CENTURY CASINOS INC /CO/
Form 10-Q
August 07, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ___________

Commission file number 0-22900

CENTURY CASINOS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	84-1271317
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

455 E. Pikes Peak Ave., Suite 210, Colorado Springs, Colorado 80903

(Address of principal executive offices, including zip code)

(719) 527-8300

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	Accelerated filer
Non-accelerated filer	Smaller reporting company
(Do not check if a smaller reporting company)	Emerging growth company

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

24,468,618 shares of common stock, $0.01 par value per share, were outstanding as of August 1, 2017.

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PART I – FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

Amounts in thousands, except for share and per share information	June 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 38,810	$ 38,837
Receivables, net	3,234	4,706
Prepaid expenses	1,283	1,224
Inventories	618	568
Restricted cash	974	0
Other current assets	70	613
Total Current Assets	44,989	45,948
Property and equipment, net	143,745	140,763
Goodwill	14,468	13,387
Deferred income taxes	1,798	1,705
Casino licenses	13,404	12,140
Trademarks	1,756	1,558
Cost investment	1,000	1,000
Deposits and other	2,474	1,337
Total Assets	$ 223,634	$ 217,838
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 5,407	$ 5,583
Accounts payable	2,080	1,864
Accrued liabilities	7,019	9,088
Accrued payroll	5,319	5,313
Taxes payable	2,931	4,661
Contingent liability (note 8)	2,433	2,099
Total Current Liabilities	25,189	28,608
Long-term debt, net of current portion and deferred financing costs (note 7)	49,268	50,026
Taxes payable and other	854	620
Total Liabilities	75,311	79,254
Commitments and Contingencies		

See notes to unaudited condensed consolidated financial statements.

- Continued -

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (continued)

Amounts in thousands, except for share and per share information	June 30, 2017	December 31, 2016
Equity:		
Preferred stock; $0.01 par value; 20,000,000 shares authorized; no shares issued or outstanding	0	0
Common stock; $0.01 par value; 50,000,000 shares authorized; 24,468,618 and 24,451,582 shares issued and outstanding	245	245
Additional paid-in capital	78,424	78,174
Retained earnings	70,365	66,386
Accumulated other comprehensive loss	(8,996)	(12,609)
Total Century Casinos, Inc. shareholders' equity	140,038	132,196
Non-controlling interest	8,285	6,388
Total Equity	148,323	138,584
Total Liabilities and Equity	$ 223,634	$ 217,838

See notes to unaudited condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
Amounts in thousands, except for per share information	2017	2016	2017	2016
Operating revenue:				
Gaming	$ 33,412	$ 30,901	$ 65,900	$ 59,060
Hotel	494	490	932	935
Food and beverage	3,413	3,028	6,754	5,920
Other	2,582	2,988	5,156	6,725
Gross revenue	39,901	37,407	78,742	72,640
Less: Promotional allowances	(2,571)	(2,206)	(5,013)	(4,212)
Net operating revenue	37,330	35,201	73,729	68,428
Operating costs and expenses:				
Gaming	16,056	14,251	31,702	27,616
Hotel	154	134	297	273
Food and beverage	3,099	2,659	6,065	5,222
General and administrative	12,362	11,499	23,429	22,569
Depreciation and amortization	2,018	2,117	4,103	4,127
Total operating costs and expenses	33,689	30,660	65,596	59,807
Earnings from operations	3,641	4,541	8,133	8,621
Non-operating income (expense):				
Interest income	27	14	48	31
Interest expense	(915)	(802)	(1,837)	(1,580)
Gain on foreign currency transactions, cost recovery income and other	281	1,560	485	1,758
Non-operating (expense) income, net	(607)	772	(1,304)	209
Earnings before income taxes	3,034	5,313	6,829	8,830
Income tax expense	(864)	(987)	(1,859)	(1,765)
Net earnings	2,170	4,326	4,970	7,065
Net earnings attributable to non-controlling interests	(368)	(2,077)	(1,008)	(2,536)
Net earnings attributable to Century Casinos, Inc. shareholders	$ 1,802	$ 2,249	$ 3,962	$ 4,529
Earnings per share attributable to Century Casinos, Inc. shareholders:				
Basic	$ 0.07	$ 0.09	$ 0.16	$ 0.18
Diluted	$ 0.07	$ 0.09	$ 0.16	$ 0.18
Weighted average shares outstanding - basic	24,466	24,432	24,460	24,445
Weighted average shares outstanding - diluted	24,962	24,548	24,911	24,616

See notes to unaudited condensed consolidated financial statements.

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CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
Amounts in thousands	2017	2016	2017	2016
Net earnings	$ 2,170	$ 4,326	$ 4,970	$ 7,065
Other comprehensive income (loss)				
Foreign currency translation adjustments	3,000	(1,309)	4,560	2,419
Other comprehensive income (loss)	3,000	(1,309)	4,560	2,419
Comprehensive income	$ 5,170	$ 3,017	$ 9,530	$ 9,484
Comprehensive income attributable to non-controlling interests				
Net earnings attributable to non-controlling interests	(368)	(2,077)	(1,008)	(2,536)
Foreign currency translation adjustments	(563)	383	(947)	2
Comprehensive income attributable to Century Casinos, Inc. shareholders	$ 4,239	$ 1,323	$ 7,575	$ 6,950

See notes to unaudited condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

Amounts in thousands, except share information	Common Shares		Common Stock		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Retained Earnings		Total Century Casinos Shareholders' Equity		Noncontrolli Interest
BALANCE AT January 1, 2016	24,414,083	$	244	$	77,318	$	(12,683)	$	57,171	$	122,050	$	4,737
Net earnings	0		0		0		0		4,529		4,529		2,536
Foreign currency translation adjustment	0		0		0		2,421		0		2,421		(2)
Amortization of stock-based compensation	0		0		381		0		0		381		0
Distribution to non-controlling interest	0		0		0		0		0		0		(1,626)
Exercise of stock options	20,488		0		46		0		0		46		0
BALANCE AT June 30, 2016	24,434,571	$	244	$	77,745	$	(10,262)	$	61,700	$	129,427	$	5,645
BALANCE AT January 1, 2017	24,451,582	$	245	$	78,174	$	(12,609)	$	66,386	$	132,196	$	6,388
Cumulative effect of accounting change (1)	0		0		(17)		0		17		0		0
Net earnings	0		0		0		0		3,962		3,962		1,008
Foreign currency translation	0		0		0		3,613		0		3,613		947

adjustment							
Amortization of stock-based compensation	0	0	235	0	0	235	0
Distribution to non-controlling interest	0	0	0	0	0	0	(58)
Exercise of stock options	17,036	0	32	0	0	32	0
BALANCE AT June 30, 2017	24,468,618	$ 245	$ 78,424	$ (8,996)	$ 70,365	$ 140,038	$ 8,285

See notes to unaudited condensed consolidated financial statements.

(1) Cumulative effect of accounting change relates to the adoption of Accounting Standards Update 2016-09. See Note 2 of the unaudited condensed consolidated financial statements for further details on the adoption of this accounting standard.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Amounts in thousands	For the six months ended June 30, 2017	2016
Cash Flows from Operating Activities:		
Net earnings	$ 4,970	$ 7,065
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	4,103	4,127
Loss on disposition of fixed assets	255	37
Unrealized (gain) loss on interest rate swaps	(35)	23
Amortization of stock-based compensation expense	235	381
Amortization of deferred financing costs	86	57
Deferred taxes	45	(197)
Changes in Operating Assets and Liabilities, Net of Acquisition:		
Receivables, net	1,602	(381)
Prepaid expenses and other assets	(2,458)	(847)
Accounts payable	246	(257)
Accrued liabilities	33	717
Inventories	(23)	2
Other operating assets	0	(489)
Other operating liabilities	47	3
Accrued payroll	(169)	(296)
Taxes payable	(1,696)	(1,038)
Net cash provided by operating activities	7,241	8,907
Cash Flows used in Investing Activities:		
Purchases of property and equipment	(3,064)	(3,805)
Acquisition of Century Casino St. Albert (net of cash acquired) (Note 3)	(1,494)	0
Acquisition of Saw Close Casino, Ltd. Licenses (Note 1)	(126)	0
Proceeds from disposition of assets	1	10
Net cash used in investing activities	(4,683)	(3,795)

– Continued –

See notes to unaudited condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)

	For the six months ended June 30,	
Amounts in thousands	2017	2016
Cash Flows used in Financing Activities:		
Proceeds from borrowings	0	379
Principal payments	(2,952)	(2,426)
Distribution to non-controlling interest	(644)	(1,626)
Proceeds from exercise of stock options	32	46
Net cash used in financing activities	(3,564)	(3,627)
Effect of Exchange Rate Changes on Cash	$ 979	$ 416
(Decrease) Increase in Cash and Cash Equivalents	$ (27)	$ 1,901
Cash and Cash Equivalents at Beginning of Period	$ 38,837	$ 29,366
Cash and Cash Equivalents at End of Period	$ 38,810	$ 31,267
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 3,120	$ 1,459
Income taxes paid	$ 1,774	$ 1,896
Non-Cash Investing Activities:		
Purchase of property and equipment on account	$ 437	$ 740
Non-Cash Financing Activities:		
Assets acquired under capital lease obligation	$ 20	$ 0

See notes to unaudited condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1.DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Century Casinos, Inc. (“CCI” or the “Company”) is an international casino entertainment company. As of June 30, 2017, the Company owned casino operations in North America; was developing a casino in England; held a majority ownership interest in six casinos throughout Poland, a racetrack and entertainment center (“REC”) in Canada and the pari-mutuel off-track betting network in southern Alberta, Canada; managed cruise ship-based casinos on international waters; managed a casino in Aruba and provided gaming services in Argentina.

The Company currently owns, operates and manages the following casinos through wholly-owned subsidiaries in North America:

- The Century Casino & Hotel in Edmonton, Alberta, Canada (“Century Resorts Alberta” or “CRA”)
- The Century Casino St. Albert in Edmonton, Alberta, Canada (“CSA”)
- The Century Casino Calgary, Alberta, Canada (“CAL”)
- The Century Casino & Hotel in Central City, Colorado (“CTL”); and
- The Century Casino & Hotel in Cripple Creek, Colorado (“CRC”)

The Company currently has a controlling financial interest through its subsidiary CCE in the following majority-owned subsidiaries:

- The Company owns 66.6% of Casinos Poland Ltd (“CPL” or “Casinos Poland”). CPL is the owner and operator of six casinos throughout Poland. CPL is consolidated as a majority-owned subsidiary for which the Company has a controlling financial interest. Polish Airports Company (“Polish Airports”) owns the remaining 33.3% of CPL, which is reported as a non-controlling financial interest.

- The Company owns 75% of United Horsemen of Alberta Inc. dba Century Downs Racetrack and Casino (“CDR” or “Century Downs”). CDR operates Century Downs Racetrack and Casino, a REC in Balzac, a north metropolitan area of Calgary, Alberta, Canada. CDR is consolidated as a majority-owned subsidiary for which the Company has a controlling financial interest. The remaining 25% of CDR is owned by unaffiliated shareholders and is reported as a non-controlling financial interest.

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The Company owns 75% of Century Bets! Inc. (“CBS” or “Century Bets”). CBS operates the pari-mutuel off-track betting network in Southern Alberta, Canada. CBS is consolidated as a majority-owned subsidiary for which the Company has a controlling financial interest. Rocky Mountain Turf Club (“RMTC”) owns the remaining 25% of CBS, which is reported as a non-controlling financial interest.

The Company has the following concession, management and consulting service agreements:

- The Company operates 14 ship-based casinos through concession agreements with four cruise ship owners. The Company began operating the ship-based casino onboard Mein Schiff 6, a new 2,500 passenger cruise ship, in May 2017.

In connection with a concession agreement with Diamond Cruise International Co., Ltd. (“Diamond”) for the operation of the ship-based casino onboard Glory Sea, the Company has a Cooperation Agreement with Dynamic Partners International, Ltd. (“Dynamic”). Under this agreement, Dynamic markets and promotes the casino to VIP players along with facilitating the concession agreement between Diamond and the Company, for which the Company pays Dynamic a portion of the net profit from the casino onboard Glory Sea.

In March 2015, in connection with an agreement with Norwegian Cruise Line Holdings ("Norwegian") to terminate the Company's concession agreements with Oceania Cruises ("Oceania") and Regent Seven Seas Cruises ("Regent"), the Company entered into a two-year consulting agreement, which became effective on June 1, 2015, under which the Company provided limited consulting services for the ship-based casinos of Oceania and Regent in exchange for receiving a consulting fee of $2.0 million, which was payable $250,000 per quarter through May 2017.

- The Company has a management agreement to direct the operation of the casino at the Hilton Aruba Caribbean Resort & Casino from which the Company receives a monthly management fee. The management agreement ends in December 2017, and the Company does not anticipate extending this agreement.

- The Company, through its subsidiary CCE, has a 7.5% ownership interest in Mendoza Central Entretenimientos S.A., an Argentina company ("MCE"). The shares are reported on the condensed consolidated balance sheet using the cost method of accounting. MCE has an exclusive concession agreement with Instituto Provincial de Juegos y Casinos to lease slot machines and provide related services to Casino de Mendoza, a casino located in Mendoza, Argentina and owned by the Province of Mendoza. In addition, CCE and MCE have entered into a consulting services agreement pursuant to which CCE provides advice on casino matters and receives a service fee consisting of a fixed fee plus a percentage of MCE's earnings before interest, taxes, depreciation and amortization ("EBITDA"). See Note 4 for additional information related to MCE.

Additional Projects and Other Developments

In September 2016, the Company was selected by Horse Racing Alberta ("HRA") as the successful applicant to own, build and operate a horse racing facility in the Edmonton market area, which the Company is planning to operate as Century Mile Racetrack and Casino. In March 2017, the Company received approval for the Century Mile project from the Alberta Gaming and Liquor Commission ("AGLC"). Century Mile will be a one-mile horse racetrack and a multi-level REC. The multi-level REC is expected to have 550 slot machines, restaurants, bars, delis, an off-track betting parlor and grandstand and to hold a minimum of 100 horse races per year. The project is located on Edmonton International Airport land close to the city of Leduc, south of Edmonton. Century Mile will be approximately 30 miles from both CRA and CSA. The Company estimates this project will cost approximately CAD 60.0 million ($46.2 million based on the exchange rate in effect on June 30, 2017). Construction of the Century Mile project began in July 2017. The Company estimates that construction of this project will take approximately 15 months and that it will be completed by the fourth quarter of 2018. The Company is seeking to obtain financing for the Century Mile project.

On June 20, 2017, the Company's subsidiary, Century Casinos Europe GmbH ("CCE"), entered into a Share Purchase Agreement (the "Agreement"), by and among Global Gaming Ventures (Group) Limited, Saw Close Casino Ltd. ("SCCL"), Anthony Wollenberg and CCE pursuant to which CCE has acquired 100% of the outstanding common stock of SCCL as well as casino licenses held by SCCL (the "SCCL License Acquisition") for a total consideration of GBP 0.6 million ($0.8 million based on the exchange rate in effect on June 30, 2017) as well as assumed liabilities of GBP 0.2 million ($0.2 million based on the exchange rate in effect on June 30, 2017). The Company will utilize the casino licenses to develop and operate a casino in Bath, England. The Company paid GBP 0.1 million ($0.1 million) at closing. Payment of the remaining purchase consideration will be made after the receipt of certain regulatory and

governmental approvals and the opening of the casino. Payment of the assumed liabilities is subject to certain performance criteria being met once the casino is in operation. The Company estimates that construction of the casino will cost GBP 5.0 million ($6.5 million based on the exchange rate in effect on June 30, 2017) and that the casino will open in the first half of 2018.

Preparation of Financial Statements

The accompanying condensed consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial reporting, the rules and regulations of the Securities and Exchange Commission which apply to interim financial statements and the instructions to Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted. The accompanying condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated.

In the opinion of management, all adjustments considered necessary for the fair presentation of financial position, results of operations and cash flows of the Company have been included. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The results of operations for the period ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

Presentation of Foreign Currency Amounts

The Company's functional currency is the U.S. dollar ("USD" or "$"). Foreign subsidiaries with a functional currency other than the U.S. dollar translate assets and liabilities at current exchange rates at the end of the reporting periods, while income and expense accounts are translated at average exchange rates for the respective periods. The Company and its subsidiaries enter into various transactions made in currencies different from their functional currencies. These transactions are typically denominated in the Canadian dollar ("CAD"), Euro ("EUR"), Polish zloty ("PLN") and British pound ("GBP"). Gains and losses resulting from changes in foreign currency exchange rates related to these transactions are included in income from operations as they occur.

The exchange rates to the U.S. dollar used to translate balances at the end of the reported periods are as follows:

Ending Rates	June 30, 2017	December 31, 2016
Canadian dollar (CAD)	1.2977	1.3427
Euros (EUR)	0.8761	0.9476
Polish zloty (PLN)	3.7027	4.2065
British pound (GBP)	0.7696	0.8106

The average exchange rates to the U.S. dollar used to translate balances during each reported period are as follows:

	For the three months	For the six months

	ended June 30,			ended June 30,		
Average Rates	2017	2016	% Change	2017	2016	% Change
Canadian dollar (CAD)	1.3451	1.2890	(4.4%)	1.3343	1.3311	(0.2%)
Euros (EUR)	0.9096	0.8856	(2.7%)	0.9240	0.8961	(3.1%)
Polish zloty (PLN)	3.8354	3.8726	1.0%	3.9459	3.9141	(0.8%)
British pound (GBP)	0.7822	0.6976	(12.1%)	0.7947	0.6979	(13.9%)

Source: Pacific Exchange Rate Service

Correction of Prior Period Balances

Subsequent to the issuance of the Company's Quarterly Report on Form 10-Q for the three and six month periods ended June 30, 2016, the Company determined that it had erroneously recognized a reduction in pari-mutuel revenue for CBS totaling $0.7 million in its condensed consolidated statement of earnings for the six months ended June 30, 2016. This error also affected the Company's income tax expense, net earnings attributable to non-controlling interests and consolidated statements of comprehensive income (loss), equity, cash flows and Note 12 "Segment and Geographic Information" for the six months ended June 30, 2016.

The prior period amounts within the Company's condensed consolidated financial statements for the six months ended June 30, 2016 have been revised to reflect the correct balances as presented below.

Condensed Consolidated Statement of Earnings for the six months ended June 30, 2016:

Amounts in thousands, except for per share information	As Previously Reported	Correction	As Corrected
Operating Revenue:			
Other	$ 6,028	$ 697	$ 6,725
Gross revenue	71,943	697	72,640
Net operating revenue	67,731	697	68,428
Earnings from operations	7,924	697	8,621
Earnings before income taxes	8,133	697	8,830
Income tax expense	(1,584)	(181)	(1,765)
Net earnings	6,549	516	7,065
Net earnings attributable to non-controlling interests	(2,407)	(129)	(2,536)
Net earnings attributable to Century Casinos, Inc. shareholders	4,142	387	4,529
Earnings per share attributable to Century Casinos, Inc. shareholders:			
Basic and Diluted	$ 0.17	$ 0.01	$ 0.18

Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2016:

Amounts in thousands	As Previously Reported	Correction	As Corrected
Net earnings	$ 6,549	$ 516	$ 7,065
Other comprehensive income			

Foreign currency translation adjustments	2,447	(28)	2,419
Other comprehensive income	2,447	(28)	2,419
Comprehensive income	$ 8,996	$ 488	$ 9,484
Comprehensive income attributable to non-controlling interests			
Net earnings attributable to non-controlling interests	(2,407)	(129)	(2,536)
Foreign currency translation adjustments	(5)	7	2
Comprehensive income attributable to Century Casinos, Inc. shareholders	$ 6,584	$ 366	$ 6,950

Condensed Consolidated Statement of Equity for the six months ended June 30, 2016:

Amounts in thousands	As Previously Reported		Correction		As Corrected	
Accumulated other comprehensive income						
Accumulated other comprehensive income (loss) balance at January 1, 2016	$	(12,704)	$	21	$	(12,683)
Foreign currency translation adjustment		2,442		(21)		2,421
Retained earnings						
Retained earnings balance at January 1, 2016		57,558		(387)		57,171
Net earnings		4,142		387		4,529
Total Century Casinos shareholders' equity						
Total Century Casinos shareholders' equity balance at January 1, 2016		122,416		(366)		122,050
Net earnings		4,142		387		4,529
Foreign currency translation adjustment		2,442		(21)		2,421
Non-controlling interest						
Non-controlling interest balance at January 1, 2016		4,859		(122)		4,737
Net earnings		2,407		129		2,536
Foreign currency translation adjustment		5		(7)		(2)
Total equity						
Total equity balance at January 1, 2016		127,275		(488)		126,787
Net earnings		6,549		516		7,065

Foreign currency translation adjustment	2,447	(28)	2,419

Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2016:

Amounts in thousands	As Previously Reported	Correction	As Corrected
Cash Flows from Operating Activities:			
Net earnings	$ 6,549	$ 516	$ 7,065
Changes in Operating Assets and Liabilities:			
Receivables, net	278	(659)	(381)
Taxes payable	(1,209)	171	(1,038)
Net cash provided by operating activities	8,879	28	8,907
Effect of Exchange Rate Changes on Cash	444	(28)	416

Note 12: Segment and Geographic Information for the six months ended June 30, 2016:

Amounts in thousands	As Previously Reported	Correction	As Corrected
Canada			
Net operating revenue	$ 25,462	$ 697	$ 26,159
Net earnings attributable to Century Casinos, Inc. shareholders	3,604	387	3,991
Income taxes	1,118	181	1,299
Non-controlling interest	1,735	129	1,864
Adjusted EBITDA	7,938	697	8,635

Consolidated results in Note 12 “Segment and Geographic Information” for the six months ended June 30, 2016 have been updated as presented in the condensed consolidated statement of earnings table above. Consolidated Adjusted EBITDA for the six months ended June 30, 2016 was corrected by $0.7 million, adjusting the previously reported Consolidated Adjusted EBITDA of $12.5 million to $13.2 million.

2. SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). The objective of ASU 2014-09 is to clarify the principles for recognizing revenue and to develop a common revenue standard under US GAAP and International Financial Reporting Standards. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016; provided, however, that in August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date (“ASU 2015-14”), which deferred the effective date of ASU 2014-09 for one year. ASU 2015-14 is effective for fiscal years and interim periods beginning after December 15, 2017. The standards permit retrospective application using either of the following methodologies: (i) restatement of each prior reporting period presented or (ii) recognition of a cumulative-effect adjustment as of the date of initial application. In addition, the FASB has issued four related ASUs on principal versus agent guidance (ASU 2016-08), identifying performance obligations and the licensing implementation guidance (ASU 2016-10), a revision of certain SEC Staff Observer comments (ASU 2016-11) and implementation guidance (ASU 2016-12). The Company plans to adopt the new revenue standards effective January 1, 2018 by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of equity. The Company continues to analyze the impact that the new standard will have on the Company’s consolidated financial statements, including results of operations, cash flows and related disclosures. Upon adoption, management expects the presentation of goods and services presented without charge that is currently presented in total revenue with an offset in promotional allowances will be presented on a net basis within related revenue categories. Management also anticipates a change in the manner in which the Company assigns value to accrued customer benefits related to its player clubs; however, this is not expected to have a material impact on the Company’s consolidated financial statements or results of operations.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory (“ASU 2015-11”). The objective of ASU 2015-11 is to simplify the current guidance under which an entity must measure inventory at the lower of cost or market by requiring entities to measure most inventory at the lower of cost or net realizable value. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has adopted ASU 2015-11. The Company will continue to measure inventory using the first-in, first-out method and will state inventory at the lower of cost or net realizable value. At June 30, 2017 and December 31, 2016, all inventory was stated at cost.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 requires lessees to account for leases as finance leases or operating leases. Both finance and operating leases will result in the lessee recognizing a right-of-use asset and corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of use asset and, for operating leases, the lessee would recognize a straight-line lease expense. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption of ASU 2016-02 is permitted. The Company has begun analyzing its operating lease agreements, and management anticipates the Company's assets and liabilities will increase proportionally after the adoption of ASU 2016-02. The changes to the Company's consolidated balance sheet and the potential impact to its results of operations may be material.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). The objective of ASU 2016-09 is to simplify the accounting for share-based payment transactions, including recording all excess tax benefits and tax deficiencies through income tax on the statement of earnings and eliminating the requirement that excess tax benefits be realized before they can be recognized. ASU 2016-09 also simplifies several other aspects of the accounting for employee share-based payments, including forfeitures, statutory tax withholdings requirements and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company has adopted ASU 2016-09. The Company has elected to account for forfeitures of share-based payments as they occur.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). The objective of ASU 2016-15 is to reduce diversity in the classification of cash receipts and payments for specific cash flow issues, including debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination and proceeds from the settlement of insurance claims. ASU 2016-15 is effective for fiscal years beginning after December 31, 2017, and interim periods within those fiscal years. Early adoption of ASU 2016-15 is permitted. ASU 2016-15 should be applied using a retrospective transition method. The Company is currently evaluating the impact of adopting ASU 2016-15; however, the standard is not expected to have a material impact on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16"). The objective of ASU 2016-16 is to improve the accounting for income tax consequences of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for fiscal years beginning after December 31, 2017, and interim periods within those fiscal years. Early adoption of ASU 2016-16 is permitted at the beginning of an annual period. ASU 2016-16 should be applied using a modified retrospective approach. The Company is currently evaluating the impact of adopting ASU 2016-16; however, the standard is not expected to have a material impact on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Restricted Cash ("ASU 2016-18"). The objective of ASU 2016-18 is to require the statement of cash flows to include restricted cash in explaining the change during the period in the total of cash and cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 31, 2017, and interim periods within those fiscal years. Early adoption of ASU 2016-18 is permitted. ASU 2016-18 should be

applied using a retrospective transition method to each period presented. The Company is currently evaluating the impact of adopting ASU 2016-18; however, the standard is not expected to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business ("ASU 2017-01"). The objective of ASU 2017-01 is to add guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions or disposals of assets or of businesses. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted for interim and annual periods in which the financial statements have not been issued or made available for issuance. The Company has adopted ASU 2017-01 and has used the guidance to evaluate the SCCL License Acquisition. See Note 1.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). The objective of ASU 2017-04 is to simplify the subsequent measurement of goodwill by entities performing their annual goodwill impairment tests by comparing the fair value of a reporting unit, including income tax effects from any tax-deductible goodwill, with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds fair value. ASU 2017-04 is effective for fiscal years beginning after December 31, 2021, and interim periods within those fiscal years. Early adoption of ASU 2017-04 is permitted on goodwill impairment tests performed after January 1, 2017. ASU 2017-04 should be applied on a prospective basis. The Company is currently evaluating the impact of adopting ASU 2017-04; however, the standard is not expected to have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-09, Stock Compensation ("ASU 2017-09"). The objective of ASU 2017-09 is to provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. ASU 2017-09 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. ASU 2014-09 should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the impact of adopting ASU 2017-09; however, the standard is not expected to have a material impact on its consolidated financial statements.

Accounting Policies

Inventories – Inventories, which consist primarily of food, beverage, retail merchandise and operating supplies, are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Stock-Based Compensation - Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. The Company accounts for forfeitures as they occur. The Company uses the Black-Scholes option pricing model for all non-performance option grants and the Monte Carlo option pricing model for all performance option grants to determine the fair value of all option grants.

3.ACQUISITIONS

Apex Acquisition

On October 1, 2016, the Company's subsidiary, Century Casino St. Albert Inc., acquired 100% of the issued and outstanding shares of Casino St. Albert Inc. ("CSAI"), Action ATM Inc. ("AAI") and MVP Sports Bar Ltd. ("MVP"), collectively operating the Apex Casino in St. Albert, Edmonton, Canada as well as acquiring the related land and real property held by Game Plan Developments Ltd. (the "Apex Acquisition"). The Company merged CSAI, AAI and MVP with Century Casino St. Albert Inc., the surviving company, and renamed the casino Century Casino St. Albert. CSA

is a 34,500 square foot casino facility located on approximately six acres of land that includes 381 slot machines, 7 live table games, 12 video lottery terminals, a restaurant, a bar, a lounge and a banquet facility that can accommodate up to 175 guests.

The Company paid for the acquisition using additional financing from the second amended and restated credit agreement with the Bank of Montreal (the “BMO Credit Agreement”) (see Note 7). The total consideration of CAD 31.9 million ($24.3 million based on the exchange rate in effect on October 1, 2016) (the “Purchase Price”) for the Apex Acquisition consisted of the following:

A) CAD 27.7 million ($21.1 million), which was paid at closing on October 1, 2016.
B) CAD 2.0 million ($1.5 million) in excess working capital paid as part of the Purchase Price pursuant to the purchase agreement, which was paid in February 2017.
C) The remaining CAD 2.2 million ($1.7 million) of the Purchase Price remains subject to certain holdbacks for indemnities that are set forth in the purchase agreement. The holdbacks will be held in an escrow account until the expiration of the agreed upon timelines.

As of October 1, 2016, the Company began consolidating Century Casino St. Albert Inc. as a wholly owned subsidiary. CSA contributed $2.1 million in net operating revenue and $0.3 million in net earnings attributable to Century Casinos, Inc. shareholders and $4.1 million in net operating revenue and $0.3 million in net earnings attributable to Century Casinos, Inc. shareholders for the three and six months ended June 30, 2017, respectively.

The Company accounted for the transaction as a business combination. Accordingly, CSA's assets of $22.4 million (including $3.1 million in cash) and liabilities of $1.7 million were included in the Company's consolidated balance sheet at October 1, 2016. Goodwill of $3.6 million is attributable to the business expansion opportunity for the Company. The acquisition leverages the Company's management specialties and expertise in the gaming industry, expands the Company's casino offerings in the Edmonton market and creates operational synergies. Goodwill is not a tax deductible item for the Company.

The fair value of the assets acquired and liabilities assumed (excluding cash received) was determined to be $21.2 million as of the acquisition date. The fair value was determined using the following methods, which the Company believes provide the most appropriate indicators of fair value:

- multi-period excess earnings method;
- cost method;
- capitalized cash flow method;
- discounted cash flow method; and
- direct market value approach.

Details of the purchase in the table below are based on estimated fair values of assets and liabilities as of October 1, 2016. The acquisition was accounted for using the acquisition method of accounting. Assets acquired and liabilities assumed in connection with the acquisition have been recorded at their preliminary fair values. Certain estimated values for the acquisition are not yet finalized pending the final purchase price allocations, and as a result, the Company's estimates and assumptions are subject to change within the measurement period as valuations are finalized. The Company expects to finalize the allocation of the purchase price within one year of the acquisition.

Amounts in thousands	
Cash	$ 3,060
Accounts receivable	331
Prepaid expenses and other	136
Inventories	39
Property and equipment	9,542
Casino license	9,318
Accounts payable	(63)
Accrued liabilities	(383)
Accrued payroll	(37)
Deferred tax liability	(1,238)
Net identifiable assets acquired	20,705
Add: Goodwill	3,584
Net assets acquired	$ 24,289

The following table details the purchase consideration net cash outflow.

Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	$ 24,289
Less: cash balances acquired	(3,060)
Net cash	$ 21,229

Pro forma results

The following table provides unaudited pro forma information of the Company as if the Apex Acquisition had occurred at the beginning of the earliest comparable period presented. This proforma information is not necessarily indicative either of the combined results of operations that actually would have been realized had the acquisition been consummated during the periods for which the pro forma information is presented, or of future results.

Amounts in thousands, except for per share information	For the three months ended June 30, 2016	For the six months ended June 30, 2016
	(Unaudited)	(Unaudited)
Net operating revenue	$ 37,432	$ 72,461
Net earnings attributable to Century Casinos, Inc. shareholders	$ 2,562	$ 5,094
Basic and diluted earnings per share	$ 0.10	$ 0.21

4.COST INVESTMENT

Mendoza Central Entretenimientos S.A.

On October 31, 2014, CCE entered into an agreement (the "MCE Agreement") with Gambling and Entertainment LLC and its affiliates, pursuant to which CCE purchased 7.5% of the shares of MCE, a company formed in Argentina, for $1.0 million. Pursuant to the MCE Agreement, CCE is working with MCE to utilize MCE's exclusive concession agreement with Instituto Provincial de Juegos y Casinos to lease slot machines and provide related services to Casino de Mendoza, a casino located in Mendoza, Argentina, and owned by the Province of Mendoza. MCE may also pursue other gaming opportunities. Under the MCE Agreement, CCE has appointed one director to MCE's board of directors and has the right to appoint additional directors to MCE's board of directors based on its ownership percentage of MCE. In addition, CCE has a three-year option through October 2017 to purchase up to 50% of the shares of MCE. The option can be exercised by CCE in tranches of shares, with each tranche representing not less than ten percent of the total outstanding shares of MCE. The exercise price of the shares is based upon the value of MCE at the time the option is exercised, which value is determined by a multiple of MCE's EBITDA for the immediate past four full calendar quarters multiplied by five less certain outstanding debt of MCE, including but not limited to lease payments to slot machine suppliers, plus current financial assets (cash and banks, receivables and commercial credits) of MCE. There are no conditions that limit CCE's ability to exercise this option. CCE has not exercised any options to purchase

shares of MCE. The Company accounts for the $1.0 million investment in MCE using the cost method.

5.GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company tests goodwill for impairment as of October 1 each year, or more frequently as circumstances indicate it is necessary. Testing compares the estimated fair values of our reporting units to the reporting units' carrying values. The reporting units with goodwill balances as of June 30, 2017 include the operations at CRA, CDR, CSA and CPL. The Company considers a variety of factors when estimating the fair value of its reporting units, including estimates about the future operating results of each reporting unit, multiples of earnings, various market analyses, and recent sales of comparable businesses, if such information is available. The Company makes a variety of estimates and judgments about the relevance and comparability of these factors to the reporting units in estimating their fair values. If the carrying value of a reporting unit exceeds its estimated fair value, the fair value of each reporting unit is allocated to the reporting unit's assets and liabilities to determine the implied fair value of the reporting unit's goodwill and whether impairment is necessary. There have been no indications of impairment at CRA, CDR or CPL since the Company's last annual analysis, or at CSA since the valuation as part of the acquisition, that would necessitate additional impairment testing by the Company.

Changes in the carrying amount of goodwill related to CRA, CDR, CSA and CPL are as follows:

	Canada			Poland	
Amounts in thousands	Century Resorts Alberta	Century Downs	Century Casino St. Albert	Casinos Poland	Total
Balance – December 31, 2016	$ 3,661	$ 141	$ 3,501	$ 6,084	$ 13,387
Effect of foreign currency translation	127	5	121	828	1,081
Balance -- June 30, 2017	$ 3,788	$ 146	$ 3,622	$ 6,912	$ 14,468

Intangible Assets

Trademarks

The Company currently owns two trademarks, the Century Casinos trademark and the Casinos Poland trademark, which are reported as intangible assets on the Company's condensed consolidated balance sheets. Changes in the carrying amount of the trademarks are as follows:

Amounts in thousands	Century Casinos	Casinos Poland	Total
Balance – December 31, 2016	$ 108	$ 1,450	$ 1,558
Effect of foreign currency translation	0	198	198
Balance -- June 30, 2017	$ 108	$ 1,648	$ 1,756

The Company has determined both trademarks have indefinite useful lives and therefore the Company does not amortize the trademarks. Rather, the Company tests its trademarks for impairment as of October 1 each year, or more frequently as circumstances indicate it is necessary. The Company tests trademarks for impairment using the relief-from-royalty method. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company would recognize an impairment charge equal to the difference. No impairment charges related to the Century Casinos and Casinos Poland trademarks have been recorded.

Casino Licenses

Casino licenses consist of the following:

Amounts in thousands	June 30, 2017	December 31, 2016

Finite-lived		
Casino licenses	$ 1,715	$ 2,029
Less: accumulated amortization	(1,161)	(1,362)
Total finite-lived casino licenses, net	554	667
Infinite-lived		
Casino licenses	12,850	11,473
Total infinite-lived casino licenses	12,850	11,473
Casino licenses, net	$ 13,404	$ 12,140

Poland

As of June 30, 2017, Casinos Poland had six casino licenses, each with an original term of six years, which are finite-lived intangible assets and are amortized over their respective useful lives. Changes in the carrying amount of the Casinos Poland licenses are as follows:

Amounts in thousands		Casinos Poland
Balance – December 31, 2016	$	667
Amortization		(191)
Effect of foreign currency translation		78
Balance -- June 30, 2017	$	554

As of June 30, 2017, estimated amortization expense for the CPL casino licenses over the next five years was as follows:

Amounts in thousands		
2017	$	169
2018		152
2019		73
2020		58
2021		58
Thereafter		44
	$	554

These estimates do not reflect the impact of future foreign exchange rate changes or the continuation of the licenses following their expiration. The weighted average period before the current casino licenses expire is 1.7 years. In Poland, gaming licenses are not renewable. Once a gaming license has expired, any gaming company can apply for the license. The licenses at the Krakow, Lodz, Plock and Poznan casinos expire in 2018. The Company intends to apply for licenses in each of these cities.

Canada and Corporate and Other

The licenses at CDR, CSA and SCCL are infinite-lived intangible assets that are not amortized. CDR holds licenses from the AGLC and HRA. CSA holds a license from the AGLC. SCCL holds licenses from the Great Britain Gambling Commission. No impairment charges related to the licenses have been recorded. Changes in the carrying amount of the licenses are as follows:

	Canada		Corporate and Other
Amounts in thousands	Century Downs	Century Casino St. Albert	Saw Close Casino Ltd.
Balance – December 31, 2016	$ 2,369	$ 9,104	$ 0
Purchase of Saw Close Casino Ltd.	0	0	952
Effect of foreign currency translation	81	316	28
Balance -- June 30, 2017	$ 2,450	$ 9,420	$ 980

6.PROMOTIONAL ALLOWANCES

Hotel accommodations and food and beverage furnished without charge to customers are included in gross revenue at retail value and are deducted as promotional allowances to arrive at net operating revenue. The Company issues coupons and downloadable promotional credits to customers for the purpose of generating future revenue. The value of coupons and downloadable promotional credits redeemed is applied against the revenue generated on the day of the redemption. The estimated cost of provided promotional allowances is included in casino expenses. The costs of providing promotional allowances were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
Amounts in thousands	2017	2016	2017	2016
Hotel	$ 13	$ 13	$ 25	$ 29
Food and beverage	271	245	538	494
	$ 284	$ 258	$ 563	$ 523

Members of the Company’s casinos’ player clubs earn points based on, among other things, their volume of play at the Company’s casinos. Players can accumulate points over time that they may redeem at their discretion under the terms of the program. The Company records a liability based on the redemption value of the points earned, and records a corresponding reduction in casino revenue. Points can be redeemed for cash, downloadable promotional credits and/or various amenities at the casino, such as meals, hotel stays and gift shop items. The value of the points is offset against the revenue in the period in which the points were earned. The value of unused or unredeemed points is included in accrued liabilities on the Company’s condensed consolidated balance sheets. The expiration of unused points results in a reduction of the liability. As of June 30, 2017 and December 31, 2016, the outstanding balance of this liability was $0.7 million.

7. LONG-TERM DEBT

Long-term debt and the weighted average interest rates as of June 30, 2017 and December 31, 2016 consisted of the following:

Amounts in thousands	June 30, 2017		December 31, 2016	
Credit agreement - Bank of Montreal	$ 39,245	4.07%	$ 40,495	4.04%
Credit agreement - CPL	81	3.62%	215	3.55%
Financing obligation - CDR land lease	15,024	12.17%	14,520	13.54%
Capital leases	635	6.90%	791	7.11%
Total principal	$ 54,985	6.25%	$ 56,021	7.61%
Deferred financing costs	(310)		(412)	
Total long-term debt	$ 54,675		$ 55,609	
Less current portion	(5,407)		(5,583)	
Long-term portion	$ 49,268		$ 50,026	

Credit Agreement - Bank of Montreal

In May 2012, the Company, through its Canadian subsidiaries, entered into the CAD 28.0 million credit agreement with the Bank of Montreal ("BMO"). On August 15, 2014, the Company, through its Canadian subsidiaries, entered into an amended and restated credit agreement with BMO that increased the Company's borrowing capacity to CAD 39.1 million. In September 2016, the Company, through its Canadian subsidiaries, entered into the BMO Credit Agreement to finance the Apex Acquisition that increased the Company's borrowing capacity to CAD 69.2 million with an interest rate of BMO's floating rate plus a margin. As discussed further below, the Company has entered into interest rate swap agreements to fix the interest rate paid related to a portion of the outstanding balance on the BMO Credit Agreement. As of June 30, 2017, the Company had borrowed CAD 63.9 million, of which the outstanding balance was CAD 50.9 million ($39.2 million based on the exchange rate in effect on June 30, 2017) and the Company had approximately CAD 5.8 million ($4.5 million based on the exchange rate in effect on June 30, 2017) available under the BMO Credit Agreement. In addition, the Company is using CAD 3.0 million ($2.3 million based on the exchange rate in effect on June 30, 2017) from Credit Facility E for the interest rate swap agreements discussed below.

The BMO Credit Agreement consists of the following five credit facilities:

1. Credit Facility A is a CAD 1.1 million revolving credit facility with a term of five years that expires in August 2019. Credit Facility A may be used for general corporate purposes, including for the payment of costs related to the BMO Credit Agreement, ongoing working capital requirements and operating regulatory requirements. As of June 30, 2017, the Company had CAD 1.1 million ($0.8 million based on the exchange rate in effect on June 30, 2017) available for borrowing under Credit Facility A.
2. Credit Facility B is an approximately CAD 24.1 million committed, non-revolving, reducing standby facility with a term of five years that expires in August 2019. The Company used borrowings under Credit Facility B primarily to repay the Company's mortgage loan related to CRA, pay for the additional 33.3% investment in CPL, pay for development costs related to CDR and for working capital and general corporate purposes. Once the principal amount of an advance has been repaid, it cannot be re-borrowed. As of June 30, 2017, the Company had no additional available borrowings under Credit Facility B.
3. Credit Facility C is a CAD 11.0 million revolving credit facility with a term of five years that expires in August 2019. Credit Facility C may be used as additional financing for the development of CDR. The Company may re-borrow the principal amount within the limits described in the BMO Credit Agreement. As of June 30, 2017, the Company had CAD 4.7 million ($3.6 million based on the exchange rate in effect on June 30, 2017) available for borrowing under Credit Facility C.
4. Credit Facility D is a CAD 30.0 million committed, reducing term credit facility with a term of five years that expires in September 2021. The Company used CAD 30.0 million to pay for the Apex Acquisition. Once the principal amount of an advance has been repaid it cannot be re-borrowed. As of June 30, 2017, the Company had no additional available borrowings under Credit Facility D.
5. Credit Facility E is a CAD 3.0 million treasury risk management facility. The Company may use this facility to hedge interest rate risk or currency exchange rate risk. Credit Facility E has a term of five years. The Company is currently utilizing Credit Facility E to hedge interest rate risk as discussed below.

Any funds not drawn down under the BMO Credit Agreement are subject to standby fees ranging from 0.50% to 0.75% payable quarterly in arrears. Standby fees of less than CAD 0.1 million (less than $0.1 million based on the exchange rates in effect on June 30, 2017 and 2016) were recorded as interest expense in the condensed consolidated

statements of earnings for each of the three and six months ended June 30, 2017 and 2016. The shares of the Company's Canadian subsidiaries that own CRA, CAL and CSA and the Company's 75% interest in CDR are pledged as collateral for the BMO Credit Agreement. The BMO Credit Agreement contains a number of covenants applicable to the Canadian subsidiaries, including covenants restricting their incurrence of additional debt, a debt to EBITDA ratio less than 3:1, a fixed charge coverage ratio greater than 1.2:1, maintenance of a CAD 50.0 million equity balance and a capital expenditure limit of CAD 4.0 million per year. The Company was in compliance with all financial covenants of the BMO Credit Agreement as of June 30, 2017.

The Company has entered into interest rate swap agreements to partially hedge the risk of future increases in the variable rate debt under the BMO Credit Agreement. The interest rate swap agreements are not designated as hedges for accounting purposes. As a result, changes in fair value of the interest rate swaps are recognized in interest expense on the Company's condensed consolidated statements of earnings. As of June 30, 2017, the Company had the following interest rate swap agreements set at a Canadian Dollar Offered Rate ("CDOR"):

- Notional amount of CAD 8.4 million ($6.5 million based on the exchange rate in effect on June 30, 2017) with a rate of 3.92% expiring in August 2019;
- Notional amount of CAD 8.4 million ($6.5 million based on the exchange rate in effect on June 30, 2017) with a rate of 3.89% expiring in August 2019; and
- Notional amount of CAD 13.9 million ($10.7 million based on the exchange rate in effect on June 30, 2017) with a rate of 4.08% expiring in December 2021.

Deferred financing costs consist of the Company's costs related to the financing of the BMO Credit Agreement. Amortization expenses relating to deferred financing charges were $0.1 million for each of the six months ended June 30, 2017 and 2016. These costs are included in interest expense in the condensed consolidated statements of earnings.

Casinos Poland

As of June 30, 2017, CPL had debt totaling PLN 0.3 million ($0.1 million based on the exchange rate in effect on June 30, 2017) under a credit agreement with mBank. CPL also had a credit facility that had no outstanding balance as of June 30, 2017 and December 31, 2016.

Under CPL's credit agreement with mBank, CPL entered into a three-year term loan at an interest rate of Warsaw Interbank Offered Rate ("WIBOR") plus 1.70%. Proceeds from the loan were used to repay balances outstanding under a prior credit agreement that matured in September 2014 and to finance current operations. As of June 30, 2017, the amount outstanding on the term loan was PLN 0.3 million ($0.1 million based on the exchange rate in effect on June 30, 2017). CPL has no further borrowing availability under the loan, and the loan matures in September 2017. The mBank credit agreement contains a number of financial covenants applicable to CPL, including covenants that restrict the incurrence of additional debt and require CPL to maintain a debt ratio less than 80% and a current liquidity ratio of 0.5 or higher. CPL was in compliance with all financial covenants of this credit agreement as of June 30, 2017.

The credit facility is a short-term line of credit with BPH Bank used to finance current operations. The bank line of credit bears an interest rate of WIBOR plus 1.85% with a borrowing capacity of PLN 13.0 million, of which PLN 2.0 million may only be used to secure bank guarantees. The credit facility terminates on February 11, 2018. The BPH Bank line of credit is secured by a building owned by CPL in Warsaw, Poland. As of June 30, 2017, there was no outstanding amount on the credit facility, and CPL had approximately PLN 11.0 million ($3.0 million based on the exchange rate in effect on June 30, 2017) available under the agreement. The BPH Bank facility contains a number of covenants applicable to CPL, including covenants that restrict the incurrence of additional debt and require CPL to maintain certain debt to EBITDA ratios. CPL was in compliance with all financial covenants of this credit facility as of June 30, 2017.

In addition, under Polish gaming law, CPL is required to maintain PLN 3.6 million in the form of deposits or bank guarantees for payment of casino jackpots and gaming tax obligations. mBank issued guarantees to CPL for this purpose totaling PLN 3.6 million ($1.0 million based on the exchange rate in effect on June 30, 2017). The mBank guarantees are secured by land owned by CPL in Kolbaskowo, Poland and terminate on October 31, 2019. In addition, CPL is required to maintain deposits or provide bank guarantees for payment of additional prizes and giveaways at the casinos. The amount of these deposits varies depending on the value of the prizes. CPL maintained PLN 1.4 million ($0.4 million based on the exchange rate in effect on June 30, 2017) in deposits for this purpose as of June 30, 2017. These deposits are included in deposits and other on the Company's condensed consolidated balance sheets.

Century Downs Racetrack and Casino

CDR's land lease is a financing obligation of the Company. Prior to the Company's acquisition of its ownership interest in CDR, CDR sold a portion of the land on which the REC project is located and then entered into an agreement to lease back a portion of the land sold. The Company accounts for the lease using the financing method by accounting for the land subject to lease as an asset and the lease payments as interest on the financing obligation. Under the land lease, CDR has four options to purchase the land. The first option date is July 1, 2023. Due to the nature of the CDR land lease financing obligation, there are no principal payments due until the Company exercises its option to purchase the land. Lease payments are applied to interest only, and any change in the outstanding balance of the financing obligation relates to foreign currency translation. As of June 30, 2017, the outstanding balance on the financing obligation was CAD 19.5 million ($15.0 million based on the exchange rate in effect on June 30, 2017).

Capital Lease Agreements

As of June 30, 2017, the Company had the following capital leases:

· CRA had two capital lease agreements for surveillance and general equipment with an outstanding balance of CAD 0.2 million ($0.2 million based on the exchange rate in effect on June 30, 2017);
· CAL has a capital lease agreement for general equipment with an outstanding balance of less than CAD 0.1 million (less than $0.1 million based on the exchange rate in effect on June 30, 2017);
· CDR had six capital lease agreements for surveillance, kitchen and racing-related equipment with an outstanding balance of CAD 0.5 million ($0.4 million based on the exchange rate in effect on June 30, 2017); and
· CSA had a capital lease agreement for general equipment with an outstanding balance of less than CAD 0.1 million (less than $0.1 million based on the exchange rate in effect on June 30, 2017).

As of June 30, 2017, scheduled maturities related to long-term debt were as follows:

Amounts in thousands	Bank of Montreal	Casinos Poland Credit Agreement	Century Downs Land Lease	Capital Leases	Total
2017	$ 2,461	$ 81	$ 0	$ 235	$ 2,777
2018	4,922	0	0	259	5,181
2019	16,258	0	0	91	16,349
2020	2,312	0	0	39	2,351
2021	2,312	0	0	10	2,322
Thereafter	10,980	0	15,024	1	26,005
Total	$ 39,245	$ 81	$ 15,024	$ 635	$ 54,985

8.COMMITMENTS AND CONTINGENCIES

Litigation

Since 2011, the Polish Internal Revenue Service ("Polish IRS") has conducted a series of tax audits of CPL to review the calculation and payment of personal income tax by CPL employees for periods ranging from 2007 to 2011. The Polish IRS has asserted that CPL should calculate, collect and remit to the Polish IRS personal income tax on tips received by CPL employees from casino customers and has prevailed in several court challenges by CPL. Through June 30, 2017, CPL has paid PLN 6.4 million ($2.1 million) related to these audits. As a result of one court decision currently on appeal, CPL's tax records for 2009 remain open for audit.

In December 2016, the Polish IRS conducted a tax audit of December 2010 and the remaining open portion of the 2011 fiscal year. As a result, CPL is required to pay PLN 2.9 million ($0.8 million based on the exchange rate in effect on June 30, 2017) related to this audit. The Polish IRS has not issued an official decision on this audit, and no payment will be made until the decision is issued. CPL plans to file an appeal of the tax audit decision after it is received. In addition, in June 2017, the Polish IRS began conducting a tax audit of the 2012 and 2013 fiscal years The audit is still being conducted.

The balance of the potential liability on the Company's condensed consolidated balance sheet for all open periods as of June 30, 2017 is PLN 9.0 million ($2.4 million based on the exchange rate in effect on June 30, 2017). The Company has evaluated the contingent liability recorded on its condensed consolidated balance sheet as of June 30, 2017 and has concluded that it is properly accrued in light of the Company's estimated obligation related to personal income tax on tips as of June 30, 2017. Additional court decisions and other proceedings by the Polish IRS may expose the Company to additional employment tax obligations in the future. Any additional tax obligations are not probable or estimable and the Company has not recorded any additional obligation related to such taxes as of June 30, 2017. Additional tax obligations assessed in the future as a result of these matters, if any, may be material to the Company's financial position, results of operations and cash flows.

In October 2016, the Company filed a motion for arbitration in Poland against LOT Polish Airlines, which previously owned a 33.3% interest in CPL that it sold to the Company in 2013. The Company is seeking to collect amounts owed to the Company by LOT Polish Airlines in connection with the payments made to the Polish IRS for the tax periods December 1, 2007 to December 31, 2008 and January 1, 2011 to January 31, 2011 pursuant to an agreement with LOT Polish Airlines under which the Company acquired the additional 33.3% interest in CPL. In June 2017, the arbitrator awarded the Company PLN 1.2 million ($0.3 million based on the exchange rate in effect on June 30, 2017) related to its claim for the periods indicated.

9.INCOME TAXES

Income tax expense is recorded relative to the jurisdictions that recognize book earnings. During the six months ended June 30, 2017, the Company recognized income tax expense of $1.9 million on pre-tax income of $6.8 million, representing an effective income tax rate of 27.2% compared to an income tax expense of $1.8 million on pre-tax income of $8.8 million, representing an effective income tax rate of 20.0% for the same period in 2016.

The difference between the income taxes expected at the U.S. federal statutory income tax rate of 34% and the reported income tax expense are impacted by a number of items. The Company's effective tax rate is lower because there is a lower statutory tax rate in the countries where the Company pays taxes, such as Austria, Mauritius, Canada and Poland, when compared to the United States. There is also a lower effective tax rate for the Company's Canadian and Polish operations due to exchange rate benefits.

The Company has a valuation allowance on its U.S. deferred tax assets that results from uncertainty regarding its ability to realize the benefits of its U.S. deferred tax assets. The Company continues to monitor the valuation allowance for deferred tax assets in the U.S. on a quarterly basis, and it may release all or a portion of the U.S. valuation allowance in 2017 or in subsequent years in the event that more positive evidence becomes available.

Further, the Company’s implementation of certain tax strategies could reduce the need for a valuation allowance in the future. If the Company concludes that its prospects for the realization of its deferred tax assets are more likely than not, it will reduce its valuation allowance as appropriate.

10.EARNINGS PER SHARE

The calculation of basic earnings per share considers only weighted average outstanding common shares in the computation. The calculation of diluted earnings per share gives effect to all potentially dilutive stock options. The calculation of diluted earnings per share is based upon the weighted average number of common shares outstanding during the period, plus, if dilutive, the assumed exercise of stock options using the treasury stock method. Weighted average shares outstanding for the three and six months ended June 30, 2017 and 2016 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
Amounts in thousands	2017	2016	2017	2016
Weighted average common shares, basic	24,466	24,432	24,460	24,445
Dilutive effect of stock options	496	116	451	171
Weighted average common shares, diluted	24,962	24,548	24,911	24,616

The following stock options are anti-dilutive and have not been included in the weighted average shares outstanding calculation:

	For the three months ended June 30,		For the six months ended June 30,	
Amounts in thousands	2017	2016	2017	2016
Stock options	35	60	35	35

11. FAIR VALUE MEASUREMENTS AND DERIVATIVE INSTRUMENTS REPORTING

Fair Value Measurements

The Company follows fair value measurement authoritative accounting guidance for all assets and liabilities measured at fair value. That authoritative accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Market or observable inputs are the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The fair value hierarchy for grouping these assets and liabilities is based on the significance level of the following inputs:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable
- Level 3 – significant inputs to the valuation model are unobservable

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The Company reflects transfers between the three levels at the beginning of the reporting period in which the availability of observable inputs no longer justifies classification in the original level.

Recurring Fair Value Measurements

The estimated fair value and basis of valuation of our financial liabilities that are measured at fair value on a recurring basis were as follows:

Amounts in thousands	June 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Interest rate swap liability (1)	$ 0	$ 101	$ 0	$ 0	$ 129	$ 0

(1) See "Derivative Instruments Reporting" below for detailed information regarding the Company's interest rate swap agreements.

The Company determines the fair value of its interest rate swap agreements based on the notional amount of the swaps and the forward rate CAD-CDOR curve provided by Bloomberg and zero-coupon Canadian spot rates as of the valuation date. The Company classifies these instruments as Level 2 because the inputs into the valuation model can be corroborated utilizing observable benchmark market rates at commonly quoted intervals.

Non-Recurring Fair Value Measurements

The Company applies the provisions of the fair value measurement standard to its non-recurring, non-financial assets and liabilities measured at fair value. There were no assets or liabilities measured at fair value on a non-recurring basis as of June 30, 2017. During 2016, the Company determined that the fair value of the Katowice leasehold improvements was zero based on the expiration of the license for that casino. As a result, $0.4 million was charged to operating costs and expenses during the year ended December 31, 2016.

Long-Term Debt – The carrying value of the Company's BMO Credit Agreement approximates fair value based on the refinancing of the debt in September 2016 and the variable interest paid on the obligation. The carrying value of the Company's CPL credit agreement approximates fair value based on the variable interest rate paid on the debt and the short-term nature of the obligation. The estimated fair values of the outstanding balances under the BMO Credit Agreement and CPL credit agreement are designated as Level 2 measurements in the fair value hierarchy based on quoted prices in active markets for similar liabilities. The fair values of the Company's capital lease obligations and CDR's land lease approximate fair value based on the similar terms and conditions currently available to the Company in the marketplace for similar financings. The estimated fair values of the outstanding balances related to the Company's capital lease obligations and CDR's land lease are designated as Level 3 measurements based on the unobservable nature of the inputs used to evaluate such liabilities.

Other Estimated Fair Value Measurements – The estimated fair value of the Company's other assets and liabilities, such as cash and cash equivalents, accounts receivable, inventory, accrued payroll and accounts payable, have been determined to approximate carrying value based on the short-term nature of those financial instruments. As of June 30, 2017 and December 31, 2016, the Company had no cash equivalents.

Derivative Instruments Reporting

As of April 2015, the Company began using interest rate swaps to mitigate the risk of variable interest rates under its BMO Credit Agreement. The interest rate swaps were not designated as accounting hedges. These interest rate swaps reset monthly, and the difference to be paid or received under the terms of the interest rate swap agreements is accrued as interest rates change and is recognized as an adjustment to interest expense for the related debt. See Note 7 for details of the Company's three interest rate swap agreements.

Changes in the variable interest rates to be paid or received pursuant to the terms of the interest rate swap agreements are recognized in interest expense on the Company's condensed consolidated statement of earnings. The location and effects of derivative instruments on the condensed consolidated statements of earnings were as follows:

Amounts in thousands

Derivatives not designated as ASC 815 hedges	Income Statement Classification	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Interest Rate Swaps	Interest Expense	$ 172	$ 169	$ 381	$ 320

The location and fair value amounts of the Company's derivative instruments in the condensed consolidated balance sheets were as follows:

Amounts in thousands

		As of June 30, 2017			As of December 31, 2016		
Derivatives not designated as ASC 815 hedges	Balance Sheet Classification	Gross Recognized Liabilities	Gross Amounts Offset	Net Recognized Fair Value Liabilities	Gross Recognized Liabilities	Gross Amounts Offset	Net Recognized Fair Value Liabilities
Derivative liabilities:							
Interest rate swaps - current	Accrued liabilities	$ 47	$ 0	$ 47	$ 55	$ 0	$ 55
Interest rate swaps - non-current	Taxes payable and other	54	0	54	74	0	74
Total derivative liabilities		$ 101	$ 0	$ 101	$ 129	$ 0	$ 129

12.SEGMENT INFORMATION

The Company reports its financial performance in three reportable segments based on the geographical locations in which its casinos operate: the United States, Canada and Poland. Operating segments are aggregated within reportable segments based on their similar characteristics, types of customers, types of services and products provided, the regulatory environments in which they operate, and their management and reporting structure. The Company's casino properties provide gaming, hotel accommodations, dining facilities and other amenities to the Company's customers. The Company's operations related to concession, management and consulting agreements and certain other corporate and management operations have not been identified as separate reportable segments; therefore, these operations are included in Corporate and Other in the following segment disclosures to reconcile to consolidated results. All intercompany transactions are eliminated in consolidation.

The table below provides information about the aggregation of the Company’s operating segments into reportable segments:

Reportable Segment	Operating Segment
Canada	Century Casino & Hotel - Edmonton
Canada	Century Casino Calgary
Canada	Century Downs Racetrack and Casino
Canada	Century Bets!
Canada	Century Casino St. Albert
United States	Century Casino & Hotel – Central City
United States	Century Casino & Hotel – Cripple Creek
Poland	Casinos Poland
Corporate and Other	Cruise Ships & Other
Corporate and Other	Corporate Other

The Company’s chief operating decision maker is a management function comprised of two individuals. These two individuals are our Co-Chief Executive Officers. The Company’s chief operating decision makers and management utilize Adjusted EBITDA as a primary profit measure for its reportable segments. Adjusted EBITDA is a non-U.S. GAAP measure defined as net earnings (loss) before interest expense (income), net, income taxes (benefit), depreciation, amortization, non-controlling interest (earnings) losses and transactions, pre-opening expenses, acquisition costs, non-cash stock-based compensation charges, asset impairment costs, (gain) loss on disposition of fixed assets, discontinued operations, (gain) loss on foreign currency transactions and other, gain on business combination and certain other one-time items. Intercompany transactions consisting primarily of management and royalty fees and interest, along with their related tax effects, are excluded from the presentation of net earnings (loss) and Adjusted EBITDA reported for each segment. Non-cash stock-based compensation expense is presented under Corporate and Other in the tables below as the expense is not allocated to reportable segments when reviewed by the Company’s chief operating decision makers.

The following tables provide information regarding the Company's segments for the three and six months ended June 30, 2017 and 2016:

	For the Three Months Ended June 30, 2017				
Amounts in thousands	Canada	United States	Poland	Corporate and Other	Total
Net operating revenue (1)	$ 14,040	$ 7,943	$ 14,287	$ 1,060	$ 37,330
Earnings (loss) before income taxes	$ 2,767	$ 1,346	$ 851	$ (1,930)	$ 3,034
Net earnings (loss) attributable to Century Casinos, Inc. shareholders	$ 1,823	$ 836	$ 435	$ (1,292)	$ 1,802
Interest expense (income), net	867	0	29	(8)	888
Income taxes (benefit)	794	510	198	(638)	864
Depreciation and amortization	845	618	472	83	2,018
Non-controlling interest	150	0	218	0	368
Non-cash stock-based compensation	0	0	0	126	126
Loss (gain) on foreign currency transactions and cost recovery income	13	0	(244)	(50)	(281)
Loss on disposition of fixed assets	10	0	241	0	251
Acquisition costs	0	0	0	151	151
Pre-opening expenses	0	0	225	0	225
Adjusted EBITDA	$ 4,502	$ 1,964	$ 1,574	$ (1,628)	$ 6,412

(1) Net operating revenue for Corporate and Other primarily relates to the Company's cruise ship operations.

	For the Three Months Ended June 30, 2016				
Amounts in thousands	Canada	United States	Poland	Corporate and Other	Total
Net operating revenue (1)	$ 13,167	$ 7,703	$ 13,570	$ 761	$ 35,201
Earnings (loss) before income taxes	$ 4,372	$ 1,344	$ 1,369	$ (1,772)	$