

CENTURY CASINOS INC /CO/
Form 10-Q
November 08, 2011

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, 2011

OR

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

For the transition period from _____ to _____

Commission file number

0-22900

CENTURY CASINOS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

84-1271317

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

2860 South Circle Drive, Suite 350, Colorado Springs, Colorado 80906
(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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		(Do not check if a smaller reporting company)	

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 practical date:

23,877,362 shares of common stock, \$0.01 par value per share, were outstanding as of November 1, 2011.

CENTURY CASINOS, INC.

FORM 10-Q INDEX

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PART I – FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CENTURY CASINOS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

Amounts in thousands, except for share information	September 30, 2011 (unaudited)	December 31, 2010 **
ASSETS		
Current Assets:		
Cash and cash equivalents	\$21,306	\$21,461
Receivables, net	950	1,088
Prepaid expenses	830	413
Inventories	274	305
Other current assets	1	3
Deferred income taxes	443	197
Total Current Assets	23,804	23,467
Property and equipment, net	99,357	103,956
Goodwill	4,731	4,942
Equity investment	3,034	2,806
Deferred income taxes	1,263	1,219
Other assets	311	336
Total Assets	\$132,500	\$136,726
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$2,106	\$4,203
Accounts payable and accrued liabilities	5,024	5,151
Accrued payroll	2,111	2,329
Taxes payable	1,984	2,277
Deferred income taxes	100	97
Total Current Liabilities	11,325	14,057
Long-term debt, less current portion	7,339	9,305
Deferred income taxes	2,055	1,866
Total Liabilities	20,719	25,228
Commitments and Contingencies		
Shareholders' Equity:		
Preferred stock; \$0.01 par value; 20,000,000 shares authorized; no shares issued or outstanding	0	0
	240	240

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Common stock; \$0.01 par value; 50,000,000 shares authorized; 23,993,174 and 23,977,061 shares issued, respectively; 23,877,362 and 23,861,249 shares outstanding, respectively

Additional paid-in capital	75,141	74,930
Accumulated other comprehensive earnings	2,623	4,982
Retained earnings	34,059	31,628
	112,063	111,780
Treasury stock – 115,812 shares at cost	(282)	(282)
Total Shareholders' Equity	111,781	111,498
Total Liabilities and Shareholders' Equity	\$ 132,500	\$ 136,726

** Derived from the Company's audited consolidated balance sheet at December 31, 2010.
See notes to 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,	
	2011	2010	2011	2010
Operating revenue:				
Gaming	\$ 16,236	\$ 14,348	\$ 46,989	\$ 40,169
Hotel, bowling, food and beverage	3,152	2,789	9,536	8,311
Other	956	773	2,895	2,122
Gross revenue	20,344	17,910	59,420	50,602
Less: Promotional allowances	(2,198)	(1,926)	(6,157)	(5,541)
Net operating revenue	18,146	15,984	53,263	45,061
Operating costs and expenses:				
Gaming	7,543	6,289	21,815	17,578
Hotel, bowling, food and beverage	2,565	2,404	7,629	6,742
General and administrative	5,213	4,986	16,429	15,082
Depreciation	1,526	1,529	4,832	4,542
Total operating costs and expenses	16,847	15,208	50,705	43,944
Earnings from equity investment	249	(32)	723	316
Earnings from operations	1,548	744	3,281	1,433
Non-operating income (expense):				
Interest income	6	17	13	39
Interest expense	(186)	(280)	(629)	(861)
(Losses) gains on foreign currency transactions & other	(27)	14	162	26
Non-operating income (expense), net	(207)	(249)	(454)	(796)
Earnings before income taxes	1,341	495	2,827	637
Income tax provision	(82)	174	396	446
Net earnings	\$ 1,423	\$ 321	\$ 2,431	\$ 191
Earnings per share:				
Basic	\$ 0.06	\$ 0.01	\$ 0.10	\$ 0.01
Diluted	\$ 0.06	\$ 0.01	\$ 0.10	\$ 0.01

See notes to condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) EARNINGS
 (Unaudited)

Amounts in thousands	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Net earnings	\$1,423	\$321	\$2,431	\$191
Foreign currency translation adjustments	(3,733)	1,259	(2,359)	339
Comprehensive (loss) earnings	\$(2,310)	\$1,580	\$72	\$530

See notes to condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Amounts in thousands	For the nine months ended September 30,	
	2011	2010
Cash Flows from Operating Activities:		
Net earnings	\$2,431	\$191
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	4,832	4,542
Loss on disposition of fixed assets	55	68
Amortization of stock-based compensation	196	386
Amortization of deferred financing costs	51	24
Deferred tax expense	(113)	479
Earnings from equity investment	(723)	(316)
Changes in operating assets and liabilities:		
Receivables	\$124	\$78
Prepaid expenses and other assets	(425)	43
Accounts payable and accrued liabilities	(323)	(45)
Inventories	16	(9)
Other operating assets	(36)	(83)
Accrued payroll	(180)	129
Taxes payable	(252)	(869)
Net cash provided by operating activities	5,653	4,618
Cash Flows from Investing Activities:		
Purchases of property and equipment	\$(2,128)	\$(6,441)
Proceeds from disposition of Century Casino Millennium	0	200
Acquisition of Century Casino Calgary, net of \$1,193 cash acquired	0	(9,301)
Proceeds from disposition of assets	16	64
Net cash used in investing activities	(2,112)	(15,478)
Cash Flows from Financing Activities:		
Principal repayments	\$(3,680)	\$(1,298)
Repurchase of common stock	0	(141)
Proceeds from equity investment dividend	163	0
Proceeds from exercise of options	15	57
Net cash used in financing activities	(3,502)	(1,382)

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Continued -

CENTURY CASINOS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)

Effect of Exchange Rate Changes on Cash	(194)	54
(Decrease) in Cash and Cash Equivalents	(155)	(12,188)
Cash and Cash Equivalents at Beginning of Period	21,461	36,992
Cash and Cash Equivalents at End of Period	\$21,306	\$24,804
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$607	\$845
Income taxes paid	\$188	\$201

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Please refer to Note 2 of the Company's condensed consolidated financial statements for details of the Company's acquisition of the Century Casino Calgary in Alberta, Canada in 2010.

See notes to condensed consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Century Casinos, Inc. (together with its wholly owned subsidiaries, the “Company”) is an international casino entertainment company. As of September 30, 2011, the Company owned casino operations in North America; operated cruise ship-based casinos on international waters; and owned the management agreement to manage the casino in the Radisson Aruba Resort, Casino & Spa. The Company also owns a 33.3% ownership interest in Casinos Poland Ltd (“CPL”), the owner and operator of seven casinos in Poland. The Company continues to pursue other projects in various stages of development.

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 and Rule 8-03 of Regulation S-X. 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 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, 2010. The results of operations for the period ended September 30, 2011 are not necessarily indicative of the operating results for the full year.

Presentation of Foreign Currency Amounts

Transactions that are denominated in a foreign currency are translated and recorded at the exchange rate in effect on the date of the transaction. Commitments that are denominated in a foreign currency and all balance sheet accounts other than shareholders’ equity are translated and presented based on the exchange rate between such foreign currency and the U.S. dollar at the end of the reported periods. Current period transactions affecting the profit and loss of operations conducted in foreign currencies are valued at the average exchange rate between such foreign currency and the U.S. dollar for the period in which they are incurred.

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

	September 30, 2011	December 31 2010
Ending Rates		
Canadian dollar	1.0389	0.9946
Euros	0.7436	0.7468
Polish zloty	3.2574	2.9641

Source: Pacific Exchange Rate Service

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

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Average Rates	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Canadian dollar	0.9797	1.0395	0.9778	1.0362
Euros	0.7077	0.7741	0.7113	0.7612
Polish zloty	2.9369	3.1036	2.8576	3.0492

Source: Pacific Exchange Rate Service

2. ACQUISITIONS

Century Casino Calgary

On January 13, 2010, the Company, through Century Casinos Europe (“CCE”), acquired 100% of the issued and outstanding shares of Frank Sisson’s Silver Dollar Ltd. (“FSSD”) and 100% of the issued and outstanding shares of EGC Properties Ltd. (“EGC”). FSSD and EGC collectively owned and operated the Silver Dollar Casino and related land in Calgary, Alberta, Canada. In November 2010, the Company rebranded the casino under the name Century Casino Calgary.

The total consideration for the transaction was \$11.5 million, which consisted of a \$10.7 million purchase price plus a net working capital adjustment of \$0.8 million. CCE paid \$1.0 million of the consideration in November 2009 and the remaining \$10.5 million in January 2010. The purchase price was paid from cash on hand. There was no contingent consideration for the transaction.

The Company incurred acquisition costs of approximately \$0.3 million. The majority of these costs, which include legal, accounting and valuation fees, were recorded as general and administrative expenses during the fourth quarter of 2009.

The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values on January 13, 2010, the date of acquisition:

Amounts in thousands	January 13, 2010
Acquisition Date	
Cash	\$1,193
Accounts receivable	202
Prepaid expenses	207
Inventory	56
Property and equipment	10,977
Deferred tax asset, net	690
Total assets acquired	13,325
Accounts payable and accrued liabilities	429
Accrued payroll	222
Total liabilities assumed	651
Net assets	12,674
Excess of net assets over purchase consideration (bargain purchase)	(1,180)
Purchase consideration	11,494
Cash acquired	(1,193)
Cash deposit made in 2009	(1,000)
Net cash paid in 2010	\$9,301

During the year ended December 31, 2010, the Company recognized a \$1.2 million gain on the bargain purchase associated with the Century Casino Calgary acquisition. The bargain purchase was the result of the fair market value of the assets acquired exceeding the purchase price. Pro forma results of operations for 2010 have not been presented, as the impact on consolidated financial results would not have been material.

3. EQUITY INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

Following is the summarized financial information of CPL as of September 30, 2011, December 31, 2010 and the three and nine months ended September 30, 2011 and 2010:

Amounts in thousands (in USD):	September 30,		December 31,	
	2011		2010	
Balance Sheet:				
Current assets	\$	4,444	\$	4,197
Noncurrent assets	\$	11,327	\$	10,927
Current liabilities	\$	5,624	\$	5,503
Noncurrent liabilities	\$	3,388	\$	3,842
		For the three months ended September 30,		For the nine months ended September 30,
		2011	2010	2011
Operating Results				
Net operating revenue	\$	13,648	\$ 8,955	\$ 38,847
Net earnings	\$	747	\$ (95)	\$ 2,169
			\$ 2,169	\$ 949

The Company's maximum exposure to losses in CPL at September 30, 2011 was \$3.0 million, the value of its equity investment in CPL.

Changes in the carrying amount of the investment in CPL during the nine months ended September 30, 2011 are as follows:

Amounts in thousands (in USD)	
Balance – December 31, 2010	\$2,806
Equity Earnings	723
Effect of foreign currency translation	(332)
Dividend	(163)
Balance – September 30, 2011	\$3,034

4. GOODWILL

Changes in the carrying amount of goodwill for the nine months ended September 30, 2011 are as follows:

Amounts in thousands	
Balance – December 31, 2010	\$4,942
Effect of foreign currency translation	(\$211)
Balance – September 30, 2011	\$4,731

5. PROMOTIONAL ALLOWANCES

Hotel accommodations, bowling and food and beverage furnished without charge to customers are included in gross revenue at a value which approximates retail and are then deducted as complimentary services to arrive at net operating revenue.

The Company issues coupons for the purpose of generating future revenue. The cost of the coupons redeemed is applied against the revenue generated on the day of the redemption. In addition, 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. Points can be redeemed for cash and/or various amenities at the casino, such as meals, hotel stays and gift shop items. The cost of the points is offset against the revenue in the period in which the revenue generated the points. The value of unused or unredeemed points is included in accounts payable and accrued liabilities on the Company's consolidated balance sheets. The expiration of unused points results in a reduction of the liability.

Promotional allowances presented in the condensed consolidated statement of earnings include the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Amounts in thousands				
Hotel, Bowling, Food & Beverage	\$ 960	\$ 834	\$ 2,701	\$ 2,328
Free Plays or Coupons	566	556	1,513	1,665
Player Points	672	536	1,943	1,548
Total Promotional Allowances	\$ 2,198	\$ 1,926	\$ 6,157	\$ 5,541

6. INCOME TAXES

The Company records deferred tax assets and liabilities based on the difference between the financial statement and income tax basis of assets and liabilities using the enacted statutory tax rate in effect for the year these differences are expected to be taxable or reversed. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period. The recorded deferred tax assets are reviewed for impairment on a quarterly basis by reviewing the Company's internal estimates for future net income.

As of September 30, 2011, the Company has established a valuation allowance for its U.S. deferred tax assets of \$5.6 million and a valuation allowance for its foreign deferred tax assets of \$0.8 million. The Company assesses the continuing need for a valuation allowance that results from uncertainty regarding its ability to realize the benefits of the Company's deferred tax assets. The ultimate realization of deferred income tax assets depends on generation of future taxable income during the periods in which those temporary differences become deductible. If the Company concludes that its prospects for the realization of its deferred tax assets are more likely than not, the Company will then reduce its valuation allowance as appropriate and credit income tax expense after considering the following factors:

- The level of historical taxable income and projections for future taxable income over periods in which the deferred tax assets would be deductible,

- Accumulation of net income before tax utilizing a look-back period of three years, and
 - Tax planning strategies.

The income tax provisions are based on estimated full-year earnings for financial reporting purposes adjusted for permanent differences. The Company's provision for income taxes from operations consists of the following:

Amounts in thousands	For the nine months ended September 30,	
	2011	2010
U.S. Federal - Current	\$ 72	\$ 112
U.S. Federal - Deferred	0	0
Provision for U.S. federal income taxes	72	112
Foreign - Current	\$ 437	\$ 0
Foreign - Deferred	(113)	334
Provision for foreign income taxes	324	334
Total provision for income taxes	\$ 396	\$ 446

The Company's income tax expense by jurisdiction is summarized in the table below:

Amounts in thousands	For the three months ended September 30, 2011			For the three months ended September 30, 2010		
	Pre-tax income (loss)	Income tax	Effective	Pre-tax income (loss)	Income tax	Effective
			tax rate			tax rate
Canada	\$557	(\$130)	(23.3%)	\$311	\$85	27.3%
United States	(31)	20	(64.5%)	403	81	20.1%
Mauritius	496	27	5.4%	243	7	3.0%
Austria	90	1	0.5%	(338)	1	(0.3%)
Poland *	229	0	0.0%	(124)	0	0.0%
Total	\$1,341	(\$82)	(6.1%)	\$495	\$174	35.2%

* Poland includes earnings from the equity investment in CPL.

Amounts in thousands	For the nine months ended September 30, 2011			For the nine months ended September 30, 2010		
	Pre-tax income (loss)	Income tax	Effective	Pre-tax income (loss)	Income tax	Effective
			tax rate			tax rate
Canada	\$1,814	\$273	15.1%	\$1,279	\$319	25.0%
United States	(1,087)	72	(6.6%)	(305)	112	(36.7%)
Mauritius	1,629	49	3.0%	453	13	2.9%
Austria	(132)	2	(1.5%)	(992)	2	(0.2%)
South Africa	0	0	0.0%	(6)	0	0.0%
Poland *	603	0	0.0%	208	0	0.0%
Total	\$2,827	\$396	14.0%	\$637	\$446	70.0%

* Poland includes earnings from the equity investment in CPL.

7. 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 securities. 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 and the assumed conversion of other convertible securities (using the "if converted" method) at the beginning of the year, or for the period outstanding during the year for current year issuances. Weighted average shares outstanding for the three and nine months ended September 30, 2011 and 2010 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Weighted average common shares, basic	23,877,362	23,678,795	23,715,224	23,584,079
Dilutive effect of stock options	313,890	172,315	299,915	187,851
Weighted average common shares, diluted	24,191,252	23,851,110	24,015,139	23,771,930

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Stock options	886,710	926,710	886,710	926,710

8. SEGMENT INFORMATION

The following summary provides information concerning amounts attributable to the Company's principal geographic areas:

Amounts in thousands	Long Lived Assets	
	As of September 30, 2011	As of December 31, 2010
United States	\$ 56,263	\$ 57,904
International:		
Canada	\$ 47,658	\$ 50,474
Europe	3,281	3,102
Cruise Ships & Other	1,494	1,779
Total international	52,433	55,355
Total	\$ 108,696	\$ 113,259

Amounts in thousands	Net Operating Revenue For the three months ended September 30,		Net Operating Revenue For the nine months ended September 30,	
	2011	2010	2011	2010
United States	\$ 8,257	\$ 7,858	\$ 23,227	\$ 21,123
International:				
Canada	\$ 8,301	\$ 7,256	\$ 25,294	\$ 21,953
Cruise Ships & Other	\$ 1,588	870	\$ 4,742	1,985
Total international	9,889	8,126	30,036	23,938
Total	\$ 18,146	\$ 15,984	\$ 53,263	\$ 45,061

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements, Business Environment and Risk Factors

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In addition, Century Casinos, Inc. (together with its subsidiaries, the "Company") may make other written and oral communications from time to time that contain such statements. Forward-looking statements include statements as to industry trends and future expectations of the Company and other matters that do not relate strictly to historical facts and are based on certain assumptions by management at the time such statements are made. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations thereof. Forward-looking statements are based on the beliefs and assumptions of the management of the Company based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, among others, the risks described in the section entitled "Risk Factors" under Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2010. We caution the reader to carefully consider such factors. Furthermore, such forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

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.

Amounts presented in this Item 2 are rounded. As such, rounding differences could occur in period over period changes and percentages reported throughout this Item 2.

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 the hotel, restaurant, bowling and entertainment facilities that are a part of the casinos.

We currently own, operate and manage the following casinos through wholly-owned subsidiaries:

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

We also operate ship-based casinos on international waters aboard several cruise ships. The following table summarizes the cruise lines for which we have entered into agreements and the associated ships on which we currently operate ship-based casinos.

Cruise Line	Ship
Oceania Cruises	Regatta
Oceania Cruises	Nautica
Oceania Cruises	Insignia
Oceania Cruises	Marina
TUI Cruises	Mein Schiff 1
TUI Cruises	Mein Schiff 2
Windstar Cruises	Wind Surf
Windstar Cruises	Wind Star
Windstar Cruises	Wind Spirit
Regent Seven Seas Cruises	Seven Seas Voyager
Regent Seven Seas Cruises	Seven Seas Mariner
Regent Seven Seas Cruises	Seven Seas Navigator

We hold a 33.3% ownership interest in and actively participate in the management of CPL, the owner and operator of seven full casinos in Poland and account for this investment under the equity method.

In April 2011, CPL was granted a license for a new casino in Sosnowiec, Poland. Sosnowiec is a city of more than 200,000 inhabitants located nearby Katowice, the capital of the province Silesia, which we believe is one of the strongest economic regions in Poland. CPL expects to begin operations in this new casino during the second quarter of 2012. In addition, the license for the existing CPL casino in Wroclav was renewed on June 7, 2011.

In December 2010, we entered into a long-term management agreement to assist in the operation of a casino at the Radisson Aruba Resort, Casino & Spa. We receive a management fee consisting of a fixed fee, plus a percentage of the casino's gross revenue and a percentage of the casino's earnings before interest, taxes, depreciation and amortization. We were not required to invest any amounts under the management agreement.

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 three months ended September 30,		For the nine months ended September 30,	
	2011	2010	2011	2010
Canadian dollar	0.9797	1.0395	0.9778	1.0362
Euros	0.7077	0.7741	0.7113	0.7612
Polish zloty	2.9369	3.1036	2.8576	3.0492

Source: Pacific Exchange Rate Service

RECENT DEVELOPMENTS

Developments that we believe have impacted or will impact our results of operations are discussed below.

Century Casino & Hotel (Edmonton, Alberta, Canada)

The Alberta Gaming and Liquor Commission approved the addition of 16 slot machines to the gaming floor during the third quarter of 2011. The 16 additional machines bring the total slot machine count to 700 at our property in Edmonton.

Century Casino Calgary (Calgary, Alberta, Canada)

During the third quarter of 2011, an additional Ultimate Texas Hold'em table and a Craps table were added to the gaming floor at our property in Calgary.

In addition, we intend to invest \$0.2 million to add a 24-hour poker room to the casino in Calgary. The property plans to begin construction of this room during the fourth quarter of 2011 and expects the room to be completed and operational during the first quarter of 2012.

Century Casino & Hotel (Central City, Colorado)

A competitor in Central City, the Johnny Z Casino, completed an expansion project during the third quarter of 2011, adding 50 additional slot machines and a VIP lounge. Management believes the expansion will increase competition in the already competitive Black Hawk and Central City market.

In addition, in September 2011, our property in Central City was voted the second best casino in the greater Denver area by ABC Channel 7 in Denver, Colorado. The Central City property placed second only behind Ameristar Casino in Black Hawk, Colorado.

DISCUSSION OF RESULTS

Century Casinos, Inc. and Subsidiaries

Amounts in thousands	For the three months ended September 30,				For the nine months ended September 30,				
	2011	2010	Change	% Change	2011	2010	Change	% Change	
Gaming Revenue	\$16,236	\$14,348	\$1,888	13.2 %	\$46,989	\$40,169	\$6,820	17.0 %	
Hotel, Bowling, Food and Beverage Revenue	3,152	2,789	363	13.0 %	9,536	8,311	1,225	14.7 %	
Other Revenue	956	773	183	23.7 %	2,895	2,122	773	36.4 %	
Gross Revenue	20,344	17,910	2,434	13.6 %	59,420	50,602	8,818	17.4 %	
Less Promotional Allowances	(2,198)	(1,926)	(272)	14.1 %	(6,157)	(5,541)	(616)	11.1 %	
Net Operating Revenue	18,146	15,984	2,162	13.5 %	53,263	45,061	8,202	18.2 %	
Gaming Expenses	(7,543)	(6,289)	(1,254)	19.9 %	(21,815)	(17,578)	(4,237)	24.1 %	
Hotel, Bowling, Food and Beverage Expenses	(2,565)	(2,404)	(161)	6.7 %	(7,629)	(6,742)	(887)	13.2 %	
General and Administrative Expenses	(5,213)	(4,986)	(227)	4.6 %	(16,429)	(15,082)	(1,347)	8.9 %	
Total Operating Costs and Expenses	(16,847)	(15,208)	(1,639)	10.8 %	(50,705)	(43,944)	(6,761)		