

Edgar Filing: CALLIDUS SOFTWARE INC - Form SC 13G

CALLIDUS SOFTWARE INC  
Form SC 13G  
February 15, 2005

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 1 )\*

CALLIDUS SOFTWARE INC

-----  
(Name of Issuer)

Common Stock, \$.01 par value per share

-----  
(Title of Class of Securities)

US13123E5006

-----  
(CUSIP Number)

December 31, 2004

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(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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SCHEDULE 13G

CUSIP No. US13123E5006

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
AMVESCAP PLC

2. Check the Appropriate Box if a Member of a Group (see Instructions)  
(a)  
(b)

3. SEC Use Only \_\_\_\_\_

4. Citizenship or Place of Organization  
AMVESCAP PLC: England  
INVESCO Private Capital, Inc.: United States

5. Sole Voting Power 2,843,229: Such shares are held by the following entities in the respective amounts listed INVESCO Private Capital, Inc. 2,843,229

Number of Shares Beneficially Owned by Each Reporting Person With

6. Shared Voting Power \_\_\_\_\_

7. Sole Dispositive Power 2,843,229: Such shares are held by the following entities in the respective amounts listed INVESCO Private Capital, Inc. 2,843,229

8. Shared Dispositive Power \_\_\_\_\_

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9. Aggregate Amount Beneficially Owned by Each Reporting Person  
2,843,229

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10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares  
(See Instructions) N/A

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11. Percent of Class Represented by Amount in Row (9) 11.40%  
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12. Type of Reporting Person (See Instructions)  
IA, HC. See Items 2 and 3 of this statement.

SCHEDULE 13G

Item 1(a) Name of Issuer:  
CALLIDUS SOFTWARE INC

Item 1(b) Address of Issuer's Principal Executive Offices:  
160 West Santa Clara Street  
Suite 1500  
San Jose, CA 95113

Item 2(a) Name of Person Filing:  
AMVESCAP PLC

In accordance with Securities and Exchange Commission Release No. 34-39538 (January 12, 1998), this statement on Schedule 13G or amendment thereto is being filed by AMVESCAP PLC ("AMVESCAP"), a U.K. entity, on behalf of itself and its subsidiaries listed in Item 4 of the cover of this statement. AMVESCAP through such subsidiaries provides investment management services to institutional and individual investors worldwide.

Executive officers and directors of AMVESCAP or its subsidiaries may beneficially own shares of the securities of the issuer to which this statement relates (the "Shares"), and such Shares are not reported in this statement. AMVESCAP and its subsidiaries disclaim beneficial ownership of Shares beneficially owned by any of their executive officers and directors. Each of AMVESCAP's direct and indirect subsidiaries also disclaim beneficial ownership of Shares beneficially owned by AMVESCAP and any other subsidiary.

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- Item 2(b)           Address of Principal Business Office:  
11 Devonshire Square  
London EC2M 4YR  
England
- Item 2(c)           Citizenship:  
See the response to Item 2(a) of this statement.
- Item 2(d)           Title of Class of Securities:  
Common Stock, \$.01 par value per share
- Item 2(e)           CUSIP Number:  
US13123E5006
- Item 3             Type of Reporting Person:  
An investment adviser in accordance with section 240.13d-1(b)(1)(ii)(E)  
A parent holding company or control person in accordance with section 240.13d-1
- As noted in Item 2 above, AMVESCAP is making this filing on behalf of its subsidiaries listed herein. Each of these entities is either an investment adviser registered with the United States Securities Exchange Commission under Section 203 of the Investment Advisers Act of 1940, as amended, or under similar laws of other jurisdictions. AMVESCAP is a holding company.
- Item 4             Ownership:  
Please see responses to Items 5-8 on the cover of this statement which are incorporated herein by reference.
- Item 5             Ownership of Five Percent or Less of a Class:  
N/A
- Item 6             Ownership of More than Five Percent on Behalf of Another Person:  
N/A
- Item 7             Identification and Classification of the Subsidiary Which Acquired the Security on By the Parent Holding Company:  
Please see Item 3 of this statement, which is incorporated herein by reference.
- Item 8             Identification and Classification of Members of the Group:  
N/A

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Item 9 Notice of Dissolution of a Group:  
N/A

Item 10 Certification:  
By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature:  
After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 14, 2005

-----  
Date

/s/ HAL LIEBES

-----  
Signature

Hal Liebes  
Group Compliance Officer  
AMVESCAP PLC

eft: 1pt none #D9D9D9 ;border-bottom:2pt double #000000 ;border-right: 1pt none #D9D9D9 ;background-color: #CCEEFF;;font-family:Times New Roman;font-size:9pt;text-align:right;" nowrap="nowrap">14,326

\$

16,165

(11%)

Net earnings attributable to Century Casinos, Inc. shareholders as reported (GAAP)

\$

6,259

\$

9,215

(32%)

Foreign currency impact vs. 2016

(39)

Net earnings attributable to Century Casinos, Inc. shareholders constant currency (non-GAAP)

\$

6,220

\$

9,215

(33%)

Gains and losses on foreign currency transactions are added back to net earnings in our Adjusted EBITDA calculations. As such, there is no foreign currency impact to Adjusted EBITDA when calculating constant currency results.

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## Non-GAAP Measures – Net Debt

We define Net Debt as total long-term debt (including current portion) plus deferred financing costs minus cash and cash equivalents. Net Debt is not considered a liquidity measure recognized under US GAAP. Management believes that Net Debt is a valuable measure of our overall financial situation. Net Debt provides investors with an indication of our ability to pay off all of our long-term debt if it becomes due simultaneously. The reconciliation of Net Debt is presented below.

	December	December
Amounts in thousands	31, 2017	31, 2016
Total long-term debt, including current portion	\$ 56,713	\$ 55,609
Deferred financing costs	258	412
Total principal	\$ 56,971	\$ 56,021
Less: cash and cash equivalents	\$ 74,677	\$ 38,837
Net Debt	\$ (17,706)	\$ 17,184

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with Part II, Item 8, "Financial Statements and Supplementary Data" of this report. Information contained in the following discussion of our results of operations and financial condition contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, and, as such, is based on current expectations and is subject to certain risks and uncertainties. The reader should not place undue reliance on these forward-looking statements for many reasons, including those risks discussed under Item 1A, "Risk Factors," and elsewhere in this document. See "Disclosure Regarding Forward-Looking Statements" that precedes Part I of this report. We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.

References in this item to "we," "our," or "us" are to the Company and its subsidiaries on a consolidated basis unless the context otherwise requires. The term "USD" refers to US dollars, the term "CAD" refers to Canadian dollars, the term "PLN" refers to Polish zloty and the term "GBP" refers to British pounds. Certain terms used in this Item 7 without definition are defined in Item 1, "Business" of this report.

Amounts presented in this Item 7 are rounded. As such, there may be rounding differences in period over period changes and percentages reported throughout this Item 7.

## EXECUTIVE OVERVIEW

### Overview

Since our inception in 1992, we have been primarily engaged in developing and operating gaming establishments and related lodging, restaurant and entertainment facilities. Our primary source of revenue is from the net proceeds of our gaming machines and tables, with ancillary revenue generated from hotel, restaurant, horse racing (including off-track betting), bowling and entertainment facilities that are in most instances a part of the casinos.

We view each casino property as a separate operating segment and aggregate all such properties into three reportable segments based on the geographical locations in which our casinos operate: Canada, United States and Poland. We have additional business activities including concession agreements, management agreements, consulting agreements and certain other corporate and management operations that we report as Corporate and Other.

The table below provides information about the aggregation of our operating segments into reportable segments:

Reportable Segment	Operating Segment
Canada	Century Casino & Hotel - Edmonton
Canada	Century Casino St. Albert
Canada	Century Casino Calgary
Canada	Century Downs Racetrack and Casino
Canada	Century Bets
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 following operating segments are owned, operated and managed through wholly-owned subsidiaries:

- The Century Casino & Hotel in Edmonton, Alberta, Canada;
- The Century Casino St. Albert in Edmonton, Alberta, Canada;
- The Century Casino Calgary in Calgary, Alberta, Canada;
- The Century Casino & Hotel in Central City, Colorado; and
- The Century Casino & Hotel in Cripple Creek, Colorado.

We have controlling financial interests through our subsidiary CCE in the following operating segments:

- We have a 66.6% ownership interest in CPL and we consolidate CPL as a majority-owned subsidiary for which we have a controlling financial interest. Polish Airports owns the remaining 33.3% of CPL. We account for and report the 33.3% Polish Airports ownership interest as a non-controlling financial interest. CPL has been in operation since 1989 and, as of December 31, 2017, was the owner and operator of six casinos throughout Poland.

During the first half of 2018, the casino licenses for the casinos in Plock, Lodz, Krakow and Poznan have expired or are expiring, and we have submitted, or will submit, applications for casino licenses in these cities. In October 2017, we were granted new casino licenses in the Polish cities of Katowice, Bielsko-Biala and Wroclaw, which have been issued by the Polish Minister of Finance. The license awards at these locations were appealed by CPL's competitors, and all appeals were denied. The Bielsko-Biala casino opened in January 2018. Management expects to open the Katowice and Wroclaw casinos in the second quarter of 2018.

- We have a 75% ownership interest in CDR and we consolidate CDR as a majority-owned subsidiary for which we have a controlling financial interest. We account for and report the remaining 25% ownership interest in CDR as a non-controlling financial interest. CDR operates Century Downs Racetrack and Casino, a REC in Balzac, a north metropolitan area of Calgary, Alberta, Canada. CDR is the only horse racetrack in the Calgary area and is located less than one-mile north of the city limits of Calgary and 4.5 miles from the Calgary International Airport.
- We have a 75% ownership interest in CBS and we consolidate CBS as a majority-owned subsidiary for which we have a controlling financial interest. Rocky Mountain Turf Club ("RMTC") owns the remaining 25% of CBS. We account for and report the 25% ownership interest of RMTC in CBS as a non-controlling financial interest. The pari-mutuel network consists of sourcing of common pool pari-mutuel wagering content and live video to off-track betting parlors throughout southern Alberta.

The following agreements make up the operating segment Cruise Ships & Other in the Corporate and Other reportable segment:

- We operate 14 ship-based casinos through concession agreements with four cruise lines.

In May 2017, we began operating the ship-based casinos onboard the Mein Schiff 6, a new 2,500 passenger cruise ship.

The Mein Schiff 1 and Mein Schiff 2 are being transferred from the TUI Cruises fleet to another cruise line in April 2018 and February 2019, respectively, at which time the concession agreements for these two vessels will end.

In July 2016, we entered into a cooperation agreement with Dynamic regarding the operations of the ship-based casino onboard Glory Sea. Both parties terminated this agreement in November 2017, and we charged the outstanding \$0.3 million related to obtaining this agreement to operating costs and expenses on our consolidated statement of earnings for the year ended December 31, 2017. We will continue to operate the ship-based casino onboard the Glory Sea; however, Dynamic will no longer market and promote the casino to VIP players.

In March 2015, we mutually agreed with Norwegian to terminate our concession agreements with Oceania and Regent, indirect subsidiaries of Norwegian, effective June 1, 2015 (the "Termination Agreement"). We transitioned operations of the eight ship-based casinos that we operated onboard Oceania and Regent vessels to Norwegian in the second quarter of 2015. As consideration for the early termination of the concession agreements, we received \$4.0 million in June 2015, which we recorded on our consolidated statement of earnings under operating revenue, net of \$0.6 million in assets that were sold to Norwegian as part of the Termination Agreement.

In March 2015, in connection with the Termination Agreement with Norwegian, we entered into a two-year consulting agreement with Norwegian that became effective June 1, 2015. Under the consulting agreement, we provided limited consulting services for the ship-based casinos of Oceania and Regent in exchange for receiving a consulting fee of \$2.0 million payable \$250,000 per quarter through May 2017.

- Through our subsidiary CCE, we have a 7.5% ownership interest in MCE and we report our ownership interest using the cost method of accounting. MCE has an exclusive concession agreement with IPJC 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. CCE has appointed one director to MCE's board of directors and had a three-year option through October 2017 to purchase up to 50% of the shares of MCE, which we did not exercise. In addition, CCE and MCE have entered into a consulting service 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 EBITDA.
- We had a management agreement to direct the operation of the casino at the Hilton Aruba Caribbean Resort & Casino from which we received a monthly management fee. The management agreement ended on November 30, 2017. We do not expect expiration of this management agreement to have a material effect on our results of operations.

#### Additional Projects Under Development

In September 2016, we were selected by HRA as the successful applicant to own, build and operate a horse racing facility in the Edmonton market area, which we are planning to operate as Century Mile Racetrack and Casino. In March 2017, we received approval for the Century Mile project from the AGLC. Century Mile will be a one-mile horse racetrack and a multi-level REC. The project is located on Edmonton International Airport land close to the city of Leduc, south of Edmonton. We began construction on the Century Mile project in July 2017. We estimate this project will cost approximately CAD 60.0 million (\$47.8 million based on the exchange rate in effect as of December 31, 2017) and that it will be completed in early 2019. We will finance the project with \$25.0 million of the \$34.4 million received from the common stock offering we completed in November 2017 and the balance of the Century Mile construction will be financed through new credit facilities or with available cash.

In June 2017, our subsidiary, CCE, acquired casino licenses held by Saw Close Casino Ltd. in Bath, England (the "SCCL License Acquisition"). We are planning to develop and operate a 15,000 square foot casino using the casino licenses. The casino is expected to include approximately 35 slot machines, 18 table games and 24 automated live gaming terminals. The purchase price for the license acquisition was GBP 0.6 million (\$0.8 million based on the exchange rate in effect on December 31, 2017), of which GBP 0.1 million (\$0.1 million based on the exchange rate in effect on June 20, 2017) was paid at closing, GBP 0.2 million (\$0.3 million based on the exchange rate in effect on December 22, 2017) was paid after the receipt of regulatory and governmental approvals, and GBP 0.2 million (\$0.3 million based on the exchange rate in effect on December 31, 2017) will be paid after the casino opens. In addition, we assumed liabilities in the amount of GBP 0.2 million (\$0.3 million based on the exchange rate in effect on December 31, 2017) that are repayable if certain performance criteria are met once the casino is in operation. We also have deposited GBP 0.8 million (\$1.1 million based on the exchange rate in effect on December 31, 2017) into an escrow account to secure performance of certain obligations under the lease agreements with the landlord of the property that will be released in connection with work performed by SCCL to fit out the casino. We estimate construction and fitting out of the casino will cost an additional GBP 5.5 million (\$7.4 million based on the exchange rate in effect on December 31, 2017) and that the casino will open in the second quarter of 2018, subject to the receipt of certain regulatory and governmental approvals.

In August 2017, we announced that, together with the owner of the Hamilton Princess Hotel & Beach Club in Hamilton, Bermuda, we 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 privé. In September 2017, the Bermuda Casino Gaming Commission granted a provisional casino gaming license, which is subject to certain conditions and approvals including the adoption of certain rules and regulations by the Parliament of Bermuda. 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 the license is awarded. CCE will also provide a \$5.0 million loan for the purchase of casino equipment if the license is awarded.

We are exploring an expansion at Century Casino & Hotel Cripple Creek to provide additional hotel rooms for our existing casino and hotel.

Presentation of Foreign Currency Amounts - The average exchange rates to the U.S. dollar used to translate balances during each reported period are as follows:

Average Rates	For the year				
	ended December 31,			% Change	
	2017	2016	2015	2017/2016	2016/2015
Canadian dollar (CAD)	1.2981	1.3256	1.2786	2.1%	(3.7%)
Euros (EUR)	0.8871	0.9041	0.9014	1.9%	(0.3%)
Polish zloty (PLN)	3.7764	3.9455	3.7706	4.3%	(4.6%)
British pound (GBP)	0.7767	0.7410	0.6545	(4.8%)	(13.2%)

Source: Pacific Exchange Rate Service

We recognize in our statement of earnings, foreign currency transaction gains or losses resulting from the translation of casino operations and other transactions that are denominated in a currency other than U.S. dollars. Our casinos in Canada and Poland represent a significant portion of our business, and the revenue generated and expenses incurred by these operations are generally denominated in Canadian dollars and Polish zloty. A decrease in the value of these currencies in relation to the value of the U.S. dollar would decrease the earnings from our foreign operations when translated into U.S. dollars. An increase in the value of these currencies in relation to the value of the U.S. dollar would increase the earnings from our foreign operations when translated into U.S. dollars. See Note 2, "Significant Accounting Policies - Foreign Currency" to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this report.

## DISCUSSION OF RESULTS

Years ended December 31, 2017, 2016 and 2015

Century Casinos, Inc. and Subsidiaries

Amounts in thousands	For the year ended December 31,			2017/2016		2016/2015	
	2017	2016	2015	\$ Change	% Change	\$ Change	% Change
Gaming Revenue	\$ 137,871	\$ 123,355	\$ 116,933	\$ 14,516	11.8%	\$ 6,422	5.5%
Hotel Revenue	1,943	1,906	1,681	37	1.9%	225	13.4%
Food and Beverage Revenue	14,513	12,500	12,003	2,013	16.1%	497	4.1%
Termination of Concession Agreements	0	0	3,365	0	0.0%	(3,365)	(100.0%)
Other Revenue	10,128	10,416	8,201	(288)	(2.8%)	2,215	27.0%
Gross Revenue	164,455	148,177	142,183	16,278	11.0%	5,994	4.2%
Less Promotional Allowances	(10,386)	(8,943)	(8,449)	1,443	16.1%	494	5.8%
Net Operating Revenue	154,069	139,234	133,734	14,835	10.7%	5,500	4.1%
Gaming Expenses	(66,364)	(58,928)	(56,364)	7,436	12.6%	2,564	4.5%
Hotel Expenses	(660)	(541)	(561)	119	22.0%	(20)	(3.6%)
Food and Beverage Expenses	(12,959)	(10,945)	(10,267)	2,014	18.4%	678	6.6%
General and Administrative Expenses	(50,526)	(44,306)	(42,747)	6,220	14.0%	1,559	3.6%
Total Operating Costs and Expenses	(139,454)	(123,069)	(117,938)	16,385	13.3%	5,131	4.4%
Earnings from Operations	14,615	16,165	15,796	(1,550)	(9.6%)	369	2.3%
Income Tax Expense	(4,560)	(1,787)	(1,654)	2,773	155.2%	133	8.0%
Net Earnings Attributable to Non-controlling Interests	(1,632)	(4,598)	(1,471)	(2,966)	(64.5%)	3,127	212.6%
Net Earnings Attributable to Century Casinos, Inc. Shareholders	6,259	9,215	11,520	(2,956)	(32.1%)	(2,305)	(20.0%)
Adjusted EBITDA (1)	\$ 26,086	\$ 25,762	\$ 22,798	\$ 324	1.3%	\$ 2,964	13.0%
Earnings Per Share Attributable to Century Casinos, Inc. Shareholders							
Basic Earnings Per Share	\$ 0.25	\$ 0.38	\$ 0.47	\$ (0.13)	(34.2%)	\$ (0.09)	(19.1%)
Diluted Earnings Per Share	\$ 0.24	\$ 0.37	\$ 0.47	\$ (0.13)	(35.1%)	\$ (0.10)	(21.3%)

(1)

For a discussion of Adjusted EBITDA and reconciliation of Adjusted EBITDA to net earnings (loss) attributable to Century Casinos, Inc. shareholders, see Item 6, "Selected Financial Data" of this report.

Factors impacting year-over-year comparability of the results include the following:

- In March 2015, we acquired an additional 60% ownership interest in CDR through the conversion of CAD 11.0 million in loans we made to CDR. We now own 75% of CDR. The non-controlling interest in CDR was 85% through March 19, 2015 and 25% beginning as of March 20, 2015. The casino and racetrack at CDR began operating in April 2015.

CDR contributed \$17.4 million in net operating revenue and \$2.1 million in net earnings for the year ended December 31, 2017, \$16.0 million in net operating revenue and \$3.7 million in net earnings for the year ended December 31, 2016 and \$12.0 million in net operating revenue and \$1.5 million in net earnings for the year ended December 31, 2015. CDR is reported in the Canada reportable segment.

- CBS began operating the southern Alberta pari-mutuel network in May 2015. We have a 75% ownership interest in CBS.

CBS contributed a total of \$2.7 million in net operating revenue and \$0.1 million in net earnings for the year ended December 31, 2017, \$3.0 million in net operating revenue and \$0.2 million in net earnings for the year ended December 31, 2016 and \$2.2 million in net operating revenue and \$0.1 million in net earnings for the year ended December 31, 2015. CBS is reported in the Canada reportable segment.

- We recorded \$3.4 million in net operating revenue and net earnings for the year ended December 31, 2015 in the Corporate and Other segment, related to the \$4.0 million consideration for the termination of the Oceania and Regent concession agreements net of \$0.6 million of assets sold as part of the agreement. This is included in the Corporate and Other segment.

- We began operating CSA in October 2016. CSA contributed a total of \$8.8 million in net operating revenue and \$1.2 million in net earnings for the year ended December 31, 2017 and \$2.0 million in net operating revenue and \$0.3 million in net earnings for the year ended December 31, 2016. CSA is reported in the Canada reportable segment.

- We released the \$2.2 million Canadian valuation allowance on CDR's deferred tax assets, resulting in a tax benefit for the year ended December 31, 2016.
- We released the \$5.7 million U.S. valuation allowance on our U.S. deferred tax assets, resulting in a tax benefit for the year ended December 31, 2017. The tax benefit from the release of the U.S. valuation allowance was offset by increased tax expense of \$5.4 million resulting from the tax law changes made in the Tax Act that became effective in the 2017 tax year, as discussed further in Taxes below.
- Results in Poland for the year ended December 31, 2017 were negatively impacted by the expiration of several casino licenses in Poland, which resulted in the closure of the Wroclaw casino in June 2017 and the Katowice casino in July 2016. Although we have applied for and obtained some casino licenses following their expiration, including the Wroclaw and Katowice casino licenses, and will be applying for other licenses, license expirations may continue to impact results in Poland in 2018
- In November 2017, we closed a public offering of 4,887,500 shares of our common stock. The additional shares of common stock decreased earnings per share attributable to Century Casinos Inc. shareholders by \$0.01 for the year ended December 31, 2017.

Net operating revenue increased by \$14.8 million, or 10.7%, and by \$5.5 million, or 4.1%, for the year ended December 31, 2017 compared to the year ended December 31, 2016 and for the year ended December 31, 2016 compared to the year ended December 31, 2015, respectively. Following is a breakout of net operating revenue by segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 and for the year ended December 31, 2016 compared to the year ended December 31, 2015.

- Canada increased by \$7.5 million, or 14.9%, and by \$5.0 million, or 11.1%.
- United States increased by \$2.0 million, or 6.7%, and by \$1.7 million, or 6.0%.
- Poland increased by \$4.9 million, or 8.9%, and by \$2.7 million, or 5.1%.
- Corporate Other increased by \$0.4 million, or 10.4%, and decreased by (\$3.9) million, or (49.6%).

Operating costs and expenses increased by \$16.4 million, or 13.3%, and by \$5.1 million, or 4.4%, for the year ended December 31, 2017 compared to the year ended December 31, 2016 and for the year ended December 31, 2016 compared to the year ended December 31, 2015, respectively. Following is a breakout of operating costs and expenses by segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 and for the year ended December 31, 2016 compared to the year ended December 31, 2015.

- Canada increased by \$6.1 million, or 16.4%, and by \$3.7 million, or 11.1%.
- United States increased by \$1.1 million, or 4.4%, and by \$0.8 million, or 3.4%.
- Poland increased by \$7.7 million, or 15.6%, and by \$1.4 million, or 3.0%.
- Corporate Other increased by \$1.5 million, or 13.1%, and decreased by (\$0.9) million, or (7.1%).

Earnings from operations decreased by (\$1.6) million, or (9.6%), and increased by \$0.4 million, or 2.3%, for the year ended December 31, 2017 compared to the year ended December 31, 2016 and for the year ended December 31, 2016 compared to the year ended December 31, 2015, respectively. Following is a breakout of earnings from operations by segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 and for the year ended December 31, 2016 compared to the year ended December 31, 2015.

- Canada increased by \$1.4 million, or 10.8%, and by \$1.3 million, or 11.2%.
- United States increased by \$0.9 million, or 19.0%, and by \$0.9 million, or 22.5%.
- Poland decreased by (\$2.8) million, or (52.2%), and increased by \$1.2 million, or 29.8%.
- Corporate Other decreased by (\$1.0) million, or (14.6%), and by (\$3.1) million, or (75.2%).

Net earnings decreased by (\$3.0) million, or (32.1%), and by (\$2.3) million, or (20.0%), for the year ended December 31, 2017 compared to the year ended December 31, 2016 and for the year ended December 31, 2016 compared to the year ended December 31, 2015, respectively. Items deducted from or added to earnings from operations to arrive at net earnings include interest income, interest expense, gains (losses) on foreign currency transactions and other, income tax expense and non-controlling interests. For a discussion of these items, see “Non-Operating Income (Expense)” and “Taxes” below in this Item 7.

## Reportable Segments

The following discussion provides further detail of consolidated results by reportable segment.

## Canada

	For the year ended December 31,			2017/2016		2016/2015	
	2017	2016	2015	\$ Change	% Change	\$ Change	% Change
Amounts in thousands							
Gaming	\$ 39,866	\$ 34,009	\$ 31,044	\$ 5,857	17.2%	\$ 2,965	9.6%
Hotel	554	561	662	(7)	(1.2%)	(101)	(15.3%)
Food and Beverage	10,017	8,501	8,386	1,516	17.8%	115	1.4%
Other Revenue	8,427	8,035	6,158	392	4.9%	1,877	30.5%
Gross Revenue	58,864	51,106	46,250	7,758	15.2%	4,856	10.5%
Less Promotional Allowances	(1,132)	(869)	(1,047)	263	30.3%	(178)	(17.0%)
Net Operating Revenue	57,732	50,237	45,203	7,495	14.9%	5,034	11.1%
Gaming Expenses	(12,296)	(10,725)	(9,257)	1,571	14.6%	1,468	15.9%
Hotel Expenses	(203)	(185)	(194)	18	9.7%	(9)	(4.6%)
Food and Beverage Expenses	(7,981)	(6,790)	(6,445)	1,191	17.5%	345	5.4%
General and Administrative Expenses	(19,217)	(16,302)	(14,976)	2,915	17.9%	1,326	8.9%
Total Operating Costs and Expenses	(43,124)	(37,051)	(33,344)	6,073	16.4%	3,707	11.1%
Earnings from Operations	14,608	13,186	11,859	1,422	10.8%	1,327	11.2%
Income Tax Expense	(3,008)	(796)	(1,929)	2,212	277.9%	(1,133)	(58.7%)
Net Earnings Attributable to Non-controlling Interests	(996)	(3,137)	(23)	(2,141)	(68.2%)	3,114	13539.1%
Net Earnings Attributable to Century Casinos, Inc.							
Shareholders	7,681	8,448	7,432	(767)	(9.1%)	1,016	13.7%
Adjusted EBITDA	\$ 18,171	\$ 16,262	\$ 14,687	\$ 1,909	11.7%	\$ 1,575	10.7%

On October 1, 2016, our subsidiary, Century Casino St. Albert Inc., acquired 100% of the issued and outstanding shares of several entities that collectively owned and operated the Apex Casino in St. Albert, Edmonton, Canada, as well as the related real property (the "Apex Acquisition"). In October 2016, we began operating CSA.

CDR began hosting thoroughbred horse races, in addition to standardbred horse races, in September 2017. Previously, CDR conducted only standardbred horse races. The thoroughbred races have generated additional customers and increased gaming and food and beverage revenue. We released the \$2.2 million Canadian valuation allowance on CDR's deferred tax assets, resulting in a tax benefit for the year ended December 31, 2016.

Construction on the Century Mile project began in July 2017. We estimate that we will open Century Mile in early 2019.

In Edmonton, our competitors continue to remodel their casinos with the Palace Casino at the West Edmonton Mall undergoing rebranding and renovations in 2018. The renovations could lead to increased business at CRA and CSA during construction.

At CAL we converted one of our showrooms to an 18 hole miniature golf course. We are marketing the miniature golf course and bowling alley as an entertainment center and anticipate a new customer demographic to visit the casino as a result of these changes.

Years ended December 31, 2017 and 2016

The following discussion highlights results for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Results in U.S. dollars were impacted by a 2.1% exchange rate increase in the average rate between the U.S. dollar and Canadian dollar for the year ended December 31, 2017 compared to the year ended December 31, 2016.

## Revenue Highlights

## In CAD

At CRA, net operating revenue decreased by (CAD 1.1) million, or (3.9%), due to lower gaming and food and beverage revenue. Increased competition from a casino that opened in the downtown Edmonton area in 2016 contributed to the decline in gaming revenue. In addition, the decreased food and beverage revenue was due to fewer shows presented in our showroom throughout the year and lower spending per customer.

At CSA, net operating revenue increased by CAD 8.7 million, or 322.9%, due to operating the casino for a full year in 2017 versus three months in 2016.

At CAL, net operating revenue decreased by (CAD 0.2) million, or (1.6%), due to lower gaming and food and beverage revenue and increased promotional allowances. In the fourth quarter of 2017, we completed the addition of an 18 hole miniature golf course that, together with the 30 lane bowling alley, will create an entertainment center that we believe will attract new customers to the casino.

At CDR, net operating revenue increased by CAD 1.4 million, or 6.4%, due to increased gaming and food and beverage revenue. The increased revenue was due to the addition of 40 slot machines during the second quarter of 2017 and our introduction of thoroughbred racing during the fourth quarter of 2017. Thoroughbred racing attracts patrons that tend to spend more on gaming and food and beverage.

## In U.S. dollars

At CRA, net operating revenue decreased by (\$0.4) million, or (1.7%).

At CSA, net operating revenue increased by \$6.8 million, or 335.6%.

At CAL, net operating revenue increased by \$0.1 million, or 0.7%.

At CDR, net operating revenue increased by \$1.4 million, or 8.5%.

## Operating Expense Highlights

## In CAD

At CRA, operating expenses decreased by (CAD 0.9) million, or (4.4%), due to decreased cost of goods as a result of lower food and beverage sales; decreased marketing expenses due to fewer shows presented in the showroom; and decreased payroll costs due to labor efficiencies.

At CSA, operating expenses increased by CAD 6.3 million, or 324.3%, due to operating the casino for a full year in 2017 versus three months in 2016.

At CAL, operating expenses increased by CAD 0.5 million, or 4.9%, primarily due to increased payroll costs due in part to staffing changes in upper management and increased marketing expense related to marketing the new entertainment center.

At CDR, operating expenses increased by CAD 1.2 million, or 8.6%, due to increased payroll costs and operating expenses primarily related to operating thoroughbred racing beginning in September 2017.

## In U.S. dollars

At CRA, operating expenses decreased by (\$0.3) million, or (2.3%).

At CSA, operating expenses increased by \$4.9 million, or 336.8%.

At CAL, operating expenses increased by \$0.5 million, or 7.2%.

At CDR, operating expenses increased by \$1.2 million, or 10.9%.



Operating expenses related to the Century Mile project were less than \$0.1 million for the year ended December 31, 2017.

We also operate the Southern Alberta pari-mutuel off-track betting network through CBS. Earnings from operations at CBS decreased by (\$0.1) million, or (30.5%), for the year ended December 31, 2017 compared to the year ended December 31, 2016. We anticipate that earnings from operations at CBS for the year ending December 31, 2018 will remain flat compared to 2017.

A reconciliation of net earnings attributable to Century Casinos, Inc. shareholders to Adjusted EBITDA can be found in the “Non-GAAP Measures – Adjusted EBITDA” discussion in Item 6, “Selected Financial Data” of this report.

Years ended December 31, 2016 and 2015

The following discussion highlights results for the year ended December 31, 2016 compared to the year ended December 31, 2015. In March 2015, our subsidiary, CCE, converted CAD 11.0 million of loans it made to CDR into an additional 60% ownership interest in CDR, resulting in a 75% ownership interest in CDR. CDR began operations in April 2015 and CBS began operations in May 2015.

Results in U.S. dollars were impacted by a 3.7% exchange rate decrease in the average rate between the U.S. dollar and Canadian dollar for the year ended December 31, 2016 compared to the year ended December 31, 2015.

## Revenue Highlights

### In CAD

At CRA, net operating revenue decreased by (CAD 0.8) million, or (2.7%), due to lower gaming and food and beverage revenue. We conducted a casino remodel during the second and third quarters of 2016, which contributed to the decrease in revenue. The remodel included expanding the gaming floor, relocating the poker room, enhancing the high limit gaming area and adding a new bar to the casino. The remodel was substantially completed in November 2016. In addition, increased competition from a new casino in the downtown Edmonton area contributed to the decline in net operating revenue.

At CSA, net operating revenue was CAD 2.7 million.

At CAL, net operating revenue decreased by (CAD 0.1) million, or (0.8%), due to lower gaming and food and beverage revenue. CAL was greatly impacted by the weak Alberta economy resulting from lower oil prices. In response to the decreased gaming and food and

### In U.S. dollars

At CRA, net operating revenue decreased by (\$1.4) million, or (6.3%).

At CSA, net operating revenue was \$2.0 million.

At CAL, net operating revenue decreased by (\$0.4) million, or

beverage revenue, we decreased the promotional allowances offered at this location.

At CDR, net operating revenue increased by CAD 5.8 million, or 37.5%, due to operating the casino for three additional months and the racetrack for approximately two additional months in 2016 compared to 2015.

(4.7%).

At CDR, net operating revenue increased by \$4.0 million, or 33.7%.

Operating Expense Highlights

In CAD

At CRA, operating expenses increased by CAD 0.6 million, or 2.9%, primarily due to increased payroll costs of CAD 0.4 million from higher minimum wages in Alberta, Canada and increased marketing expenses of CAD 0.2 million.

At CSA, operating expenses were CAD 2.0 million.

At CAL, operating expenses increased by CAD 0.2 million, or 2.1%, primarily due to increased payroll costs of CAD 0.2 million, resulting primarily from higher minimum wages in Alberta, Canada, and increased administrative expenses of CAD 0.1 million, offset by decreased marketing expenses of CAD 0.1 million.

At CDR, operating expenses increased by CAD 2.8 million, or 24.9%, due to operating the casino for three additional months and the racetrack for approximately two additional months in 2016 compared to 2015.

In U.S. dollars

At CRA, operating expenses decreased by (\$0.1) million, or (0.8%).

At CSA, operating expenses were \$1.5 million.

At CAL, operating expenses decreased by (\$0.1) million, or (1.5%).

At CDR, operating expenses increased by \$1.9 million, or 21.7%.

Earnings from operations at CBS increased by \$0.2 million, or 188.6%, for the year ended December 31, 2016 compared to the year ended December 31, 2015.

A reconciliation of net earnings attributable to Century Casinos, Inc. shareholders to Adjusted EBITDA can be found in the “Non-GAAP Measures – Adjusted EBITDA” discussion in Item 6, “Selected Financial Data” of this report.

## United States

Amounts in thousands	For the year ended December 31,			2017/2016		2016/2015	
	2017	2016	2015	\$ Change	% Change	\$ Change	% Change
Gaming	\$ 34,610	\$ 32,398	\$ 31,038	\$ 2,212	6.8%	\$ 1,360	4.4%
Hotel	1,389	1,345	1,019	44	3.3%	326	32.0%
Food and Beverage	3,782	3,397	3,070	385	11.3%	327	10.7%
Other Revenue	334	352	346	(18)	(5.1%)	6	1.7%
Gross Revenue	40,115	37,492	35,473	2,623	7.0%	2,019	5.7%
Less Promotional Allowances	(7,961)	(7,357)	(7,035)	604	8.2%	322	4.6%
Net Operating Revenue	32,154	30,135					