

CENTURY CASINOS INC /CO/
Form 10-Q
November 06, 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 September 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)

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

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:

24,472,320 shares of common stock, \$0.01 par value per share, were outstanding as of October 30, 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	September 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 44,254	\$ 38,837
Receivables, net	4,680	4,706
Prepaid expenses	1,788	1,224
Inventories	607	568
Restricted cash	1,013	0
Other current assets	106	613
Total Current Assets	52,448	45,948
Property and equipment, net	146,970	140,763
Goodwill	14,868	13,387
Deferred income taxes	7,115	1,705
Casino licenses	13,826	12,140
Trademarks	1,779	1,558
Cost investment	1,000	1,000
Deposits and other	3,259	1,337
Total Assets	\$ 241,265	\$ 217,838
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 5,647	\$ 5,583
Accounts payable	2,053	1,864
Accrued liabilities	9,322	9,088
Accrued payroll	5,786	5,313
Taxes payable	5,469	4,661
Contingent liability (note 8)	1,713	2,099
Total Current Liabilities	29,990	28,608
Long-term debt, net of current portion and deferred financing costs (note 7)	52,652	50,026
Taxes payable and other	825	620
Total Liabilities	83,467	79,254
Commitments and Contingencies		

See notes to unaudited condensed consolidated financial statements.

- Continued -

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CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (continued)

	September 30, 2017	December 31, 2016
Amounts in thousands, except for share and per share information		
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; 24,472,320 and 24,451,582 shares issued and outstanding	245	245
Additional paid-in capital	78,608	78,174
Retained earnings	77,995	66,386
Accumulated other comprehensive loss	(6,495)	(12,609)
Total Century Casinos, Inc. shareholders' equity	150,353	132,196
Non-controlling interest	7,445	6,388
Total Equity	157,798	138,584
Total Liabilities and Equity	\$ 241,265	\$ 217,838

See notes to unaudited condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

Amounts in thousands, except for per share information	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Operating revenue:				
Gaming	\$ 36,914	\$ 30,554	\$ 102,814	\$ 89,615
Hotel	560	534	1,491	1,469
Food and beverage	3,868	3,030	10,622	8,950
Other	2,449	2,811	7,604	9,536
Gross revenue	43,791	36,929	122,531	109,570
Less: Promotional allowances	(2,743)	(2,403)	(7,756)	(6,616)
Net operating revenue	41,048	34,526	114,775	102,954
Operating costs and expenses:				
Gaming	17,094	14,601	48,796	42,228
Hotel	171	143	468	416
Food and beverage	3,388	2,673	9,452	7,884
General and administrative	13,392	11,141	36,819	33,708
Depreciation and amortization	2,226	2,133	6,330	6,260
Total operating costs and expenses	36,271	30,691	101,865	90,496
Earnings from operations	4,777	3,835	12,910	12,458
Non-operating income (expense):				
Interest income	21	18	69	49
Interest expense	(829)	(667)	(2,667)	(2,247)
Gain on foreign currency transactions, cost recovery income and other	70	20	555	1,778
Non-operating (expense) income, net	(738)	(629)	(2,043)	(420)
Earnings before income taxes	4,039	3,206	10,867	12,038
Income tax benefit (expense)	3,913	(793)	2,054	(2,559)
Net earnings	7,952	2,413	12,921	9,479
Net earnings attributable to non-controlling interest	(322)	(526)	(1,329)	(3,062)
Net earnings attributable to Century Casinos, Inc. shareholders	\$ 7,630	\$ 1,887	\$ 11,592	\$ 6,417
Earnings per share attributable to Century Casinos, Inc. shareholders:				
Basic	\$ 0.31	\$ 0.08	\$ 0.47	\$ 0.26
Diluted	\$ 0.31	\$ 0.08	\$ 0.47	\$ 0.26
Weighted average shares outstanding - basic	24,470	24,440	24,464	24,452
Weighted average shares outstanding - diluted	24,891	24,675	24,905	24,644

See notes to unaudited condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
Amounts in thousands	2017	2016	2017	2016
Net earnings	\$ 7,952	\$ 2,413	\$ 12,921	\$ 9,479
Other comprehensive income				
Foreign currency translation adjustments	2,740	394	7,299	2,813
Other comprehensive income	2,740	394	7,299	2,813
Comprehensive income	\$ 10,692	\$ 2,807	\$ 20,220	\$ 12,292
Comprehensive income attributable to non-controlling interest				
Net earnings attributable to non-controlling interest	(322)	(526)	(1,329)	(3,062)
Foreign currency translation adjustments	(238)	(235)	(1,185)	(233)
Comprehensive income attributable to Century Casinos, Inc. shareholders	\$ 10,132	\$ 2,046	\$ 17,706	\$ 8,997

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		Total Century Casinos Shareholders' Equity	Noncontrolling Interest
				Other Comprehensive Income (Loss)	Retained Earnings		
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	6,417	6,417	3,062
Foreign currency translation adjustment	0	0	0	2,580	0	2,580	233
Amortization of stock-based compensation	0	0	573	0	0	573	0
Distribution to non-controlling interest	0	0	0	0	0	0	(1,896)
Exercise of stock options	30,488	0	97	0	0	97	0
BALANCE AT September 30, 2016	24,444,571	\$ 244	\$ 77,988	\$ (10,103)	\$ 63,588	\$ 131,717	\$ 6,136
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	11,592	11,592	1,329
Foreign currency	0	0	0	6,114	0	6,114	1,185

translation							
adjustment							
Amortization of							
stock-based							
compensation	0	0	419	0	0	419	0
Distribution to							
non-controlling							
interest	0	0	0	0	0	0	(1,457)
Exercise of							
stock options	20,738	0	32	0	0	32	0
BALANCE AT							
September 30,							
2017	24,472,320	\$ 245	\$ 78,608	\$ (6,495)	\$ 77,995	\$ 150,353	\$ 7,445
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 nine months ended September 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net earnings	\$ 12,921	\$ 9,479
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	6,330	6,260
Loss on disposition of fixed assets	466	42
Unrealized gain on interest rate swaps	(366)	(25)
Amortization of stock-based compensation expense	419	573
Amortization of deferred financing costs	118	86
Deferred taxes	(5,273)	(561)
Changes in Operating Assets and Liabilities, Net of Acquisition:		
Receivables, net	156	(595)
Prepaid expenses and other assets	(2,512)	(1,938)
Accounts payable	306	(273)
Accrued liabilities	1,455	1,972
Inventories	6	(8)
Other operating assets	0	(20)
Other operating liabilities	100	4
Accrued payroll	296	356
Taxes payable	883	234
Contingent liability payment	(824)	0
Net cash provided by operating activities	14,481	15,586
Cash Flows used in Investing Activities:		
Purchases of property and equipment	(5,168)	(5,020)
Acquisition of Century Casino St. Albert (net of cash acquired) (Note 3)	(1,494)	(23,175)
Acquisition of Saw Close Casino, Ltd. licenses (Note 1)	(126)	0
Proceeds from disposition of assets	1	10
Net cash used in investing activities	(6,787)	(28,185)
– Continued –		

See notes to unaudited condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

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

Amounts in thousands	For the nine months ended September 30,	
	2017	2016
Cash Flows (used in) provided by Financing Activities:		
Proceeds from borrowings	2,680	22,788
Principal payments	(4,312)	(3,668)
Payment of deferred financing costs	0	(209)
Distribution to non-controlling interest	(2,043)	(1,896)
Proceeds from exercise of stock options	32	97
Net cash (used in) provided by financing activities	(3,643)	17,112
Effect of Exchange Rate Changes on Cash	\$ 1,366	\$ (913)
Increase in Cash and Cash Equivalents	\$ 5,417	\$ 3,600
Cash and Cash Equivalents at Beginning of Period	\$ 38,837	\$ 29,366
Cash and Cash Equivalents at End of Period	\$ 44,254	\$ 32,966
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 4,286	\$ 2,124
Income taxes paid	\$ 1,935	\$ 2,639
Non-Cash Investing Activities:		
Purchase of property and equipment on account	\$ 383	\$ 324
Non-Cash Financing Activities:		
Assets acquired under capital lease obligation	\$ 105	\$ 502

See notes to unaudited condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1.DESCRPTION OF BUSINESS AND BASIS OF PRESENTATION

Century Casinos, Inc. (“CCI” or the “Company”) is an international casino entertainment company. As of September 30, 2017, the Company owned casino operations in North America; was developing a casino in England and a racetrack and entertainment center (“REC”) in Edmonton, Canada; held a majority ownership interest in six casinos throughout Poland, a REC in Calgary, 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 Century Casinos Europe GmbH (“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.

- 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 was not extended by the Company and ends on November 30, 2017.
- 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 (\$48.1 million based on the exchange rate in effect on September 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 during the fourth quarter of 2018. The Company is seeking to obtain financing for the Century Mile project.

In June 2017, the Company’s subsidiary, 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 September 30, 2017) as well as assumed liabilities of GBP 0.2 million (\$0.3 million based on the exchange rate in effect on September 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 (\$6.7 million based on the exchange rate in effect on September 30, 2017) and that the casino will open in the first half of 2018.

In August 2017, the Company announced that, together with the owner of the Hamilton Princess Hotel & Beach Club in Hamilton, Bermuda, it had submitted a license application to the Bermudan government for a casino at the Hamilton Princess Hotel & Beach Club. The casino will feature approximately 200 slot machines, 17 live table games, one or more electronic table games and a high limit area and salon prive. The Bermudan government will issue a provisional casino license as the next step in the application process. The conditions of the provisional casino license must be agreed upon by the Bermudan government and the company awarded the license. The Company currently has no estimated time frame on when this will be completed, and there is no guarantee that a license will be awarded. The Company's subsidiary, CCE, entered into a long-term management agreement with the owner of the hotel to manage the operations of the casino and receive a management fee if a license is awarded. CCE will also provide a \$5.0 million loan for the purchase of casino equipment if the license is awarded.

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 September 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	September 30, 2017	December 31, 2016
Canadian dollar (CAD)	1.2480	1.3427
Euros (EUR)	0.8466	0.9476
Polish zloty (PLN)	3.6506	4.2065
British pound (GBP)	0.7466	0.8106

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

Average Rates	For the three months ended September 30,			For the nine months ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Canadian dollar (CAD)	1.2531	1.3049	4.0%	1.3072	1.3224	1.1%
Euros (EUR)	0.8512	0.8965	5.1%	0.8997	0.8962	(0.4%)
Polish zloty (PLN)	3.6219	3.8890	6.9%	3.8379	3.9057	1.7%
British pound (GBP)	0.7641	0.7619	(0.3%)	0.7845	0.7194	(9.0%)
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 nine month periods ended September 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 nine months ended September 30, 2016. This error also affected the Company's income tax expense, net earnings attributable to non-controlling interest and consolidated statements of comprehensive income, equity, cash flows and Note 12 "Segment Information" for the nine months ended September 30, 2016.

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

Condensed Consolidated Statement of Earnings for the nine months ended September 30, 2016:

Amounts in thousands, except for per share information	As Previously Reported	Correction	As Corrected
Operating Revenue:			
Other	\$ 8,839	\$ 697	\$ 9,536
Gross revenue	108,873	697	109,570
Net operating revenue	102,257	697	102,954
Earnings from operations	11,761	697	12,458
Earnings before income taxes	11,341	697	12,038
Income tax expense	(2,378)	(181)	(2,559)
Net earnings	8,963	516	9,479
Net earnings attributable to non-controlling interest	(2,933)	(129)	(3,062)
Net earnings attributable to Century Casinos, Inc. shareholders	6,030	387	6,417
Earnings per share attributable to Century Casinos, Inc. shareholders:			
Basic and Diluted	\$ 0.25	\$ 0.01	\$ 0.26

Condensed Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2016:

Amounts in thousands	As Previously Reported	Correction	As Corrected
Net earnings	\$ 8,963	\$ 516	\$ 9,479
Other comprehensive income			

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Foreign currency translation adjustments	2,841	(28)	2,813
Other comprehensive income	2,841	(28)	2,813
Comprehensive income	\$ 11,804	\$ 488	\$ 12,292
Comprehensive income attributable to non-controlling interest			
Net earnings attributable to non-controlling interest	(2,933)	(129)	(3,062)
Foreign currency translation adjustments	(240)	7	(233)
Comprehensive income attributable to Century Casinos, Inc. shareholders	\$ 8,631	\$ 366	\$ 8,997

Condensed Consolidated Statement of Equity for the nine months ended September 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	2,601	(21)	2,580
Retained earnings			
Retained earnings balance at January 1, 2016	57,558	(387)	57,171
Net earnings	6,030	387	6,417
Total Century Casinos shareholders' equity			
Total Century Casinos shareholders' equity balance at January 1, 2016	122,416	(366)	122,050
Net earnings	6,030	387	6,417
Foreign currency translation adjustment	2,601	(21)	2,580
Non-controlling interest			
Non-controlling interest balance at January 1, 2016	4,859	(122)	4,737
Net earnings	2,933	129	3,062
Foreign currency translation adjustment	240	(7)	233
Total equity			
Total equity balance at January 1, 2016	127,275	(488)	126,787
Net earnings	8,963	516	9,479

Foreign currency translation adjustment	2,841	(28)	2,813
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Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2016:

Amounts in thousands	As Previously Reported	Correction	As Corrected
Cash Flows from Operating Activities:			
Net earnings	\$ 8,963	\$ 516	\$ 9,479
Changes in Operating Assets and Liabilities:			
Receivables, net	64	(659)	(595)
Taxes payable	63	171	234
Net cash provided by operating activities	15,558	28	15,586
Effect of Exchange Rate Changes on Cash	(885)	(28)	(913)

Note 12: Segment Information for the nine months ended September 30, 2016:

Amounts in thousands	As Previously Reported	Correction	As Corrected
Canada			
Net operating revenue	\$ 37,470	\$ 697	\$ 38,167
Net earnings attributable to Century Casinos, Inc. shareholders	5,076	387	5,463
Income taxes	1,477	181	1,658
Non-controlling interest	1,918	129	2,047
Adjusted EBITDA	11,316	697	12,013

Consolidated results in Note 12 “Segment Information” for the nine months ended September 30, 2016 have been updated as presented in the condensed consolidated statement of earnings table above. Consolidated Adjusted EBITDA for the nine months ended September 30, 2016 was corrected by \$0.7 million, adjusting the previously reported Consolidated Adjusted EBITDA of \$18.7 million to \$19.4 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 furnished without charge that is currently deducted from total revenue as promotional allowances to arrive at net operating revenue will be presented on a net basis within related revenue categories. As a result, the line items for promotional allowances on the consolidated statement of earnings would be eliminated. Additional revenue disclosures will also be added to the Company’s consolidated financial statements. Management has determined that the changes to the financial statements and related footnotes from the adoption of this standard are not expected to be material.

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

September 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 using the modified retrospective method. 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 plans to adopt ASU 2016-15 in its annual filing for the year ending December 31, 2017. 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 plans to adopt ASU 2016-16 effective January 1, 2018. 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 for each period presented. The Company plans to adopt ASU 2016-18 in its annual filing for the year ending December 31, 2017. The standard is expected to impact presentation of the Company's statement of cash flows only.

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 2017-09 should be applied prospectively to an award modified on or after the adoption date. The Company plans to adopt ASU 2017-09 effective January 1, 2018. 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 407 slot machines, 11

live table games, 15 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 \$2.3 million in net operating revenue and \$0.6 million in net earnings attributable to Century Casinos, Inc. shareholders and \$6.5 million in net operating revenue and \$0.9 million in net earnings attributable to Century Casinos, Inc. shareholders for the three and nine months ended September 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 measurement period to make any adjustments to the fair value of the assets and liabilities recognized as a result of the acquisition ended a year after the date of acquisition on October 1, 2017. The Company did not make any adjustments to the fair value of the assets and liabilities recognized during the nine months ended September 30, 2017.

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 pro forma 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 September 30, 2016 (Unaudited)	For the nine months ended September 30, 2016 (Unaudited)
Net operating revenue	\$ 36,445	\$ 108,209
Net earnings attributable to Century Casinos, Inc. shareholders	\$ 2,304	\$ 7,012
Basic and diluted earnings per share	\$ 0.09	\$ 0.29

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 had a three-year option through October 2017 to purchase up to 50% of the shares of MCE, which the Company did not exercise. 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 September 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		
	Century Resorts Alberta	Century Downs	Century Casino St. Albert	Casinos Poland	Total
Amounts in thousands					
Balance – December 31, 2016	\$ 3,661	\$ 141	\$ 3,501	\$ 6,084	\$ 13,387
Effect of foreign currency translation	278	11	266	926	1,481
Balance -- September 30, 2017	\$ 3,939	\$ 152	\$ 3,767	\$ 7,010	\$ 14,868

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:

	Century Casinos	Casinos Poland	Total
Amounts in thousands			
Balance – December 31, 2016	\$ 108	\$ 1,450	\$ 1,558
Effect of foreign currency translation	0	221	221
Balance -- September 30, 2017	\$ 108	\$ 1,671	\$ 1,779

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:

	September 30, 2017	December 31, 2016
Amounts in thousands		

Finite-lived		
Casino licenses	\$ 1,740	\$ 2,029
Less: accumulated amortization	(1,267)	(1,362)
Total finite-lived casino licenses, net	473	667
Infinite-lived		
Casino licenses	13,353	11,473
Total infinite-lived casino licenses	13,353	11,473
Casino licenses, net	\$ 13,826	\$ 12,140

Poland

As of September 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	(281)
Effect of foreign currency translation	87
Balance -- September 30, 2017	\$ 473

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

Amounts in thousands	
2017	\$ 82
2018	154
2019	74
2020	59
2021	59
Thereafter	45
	\$ 473

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 1.4 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	Century Casino St. Albert	Corporate and Other Saw Close Casino Ltd.
Amounts in thousands	Century Downs		
Balance – December 31, 2016	\$ 2,369	\$ 9,104	\$ 0
Purchase of Saw Close Casino Ltd.	0	0	952
Effect of foreign currency translation	180	690	58
Balance -- September 30, 2017	\$ 2,549	\$ 9,794	\$ 1,010

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 September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Amounts in thousands				
Hotel	\$ 11	\$ 9	\$ 36	\$ 37
Food and beverage	318	311	857	805
	\$ 329	\$ 320	\$ 893	\$ 842

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 September 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 September 30, 2017 and December 31, 2016 consisted of the following:

Amounts in thousands	September 30, 2017		December 31, 2016	
Credit agreement - Bank of Montreal	\$ 39,682	4.13%	\$ 40,495	4.04%
Credit agreement - CPL	0	0.00%	215	3.55%
Credit agreement - SCCL	2,679	1.93%	0	0.00%
Financing obligation - CDR land lease	15,622	13.24%	14,520	13.54%
Capital leases	607	7.04%	791	7.11%
Total principal	\$ 58,590	6.61%	\$ 56,021	7.61%
Deferred financing costs	(291)		(412)	
Total long-term debt	\$ 58,299		\$ 55,609	
Less current portion	(5,647)		(5,583)	
Long-term portion	\$ 52,652		\$ 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 September 30, 2017, the Company had borrowed CAD 63.9 million, of which the outstanding balance was CAD 49.5 million (\$39.7 million based on the exchange rate in effect on September 30, 2017) and the Company had approximately CAD 6.0 million (\$4.8 million based on the exchange rate in effect on September 30, 2017) available under the BMO Credit Agreement. In addition, the Company is using CAD 3.0 million (\$2.4 million based on the exchange rate in effect on September 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 September 30, 2017, the Company had CAD 1.1 million (\$0.9 million based on the exchange rate in effect on September 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 September 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 September 30, 2017, the Company had CAD 4.9 million (\$3.9 million based on the exchange rate in effect on September 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 September 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 September 30, 2017 and 2016) were recorded as interest expense in the condensed consolidated statements of earnings for each of the three and nine months ended September 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 September 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 September 30, 2017, the Company had the following interest rate swap agreements set at a Canadian Dollar Offered Rate ("CDOR"):

- Notional amount of CAD 8.1 million (\$6.5 million based on the exchange rate in effect on September 30, 2017) with a rate of 3.92% expiring in August 2019;
- Notional amount of CAD 8.1 million (\$6.5 million based on the exchange rate in effect on September 30, 2017) with a rate of 3.89% expiring in August 2019; and
- Notional amount of CAD 13.5 million (\$10.8 million based on the exchange rate in effect on September 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 nine months ended September 30, 2017 and 2016. These costs are included in interest expense in the condensed consolidated statements of earnings.

Casinos Poland

As of September 30, 2017, CPL had a short-term line of credit with BPH Bank used to finance current operations. The 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 is secured by a building owned by CPL in Warsaw, Poland and terminates on February 11, 2018. The credit facility had no outstanding balance as of September 30, 2017 and December 31, 2016 and approximately PLN 11.0 million (\$3.0 million based on the exchange rate in effect on September 30, 2017) was available for borrowing as of September 30, 2017. The credit 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 September 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 September 30, 2017). The mBank guarantees are secured by land owned by CPL in Kolbaskowo, Poland as well as a deposit of PLN 0.7 million (\$0.2 million based on the exchange rate in effect on September 30, 2017) with mBank that terminates 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 0.5 million (\$0.1 million based on the exchange rate in effect on September 30, 2017) in deposits for this purpose as of September 30, 2017. These deposits are included in deposits and other on the Company's condensed consolidated balance sheets.

Saw Close Casino Ltd.

In August 2017, the Company's subsidiary SCCL entered into a GBP 2.0 million term loan with UniCredit Bank Austria AG ("UniCredit"). The loan matures in September 2023 and bears interest at the London Interbank Offered Rate ("LIBOR") plus 1.625%. Proceeds from the loan will be used for construction and fitting out of the Company's Bath casino project. As of September 30, 2017, the amount outstanding on the loan was GBP 2.0 million (\$2.7 million based on the exchange rate in effect on September 30, 2017). SCCL has no further borrowing availability under the loan agreement. Repayment of the loan will begin in December 2018. The loan is guaranteed by a \$0.6 million cash guarantee by CCE. This guarantee is included in restricted cash 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 September 30, 2017, the outstanding balance on the financing obligation was CAD 19.5 million (\$15.6 million based on the exchange rate in effect on September 30, 2017).

Capital Lease Agreements

As of September 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 September 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 September 30, 2017);
- CDR had six capital lease agreements for surveillance, kitchen and racing-related equipment with an outstanding balance of CAD 0.4 million (\$0.3 million based on the exchange rate in effect on September 30, 2017);
- 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 September 30, 2017); and
- the Century Mile project had a capital lease agreement for trailers with an outstanding balance of CAD 0.1 million (\$0.1 million based on the exchange rate in effect on September 30, 2017).

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

Amounts in thousands	Bank of Montreal	Saw Close Casino Ltd.	Century Downs	Capital Leases	Total
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		Credit Agreement	Land Lease		
2017	\$ 1,433	\$ 0	\$ 0	\$ 120	\$ 1,553
2018	5,117	134	0	311	5,562
2019	16,906	536	0	124	17,566
2020	2,404	536	0	41	2,981
2021	2,404	536	0	10	2,950
Thereafter	11,418	937	15,622	1	27,978
Total	\$ 39,682	\$ 2,679	\$ 15,622	\$ 607	\$ 58,590

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 September 30, 2017, CPL has paid PLN 9.4 million (\$2.9 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 paid PLN 3.0 million (\$0.8 million) related to this audit in August 2017. CPL filed an appeal of the tax audit decision in September 2017 and expects a decision on the appeal in the fourth quarter of 2017. In addition, in June 2017, the Polish IRS began conducting a tax audit of the 2012 and 2013 fiscal years. The audit was completed in August 2017. CPL estimates it will be required to pay PLN 4.8 million (\$1.3 million based on the exchange rate in effect on September 30, 2017) related to this audit. The Polish IRS has not issued an official decision on this audit. CPL plans to file an appeal if the tax decision would result in a payment to the Polish IRS.

The balance of the potential liability on the Company’s condensed consolidated balance sheet for all open periods as of September 30, 2017 is PLN 6.3 million (\$1.7 million based on the exchange rate in effect on September 30, 2017). The Company has evaluated the contingent liability recorded on its condensed consolidated balance sheet as of September 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 September 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 September 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 September 30, 2017) related to its claim for the periods indicated. LOT Polish Airlines is appealing the decision.

9.INCOME TAXES

Income tax expense is recorded relative to the jurisdictions that recognize book earnings. For the nine months ended September 30, 2017, the Company recognized an income tax benefit of \$2.1 million on pre-tax income of \$10.9 million, representing an effective income tax rate of (18.9%) compared to an income tax expense of \$2.6 million on pre-tax income of \$12.0 million, representing an effective income tax rate of 21.3% 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 decrease in the effective tax rate compared to the same period in 2016 is primarily the result of the release of the U.S. valuation allowance in the third quarter of 2017 described below. The Company's effective tax rate is generally 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.

During the third quarter of 2017, the Company released its \$5.1 million U.S. valuation allowance on its U.S. deferred tax assets, resulting in a tax benefit. The Company analyzed the likelihood of future realization of the U.S.'s deferred tax assets, including recent cumulative earnings by taxing jurisdiction, expectations of future taxable income or loss, the amount of net operating loss carryforwards not subject to limitations, the number of periods it will take to realize the net operating loss carryforwards and other relevant factors. Based on this analysis, the Company concluded that the operations in the U.S. had attained a sustained level of profitability sufficient to realize its deferred tax assets in the U.S., and thus reduce its valuation allowance.

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 nine months ended September 30, 2017 and 2016 were as follows:

Amounts in thousands	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Weighted average common shares, basic	24,470	24,440	24,464	24,452
Dilutive effect of stock options	421	235	441	192
Weighted average common shares, diluted	24,891	24,675	24,905	24,644

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

Amounts in thousands	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Stock options	0	35	0	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 the Company's financial liabilities that are measured at fair value on a recurring basis were as follows:

Amounts in thousands	September 30, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Interest rate swap asset (1)	\$ 0	\$ 224	\$ 0	\$ 0	\$ 0	\$ 0
Interest rate swap liability (1)	\$ 0	\$ 0	\$ 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 September 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 and SCCL loan agreement approximates fair value based on the variable interest paid on the obligations. The estimated fair values of the outstanding balances under the BMO Credit Agreement and SCCL loan 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 the CDR 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 the CDR 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 September 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

		For the three months ended September 30,		For the nine months ended September 30,	
		2017	2016	2017	2016
Derivatives not designated as ASC 815 hedges	Income Statement Classification				
Interest Rate Swaps	Interest Expense	\$ (87)	\$ 97	\$ 294	\$ 417

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 September 30, 2017			As of December 31, 2016		
		Gross Recognized Assets (Liabilities)	Offset	Net Recognized Fair Value (Liabilities)	Gross Recognized Assets (Liabilities)	Offset	Net Recognized Fair Value (Liabilities)
Derivatives not designated as ASC 815 hedges	Balance Sheet Classification						
Derivative assets:							
Interest rate swaps - current	Other current assets	\$ 50	\$ 0	\$ 50	\$ 0	\$ 0	\$ 0

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Interest rate swaps - non-current	Deposits and other	174	0	174	0	0	0
Total derivative assets		\$ 224	\$ 0	\$ 224	\$ 0	\$ 0	\$ 0
Derivative liabilities:							
Interest rate swaps - current	Accrued liabilities	\$ 0	\$ 0	\$ 0	\$ (55)	\$ 0	\$ (55)
	Taxes payable and						
Interest rate swaps - non-current	other	0	0	0	(74)	0	(74)
Total derivative liabilities		\$ 0	\$ 0	\$ 0	\$ (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 added Century Mile Racetrack and Casino and Saw Close Casino Ltd. to its operating segments based on the characteristics that both properties will have once operational. 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
Canada	Century Mile Racetrack and Casino
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	Saw Close Casino Ltd.
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 nine months ended September 30, 2017 and 2016:

Amounts in thousands	For the Three Months Ended September 30, 2017				
	Canada	United States	Poland	Corporate and Other	Total
Net operating revenue (1)	\$ 15,285	\$ 9,039	\$ 15,550	\$ 1,174	\$ 41,048
Earnings (loss) before income taxes	\$ 3,096	\$ 2,056	\$ 959	\$ (2,072)	\$ 4,039
Net earnings attributable to Century Casinos, Inc. shareholders	\$ 2,611	\$ 1,276	\$ 464	\$ 3,279	\$ 7,630
Interest expense (income), net	759	0	56	(7)	808
Income taxes (benefit)	392	780	266	(5,351)	(3,913)
Depreciation and amortization	877	596	657	96	2,226
Non-controlling interest	93	0	229	0	322
Non-cash stock-based compensation	0	0	0	183	183
Loss (gain) on foreign currency transactions and cost recovery income	50	0	(222)	102	(70)
Loss on disposition of fixed assets	68	1	16	0	85
Acquisition costs	0	0	0	169	169
Pre-opening expenses	10	0	0	97	107
Adjusted EBITDA	\$ 4,860	\$ 2,653	\$ 1,466	\$ (1,432)	\$ 7,547

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