting rights with respect to Shares represented by Restricted Stock Units until the delivery of the Shares subject to such Award (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement that the grantee shall be entitled to Dividend Equivalent Rights with respect to a Restricted Stock Unit during the period beginning on the date such Award is granted and ending, with respect to each Share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated, canceled or forfeited. Notwithstanding the foregoing, where the vesting of the Award is contingent upon performance, no dividends or Dividend Equivalent Rights shall be paid unless and until the Award vests.

9.5 Effect of Termination of Service. Unless otherwise provided in the Award Agreement, if the grantee's service terminates for any reason prior to the date the Restricted Stock Units become vested, all such Restricted Stock Units shall automatically be forfeited for no consideration on the date of such termination of service.

10. Performance Awards.

10.1 Grant. Performance Awards may be denominated as performance shares, performance units or other Awards payable in cash or Shares, and shall be evidenced by an Award Agreement specifying the number of Shares or units or the amount of cash subject thereto, the Performance Goals, the Performance Measures, the performance period, the performance formula determining the amount of cash or Shares or combination thereof to be earned based on achievement of the Performance Goals and such other terms and conditions as the Committee shall provide, subject to the provisions of this Section 10. The Plan is designed to permit the grant of Performance Awards that qualify for the Section 162(m) Exemption. Whenever the Committee determines that it is advisable, the Committee may grant Awards that do not qualify for the Section 162(m) Exemption. Each performance unit shall have an initial value that is established by the Committee on the Grant Date. Each performance share shall have an initial value equal to the Fair Market Value of a Share on the Grant Date.

10.2 Establishment of Performance Period, Performance Goals and Performance Formula. With respect to each Performance Award intended to qualify for the Section 162(m) Exemption, the Committee shall establish the Performance Goals and the performance formula, as applicable, no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable performance period or (b) the date on which 25% of the performance period has elapsed, and, in any event, at a time when the outcome of the Performance Goals remain substantially uncertain. Once established, the Performance Goals and the performance formula for an Award intended to qualify for the Section 162(m) Exemption shall not be changed during the performance period.

10.3 Measurement of Performance Goals. Performance Goals shall be established by the Committee on the basis of one or more Performance Measures, subject to the following:

(a) **Performance Measures.** Performance Measures shall have the same meanings as used in the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall have the meaning applied pursuant to applicable accounting principles, or as used generally in the Company's industry. Performance Measures may be one or more of the following, as determined by the Committee: revenue; sales; expenses; operating income; gross profit; gross margin; operating margin; earnings before any one or more or a combination of: stock-based compensation expense, interest, taxes, depreciation and amortization; pre-tax profit; operating income or profit; net operating income; net income; after tax operating income; economic value added; cash flow(s); free cash flow; operating cash flow; balance of cash, cash equivalents and marketable securities; stock price; earnings or book value per share; earnings per share; diluted earnings per share; return on shareholder equity; return on capital; return on assets; return on equity; return on capital, capital employed or investment; return on investment; employee satisfaction; employee retention, customer

satisfaction, safety or diversity, market share product development; research and development expenses; completion or attainment of objectively determinable targets with respect to an identified special project; total sales or revenues or sales or revenues per employee; production (separative work units or SWUs); stock price or total shareholder return; dividends; strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals, and goals relating to acquisitions or divestiture, and except in the case of Awards to Covered Employees intended to qualify for the Section 162(m) Exemption, any other performance criteria established by the Committee.

(b) **Permitted Adjustments.** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the performance formula applicable to a Performance Award granted to any grantee, except in the case of an Award intended to qualify for the Section 162(m) Exemption with respect to a Covered Employee, to reflect such factors as the Committee may determine. Notwithstanding the foregoing, Performance Goals shall, to the extent applicable, and to the extent provided in the Award Agreement, be adjusted by the Committee to take into account the effect of the following: changes in accounting standards that may be required by the Financial Accounting Standards Board after the Performance Goal is established; realized investment gains and/or losses; extraordinary, unusual, non-recurring or infrequent items; currency fluctuations; acquisitions; divestitures; litigation losses; financing activities; expenses for restructuring or productivity initiatives; other non-operating items; new laws, cases or regulatory developments that result in unanticipated items of gain, loss, income or expense; executive severance arrangements; investment returns relating to investment vehicles which are unaffiliated with a Company or divisional operating strategy; bonus expense; the impact on pre-tax income of interest expense attributable to the repurchase of Shares; extraordinary dividends or Share dividends; the effect of corporate reorganizations or restructuring, spinoff, or a sale of a business unit; and other items as the Committee determines to be required so that the operating results of the Company, division, or a Affiliate shall be computed on a comparative basis from performance period to performance period; in each case as those terms are defined under applicable accounting principles and provided in each case that such excluded items are objectively determinable by reference to the Company's financial statements, notes to the Company's financial statements, and/or management's discussion and analysis in the Company's financial statements. Determination by the Committee shall be final and conclusive on all parties, but shall be based on relevant objective information or financial data. The Committee shall have the discretion, on the basis of such criteria as may be established by the Committee, to reduce some or all of the value of the Performance Award that would otherwise be paid to the Covered Employee notwithstanding the attainment of any Performance Goals and the resulting value of the Performance Award determined in accordance with the performance formula. No such reduction may result in an increase in the amount payable upon settlement of another grantee's Performance Award that is intended to qualify for the Section 162(m) Exemption.

10.4 Settlement of Performance Awards.

(a) **Determination of Final Value.** Following the completion of the performance period applicable to a Performance Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the grantee and to be paid upon its settlement in accordance with the applicable performance formula.

(b) **Payment in Settlement of Performance Awards.** Following the Committee's determination and certification in accordance with Section 10.4(a), payment shall be made to each eligible grantee (or such grantee's legal representative or other person who acquired the right to receive such payment by reason of the grantee's death) of the final value of the grantee's Performance Award. Payment of such amount shall be made in cash, Shares, or a combination thereof as determined by the Committee on the Grant Date and set forth in the Award Agreement. Unless otherwise provided in the Award Agreement, payment shall be made in a lump sum following the close of the performance period at the time and in accordance with procedures established by the Committee but in no event later than the 15th day of the third month following the later of the last day of the calendar year or the last day of the Company's fiscal year in which the Performance Goals are achieved. If permitted by the Committee, and consistent with the requirements of Section 409A, the grantee may elect to defer receipt of all or any portion of the payment to be made to the grantee pursuant to this section on such terms and conditions as the Committee may allow. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights.

(c) **Provisions Applicable to Payment in Shares.** If a Performance Award is denominated in Shares, the number of Shares delivered pursuant to such Award shall be set forth in the Award Agreement or determined by the Committee based on the achievement of the applicable Performance Goals. If payment of a Performance Award that is not denominated in Shares is to be made in Shares, the number of such Shares shall be determined by dividing the final value of the Performance Award by the Fair Market

Value of a Share. Shares delivered in payment of any Performance Award may be fully vested and freely transferable Shares or may be Shares subject to vesting conditions as provided in Section 8.2. Any Shares subject to vesting conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Section 8.6.

(d) ***Vesting of Performance Awards.*** The vesting conditions for Performance Awards shall be determined by the Committee and set forth in the Award Agreement.

10.5 Voting Rights; Dividend Equivalent Rights and Distributions. Grantees shall have no voting rights with respect to Shares represented by Performance Awards until the date of the delivery of such Shares, if any, in settlement of such Awards (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement that the grantee shall be entitled to Dividend Equivalent Rights during the period beginning on the date the Award is granted and ending, with respect to each Share subject to the Award, on the earlier of the date on which the Award is settled or the date on which it is terminated, canceled or forfeited. Notwithstanding the foregoing, where the vesting of the Award is contingent upon performance, no dividends or Dividend Equivalent Rights shall be paid unless and until the Award vests.

10.6 Effect of Termination of Service. Unless otherwise provided in the Award Agreement, if the grantee's service terminates for any reason prior to the date the Performance Awards become vested, all such Performance Awards shall automatically be forfeited for no consideration on the date of such termination of service.

11. Cash-Based Awards and Other Stock-Based Awards.

11.1 Grant of Cash-Based and Other Stock-Based Awards. The Committee may grant Cash-Based Awards and Other Stock-Based Awards evidenced by an Award Agreement in such form and containing such terms and conditions as the Committee shall provide, subject to the provisions of this Section 11. Other Stock-Based Awards may (but need not) be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or Performance Goals, as shall be established by the Committee and set forth in the Award Agreement.

11.2 Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards. Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award Agreement, in cash, Shares or other securities or any combination thereof as the Committee determines. The determination and certification of the final value with respect to any Cash-Based Award or Other Stock-Based Award intended to qualify for the Section 162(m) Exemption shall comply with the requirements applicable to Performance Awards set forth in Section 10.

11.3 Voting Rights; Dividend Equivalent Rights and Distributions. Grantees shall have no voting rights with respect to Shares represented by Other Stock-Based Awards until the delivery of such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement that the grantee shall be entitled to Dividend Equivalent Rights with respect to the payment of ordinary cash dividends on Shares subject to Other Stock-Based Awards during the period beginning on the date such Award is granted and ending, with respect to each Share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated, canceled or forfeited. Notwithstanding the foregoing, where the vesting of the Award is contingent upon performance, no dividends or Dividend Equivalent Rights shall be paid unless and until the Award vests.

11.4 Effect of Termination of Service. Each Award Agreement shall set forth the extent to which the grantee shall have the right to receive upon or after termination of service Cash-Based Awards and Other Stock-Based Awards outstanding as of such termination of service.

12. Non-Employee Director Awards.

The Committee may provide that all or a portion of a Non-Employee Director's annual retainer, any committee or other chairman fees, and any other fees be payable (either automatically or at the election of a Non-Employee Director) in the form of Nonqualified Stock Options, Restricted Stock, Restricted Stock Units, and/or Other Stock-Based Awards evidenced by Award Agreements containing such terms and conditions as the Committee shall determine.

13. Change in Control.

The Committee may, in its discretion, provide in any Award Agreement, or in the event of a Change in Control may take such actions as it deems appropriate, to provide for the acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or any portion thereof and Shares acquired pursuant thereto upon such conditions, including termination of the grantee's service prior to, upon, or following such Change in Control, to such extent as the Committee shall determine; provided that there shall be no such acceleration where it could result in additional taxes, penalties or interest under Section 409A of the Code.

14. Compliance with Securities Law.

The Committee may refuse to deliver any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance, delivery or transfer of such Shares or such other consideration might violate any applicable law or regulation (including applicable non-U.S. laws or regulations) or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a grantee, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant grantee, holder, or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. federal or non-U.S. securities laws and any other laws to which such offer, if made, would be subject. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful delivery and sale of any Shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained. As a condition to delivery of any Share, the Company may require the grantee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

15. Tax Withholding.

15.1 Tax Withholding in General. The Company shall have the right to deduct from any and all payments made under the Plan, or to require the grantee, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes, if any, required by law to be withheld by the Company or any Affiliate with respect to an Award or the Shares acquired pursuant thereto. The Company shall have no obligation to deliver Shares, to release Shares from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Company's or any Affiliate's tax withholding obligations have been satisfied by the grantee.

15.2 Withholding in Shares. Subject to Section 19.6, the Company shall have the right, but not the obligation, to deduct from the Shares deliverable to a grantee upon the exercise or settlement of an Award, or to accept from the grantee the tender of, a number of whole Shares having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of the Company or any Affiliate. The Fair Market Value of any Shares withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates.

16. Adjustments for Corporate Transactions and Other Events.

16.1 Adjustments. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, Share split, reverse Share split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, without the grantee's consent, in such manner as it may deem equitable: (a) adjust any or all of (i) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, (ii) the maximum number of Shares subject to Awards granted to a grantee pursuant to Section 4.2 of the Plan, (iii) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards, and (iv) the Exercise Price or Strike Price with respect to any Award; (b) if deemed appropriate, subject to Section 16.3, provide for (i) the continuation of the outstanding Awards if the Company is the surviving entity of any merger, consolidation or event of a transaction providing for the sale of all or substantially all of the Company's Shares or assets or other transaction or event having a similar effect, or (ii) the assumption of the Plan and outstanding Awards or the substitution of an equivalent award in respect of securities of the surviving entity of any merger, consolidation or transaction providing for the sale of all or substantially all of the Company's Shares or assets or other transaction or event having a similar effect; or (c) if deemed appropriate, make provision for the settlement of the intrinsic value of the outstanding Options (whether or not exercisable) in cash,

cash equivalents or equity followed by the cancellation of such Options or other cash payment to the holder of an outstanding Award; *provided*, that in each case (I) with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code, as from time to time amended, unless otherwise determined by the Committee, (II) with respect to any Award no such adjustment shall be authorized to the extent that such authority would be inconsistent with the Plan's qualification for the Section 162(m) Exemption, unless otherwise determined by the Committee, and (III) such adjustment shall be in accordance with Treasury Regulation Section 1.409A-1(b)(5)(v)(D).

16.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. Subject to Section 16.1, the Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 16.1 hereof) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan; *provided*, that no such adjustment shall be authorized to the extent that such authority would be inconsistent with an Award's qualification for the Section 162(m) Exemption, unless otherwise determined by the Committee.

16.3 Limitation on Adjustments and Substitutions. With respect to Options or SARs, no substitutions or adjustments under Sections 16.1 or 16.2 shall be made if such substitution or adjustment would cause such Option or SAR to be treated as deferred compensation subject to taxes and penalties under Section 409A. With respect to Options and SARs, any substitutions or adjustments under Sections 16.1 or 16.2 shall be based on the intrinsic value of such Option or SAR as determined by the Committee, in its discretion, as of the date of such substitution or adjustment. For the absence of doubt, if the Exercise Price per Share or Strike Price per Share of an Option or SAR is higher than the Fair Market Value of a Share, the intrinsic value of such Option or SAR shall equal zero.

17. Amendment or Termination of Plan.

The Board may at any time suspend or terminate the Plan. The Board may amend the Plan at any time, provided that any material amendment to the Plan will not be effective unless approved by the Company's shareholders. For this purpose, a material amendment is any amendment that would (a) increase the benefits accrued to participants under the Plan, (b) increase the number of Shares available under the Plan (except by operation of the provisions of Section 16), (c) change the types of awards that may be granted under the Plan, (d) modify the requirements for participation in the Plan, or (e) require approval of the Company's shareholders under any applicable law, regulation or rule, including the rules of any stock exchange or market system upon which the Shares may then be listed. The Committee may, in its sole and absolute discretion and without the consent of any grantee, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan. The Committee may amend any Award Agreement in any other manner or may waive any conditions or rights under, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively; *provided*, that any such amendment, waiver, alteration, suspension, discontinuance, cancellation or termination that would materially adversely affect the rights of any grantee or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected grantee, holder, or beneficiary. However, without approval of the Company's shareholders given within twelve (12) months before or after the action by the Committee, no action of the Committee may, except as provided in Section 16.1, (i) reduce the Exercise Price or Strike Price per share of any outstanding Option or Stock Appreciation Right granted under the Plan, or (iii) cancel any Option or Stock Appreciation Right in exchange for cash or another Award when the Exercise Price or Strike Price per share exceeds the Fair Market Value of the underlying Shares. No amendment or termination of the Plan shall result in any acceleration or delay in the payment of any amount due under this Plan except to the extent such acceleration or delay would not result in amounts granted or payable under the Plan becoming subject to (i) the gross income inclusion set forth in Section 409A(a)(1)(A) of the Code, or (ii) the interest or additional tax set forth in Section 409A(a)(1)(B) of the Code.

18. Section 409A.

18.1 Awards Subject to Section 409A. The provisions of this Section 18 shall apply to any Award or portion thereof that is or becomes deferred compensation subject to Section 409A, notwithstanding any provision to the contrary contained in the Plan or the Award Agreement applicable to such Award.

18.2 Termination of Employment/Service. The term "termination of employment" or "termination of service" shall mean the grantee's "separation from service" as defined in Code Section 409A. For this purpose, a "separation from service" is deemed to occur on the date that the Company, and the grantee reasonably anticipate that the level of bona fide services the grantee would perform for the Company and/or any Affiliates after that date (whether as an employee, director or other service provider) would permanently

decrease to a level that, based on the facts and circumstances, would constitute a separation from service; provided that a decrease to a level that is 50% or more of the average level of bona fide services provided over the prior 36 months shall not be a separation from service, and a decrease to a level that is 20% or less of the average level of such bona fide services shall be a separation from service. The Committee retains the right and discretion to specify, and may specify, whether a separation from service occurs for individuals providing services to the Company or an Affiliate immediately prior to an asset purchase transaction in which the Company or an Affiliate is the seller who provide services to a buyer after and in connection with such asset purchase transaction; provided, such specification is made in accordance with the requirements of Treasury Regulation Section 1.409A-1(h)(4). To the extent that settlement of an Award subject to Section 409A is triggered by a grantee's separation from service, if the grantee is then a "specified employee" (as defined in Section 409A(a)(2)(B)(i) of the Code) of the Company, no distribution shall be made before the date which is six (6) months after such grantee's date of separation from service, or, if earlier, the date of the grantee's death.

18.3 Avoidance of Section 409A Penalties. The Company intends for the Plan, as described herein and as may be subsequently amended from time to time, and for every Award Agreement under this Plan, to be written, construed and operated (and the Plan and each Award Agreement shall be written, construed and operated) in a manner such that no amounts granted or payable under the Plan or such Award Agreement become subject to (a) the gross income inclusion set forth within Section 409A(a)(1)(A) of the Code, or (b) the interest and additional tax set forth within Section 409A(a)(1)(B) of the Code. The provisions of the Plan shall not be construed as a guarantee by the Company of any particular tax effect to any grantee. The Company shall not be liable to any grantee for any payment or grant made under this Plan that is determined to result in an additional tax, penalty or interest under Section 409A of the Code, nor for reporting in good faith any payment or grant made under this Plan as an amount includible in gross income under Section 409A of the Code.

19. Miscellaneous Provisions.

19.1 Forfeiture Events. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any grantee who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any grantee who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement. In addition, any Awards under the Plan shall be subject to any compensation recovery or "clawback" policy that may be adopted by the Board or the Committee from time to time, including retroactively, in order to implement final rule making under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or any future changes in law or regulations.

19.2 Rights as Employee or Service Provider. No person, even though eligible pursuant to Section 5, shall have a right to be selected as a grantee, or, having been so selected, to be selected again as a grantee. Nothing in the Plan or any Award granted under the Plan shall confer on any grantee a right to remain an employee, service provider or a director of the Company or interfere with or limit in any way any right of the Company or any Affiliate to terminate the grantee's service at any time. To the extent that an employee of any Affiliate receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the employee's employer or that the employee has an employment relationship with the Company.

19.3 Rights as a Shareholder. A grantee shall have no rights as a shareholder with respect to any Shares covered by an Award until the date of the delivery of Shares pursuant to the Award (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such Shares are delivered, except as provided in Section 16 or another provision of the Plan. For the absence of doubt, a grantee to whom Restricted Shares are delivered is entitled to all rights of a shareholder of the Company.

19.4 Transferability of Awards. Except as provided below, no Award shall be assigned, alienated pledged, attached, sold or otherwise transferred or encumbered by a grantee, except by will or the laws of descent and distribution.

Notwithstanding the foregoing, an Award Agreement may provide that a grantee may transfer any vested Award, other than an Incentive Stock Option, to members of his or her immediate family (as defined as his or her spouse, children or grandchildren) or to one or more trusts for the exclusive benefit of such grantee or his or her immediate family members or partnerships in which such grantee or

his or her immediate family members are the only partners, if the transfer is approved by the Committee and the grantee does not receive any consideration for the transfer. Any such transferred Award shall continue to be subject to the same terms and conditions that were applicable to such Award immediately prior to its transfer (except that such transferred Award shall not be further transferable by the transferee), Compliance with Section 15 of the Plan (respecting tax withholding) shall remain the responsibility of the original grantee, and the rights of any person under the Award upon or after the termination of service of the original grantee shall depend on the circumstances of the original grantee's termination of service. Any transfer shall be subject to such other rules and procedures as the Committee may specify.

19.5 Delivery of Title to Shares. Subject to any governing rules or regulations, the Company shall issue or cause to be delivered the Shares acquired pursuant to an Award and shall deliver such Shares to or for the benefit of the grantee by means of one or more of the following, as determined by the Company: (a) by delivering to the grantee evidence of book entry Shares credited to the account of the grantee, or (b) by depositing such Shares for the benefit of the grantee with any broker with which the grantee has an account relationship, or (c) by delivering such Shares to the grantee in certificate form.

19.6 Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities, or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated. In the event of any payment by a grantee of any Exercise Price, withholding obligation or otherwise under the Plan, where such payment is made in Shares, payment shall be made in whole Shares only, in a number whose Fair Market Value does not exceed the amount to be paid. Any amount payable with a value of a fractional Share shall be paid by grantee or the Company, as applicable, in cash or such other manner as determined by the Committee.

19.7 Retirement and Welfare Plans. Neither Awards made under this Plan nor Shares or cash paid pursuant to such Awards may be included as "compensation" for purposes of computing the benefits payable to any grantee under the Company's or any Affiliate's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a grantee's benefit.

19.8 Beneficiary Designation. Each grantee may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the grantee is entitled in the event of such grantee's death before he or she receives any or all of such benefit. The grantee may change or revoke any such designation without the consent of any designated beneficiary. Each designation will revoke all prior designations by the same grantee, shall be in a form prescribed by or acceptable to the Committee, and will be effective only when filed by the grantee in writing with the Committee during the grantee's lifetime. If a grantee dies without an effective designation of a beneficiary who is living (or in existence) at the time of the grantee's death, the Company will pay any remaining unpaid benefits to the grantee's surviving spouse, if any, or if none then to the grantee's estate.

19.9 Severability. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

19.10 No Constraint on Corporate Action. Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or any Affiliate's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or any Affiliate to take any action which such entity deems to be necessary or appropriate.

19.11 Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to the conflict of law principles thereof.

19.12 No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

19.13 Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

WORK AUTHORIZATION FORM

CENTRUS ENERGY CORP. (formerly USEC)

(For Services provided to the U.S. Department of Energy)

WORK AUTHORIZATION			
Project Title: <u>Render K-1600 Facilities Non-Rad Contaminated and Non-Possessing</u>		Date Prepared: <u>September 24, 2018</u>	
Centrus Contact: <u>Dennis Yates</u>		Work Authorization No.: <u>001-2018</u>	
Phone No.: <u>865-241-7674</u>		Requesting Office: <u>NEOH/OREN</u>	
DOE Contact: <u>Randy DeVault/Juanita Perez</u>		Work Order No.	
Phone No.: <u>865-241-8277</u>		MODIFICATION	
Start Date: <u>September 27, 2018</u>		Funding (FA):	Modification No. (M)
End Date: <u>Completion - NLT 9/30/19</u>		New Mod To Exceed Funding Total	
Estimated Cost: <u>\$15,295,661</u> (Includes \$728,365 in fixed fee)		Schedule Changes:	
Funding Obligation: <u>\$5,000,000</u>		New Start Date	New End Date
B&R: <u>1111648</u>	COI:	Certification of Funding Signature:	
WORK EXPLANATION/REQUIREMENTS: SCOPE (Define deliverables, milestones, quantities, special requirements, etc.) (If modification, describe change.)			
<p>Centrus is requested to provide an estimated cost/proposal for the following Statement of Work. Upon agreement with the estimated costs, this WA will be funded to include funding and appropriate signatures.</p> <p><u>Statement of Work:</u></p> <p>Centrus shall remove and dispose of all equipment and materials to render K-1600, K-1600A and K-101 (i.e. K-1600 facilities) non-radioactively contaminated and non-possessing.</p> <p>See Attachments A, see E and B, see H for more detailed scope, schedule and deliverables</p> <p>Work will be performed under the "Supply of Services Agreement Between United States Department of Energy and Centrus Energy Corp. Exhibit J to the "Centrifuge Deployment Project Lease Agreement Between the United States Department of Energy and USEC Inc." commonly referred to as the K-1600 Lease.</p> <p>*The estimated end date is subject to adjustment due to unknown and complexities associated with equipment removal and cleaning of the facility. However, this work should all be completed NLT 9/30/19</p>			
CENTRUS ENERGY CORP. APPROVAL:		U.S. DEPARTMENT OF ENERGY APPROVAL:	
Services Agreement Technical Representative		Services Agreement Technical Representative: <u>Juanita Perez</u>	
Signature: _____	Date: _____	Signature: <u>R.M. DeVault for</u>	Date: <u>9/26/18</u>
Contracting Officer:		Contracting Officer: _____	
Signature: _____		Signature: <u>R.M. DeVault</u>	
DOE/Office Lease Administrator:		DOE/Office Lease Administrator: _____	
Signature: _____		Signature: _____	
Centrus Management Approval:		Centrus Management Approval:	
Signature: <u>[Signature]</u>	Date: <u>9-27-18</u>	Signature: <u>Kayem Deacon</u>	Date: <u>9/26/18</u>
Title: <u>SUP, Field Operations</u>		Title: _____	
		<p><u>Juanita Perez</u> 9/27/18 OREM Contracting Officer</p>	

Statement of Work

Activities Required to Render K-1600 a Non-Rad Contaminated and Non-Possessing Facility

Introduction

Centrus currently leases the K-1600 facilities located at the East Tennessee Technology Park. Since there is no further mission need for DOE and the facility is in the center of a National Park, DOE plans to D&D the facilities as part of the CERCLA cleanup of the ETTP site. Accordingly, we are requesting Centrus perform the following activities prior to returning the facilities to DOE.

Scope of Work

This scope of work consists of removing and disposing government owned materials and equipment and performing other related activities to render the facility non contaminated and non-possessing (i.e. un-classified). The equipment and materials being removed are rad contaminated and/or classified and will require special handling and dispositioning in accordance with DOE Security approved disposal plans.

Attachment B, rev 1 lists government owned equipment and materials that must be removed and dispositioned to render the facility non contaminated and non-possessing.

Activities will be performed under DOE oversight. Verification of completion will be DOE declaring the facility non rad contaminated and DOE Security verifying the facility to be "Non-Possessing".

Invoicing

This is a Cost Plus type contract. Invoices for all contractor costs, plus agreed upon fee, shall be submitted monthly.

As described in the American Centrifuge Disclosure Statement Revision 2 effective January 1, 2018, Part 4.3.0 (9), the Contractor will accumulate the K1600 facility related costs and allocate the facility expenses based upon the average annualized square footage occupied by the benefiting cost objectives. In accordance with disclosed practices, during the term of this Work Authorization (WA) K1600 facility will be allocated to cost objectives as follows:

- The floorspace of equipment remaining available for contractual work or R&D (e.g., ORNL or PNNL work) is considered as "production" and will be allocated to overhead.
-

- The square footage of space used for ACO De-lease activities performed to satisfy the lease termination requirements will be charged to ACO de-lease activity.
- DOE is responsible for Decommissioning and Decontamination (D&D) of the remainder of the facility which will involve removal of its equipment and materials and decontamination of the facility. The square footage of space used for the DOE D&D effort will be charged to the DOE D&D Work Authorization (WA).

The following process will be utilized for determining the square feet of the K1600 facility that will be charged to the DOE D&D WA:

- a. By the end of the first full week of each month, the ACO Project Manager (PM) shall provide an estimate of the square footage of the K-1600 facility to be utilized during that month for the DOE K-1600 D&D (the "D&D Utilization"). For the purposes of this provision, DOE D&D Utilization of the K1600 facility is defined as the square footage of space occupied by DOE equipment or facilities, or space used to stage equipment for shipment. The square footage of space occupied by ACO equipment, the space used for staging of ACO equipment, and the space used for other project work (e.g., ORNL or PNNL work) shall not be included in the DOE utilization estimate.
- b. By the 15th of each month, the DOE Representative and the Contractor PM shall meet to review the D&D Utilization. The parties will work to reach consensus on the square footage allocation to DOE's D&D project no later than the third full week of each month. The approved D&D Utilization will be documented via memo initialed by the parties, communicated to the Contracting Officer.
- c. ACO's monthly invoice for K1600 facility cost will be calculated based on the approved D&D Utilization (as documented in paragraph b., above) multiplied by the estimated annual cost per square foot. For billing purposes, the K1600 facility monthly cost is estimated at \$4.02 per square foot for both Calendar Years 2018 and 2019.
- d. When ACO has removed its equipment and materials, and all other contract work is complete (e.g., ORNL or PNNL work), 100% of K1600 facility expenses will be charged directly to DOE under this WA.
- e. In the event the DOE Representative and the Contractor PM are unable to agree on the D&D Utilization in any given month, the Contracting Officer shall make a decision on the square footage utilized for K1600 D&D activities. The Contracting Officer's decision shall be communicated in writing to ACO. For payment purposes, ACO shall invoice K1600 facility costs based on the Contracting Officer's determination. ACO may dispute the CO decision in accordance with the terms of this provision and the Disputes Act.

Schedule/Reporting

Centrus shall provide a Gantt type schedule delineating major activities and a cost estimate for each activity. An earned value progress report shall be submitted with each invoice.

**GOVERNMENT OWNED ITEMS AND EQUIPMENT TO BE
REMOVED/DISPOSITIONED AND ACTIVITIES TO BE PERFORMED TO RENDER
K-1600 NON-CONTAMINATED AND NON-POSSESSING**

ITEM	CLASSIFICATION	ESTIMATED COST
1) Remove and disposition miscellaneous calibration equipment.	SRD	
2) Remove and disposition 2 Balance Stands and associated classified and/or radiologically contaminated support equipment.	SRD	
3) Remove and disposition 3 Gas Test Stands and associated classified and/or radiologically contaminated support equipment.	SRD	
4) Remove and disposition 1 Minifuge and associated classified and/or radiologically contaminated support equipment.	SRD	
5) Disposition Dampers.	SRD	
6) Disposition contents of two 20 ft and one 40 ft Sealand containers containing control room and other equipment from the GCEP program.	SRD	
7) Remove and disposition all process gas piping and associated classified and/or radiologically contaminated valves, equipment, and other materials in the High Bay area to render the facility non rad contaminated and facilitate rendering the facility non-possessing.		
8) Remove and disposition the VTS superstructure.		
9) Remove and disposition piping, conduit, cable trays, duct work, cabinets, and other materials and equipment in the High Bay area to facilitate rendering the facility non-possessing.		
10) Remove and disposition any remaining DOE-owned classified and/or radiologically contaminated equipment and materials.		
11) Clean facility upon removal of equipment, duct work, piping, to appropriate standard acceptable for declaring the facility non-possessing.		
12) Provide all necessary documentation to support DOE determination that facility is uncontaminated.		
13) Provide all necessary documentation to support DOE non-possessing review.		
TOTAL		
NOTE: All work to be performed under DOE oversight. Verification of final project completion will be DOE declaring the facility non-radiologically contaminated and DOE Security verifying the facility to be "Non-Possessing".		

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Daniel B. Poneman, certify that:

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

November 8, 2018

/s/ Daniel B. Poneman

Daniel B. Poneman

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Marian K. Davis, certify that:

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

November 8, 2018

/s/ Marian K. Davis

Marian K. Davis

Senior Vice President, Chief Financial Officer and Treasurer

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

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

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

November 8, 2018

/s/ Daniel B. Poneman

Daniel B. Poneman

President and Chief Executive Officer

November 8, 2018

/s/ Marian K. Davis

Marian K. Davis

Senior Vice President, Chief Financial Officer and Treasurer

