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ze: 10pt"> Non-controlling interest

738

0

284

0

1,022

Non-cash stock-based compensation

0

0

0

419

419

Gain on foreign currency transactions and other

(357)

0

(35)

(15)

(407)

Loss on disposition of fixed assets

3

0

22

0

25

Acquisition costs

(36)

0

0

36

0

Other one-time income

0

0

0

(3,365)

(3,365)

Adjusted EBITDA

\$

4,782

\$

1,712

\$

1,786

\$

(1,472)

\$

6,808

For the Six Months Ended June 30, 2016

	Canada	United States	Poland	Corporate and Other	Total
Net earnings (loss)	\$ 3,604	\$ 1,377	\$ 1,347	\$ (2,186)	\$ 4,142
Interest expense (income), net	1,534	0	23	(8)	1,549
Income taxes (benefit)	1,118	844	617	(995)	1,584
Depreciation and amortization	1,470	1,251	1,234	172	4,127
Non-controlling interest	1,735	0	672	0	2,407
Non-cash stock-based compensation	0	0	0	381	381
(Gain) loss on foreign currency transactions and other	(1,544)	0	(222)	8	(1,758)
Loss on disposition of fixed assets	21	3	13	0	37
Adjusted EBITDA	\$ 7,938	\$ 3,475	\$ 3,684	\$ (2,628)	\$ 12,469

## For the Six Months Ended June 30, 2015

	Canada	United States	Poland	Corporate and Other	Total
Net earnings	\$ 4,392	\$ 1,194	\$ 1,351	\$ 1,505	\$ 8,442
Interest expense (income), net	1,625	0	78	(6)	1,697
Income taxes (benefit)	957	731	516	(2,175)	29
Depreciation and amortization	992	1,266	1,247	197	3,702
Non-controlling interest	(1)	0	675	0	674
Non-cash stock-based compensation	0	0	0	807	807
Gain on foreign currency transactions and other	(519)	0	(368)	(15)	(902)
Loss on disposition of fixed assets	3	0	142	1	146
Preopening expenses	345	0	0	0	345
Other one-time income	0	0	0	(3,365)	(3,365)
Adjusted EBITDA	\$ 7,794	\$ 3,191	\$ 3,641	\$ (3,051)	\$ 11,575

## Reportable Segments

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

## Canada

Amounts in thousands	For the three months ended June 30,				For the six months ended June 30,			
	2016	2015	Change	% Change	2016	2015	Change	% Change
Gaming	\$ 8,803	\$ 9,247	\$ (444)	(4.8%)	\$ 16,798	\$ 15,097	\$ 1,701	11.3%
Hotel	148	159	(11)	(6.9%)	292	337	(45)	(13.4%)
Food and Beverage	2,049	2,329	(280)	(12.0%)	4,048	4,080	(32)	(0.8%)
Other	2,388	1,872	516	27.6%	4,703	2,759	1,944	70.5%
Gross Revenue	13,388	13,607	(219)	(1.6%)	25,841	22,273	3,568	16.0%
Less Promotional Allowances	(221)	(298)	(77)	(25.8%)	(379)	(519)	(140)	(27.0%)
Net Operating Revenue	13,167	13,309	(142)	(1.1%)	25,462	21,754	3,708	17.0%
Gaming Expenses	(2,532)	(2,458)	74	3.0%	(5,093)	(4,453)	640	14.4%
Hotel Expenses	(45)	(49)	(4)	(8.2%)	(91)	(95)	(4)	(4.2%)
Food and Beverage Expenses	(1,628)	(1,892)	(264)	(14.0%)	(3,241)	(3,146)	95	3.0%
General and Administrative Expenses	(4,558)	(4,095)	463	11.3%	(9,120)	(6,614)	2,506	37.9%
Total Operating Costs and Expenses	(9,535)	(9,067)	468	5.2%	(19,015)	(15,300)	3,715	24.3%
Earnings from Operations	3,632	4,242	(610)	(14.4%)	6,447	6,454	(7)	(0.1%)
Non-Controlling Interest	(1,736)	(738)	998	135.2%	(1,735)	1	1,736	173600.0%
Net Earnings	1,948	2,258	(310)	(13.7%)	3,604	4,392	(788)	(17.9%)
Adjusted EBITDA	\$ 4,422	\$ 4,782	\$ (360)	(7.5%)	\$ 7,938	\$ 7,794	\$ 144	1.8%

Three Months Ended June 30, 2016 and 2015

The following discussion highlights results for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. Results in U.S. dollars were impacted by a 4.8% exchange rate decrease in the average rate between the U.S. dollar and Canadian dollar for the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

## Revenue Highlights

### In CAD

At our property in Edmonton, gaming revenue remained constant, food and beverage revenue decreased by (CAD 0.1) million, or (6.0%), due to closures of some food and beverage outlets during the casino renovation and other revenue decreased by (CAD 0.1) million, or (14.8%), due to decreased ticket sales for the showroom. At our property in Calgary, gaming revenue increased by CAD 0.3 million, or 18.1%, due to increased revenue from baccarat. At Century Downs, gaming revenue decreased by (CAD 0.3) million, or (6.9%), due to decreased revenue from slots, food and beverage revenue decreased by (CAD 0.1) million, or (15.4%), and other revenue increased by CAD 0.3 million, or 138.6%, due to increased revenue from racing and revenue from leasing barn space.

### In U.S. dollars

At our property in Edmonton, gaming revenue decreased by (\$0.2) million, or (4.5%), food and beverage revenue decreased by (\$0.1) million, or (10.3%), and other revenue decreased by (\$0.1) million, or (18.5%). At our property in Calgary, gaming revenue increased by \$0.2 million, or 12.6%. At Century Downs, gaming revenue decreased by (\$0.4) million, or (11.2%), food and beverage revenue decreased by (\$0.1) million, or (19.1%), and other revenue increased by \$0.2 million, or 66.8%.



At Century Bets, other revenue increased by CAD 0.6 million, or 57.8%, due to increased revenue resulting from operating the pari-mutuel off-track betting network for the full quarter in 2016 as compared to May and June in 2015.

At Century Bets, other revenue increased by \$0.4 million, or 50.2%.

### Operating Expense Highlights

#### In CAD

At our property in Edmonton, operating expenses remained constant.

At our property in Calgary, operating expenses increased by CAD 0.2 million, or 7.5%, primarily due to increased payroll costs, property taxes and administrative expenses.

At Century Downs, operating expenses increased by CAD 0.3 million, or 8.6%, primarily due to increased marketing expenses offset by decreased food and beverage and administrative expenses.

At Century Bets, operating expenses increased by CAD 0.6 million, or 94.2%, due to operating the pari-mutuel off-track betting network for the full quarter in 2016 as compared to May and June in 2015.

#### In U.S. dollars

At our property in Edmonton, operating expenses decreased by (\$0.1) million, or (3.9%).

At our property in Calgary, operating expenses remained constant.

At Century Downs, operating expenses increased by \$0.1 million, or 3.5%.

At Century Bets, operating expenses increased by \$0.5 million, or 84.8%.

### Additional Items Impacting Net Income

#### In CAD

Interest expense decreased by (CAD 0.2) million, or (17.0%), related to long-term debt at Edmonton and Century Downs.

Foreign currency losses at all Canadian properties increased by CAD 0.1 million, or 159.3%.

Income tax expense increased by CAD 0.1 million, or 17.1%.

#### In U.S. dollars

Interest expense decreased by (\$0.2) million, or (20.9%).

Foreign currency losses at all Canadian properties decreased by (\$0.1) million, or (42.9%).

Income tax expense increased by \$0.1 million, or 12.6%.

A reconciliation of net earnings to Adjusted EBITDA can be found in the “Non-GAAP Measures – Adjusted EBITDA” discussion above.

### Six Months Ended June 30, 2016 and 2015

The following discussion highlights results for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. The increased revenue and expenses in our Canada segment primarily relate to the operations of Century Downs and Century Bets throughout the six-month period ended June 30, 2016. Century Downs began operations in April 2015 and Century Bets began operations in May 2015.

Results in U.S. dollars were impacted by a 7.7% exchange rate decrease in the average rate between the U.S. dollar and Canadian dollar for the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

### Revenue Highlights

#### In CAD

At our property in Edmonton, gaming revenue increased by CAD 0.1 million, or 1.1%, due to increased revenue from baccarat and blackjack. Food and beverage and other revenue remained constant.

#### In U.S. dollars

At our property in Edmonton, gaming revenue decreased by (\$0.5) million, or (6.1%), food and beverage revenue decreased by (\$0.2) million, or (8.4%), and other revenue decreased by (\$0.1) million, or (10.2%).

At our property in Calgary, gaming revenue increased by CAD 0.2 million, or 6.3%, due to increased revenue from baccarat. Food and beverage revenue decreased by (CAD 0.1) million, or (5.5%), due to decreased events in the showroom.

At Century Downs, gaming revenue increased CAD 3.4 million, or 73.1%, food and beverage revenue increased CAD 0.4 million, or 49.1%, and other revenue increased CAD 0.9 million, or 238.5%, due to operating the casino for three additional months and the race track for approximately two additional months in 2016 compared to 2015.

At Century Bets, other revenue increased by CAD 1.9 million, or 181.1%, due to operating the pari-mutuel network for the full six months in 2016 as compared to May and June in 2015.

At our property in Calgary, gaming revenue decreased by (\$0.1) million, or (1.9%), and food and beverage revenue decreased by (\$0.1) million, or (12.2%).

At Century Downs, gaming revenue increased \$2.3 million, or 60.7%, food and beverage revenue increased \$0.3 million, or 39.0%, and other revenue increased \$0.7 million, or 217.4%.

At Century Bets, other revenue increased by \$1.4 million, or 160.4%.

### Operating Expense Highlights

#### In CAD

At our property in Edmonton, operating expenses increased by CAD 0.4 million, or 3.8%, primarily due to increased payroll costs, marketing expenses and administrative expenses.

At our property in Calgary, operating expenses increased by CAD 0.2 million, or 5.0%, primarily due to increased payroll costs, property taxes and administrative expenses.

At Century Downs, operating expenses increased by CAD 2.9 million, or 72.1%, due to operating the casino for three additional months and the race track for approximately two additional months in 2016 compared to 2015.

At Century Bets, operating expenses increased by CAD 2.8 million, or 368.8%, due to operating the pari-mutuel network for the full six months in 2016 as compared to May and June in 2015.

#### In U.S. dollars

At our property in Edmonton, operating expenses decreased by (\$0.3) million, or (3.7%).

At our property in Calgary, operating expenses decreased by (\$0.1) million, or (2.3%).

At Century Downs, operating expenses increased by \$2.0 million, or 60.0%.

At Century Bets, operating expenses increased by \$2.1 million, or 336.0%.

### Additional Items Impacting Net Income

#### In CAD

Interest expense increased by CAD 0.3 million, or 13.0%, related to long-term debt at our property in Edmonton and Century Downs.

Foreign currency losses at all Canadian properties decreased by (CAD 1.0) million, or (100.0%).

Income tax expense increased by CAD 0.2 million, or 19.9%.

#### In U.S. dollars

Interest expense decreased by (\$0.1) million, or (5.6%).

Foreign currency losses at all Canadian properties increased by \$0.1 million, or 293.1%.

Income tax expense increased by \$0.2 million, or 16.8%.

A reconciliation of net earnings to Adjusted EBITDA can be found in the “Non-GAAP Measures – Adjusted EBITDA” discussion above.



## United States

	For the three months ended June 30,				For the six months ended June 30,			
	2016	2015	Change	% Change	2016	2015	Change	% Change
Amounts in thousands								
Gaming	\$ 8,232	\$ 7,893	\$ 339	4.3%	\$ 15,869	\$ 15,381	\$ 488	3.2%
Hotel	342	241	101	41.9%	643	450	193	42.9%
Food and Beverage	825	756	69	9.1%	1,577	1,444	133	9.2%
Other	95	101	(6)	(5.9%)	183	169	14	8.3%
Gross Revenue	9,494	8,991	503	5.6%	18,272	17,444	828	4.7%
Less Promotional Allowances	(1,791)	(1,781)	10	0.6%	(3,488)	(3,441)	47	1.4%
Net Operating Revenue	7,703	7,210	493	6.8%	14,784	14,003	781	5.6%
Gaming Expenses	(3,137)	(3,141)	(4)	(0.1%)	(6,257)	(6,156)	101	1.6%
Hotel Expenses	(89)	(90)	(1)	(1.1%)	(182)	(172)	10	5.8%
Food and Beverage Expenses	(608)	(575)	33	5.7%	(1,169)	(1,107)	62	5.6%
General and Administrative Expenses	(1,900)	(1,692)	208	12.3%	(3,704)	(3,377)	327	9.7%
Total Operating Costs and Expenses	(6,359)	(6,130)	229	3.7%	(12,563)	(12,078)	485	4.0%
Earnings from Operations	1,344	1,080	264	24.4%	2,221	1,925	296	15.4%
Net Earnings	833	718	115	16.0%	1,377	1,194	183	15.3%
Adjusted EBITDA	\$ 1,970	\$ 1,712	\$ 258	15.1%	\$ 3,475	\$ 3,191	\$ 284	8.9%

## Three Months Ended June 30, 2016 and 2015

The following discussion highlights results for the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

## Market Share Highlights

- The Central City market increased by 4.2% and our property's share of the Central City market was 28.6%, an increase of 1.4% compared to the three months ended June 30, 2015.

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The Cripple Creek market increased by 1.7% and our property's share of the Cripple Creek market was 9.9%, an increase of 1.4% compared to the three months ended June 30, 2015.

### Revenue Highlights

- Net operating revenue at Central City increased by \$0.4 million, or 9.8%, due to increased gaming revenue of \$0.3 million, or 5.7%, primarily from slot machines and increased food and beverage revenue of \$0.1 million, or 14.4%.
- Net operating revenue at Cripple Creek increased by \$0.1 million, or 2.5%, due to increased gaming revenue of \$0.1 million, or 2.2%, primarily from slot machines and increased hotel revenue of \$0.1 million, or 43.8%, offset by increased promotional allowances of \$0.1 million, or 8.3%.

### Operating Expense Highlights

- Operating expenses at Central City increased by \$0.2 million, or 6.5%, due to increased gaming-related expenses, payroll expenses and general and administrative expenses.
- Operating expenses at Cripple Creek remained constant.

### Additional Items Impacting Net Income

- Income tax expense increased by \$0.1 million, or 41.2%.

A reconciliation of net earnings to Adjusted EBITDA can be found in the "Non-GAAP Measures – Adjusted EBITDA" discussion above.

Six Months Ended June 30, 2016 and 2015

The following discussion highlights results for the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

#### Market Share Highlights

- The Central City market increased by 5.0% and our property's share of the Central City market was 28.2%, a decrease of (1.9%) compared to the six months ended June 30, 2015.
- The Cripple Creek market increased by 3.3% and our property's share of the Cripple Creek market was 9.8%, an increase of 0.2% compared to the six months ended June 30, 2015.

#### Revenue Highlights

- Net operating revenue at Central City increased by \$0.5 million, or 6.3%, due to increased gaming revenue of \$0.3 million, or 3.1%, primarily from slot machines, increased food and beverage revenue of \$0.1 million, or 12.9%, and decreased promotional allowances of \$0.1 million, or 2.5%.
- Net operating revenue at Cripple Creek increased by \$0.3 million, or 4.5%, due to increased gaming revenue of \$0.2 million, or 3.2%, primarily from slot machines, and increased hotel revenue of \$0.1 million, or 54.2%, offset by increased promotional allowances of \$0.1 million, or 8.0%.

#### Operating Expense Highlights

- Operating expenses at Central City increased by \$0.4 million, or 5.7%, due to increased gaming-related expenses, payroll expenses and general and administrative expenses.
- Operating expenses at Cripple Creek increased by \$0.1 million, or 1.6%, due to increased gaming-related expenses.

#### Additional Items Impacting Net Income

- Income tax expense increased by \$0.1 million, or 15.5%.

A reconciliation of net earnings to Adjusted EBITDA can be found in the "Non-GAAP Measures – Adjusted EBITDA" discussion above.

## Poland

Amounts in thousands	For the three months ended June 30,				For the six months ended June 30,			
	2016	2015	Change	% Change	2016	2015	Change	% Change
Gaming	\$ 13,543	\$ 12,503	\$ 1,040	8.3%	\$ 25,671	\$ 25,913	\$ (242)	(0.9%)
Food and Beverage	154	133	21	15.8%	295	261	34	13.0%
Other	67	333	(266)	(79.9%)	214	351	(137)	(39.0%)
Gross Revenue	13,764	12,969	795	6.1%	26,180	26,525	(345)	(1.3%)
Less Promotional Allowances	(194)	(94)	100	106.4%	(345)	(116)	229	197.4%
Net Operating Revenue	13,570	12,875	695	5.4%	25,835	26,409	(574)	(2.2%)
Gaming Expenses	(8,313)	(7,881)	432	5.5%	(15,713)	(16,278)	(565)	(3.5%)
Food and Beverage Expenses	(423)	(367)	56	15.3%	(812)	(728)	84	11.5%
General and Administrative Expenses	(2,846)	(2,863)	(17)	(0.6%)	(5,639)	(5,904)	(265)	(4.5%)
Total Operating Costs and Expenses	(12,215)	(11,747)	468	4.0%	(23,398)	(24,157)	(759)	(3.1%)
Earnings from Operations	1,355	1,128	227	20.1%	2,437	2,252	185	8.2%
Non-Controlling Interest	(341)	(284)	57	20.1%	(672)	(675)	(3)	(0.4%)
Net Earnings	678	568	110	19.4%	1,347	1,351	(4)	(0.3%)
Adjusted EBITDA	\$ 1,979	\$ 1,786	\$ 193	10.8%	\$ 3,684	\$ 3,641	\$ 43	1.2%

## Three Months Ended June 30, 2016 and 2015

Results in U.S. dollars were impacted by a 4.7% exchange rate decrease in the average rate between the U.S. dollar and Polish zloty for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. The following discussion highlights results for the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

## Revenue Highlights

In PLN

In U.S. dollars



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Gaming revenue increased by PLN 5.4 million, or 11.5%, due to increased slot revenue of PLN 7.5 million, or 37.6%, offset by decreased table revenue of (PLN 2.1) million, or (7.7%) primarily in blackjack and roulette.	Gaming revenue increased by \$1.0 million, or 8.3%.
Food and beverage revenue increased by PLN 0.1 million, or 21.5%.	Food and beverage revenue remained constant.
Other revenue decreased by (PLN 0.2) million, or (38.6%), due to a VAT refund that was received in 2015 that was not received in 2016.	Other revenue decreased by (\$0.3) million, or (79.9%).
Promotional allowances increased by PLN 0.4 million, or 116.7%, due to increased promotional allowances in the Krakow and Warsaw casinos.	Promotional allowances increased by \$0.1 million, or 106.4%.

### Operating Expense Highlights

In PLN	In U.S. dollars
Operating expenses increased by PLN 3.9 million, or 8.9%, primarily due to increased gaming expenses of PLN 2.9 million, or 12.3%, as well as increased marketing expenses and payroll costs.	Operating expenses increased by \$0.5 million, or 4.0%.

### Additional Items Impacting Net Income

In PLN	In U.S. dollars
Interest expense decreased by (PLN 0.1) million, or (71.5%).	Interest expense decreased by less than (\$0.1) million, or (73.2%).
Income tax expense increased by PLN 0.4 million, or 36.6%.	Income tax expense increased by \$0.1 million, or 30.6%.

A reconciliation of net earnings to Adjusted EBITDA can be found in the “Non-GAAP Measures – Adjusted EBITDA” discussion above.

### Six Months Ended June 30, 2016 and 2015

Results in U.S. dollars were impacted by a 5.5% exchange rate decrease in the average rate between the U.S. dollar and Polish zloty for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. The following discussion highlights results for the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

### Revenue Highlights

In PLN	In U.S. dollars
Gaming revenue increased by PLN 4.3 million, or 4.4%, due to increased slot revenue of PLN 14.6 million, or 38.6%, offset by decreased table revenue of (PLN 10.3) million, or (17.8%), primarily from blackjack and roulette.	Gaming revenue decreased by (\$0.2) million, or (0.9%).
Food and beverage revenue increased by PLN 0.2 million, or 19.3%.	Food and beverage revenue remained constant.
Other revenue decreased by (PLN 0.4) million, or (34.7%), due to due to a VAT refund that was received in 2015 that was not received in 2016.	Other revenue decreased by (\$0.1) million, or (39.0%).
Promotional allowances increased by PLN 0.9 million, or 213.5%, due to increased promotional allowances in the Krakow and Warsaw casinos.	Promotional allowances increased by \$0.2 million, or 197.4%

### Operating Expense Highlights

In PLN	In U.S. dollars
Operating expenses increased by PLN 1.9 million, or 2.1%, primarily due to increased gaming expenses of PLN 1.8 million, or 3.7%, increased payroll costs and administrative expenses, offset by decreased marketing expenses.	Operating expenses decreased by (\$0.8) million, or (3.1%).

Additional Items Impacting Net Income

In PLN

Interest expense decreased by (PLN 0.2) million, or (66.0%).

Foreign currency losses increased by PLN 0.1 million, or 18.1%.

Income tax expense increased by PLN 0.5 million, or 26.4%.

In U.S. dollars

Interest expense decreased by (\$0.1) million, or (67.4%).

Foreign currency losses increased by \$0.1 million, or 39.7%.

Income tax expense increased by \$0.1 million, or 19.6%.

A reconciliation of net earnings to Adjusted EBITDA can be found in the “Non-GAAP Measures – Adjusted EBITDA” discussion above.

In March 2011, the Polish Internal Revenue Service (“Polish IRS”) began conducting a series of tax audits of CPL to review the calculation and payment of personal income tax by CPL employees. Based on the March 2011 audit, the Polish IRS concluded that CPL should calculate, collect and remit to the Polish IRS personal income tax on tips received by CPL employees from casino customers. The Polish IRS has conducted tax audits for the periods from December 1, 2007 to December 31, 2008, January 1, 2009 to December 31, 2009 and January 1, 2011 to January 31, 2011. On March 9, 2016, CPL received an oral decision from the Supreme Administrative Court for the tax periods of December 1, 2007 to December 31, 2008 and January 1, 2011 to January 31, 2011. The court found in favor of the Polish IRS. CPL received the written decision from the court in the second quarter of 2016 that confirmed the oral decision. See Note 8, “Commitments and Contingencies,” to our condensed consolidated financial statements included in this report.

The balance of the potential liability on our condensed consolidated balance sheet for all open periods as of June 30, 2016 is estimated at PLN 8.6 million (\$2.2 million based on the exchange rate in effect on June 30, 2016). We have evaluated the contingent liability recorded on our condensed consolidated balance sheet as of June 30, 2016 and have concluded that it is properly accrued in light of our estimated obligation related to personal income tax on tips. The decision rendered by the Supreme Administrative Court in March 2016 and other proceedings by the Polish IRS may expose us to additional employment tax obligations in the future. Any additional tax obligations are not probable or estimable and we have not recorded any additional obligation related to such taxes as of June 30, 2016. Additional tax obligations assessed in the future as a result of these matters, if any, may be material to our financial position, results of operations and cash flows. To address these issues, we expect changes to the payroll and withholding processes for Casinos Poland will be implemented in the third quarter of 2016. We anticipate payroll costs to increase by approximately PLN 5.0 million per year (\$1.3 million based on the exchange rate in effect on June 30, 2016).

## Corporate and Other

Amounts in thousands	For the three months ended June 30,				For the six months ended June 30,			
	2016	2015	Change	% Change	2016	2015	Change	% Change
Gaming	\$ 323	\$ 827	\$ (504)	(60.9%)	\$ 722	\$ 2,258	\$ (1,536)	(68.0%)
Termination of								
Concession Agreements	0	3,365	(3,365)	(100.0%)	0	3,365	(3,365)	(100.0%)
Other	438	289	149	51.6%	928	490	438	89.4%
Net Operating Revenue	761	4,481	(3,720)	(83.0%)	1,650	6,113	(4,463)	(73.0%)
Gaming Expenses	(269)	(726)	(457)	(62.9%)	(553)	(2,008)	(1,455)	(72.5%)
General and								
Administrative								
Expenses	(2,195)	(2,317)	(122)	(5.3%)	(4,106)	(4,599)	(493)	(10.7%)
Total Operating Costs and Expenses	(2,551)	(3,092)	(541)	(17.5%)	(4,831)	(6,804)	(1,973)	(29.0%)
(Losses) Earnings from								
Operations	(1,790)	1,389	(3,179)	(228.9%)	(3,181)	(691)	(2,490)	(360.3%)
Net (Loss) Earnings	(1,210)	3,053	(4,263)	(139.6%)	(2,186)	1,505	(3,691)	(245.2%)

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Adjusted EBITDA	\$ (1,513)	\$ (1,472)	\$ (41)	(2.8%)	\$ (2,628)	\$ (3,051)	\$ 423	13.9%
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Three Months Ended June 30, 2016 and 2015

We terminated our concession agreements with Oceania and Regent, indirect subsidiaries of Norwegian, effective June 1, 2015. We transitioned operations of the eight ship-based casinos that we operated onboard Oceania and Regent vessels to Norwegian during the second quarter of 2015. As consideration for the early termination of the concession agreements, we received \$4.0 million in June 2015 and recorded this on our condensed consolidated statement of earnings under operating revenue net of \$0.6 million related to assets that were sold to Norwegian as part of the termination agreement. We also entered into a consulting agreement with Norwegian effective June 1, 2015, under which we are providing limited consulting services for the ship-based casinos of Oceania and Regent in exchange for receiving a consulting fee of \$2.0 million that is payable in eight quarterly installments of \$250,000 that commenced in July 2015.

The following discussion highlights results for the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

#### Revenue Highlights

- Gaming revenue decreased by (\$0.5) million, or (60.9%), as a result of the termination of the concession agreements with Oceania and Regent.
- Other revenue increased by \$0.1 million, or 51.6%, due to an additional two months of revenue from the consulting agreement with Norwegian.

#### Operating Expense Highlights

- Operating expenses decreased by (\$0.5) million, or (17.5%), due to decreased cruise ship related expenses of (\$0.2) million as a result of the termination of the concession agreements with Oceania and Regent, decreased stock compensation expense of (\$0.2) million and decreased corporate expenses of (\$0.1) million.

#### Additional Items Impacting Net Income

- Income tax expense increased by \$1.1 million, or 65.9%, as a result of releasing the Austrian valuation allowance of (\$1.6) million in the second quarter of 2015, which did not recur during 2016.

A reconciliation of net earnings to Adjusted EBITDA can be found in the “Non-GAAP Measures – Adjusted EBITDA” discussion above.

#### Six Months Ended June 30, 2016 and 2015

The following discussion highlights results for the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

#### Revenue Highlights

- Gaming revenue decreased by (\$1.5) million, or (68.0%), due to decreased revenue of (\$1.8) million as a result of the termination of the concession agreements with Oceania and Regent, offset by increased gaming revenue of \$0.2 million from the Mein Schiff ships.
- Other revenue increased \$0.4 million, or 89.4%, due to an additional five months of revenue from the consulting agreement with Norwegian.

#### Operating Expense Highlights

- Operating expenses decreased by (\$2.0) million, or (29.0%), due to decreased cruise ship related expenses of (\$1.7) million as a result of the termination of the concession agreements with Oceania and Regent and decreased stock compensation expense of (\$0.4) million.

#### Additional Items Impacting Net Income

- Income tax expense increased by \$1.2 million, or 54.3%, as a result of releasing the Austrian valuation allowance of (\$1.6) million in the second quarter of 2015, which did not recur during 2016.

A reconciliation of net earnings to Adjusted EBITDA can be found in the “Non-GAAP Measures – Adjusted EBITDA” discussion above.

## Non-Operating Income (Expense)

Non-operating income (expense) for the three and six months ended June 30, 2016 and 2015 was as follows:

Amounts in thousands	For the three months ended June 30,				For the six months ended June 30,			
	2016	2015	\$ Change	% Change	2016	2015	\$ Change	% Change
Interest Income	\$ 14	\$ 1	\$ 13	1300.0%	\$ 31	\$ 15	\$ 16	106.7%
Interest Expense	(802)	(1,034)	(232)	(22.4%)	(1,580)	(1,712)	(132)	(7.7%)
Gain on Foreign Currency Transactions and Other	1,560	407	1,153	283.3%	1,758	902	856	94.9%
Non-Operating Income (Expense)	\$ 772	\$ (626)	\$ 1,398	223.3%	\$ 209	\$ (795)	\$ 1,004	126.3%

## Interest income

Interest income is directly related to interest earned on our cash reserves.

## Interest expense

Interest expense is directly related to interest owed on our credit agreement with the Bank of Montreal (the “BMO Credit Agreement”), the fair value adjustments for our interest rate swap agreements, our CPL borrowings, and interest expense related to CDR’s land lease and Edmonton’s and CDR’s capital lease agreements. Prior to the acquisition of our 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. We account for the lease using the financing method, accounting for the land subject to the lease as an asset and the lease payments as interest on the financing obligation.

## Gain on Foreign Currency Transactions and Other

Gain on foreign currency transactions and other includes \$1.6 million and \$0.5 million received by CDR related to infrastructure built during the development of the REC project for the three and six months ended June 30, 2016 and June 30, 2015, respectively. The distribution to CDR’s non-controlling shareholders through non-controlling interest is part of the credit agreement between CCE and CDR.



## Taxes

Income tax expense is recorded relative to the jurisdictions that recognize book earnings. During the six months ended June 30, 2016, we recognized income tax expense of \$1.6 million on pre-tax income of \$8.1 million, representing an effective income tax rate of 19.5% compared to an income tax expense of less than \$0.1 million on pre-tax income of \$9.1 million, representing an effective income tax rate of 0.3% for the same period in 2015.

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. Our effective tax rate is lower because there is a lower statutory tax rate in the countries where we pay taxes, such as Austria, Mauritius, Canada and Poland, when compared to the United States. There is also a lower effective tax rate for our Canadian and Polish operations due to exchange rate benefits. We continue to maintain a full valuation allowance on all of our U.S. deferred tax assets and on certain Canadian deferred tax assets.

## LIQUIDITY AND CAPITAL RESOURCES

Our business is capital intensive, and we rely heavily on the ability of our casinos to generate operating cash flow. We use the cash flows that we generate to maintain operations, fund reinvestment in existing properties for both refurbishment and expansion projects, repay third party debt, and pursue additional growth via new development and acquisition opportunities. When necessary and available, we supplement the cash flows generated by our operations with either cash on hand or funds provided by bank borrowings or other debt or equity financing activities.

As of June 30, 2016, our total debt under bank borrowings and other agreements net of \$0.2 million related to deferred financing costs was \$37.0 million, of which \$33.2 million was long-term debt and \$3.8 million was short-term debt. The short-term debt relates to payments due within one year under our BMO Credit Agreement, CPL's two credit agreements and other capital lease agreements. We intend to repay the short-term debt obligations with available cash.

Net debt, which is total principal minus cash and cash equivalents, was \$5.9 million as of June 30, 2016. For a description of our debt agreements, see Note 7, "Long-Term Debt," to our condensed consolidated financial statements included in this report.

The following table lists the amount of 2016 maturities of our debt:

Amounts  
in  
thousands

Bank of		Century Casinos		Total
Montreal	Edmonton	Downs	Poland	
\$ 1,302	\$ 46	\$ 139	\$ 659	\$ 2,146

### Cash Flows

At June 30, 2016, cash and cash equivalents totaled \$31.3 million, and we had working capital (current assets minus current liabilities) of \$15.1 million compared to cash and cash equivalents of \$29.4 million and working capital of \$11.2 million at December 31, 2015. The increase in cash and cash equivalents from December 31, 2015 is due to \$8.9 million of net cash provided by operating activities, less than \$0.1 million from the exercise of stock options and \$0.4 million in exchange rate changes. The cash provided by these activities was offset by \$3.8 million used to purchase property and equipment, \$1.6 million used for a distribution to non-controlling interests, and \$2.0 million used for principal repayments on our long-term debt net of proceeds.

We identified errors within the condensed consolidated statements of cash flows for the six months ended June 30, 2015. We inadvertently failed to remove the effects of a portion of unpaid purchases of property and equipment from the change in accounts payable and purchases of property and equipment in the preparation of the statements of cash flows. This error resulted in the understatement of net cash provided by operating activities of \$1.2 million and a corresponding understatement of net cash used in investing activities, in the same amount, for the six months ended June 30, 2015. The prior period amounts within the condensed consolidated statement of cash flows for the six months ended June 30, 2015 have been revised to reflect the correct balances.

Net cash provided by operating activities was \$8.9 million for the six months ended June 30, 2016 and \$8.4 million for the six months ended June 30, 2015. Net cash provided by operating activities for the six months ended June 30, 2015 included \$3.4 million from the termination of the concession agreements. Our cash flows from operations have historically been positive and sufficient to fund ordinary operations. Trends in our operating cash flows tend to follow trends in earnings from operations, excluding non-cash charges. Please refer to the condensed consolidated statements of cash flows in Part I, Item 1 of this Form 10-Q and to management's discussion of the results of operations above in this Item 2 for a discussion of earnings from operations.

Net cash used in investing activities of \$3.8 million for the six months ended June 30, 2016 consisted of \$1.1 million in various projects for Century Downs including construction of a second barn and parking lots and landscaping, \$0.1 million in capital lease equipment for Century Downs, \$0.7 million to renovate the Edmonton casino, \$0.3 million in capital lease equipment for Century Downs, \$0.4 million in gaming equipment and furniture for three new cruise ships, \$0.1 million to purchase new slot machines for our Cripple Creek property, \$0.1 million to purchase new slot machines for our Central City property, \$0.1 million for hotel upgrades for our Central City property, \$0.4 million to purchase new slot machines and table games for Casinos Poland and \$0.5 million in other fixed asset additions at our properties, offset by less than \$0.1 million in proceeds from the disposition of fixed assets.

Net cash used in investing activities of \$12.3 million for the six months ended June 30, 2015 consisted of \$10.7 million for development costs related to the REC project, \$0.4 million to purchase new slot machines and table equipment for the casinos operated by Casinos Poland, \$0.1 million in improvements to the casinos in Poznan and Katowice operated by Casinos Poland, \$0.3 million to purchase new slot machines for the Mein Schiff 4, Star Breeze and Star Legend ship-based casinos, \$0.5 million to purchase slot machines for our Cripple Creek and Central City properties, \$0.1 million to purchase new surveillance equipment at our Cripple Creek property, \$0.1 million in sound equipment for the showroom and \$0.1 million in parking lot repairs at our Edmonton property and \$0.7 million in cumulative additions at our properties, offset by \$0.7 million in proceeds from the disposition of assets.

Net cash used in financing activities of \$3.6 million for the six months ended June 30, 2016 consisted of \$2.0 million of principal repayments on our long-term debt net of proceeds and a \$1.6 million distribution to non-controlling interests, offset by less than \$0.1 million received from the exercise of stock options.

Net cash provided by financing activities of \$8.6 million for the six months ended June 30, 2015 consisted of \$9.0 million cash received under various loan agreements net of principal repayments and \$0.1 million cash from the exercise of stock options, offset by a \$0.5 million distribution to non-controlling interests in CDR.

#### Common Stock Repurchase Program

Since 2000, we have had a discretionary program to repurchase our outstanding common stock. In November 2009, we increased the amount available to be repurchased to \$15.0 million. We did not repurchase any common stock during the six months ended June 30, 2016. The total amount remaining under the repurchase program was \$14.7 million as of June 30, 2016. The repurchase program has no set expiration or termination date.

#### Potential Sources of Liquidity, Short-Term Liquidity

## Edgar Filing: - Form

Historically, our primary sources of liquidity and capital resources have been cash flow from operations, bank borrowings, sales of existing casino operations and proceeds from the issuance of equity securities.

We expect that the primary source of cash will be from our gaming operations and additional borrowings under the BMO Credit Agreement. In addition to the payment of operating costs, expected uses of cash within one year include capital expenditures for our existing properties, interest and principal payments on outstanding debt, payments for the Apex Acquisition, and potential new projects or dividends, if declared by the board of directors. We are currently seeking to amend the BMO Credit Agreement to obtain the financing needed to complete the Apex Acquisition. If necessary, we may seek to obtain additional term loans, mortgages or lines of credit with commercial banks or other debt or equity financings to supplement our working capital and investing requirements.

We believe that our cash at June 30, 2016, as supplemented by cash flows from operations and additional borrowings under the BMO Credit Agreement, will be sufficient to fund our anticipated operating costs, capital expenditures at existing properties and current debt repayment obligations for at least the next 12 months. We will continue to evaluate our planned capital expenditures at each of our existing locations in light of the operating performance of the facilities at such locations. From time to time we expect to have cash needs for the development or purchase of new properties, including the Apex Acquisition, that exceed our current borrowing capacity and we may be required to seek additional debt, equity or bank financing.

In addition, we expect our U.S. domestic cash resources will be sufficient to fund our U.S. operating activities and cash commitments for investing and financing activities. While we currently do not have an intent nor foresee a need to repatriate funds, we could require more capital in the U.S. than is generated by our U.S. operations for operations, capital expenditures or significant discretionary activities such as acquisitions of businesses and share repurchases. If so, we could elect to repatriate earnings from foreign jurisdictions or raise capital in the U.S. through debt or equity issuances, which could have adverse tax consequences, as we have not accrued taxes for un-repatriated earnings of our foreign subsidiaries. We estimate that approximately \$26.6 million of our total \$31.3 million in cash and cash equivalents at June 30, 2016 is held by our foreign subsidiaries and is not available to fund U.S. operations unless repatriated. The determination of the additional deferred taxes that would be provided for undistributed earnings has not been determined because the hypothetical calculation is not practicable.

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

We had no material changes in our exposure to market risks from that previously reported in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015.

### Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures – Our management, with the participation of our principal executive officers and principal financial/accounting officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, for the period covered by this report. Based on such evaluation, our principal executive officers and principal financial/accounting officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting –There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In March 2000, our board of directors approved a discretionary program to repurchase up to \$5.0 million of our outstanding common stock. In November 2009, our board of directors approved an increase of the amount available to be repurchased under the program to \$15.0 million. The repurchase program has no set expiration or termination date and had approximately \$14.7 million remaining as of June 30, 2016. There were no repurchases of common stock during the six months ended June 30, 2016.

Item 6. Exhibits

- 3.1 Certificate of Incorporation of Century Casinos, Inc. is hereby incorporated by reference to the Company's Proxy Statement in respect of the 1994 Annual Meeting of Stockholders.
  - 3.2 Amended and Restated Bylaws of Century Casinos, Inc., is hereby incorporated by reference to Exhibit 11.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.
  - 10.1 Century Casinos, Inc. 2016 Equity Incentive Plan is hereby incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed on April 29, 2016.
  - 10.2\* Share and Real Property Purchase Agreement, dated as of June 29, 2016, by and among Century Casinos Europe GmbH, 851896 Alberta Ltd., Game Plan Developments Ltd., Casino St. Albert Inc., Action ATM Inc., MVP Sports Bar Ltd. and Bruce McPherson.
  - 31.1\* Certification of Erwin Haitzmann, Co Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
  - 31.2\* Certification of Peter Hoetzing, President and Co Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
  - 31.3\* Certification of Margaret Stapleton, Principal Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
  - 32.1\*\* Certification of Erwin Haitzmann, Co Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
  - 32.2\*\* Certification of Peter Hoetzing, President and Co Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
  - 32.3\*\* Certification of Margaret Stapleton, Principal Financial Officer, pursuant to 18 U.S.C. Section 1350.
- 101.INS XBRL Instance Document  
101.SCH XBRL Taxonomy Extension Schema Document  
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document  
101.DEF XBRL Taxonomy Extension Definition Linkbase Document  
101.LAB XBRL Taxonomy Extension Label Linkbase Document  
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.



CENTURY CASINOS, INC.

/s/ Margaret Stapleton

Margaret Stapleton

Principal Financial/Accounting Officer

Date: August 5, 2016

CENTURY CASINOS, INC.

INDEX TO EXHIBITS

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