INTRICON CORP
Form 10-Q
May 13, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

or

o 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: 1-5005

INTRICON CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-1069060**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1260 Red Fox Road Arden Hills, Minnesota	**55112**
(Address of principal executive offices)	(Zip Code)

(651) 636-9770
(Registrant s telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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.

x Yes o 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). x Yes o 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 o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

o Yes x No

The number of outstanding shares of the registrant s common stock, $1.00 par value, on April 30, 2013 was 5,694,392.

INTRICON CORPORATION

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PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements

INTRICON CORPORATION
Consolidated Condensed Balance Sheets
(In Thousands, Except Per Share Amounts)

	March 31, 2013 (Unaudited)	December 31, 2012
Current assets:		
Cash	$ 172	$ 226
Restricted cash	550	563
Accounts receivable, less allowance for doubtful accounts of $166 at March 31, 2013 and $154 at December 31, 2012	7,108	7,171
Inventories	11,635	11,117
Other current assets	1,977	1,483
Total current assets	21,442	20,560
Machinery and equipment	40,650	40,796
Less: Accumulated depreciation	34,343	34,012
Net machinery and equipment	6,307	6,784
Goodwill	9,709	9,709
Investment in partnerships	715	773
Other assets, net	1,250	1,306
Total assets	$ 39,423	$ 39,132
Current liabilities:		
Checks written in excess of cash	$ 849	$ 637
Current maturities of long-term debt	2,509	2,945
Accounts payable	4,171	4,045
Accrued salaries, wages and commissions	2,007	1,786
Deferred gain	110	110
Income taxes payable	2	96
Other accrued liabilities	2,915	2,048
Total current liabilities	12,563	11,667
Long-term debt, less current maturities	7,015	7,222
Other postretirement benefit obligations	582	590
Accrued pension liabilities	495	510
Deferred gain	248	275
Other long-term liabilities	106	146
Total liabilities	21,009	20,410
Commitments and contingencies (note 10)		
Shareholders equity:		
Common stock, $1.00 par value per share; 20,000 shares authorized; 5,693 and 5,687 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	5,693	5,687
Additional paid-in capital	15,950	15,797
Accumulated deficit	(2,831)	(2,360)
Accumulated other comprehensive loss	(398)	(402)
Total shareholders equity	18,414	18,722
Total liabilities and shareholders equity	$ 39,423	$ 39,132

(See accompanying notes to the consolidated condensed financial statements)

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INTRICON CORPORATION
Consolidated Condensed Statements of Operations
(In Thousands, Except Per Share Amounts)

	Three Months Ended	
	March 31, 2013 (Unaudited)	March 31, 2012 (Unaudited)
Sales, net	$ 14,633	$ 16,524
Cost of sales	11,149	12,367
Gross profit	3,484	4,157
Operating expenses:		
Sales and marketing	892	875
General and administrative	1,659	1,626
Research and development	1,301	1,137
Total operating expenses	3,852	3,638
Operating income (loss)	(368)	519
Interest expense	(153)	(179)
Equity in (loss) of partnerships	(58)	(24)
Other income (expense)	98	(39)
Income (loss) before income taxes	(481)	277
Income tax expense (benefit)	(10)	34
Net income (loss)	$ (471)	$ 243
Net income (loss) per share:		
Basic	$ (0.08)	$ 0.04
Diluted	$ (0.08)	$ 0.04
Average shares outstanding:		
Basic	5,687	5,654
Diluted	5,687	5,933

(See accompanying notes to the consolidated condensed financial statements)

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INTRICON CORPORATION
Consolidated Condensed Statements of Comprehensive Income (Loss)
(In Thousands)

	Three Months Ended	
	March 31, 2013 (Unaudited)	March 31, 2012 (Unaudited)
Net income (loss)	$ (471)	$ 243
Change in fair value of interest rate swap	35	(1)
Gain (loss) on foreign currency translation adjustment	(31)	14
Comprehensive income (loss)	$ (467)	$ 256

(See accompanying notes to the consolidated condensed financial statements)

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INTRICON CORPORATION
Consolidated Condensed Statements of Cash Flows
(In Thousands)

	Three Months Ended	
	March 31, 2013 (Unaudited)	**March 31, 2012 (Unaudited)**
Cash flows from operating activities:		
Net income (loss)	$ (471)	$ 243
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	630	541
Stock-based compensation	131	96
Loss on disposition of property	4	13
Change in deferred gain	(28)	(28)
Change in allowance for doubtful accounts	11	(2)
Equity in loss of partnerships	58	24
Changes in operating assets and liabilities:		
Accounts receivable	18	1,014
Inventories	(520)	(39)
Other assets	(510)	(590)
Accounts payable	129	(577)
Accrued expenses	1,082	311
Other liabilities	(67)	(2)
Net cash provided by operating activities	467	1,004
Cash flows from investing activities:		
Purchases of property, plant and equipment	(111)	(398)
Net cash used in investing activities	(111)	(398)
Cash flows from financing activities:		
Proceeds from long-term borrowings	4,571	3,734
Repayments of long-term borrowings	(5,219)	(4,471)
Proceeds from employee stock purchases and exercise of stock options	28	65
Change in restricted cash	3	(18)
Change in checks written in excess of cash	212	172
Net cash used in financing activities	(405)	(518)
Effect of exchange rate changes on cash	(5)	1
Net increase (decrease) in cash	(54)	89
Cash, beginning of period	226	119
Cash, end of period	$ 172	$ 208

(See accompanying notes to the consolidated condensed financial statements)

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Notes to Consolidated Condensed Financial Statements (Unaudited) (In Thousands, Except Per Share Data)

1. General

In the opinion of management, the accompanying consolidated condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly IntriCon Corporation s (IntriCon or the Company) consolidated financial position as of March 31, 2013 and December 31, 2012, and the consolidated results of its operations for the three months ended March 31, 2013 and 2012. Results of operations for the interim periods are not necessarily indicative of the results of operations expected for the full year or any other interim period.

The Company has evaluated subsequent events occurring after the date of the consolidated financial statements for events requiring recording or disclosure in the financial statements.

2. New Accounting Pronouncements

In February 2013, the FASB expanded the disclosure requirements with respect to changes in accumulated other comprehensive income (AOCI). Under this new guidance, companies will be required to disclose the amount of income (or loss) reclassified out of AOCI to each respective line item on the statements of earnings where net income is presented. The guidance allows companies to elect whether to disclose the reclassification either in the notes to the financial statements or parenthetically on the face of the financial statements. This update is effective for the Company beginning in the fourth quarter of fiscal 2013. Since the accounting guidance only impacts disclosure requirements, its adoption will not have a material impact on the Company s consolidated financial statements.

3. Product Warranty

In general, the Company warrants its products to be free from defects in material and workmanship and will fully conform to and perform to specifications for a period of one year. The following table presents changes in the Company s warranty liability for the three months ended March 31, 2013 and the year ended December 31, 2012:

	March 31, 2013	December 31, 2012
Beginning balance	$ 73	$ 82
Warranty expense		42
Closed warranty claims		(51)
Ending balance	$ 73	$ 73

4. Geographic Information

The geographical distribution of long-lived assets to geographical areas consisted of the following at:

	March 31, 2013	December 31, 2012
United States	$ 4,949	$ 5,263
Other primarily Asia	1,729	1,862
Consolidated	$ 6,678	$ 7,125

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Long-lived assets consist of property and equipment and certain other assets that are difficult to move and relatively illiquid. Excluded from long-lived assets are investments in partnerships, patents, license agreements and goodwill. The Company capitalizes long-lived assets pertaining to the production of specialized parts. These assets are periodically reviewed to assure the net realizable value from the estimated future production based on forecasted cash flows exceeds the carrying value of the assets.

The geographical distribution of net sales to geographical areas for the three months ended March 31, 2013 and 2012 were as follows:

	Three Months Ended	
Net Sales to Geographical Areas	**March 31, 2013**	**March 31, 2012**
United States	$ 9,465	$ 12,060
Germany	295	590
China	1,328	514
Switzerland	439	294
Singapore	119	186
France	412	377
Japan	387	412
United Kingdom	609	601
Turkey	111	197
Hong Kong	204	129
Vietnam	394	296
All other countries	870	868
Consolidated	$ 14,633	$ 16,524

Geographic net sales are allocated based on the location of the customer. All other countries include net sales primarily to various countries in Europe and in the Asian Pacific. Customer concentrations greater than 10% of consolidated net sales and account receivable are disclosed below.

For the three months ended March 31, 2013, one customer accounted for 28% of the Company s consolidated net sales. For the three months ended March 31, 2012, two customers accounted for a combined 33% of the Company s consolidated net sales.

At March 31, 2013, two customers combined accounted for 28% of the Company s consolidated accounts receivable. At December 31, 2012, two customers accounted for accounted for a combined 24% of the Company s consolidated accounts receivable.

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5. Inventories

Inventories consisted of the following at:

	Raw materials	Work-in process	Finished products and components	Total
March 31, 2013				
Domestic	$ 4,289	$ 1,828	$ 2,506	$ 8,623
Foreign	2,283	545	184	3,012
Total	$ 6,572	$ 2,373	$ 2,690	$ 11,635
December 31, 2012				
Domestic	$ 3,993	$ 1,618	$ 2,433	$ 8,044
Foreign	2,555	285	233	3,073
Total	$ 6,548	$ 1,903	$ 2,666	$ 11,117

6. Short and Long-Term Debt

Short and long-term debt is summarized as follows:

	March 31, 2013	December 31, 2012
Domestic Asset-Based Revolving Credit Facility	$ 4,434	$ 4,360
Foreign Overdraft and Letter of Credit Facility	1,415	1,795
Domestic Term-Loan	3,500	3,750
Note Payable Datrix Purchase	175	262
Total Debt	9,524	10,167
Less: Current maturities	(2,509)	(2,945)
Total Long-Term Debt	$ 7,015	$ 7,222

Domestic Credit Facilities

The Company and its domestic subsidiaries are parties to a credit facility with The PrivateBank and Trust Company. The credit facility, as amended, provides for:

an $8,000 revolving credit facility, with a $200 sub facility for letters of credit. Under the revolving credit facility, the availability of funds depends on a borrowing base composed of stated percentages of the Company s eligible trade receivables and eligible inventory, and eligible equipment less a reserve; and

a term loan in the original amount of $4,000.

In December 2012, the Company and its domestic subsidiaries entered into a Fifth Amendment to the Loan and Security Agreement with The PrivateBank and Trust Company. The amendment, among other things:

permitted the Company to borrow an additional $1,250 under the term loan by increasing the then current principal balance of the term loan from $2,750 to $4,000, while keeping the existing amortization schedule in place.

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increased the inventory cap on the borrowing base from $3,000 to $3,500 and removed eligible equipment from the base. Under the revolving credit facility as amended, the availability of funds depends on a borrowing base composed of stated percentages of the Company s eligible trade receivables and inventory, less a reserve;

eliminated the minimum EBITDA covenant and amended certain other financial covenants; and

changed the dates when covenant compliance will be tested from monthly to quarterly.

The Company was in compliance with all applicable covenants under the credit facility, as amended, as of March 31, 2013.

In March 2012, the Company entered into an amendment with The PrivateBank to waive certain covenant violations at December 31, 2011 and reset certain covenants in the agreement. In August 2012, the credit facility was amended to amend the fixed charge covenant ratio and to consent to the Global Coils sale and the application of the proceeds to the pay down of the revolving credit facility.

Loans under the credit facility are secured by a security interest in substantially all of the assets of the Company and its domestic subsidiaries including a pledge of the stock of its domestic subsidiaries. Loans under the credit facility bear interest at varying rates based on the Company s leverage ratio of funded debt / EBITDA, at the option of the Company, at:

the London InterBank Offered Rate (LIBOR) plus 3.00% - 4.00%, or

the base rate, which is the higher of (a) the rate publicly announced from time to time by the lender as its prime rate and (b) the Federal Funds Rate plus 0.5%, plus 0.25% - 1.25% depending on the Company s leverage ratio.

Interest is payable monthly in arrears, except that interest on LIBOR based loans is payable at the end of the one, two or three month interest periods applicable to LIBOR based loans. IntriCon is also required to pay a non-use fee equal to 0.25% per year of the unused portion of the revolving line of credit facility, payable quarterly in arrears.

Weighted average interest on the revolving credit facility was 4.53% for the three months ended March 31, 2013 and 4.52% for the year ended December 31, 2012. The outstanding balance of the revolving credit facility was $4,434 and $4,360 at March 31, 2013 and December 31, 2012, respectively. The total remaining availability on the revolving credit facility was approximately $2,477 and $2,689 at March 31, 2013 and December 31, 2012, respectively. The credit facility expires on August 13, 2014 and all outstanding borrowings will become due and payable. The Company expects to seek an extension of the term of this facility or a new credit facility in 2013.

The outstanding principal balance of the term loan, as amended, is payable in quarterly installments of $250, commencing with the calendar quarter ended December 31, 2012. Any remaining principal and accrued interest is payable on August 13, 2014. IntriCon is also required to use 100% of the net cash proceeds of certain asset sales (excluding inventory and certain other dispositions), sale of capital securities or issuance of debt to pay down the term loan.

Foreign Credit Facility

In addition to its domestic credit facilities, the Company s wholly-owned subsidiary, IntriCon, PTE LTD., entered into an international senior secured credit agreement with Oversea-Chinese Banking Corporation Ltd. that originally provided for a $1,977 line of credit. The international credit agreement was modified in August 2010 and again in August 2011 to allow for an additional total of $736 in borrowing under the existing base to fund the Singapore facility relocation, Batam facility construction and various other capital needs with varying due dates from 2013 to 2015. Borrowings bear interest at a rate of .75% to 2.5% over the lender s prevailing prime lending rate. Weighted average interest on the international credit facilities was 4.01% and 3.89% for the three months ended March 31, 2013 and the year ended December 31, 2012. The outstanding balance was $1,415 and $1,795 at March 31, 2013 and December 31, 2012, respectively. The total remaining availability on the international senior secured credit agreement was approximately $678 and $639 at March 31, 2013 and December 31, 2012, respectively.

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Datrix Promissory Note

A portion of the purchase price of the Datrix acquisition was paid by the issuance of a promissory note to the seller in the amount of $1,050 bearing annual interest at 6%. In August 2012, the Company amended the agreement to change the remaining installment of $350 from the original due date of August 13, 2012 to equal monthly principal and interest payments starting in October 1, 2012 over a one year period.

7. Income Taxes

Income tax expense (benefit) for the three months ended March 31, 2013 was ($10), compared to $34 for the same period in 2012. The expense (benefit) for the three months ended March 31, 2013 and 2012, was primarily due to foreign operations. The Company has net operating loss carryforwards for U.S. federal income tax purposes and, consequently, minimal federal benefit or expense from the domestic operations was recognized as the deferred tax asset has a full valuation allowance.

The following was the income (loss) before income taxes for each jurisdiction in which the Company has operations for the three months ended March 31, 2013 and 2012:

	Three Months Ended	
	March 31, 2013	March 31, 2012
United States	$ (168)	$ 186
Singapore	(449)	(49)
Indonesia	12	12
Germany	124	128
Income (loss) before income taxes	$ (481)	$ 277

8. Shareholders Equity and Stock-based Compensation

The Company has a 2001 stock option plan, a non-employee directors stock option plan and a 2006 Equity Incentive Plan. New grants may not be made under the 2001 and the non-employee directors stock option plans; however certain option grants under these plans remain exercisable as of December 31, 2012. The aggregate number of shares of common stock for which awards could be granted under the 2006 Equity Incentive Plan as of the date of adoption was 699 shares. The Plan was amended in 2010 and 2012 to authorize an additional 250 and 300 shares, respectively, for issuance under the Plan. Additionally, as outstanding options under the 2001 stock option plan and non-employee directors stock option plan expire, the shares of the Company s common stock subject to the expired options will become available for issuance under the 2006 Equity Incentive Plan.

Under the various plans, executives, employees and outside directors receive awards of options to purchase common stock. Under the 2006 Equity Incentive Plan, the Company may also grant stock awards, stock appreciation rights, restricted stock units and other equity-based awards, although no such awards, other than awards under the director program and management purchase program described below, had been granted as of March 31, 2013. Under all awards, the terms are fixed on the grant date. Generally, the exercise price of stock options equals the market price of the Company s stock on the date of the grant. Options under the plans generally vest over three years, and have a maximum term of 10 years.

Additionally, the board has established the non-employee directors stock fee election program, referred to as the director program, as an award under the 2006 Equity Incentive Plan. The director program gives each non-employee director the right under the 2006 Equity Incentive Plan to elect to have some or all of his quarterly director fees paid in common shares rather than cash. There were 1 shares issued in lieu of cash for director fees under the director program for the three months ended March 31, 2012.

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On July 23, 2008, the Compensation Committee of the Board of Directors approved the non-employee director and executive officer stock purchase program, referred to as the management purchase program, as an award under the 2006 Plan. The purpose of the management purchase program is to permit the Company s non-employee directors and executive officers to purchase shares of the Company s Common Stock directly from the Company. Pursuant to the management purchase program, as amended, participants may elect to purchase shares of Common Stock from the Company not exceeding an aggregate of $100 during any fiscal year. Participants may make such election one time during each twenty business day period following the public release of the Company s earnings announcement, referred to as a window period, and only if such participant is not in possession of material, non-public information concerning the Company and subject to the discretion of the Board to prohibit any transactions in Common Stock by directors and executive officers during a window period. There were no shares purchased under the management purchase program during the three months ended March 31, 2013 and 2012, respectively.

Stock option activity as of and during the three months ended March 31, 2013 was as follows:

	Number of Shares	Weighted-average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2012	1,244	$ 5.97	
Options forfeited or cancelled			
Options granted	150	4.05	
Options exercised			
Outstanding at March 31, 2013	1,394	$ 5.77	$ 728
Exercisable at March 31, 2013	988	$ 6.10	$ 632
Available for future grant at December 31, 2012	359		
Available for future grant at March 31, 2013	209		

The number of shares available for future grant at March 31, 2013 does not include a total of up to 267 shares subject to options outstanding under the 2001 stock option plan and non-employee directors stock option plan as of March 31, 2013, which will become available for grant under the 2006 Equity Incentive Plan in the event of the expiration of such options.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of subjective assumptions, including the expected stock price volatility. Because the Company s options have characteristics different from those of traded options, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options. The weighted average fair value of options granted was $2.54 for options granted during the three months ended March 31, 2013. The weighted average fair value of options granted was $3.71 for options granted during the three months ended March 31, 2012.

The Company calculates expected volatility for stock options and awards using the Company s historical volatility.

The Company currently estimates a five percent forfeiture rate for stock options, but will continue to review this estimate in future periods.

The risk-free rates for the expected terms of the stock options and awards are based on the U.S. Treasury yield curve in effect at the time of grant.

The weighted average remaining contractual life of options exercisable at March 31, 2013 was 4.49 years.

The Company recorded $131 of non-cash stock option expense for the three months ended March 31, 2013. The Company recorded $96 of non-cash stock option expense for the three months ended March 31, 2012. As of March 31, 2013, there was $928 of total unrecognized compensation costs related to non-vested awards that are expected to be recognized over a weighted-average period of 1.92 years.

The Company also has an Employee Stock Purchase Plan (the Purchase Plan). The Purchase Plan initially provided that a maximum of 100 shares may be sold under the Purchase Plan as of the date of adoption. On April 27, 2011, the Company s shareholders approved an amendment to the Purchase Plan to increase the number of shares which may be purchased under the plan by an additional 100 shares. There were 5 shares purchased under the plan for the three months ended March 31, 2013, and a total of 4 shares purchased for the three months ended March 31, 2012.

9. Income Per Share

The following table presents a reconciliation between basic and diluted earnings per share:

	Three Months Ended	
	March 31, 2013	**March 31, 2012**
Numerator:		
Net income (loss)	$ (471)	$ 243
Denominator:		
Basic weighted shares outstanding	5,687	5,654
Weighted shares assumed upon exercise of stock options		279
Diluted weighted shares outstanding	5,687	5,933
Income (loss) per share:		
Basic	$ (0.08)	0.04
Diluted	$ (0.08)	0.04

The dilutive impact summarized above relates to the periods when the average market price of Company stock exceeded the exercise price of the potentially dilutive option securities granted. Earnings per common share was based on the weighted average number of common shares outstanding during the periods when computing the basic earnings per share. When dilutive, stock options are included as equivalents using the treasury stock market method when computing the diluted earnings per share.

Excluded from the computation of diluted earnings per share for the three months ended March 31, 2013 were all options outstanding of approximately 1,394 common shares, due to the Company s net loss in the period. Excluded from the computation of diluted earnings per share for the three months ended March 31, 2012 were outstanding options to purchase approximately 329 common shares because the effect was anti-dilutive.

10. Legal Proceedings

The Company is a defendant along with a number of other parties in lawsuits alleging that plaintiffs have or may have contracted asbestos-related diseases as a result of exposure to asbestos products or equipment containing asbestos sold by one or more named defendants. These lawsuits relate to the discontinued heat technologies segment which was sold in March 2005. Due to the non-informative nature of the complaints, the Company does not know whether any of the complaints state valid claims against the Company. Certain insurance carriers have informed the Company that the primary policies for the period August 1, 1970-1978 have been exhausted and that the carriers will no longer provide defense and insurance coverage under those policies. However, the Company has other primary and excess insurance policies that the Company believes afford coverage for later years. Some of these other primary insurers have accepted defense and insurance coverage for these suits, and some of them have either ignored the Company s tender of defense of these cases, or have denied coverage, or have accepted the tenders but asserted a reservation of rights and/or advised the Company that they need to investigate further. Because settlement payments are applied to all years a litigant was deemed to have been exposed to asbestos, the Company believes that it will have funds available for defense and insurance coverage under the non-exhausted primary and excess insurance policies. However, unlike the older policies, the more recent policies have deductible amounts for defense and settlements costs that the Company will be required to pay; accordingly, the Company expects that

its litigation costs will increase in the future. Further, many of the policies covering later years (approximately 1984 and thereafter) have exclusions for any asbestos products or operations, and thus do not provide insurance coverage for asbestos-related lawsuits. The Company does not believe that the asserted exhaustion of some of the primary insurance coverage for the 1970-1978 period will have a material adverse effect on its financial condition, liquidity, or results of operations. Management believes that the number of insurance carriers involved in the defense of the suits, and the significant number of policy years and policy limits under which these insurance carriers are insuring the Company, make the ultimate disposition of these lawsuits not material to the Company s consolidated financial position or results of operations.

The Company s former French subsidiary, Selas SAS, filed for insolvency in France and is being managed by a court appointed judiciary administrator. The Company may be subject to additional litigation or liabilities as a result of the French insolvency proceeding.

The Company is also involved in other lawsuits arising in the normal course of business. While it is not possible to predict with certainty the outcome of these matters, management is of the opinion that the disposition of these lawsuits and claims will not materially affect our consolidated financial position, liquidity or results of operations.

11. Related-Party Transactions

One of the Company s subsidiaries leases office and factory space from a partnership consisting of three present or former officers of the subsidiary, including Mark Gorder, a member of the Company s Board of Directors and the President and Chief Executive Officer of the Company. The subsidiary is required to pay all real estate taxes and operating expenses. The total base rent expense, real estate taxes and other charges incurred under the lease were approximately $122 for the three months ended March 31, 2013 and approximately $120 for the three months ended March 31, 2012. The lease expires in October 2013.

The Company uses the law firm of Blank Rome LLP for legal services. A partner of that firm is the son-in-law of the Chairman of the Company s Board of Directors. For the three months ended March 31, 2013, the Company paid that firm approximately $26 for legal services and costs. For the three months ended March 31, 2012, the Company paid that firm approximately $16 for legal services and costs. The Chairman of our Board of Directors is considered independent under applicable Nasdaq and Securities Exchange Commission rules because (i) no payments were made to the Chairman or the partner directly in exchange for the services provided by the law firm and (ii) the amounts paid to the law firm did not exceed the thresholds contained in the Nasdaq standards. Furthermore, the aforementioned partner does not provide any legal services to the Company and is not involved in billing matters.

12. Statements of Cash Flows

The following table provides supplemental disclosures of cash flow information:

	Three Months Ended	
	March 31, 2013	**March 31, 2012**
Interest paid	$ 140	$ 135
Income taxes paid	27	5

13. Investment in Partnerships

The Company owns a 9% partnership interest in the Hearing Instrument Manufacturers Patent Partnership (HIMPP), and is a party to a license agreement that grants the Company access to over 45 US registered patents. The Company recorded a decrease of $58 in the carrying amount of the investment, reflecting amortization of the patents, other intangibles and the Company s portion of the partnership s operating results for the three months ended March 31, 2013. The Company recorded a decrease of $49 in the carrying amount of the investment, reflecting amortization of the patents, other intangibles and the Company s portion of the partnership s operating results for the three months ended March 31, 2012.

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In August 2012, the Company sold its 50% interest in its Global Coils joint venture to its joint venture partner Audemars SA. The Company recorded a $25 increase in the carrying amount of the investment, reflecting the Company s portion of the joint venture s operating results for the three months ended March 31, 2012.

14. Revenue by Market

The following tables set forth, for the periods indicated, net revenue by market:

	Three Months Ended	
	March 31, 2013	**March 31, 2012**
Medical	$ 7,124	$ 6,104
Hearing Health	5,238	7,573
Professional Audio Communications	2,271	2,847
Total Revenue	$ 14,633	$ 16,524

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ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

Headquartered in Arden Hills, Minnesota, IntriCon Corporation (together with its subsidiaries referred to as the Company , IntriCon, we , us our) is an international company engaged in designing, developing, engineering and manufacturing body-worn devices.

In addition to its operations in Minnesota, the Company has facilities in Maine, California, Singapore, Indonesia and Germany.

Information contained in this section of this Quarterly Report on Form 10-Q and expressed in U.S. dollars is presented in thousands (000s), except for per share data and as otherwise noted.

Core Technologies Overview

IntriCon serves the body-worn device market by designing, developing, engineering and manufacturing micro-miniature products, microelectronics, micro-mechanical assemblies and complete assemblies, primarily for bio-telemetry devices, hearing instruments and professional audio communication devices. Over the past several years, the Company has increased investments in the continued development of four critical core technologies: Ultra-Low-Power (ULP) Digital Signal Processing (DSP), Ultra-Low-Power Wireless, Microminiaturization, and Miniature Transducers. These four core technologies serve as the foundation of current and future product platform development, designed to meet the rising demand for smaller, portable more advanced devices. The continued advancements in this area have allowed the Company to further enhance the mobility and effectiveness of miniature body-worn devices.

Ultra-Low-Power Digital Signal Processing
DSP converts real-world analog signals into a digital format. Through our nanoDSP technology, IntriCon offers an extensive range of ULP DSP amplifiers for hearing, medical and professional audio applications. Our proprietary nanoDSP incorporates advanced ultra-miniature hardware with sophisticated signal processing algorithms to produce devices that are smaller and more effective.
During 2012 the Company further expanded its DSP portfolio including improvements to its Reliant CLEAR feedback canceller, offering increased added stable gain and faster reaction time. Additionally, newly developed DSP technologies are utilized in our recently unveiled Audion4 , our new four-channel hearing aid amplifier. The Audion4 is a feature-rich amplifier designed to fit a wide array of applications. In addition to multiple compression channels, the amplifier has a complete set of proven adaptive features which greatly improve the user experience.

Ultra-Low-Power Wireless
Wireless connectivity is fast becoming a required technology, and wireless capabilities are especially critical in new body-worn devices. IntriCon s BodyNet ULP technology, including the nanoLink and PhysioLink wireless systems, offers solutions for transmitting the body s activities to caregivers, and wireless audio links for professional communications and surveillance products. Potential BodyNet applications include electrocardiogram (ECG) diagnostics and monitoring, diabetes monitoring, sleep apnea studies and audio streaming for hearing devices. IntriCon is in the final stages of commercializing its PhysioLink wireless technology, which will be incorporated into product platforms serving the medical, hearing health and professional audio communication markets. This system is based on 2.4GHz proprietary digital radio protocol in the industrial-scientific-medical (ISM) frequency band and enables audio and data streaming to ear-worn and body-worn applications over distances of up to five meters.

Microminiaturization
IntriCon excels at miniaturizing body-worn devices. We began honing our microminiaturization skills over 30 years ago, supplying components to the hearing health industry. Our core miniaturization technology allows us to make devices for our markets that are one cubic inch and smaller. We also are specialists in devices that run on very low power, as evidenced by our ULP wireless and DSP. Less power means a smaller battery, which enables us to reduce size even further, and develop devices that fit into the palm of one s hand.

Miniature Transducers
IntriCon s advanced microphone and receiver technology has been pushing the limits of size and performance for over a decade. Our miniature transducers, which have been incorporated into various product platforms, enhance the reliability, sensitivity, supply voltage, and output level in body-worn devices. These enhancements allow us to make devices that are extremely portable and perform well in noisy or hazardous environments. These small devices are well-suited for applications in the aviation, fire, law enforcement, safety and military markets. Our technology also is used for technical surveillance by law enforcement and security agencies, and by performers and production staff in the music and stage performance markets. Also included in our transducer line are medical coils and micro coils used in pacemaker programming and

interventional catheter positioning applications.

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Market Overview

Our core technologies expertise is focused on three main markets: medical bio-telemetry, value hearing health and professional audio communications. Revenue from the medical bio-telemetry and value hearing health markets is reported on the respective medical and hearing health lines in the discussion of our results of operation in Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 14 Revenue by Market to the Company s consolidated condensed financial statements included herein.

Medical Bio-Telemetry

In the medical bio-telemetry market, the Company is focused on sales of bio-telemetry devices for life-critical diagnostic monitoring. Using our nanoDSP and BodyNet technology platforms, the Company manufactures microelectronics, micro-mechanical assemblies, high-precision injection-molded plastic components and complete bio-telemetry devices for emerging and leading medical device manufacturers. The medical industry is faced with pressures to reduce the cost of healthcare. Driven by core technologies, such as the IntriCon Physiolink that wirelessly connects patients and care givers in non-traditional ways, IntriCon helps shift the point of care from expensive traditional settings, such as hospitals, to less expensive non-traditional settings like the home. IntriCon currently serves this market by offering medical manufacturers the capabilities to design, develop and manufacture medical devices that are easier to use, are more miniature, use less power, and are lighter. Increasingly, the medical industry is looking for wireless, low-power capabilities in their devices. We have a strategic partnership with Advanced Medical Electronics Corp. (AME) that allows us to develop new bio-telemetry devices that better connect patients and care givers, providing critical information and feedback. Through the further development of our ULP BodyNet family, we believe the bio-telemetry markets offer significant opportunity.

IntriCon currently has a strong presence in both the diabetes and cardiac diagnostic monitoring bio-telemetry markets. For diabetes, IntriCon has partnered with Medtronic to manufacture their wireless continuous glucose monitors that measure glucose levels and deliver real-time blood glucose trend information. Along with the wireless glucose monitor, IntriCon also manufactures a variety of related accessories. Further, we believe there are opportunities to expand our diabetes product offering with Medtronic as well as move into new markets.

In the cardiac diagnostic monitoring market, we provide solutions for ambulatory cardiac monitoring. We entered this market through an acquisition of Jon Barron, Inc. doing business as Datrix (Datrix) in 2009. Our first two product platforms, Sirona and Centauri, received Food and Drug Administration (FDA) 510(k) approval in late 2011. The Sirona platform, which incorporates the PhysioLink technology, is essentially two products in one design because it can be used as an event recorder, a holter monitor or both. This platform is very small, rechargeable, and water spray proof. The features of the Centauri platform are event recording combined with wireless transmission of the patient data to a remote service center, which then forwards the information to the doctor.

In addition, IntriCon manufactures and supplies bubble sensors and flow restrictors that monitor and control the flow of fluid in an intravenous infusion system. IntriCon also manufactures a family of safety needle products for an original equipment manufacturing (OEM) customer that utilizes IntriCon s insert and straight molding capabilities. These products are assembled using full automation, including built-in quality checks within the production lines.

IntriCon is targeting other emerging biotelemetry and home care markets, such as sleep apnea, that could benefit from its capabilities to develop devices that are more technologically advanced, smaller and lightweight. To do so, IntriCon is focusing more capital and resources in sales and marketing to expand its reach to other large medical device and health care companies.

Value Hearing Health Market

The Company believes the value hearing health market offers significant growth opportunities. In the United States alone, there are approximately 36 million hearing impaired individuals. This population is expected to grow significantly over the next ten years as 65-year-old-plus age demographic is one of the fastest growing segments in the U.S., Europe and Japan. The current U.S. market penetration into the hearing impaired population is approximately 20%. We believe the U.S. market penetration is low primarily due to high costs to purchase a hearing device and inconveniences in the conventional hearing health distribution channel. This has created the opportunity for alternative care models, such the insurance channel and personal sound amplifier (PSAP) channel.

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In the insurance channel, the Company entered into a manufacturing agreement with hi HealthInnovations, a UnitedHealth Group company, to become their supplier of hearing aids. At the beginning of 2012 hi HealthInnovations launched a suite of high-tech, lower-cost hearing devices for their Medicare and Part D participants and later in the year announced they were increasing this offering to the over 26 million people enrolled in their employer-sponsored and individual health benefit plans. The insurance model has been successfully demonstrated internationally, as several countries providing a full insurance program are serving 40 to 70% of hearing impaired population. Further, research in the US has shown a fully insured model will encourage an individual to seek treatment at an earlier stage of hearing loss, greatly increasing the market size and penetration.

In personal sound amplifier products, the FDA has created a PSAP category; it is analogous to reader glasses in the optical market and provides a cost effective sound amplification device. These devices are not hearing aids and make no claims of compensating for hearing loss. They can be purchased off-the-shelf and are not fit or prescribed to meet a specific individual s needs. Rather, these devices amplify sound and tend to be used in noisy or challenging environments. They have a significantly lower retail price to the consumer than traditional hearing aids.

We also believe there are niches in the conventional hearing health channel that will embrace our value hearing health proposition, as high costs constrain their growth potential. Additionally, we believe there is a large international market, most notably in the so-called BRIC countries (Brazil, Russia, India and China) for this type of product offering.

We believe IntriCon is very well positioned to serve these value hearing health market channels. Over the past several years the Company has invested heavily in core technologies, product platforms and its global manufacturing capabilities geared to provide high-tech, lower-cost hearing devices. Our DSP devices provide better clarity and an improved ability to filter out background noise at attractive pricing points. We believe product platform introductions such as the Audion Amplifiers, APT and Lumen devices will drive market share gains into all channels of the emerging value hearing health market.

Professional Audio Communications
IntriCon entered the high-quality audio communication device market in 2001, and now has a line of miniature, professional audio headset products used by customers focusing on homeland security and emergency response needs. The line includes several communication devices that are extremely portable and perform well in noisy or hazardous environments. These products are well suited for applications in the fire, law enforcement, safety, aviation and military markets. In addition, the Company has a line of miniature ear- and head-worn devices used by performers and support staff in the music and stage performance markets. The Company also serves U.S. government security agencies and the Singapore government in this market. We believe performance in difficult listening environments and wireless operations will continue to improve as these products increasingly include our proprietary nanoDSP, wireless nanoLink and PhysioLink technologies.
The Company sees great opportunity to market its situational listening devices (SLD s). Much like the PSAP devices, these devices are intended to help people hear in noisy environments like restaurants and automobiles, and listen to television, music, and direct broadcast by wireless connection. Such devices are intended to be supplements to conventional hearing aids, which do not handle those situations well. The SLD s will be based on our PhysioLink technology, which were recently demonstrated at the annual convention of the American Academy of Audiology. The product line consists of an earpiece, TV transmitter, companion microphone, iPod/iPhone transmitter, and USB transmitter. With the emergence of advanced parallel technologies in both the SLD and PSAP markets, the Company will likely shift recognition of many professional audio communications product sales into the value hearing health market in future years.

Forward-Looking and Cautionary Statements

Certain statements included in this Quarterly Report on Form 10-Q or documents the Company files with the Securities and Exchange Commission, which are not historical facts, or that include forward-looking terminology such as may , will , believe , anticipate , expect , s optimistic continue , estimate , intend , plan , would , could , guidance , potential , opportunity , project , forecast , confic designed , future , discussion , if or the negative thereof or other variations thereof, are forward-looking statements (as such term is defined Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933, and the regulations thereunder), which are intended to be covered by the safe harbors created thereby. These statements may include, but are not limited to statements in Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes to the Company s Condensed Consolidated Financial Statements such as net operating loss carryforwards, the ability to meet cash requirements for operating needs, the ability to meet liquidity needs, assumptions used to calculate future level of funding of employee benefit plans, the adequacy of insurance coverage, the impact of new accounting pronouncements and litigation.

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Forward-looking statements also include, without limitation, statements as to the Company s expected future results of operations and growth, the Company s ability to meet working capital requirements, the Company s business strategy, the expected increases in operating efficiencies, anticipated trends in the Company s markets, estimates of goodwill impairments and amortization expense of other intangible assets, estimates of future royalty payments from the Global Coils sale, the effects of changes in accounting pronouncements, the effects of litigation and the amount of insurance coverage, and statements as to trends or the Company s or management s beliefs, expectations and opinions.

Forward-looking statements are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially from those in the forward-looking statements. In addition to the factors discussed in this Quarterly Report on Form 10-Q, certain risks, uncertainties and other factors can cause actual results and developments to be materially different from those expressed or implied by such forward-looking statements, including, without limitation, the following:

- the ability to successfully implement the Company s business and growth strategy;
- risks arising in connection with the insolvency of our former subsidiary, Selas SAS, and potential liabilities and actions arising in connection therewith;
- potential obligations to indemnify the purchaser of our former electronics business for certain material claims that may arise;
- the volume and timing of orders received by the Company;
- changes in estimated future cash flows;
- ability to collect on our accounts receivable;
- foreign currency movements in markets the Company services;
- changes in the global economy and financial markets;
- the effects of federal government budget cutting and the sequestration;
- weakening demand for the Company s products due to general economic conditions;
- changes in the mix of products sold;
- ability to meet demand;
- changes in customer requirements;
- timing and extent of research and development expenses;
- FDA approval, timely release and acceptance of the Company s products;
- competitive pricing pressures;
- pending and potential future litigation;
- cost and availability of electronic components and commodities for the Company s products;
- ability to create and market products in a timely manner and develop products that are inexpensive to manufacture;
- ability to comply with covenants in our debt agreements;
- ability to repay debt when it comes due;
- the loss of one or more of our major customers;
- ability to identify, complete and integrate acquisitions;
- effects of legislation;
- effects of foreign operations;
- ability to develop new products such as Centauri, Overtus, Scenic and APT;
- ability to recruit and retain engineering and technical personnel;
- the costs and risks associated with research and development investments;
- risks under our manufacturing agreement with hi HealthInnovations;
- the risk that the royalties under the Global Coils sale agreement will be less than estimated;
- the recent recessions in Europe and the debt crisis in certain countries in the European Union;
- our ability and the ability of our customers to protect intellectual property; and
- loss of members of our senior management team.

For a description of these and other risks, see Part I, Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2012, and other risks described elsewhere in this Quarterly Report on Form 10-Q, or in other filings the Company makes from time to time with the Securities and Exchange Commission. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period.

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Certain accounting estimates and assumptions are particularly sensitive because their significance to the consolidated condensed financial statements and the possibility that future events affecting them may differ markedly. The accounting policies of the Company with significant estimates and assumptions include the Company s revenue recognition, accounts receivable reserves, inventory valuation, goodwill, long-lived assets, deferred taxes policies and employee benefit obligations. These and other significant accounting policies are described in and incorporated by reference from Management s Discussion and Analysis of Financial Condition and Results of Operations, and Note 1 to the financial statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

Results of Operations

Sales, net

Our net sales are comprised of three main markets: medical, hearing health, and professional audio communications. Below is a summary of our sales by main markets for the three months ended March 31, 2013 and 2012:

			Change	
Three Months Ended March 31	**2013**	**2012**	**Dollars**	**Percent**
Medical	$ 7,124	$ 6,104	$ 1,020	16.7%
Hearing Health	5,238	7,573	(2,335)	-30.8%
Professional Audio Communications	2,271	2,847	(576)	-20.2%
Consolidated Net Sales	$ 14,633	$ 16,524	$ (1,891)	-11.4%

For the three months ended March 31, 2013, we experienced an increase of 16.7% in net sales in the medical market compared to the same period in 2012. The three month increase was driven by increased activity from our largest customer, Medtronic, in preparation for a new product line launch. The Company expects medical sales going forward to moderate in the second quarter as Medtronic works through the inventory build, and then to strengthen in the second half of the year. Management believes that the industry-wide trend to shift the point of care from expensive traditional settings, such as hospitals, to less expensive non-traditional settings like the home, will result in growth of the medical bio-telemetry industry. IntriCon currently serves this market by offering medical manufacturers the capabilities to design, develop and manufacture medical devices that are easier to use, are more miniature, use less power, and are lighter. IntriCon has a strong presence in both the diabetes market, with its Medtronic partnership, and cardiac diagnostic monitoring bio-telemetry market. The Company believes there are growth opportunities in these markets as well other emerging biotelemetry and home care markets, such as sleep apnea, that could benefit from its capabilities to develop devices that are more technologically advanced, smaller and lightweight.

Net sales in our hearing health business for the three months ended March 31, 2013 decreased 30.8% compared to the same period in 2012. Decreases in the three month period were primarily due to the expected reduced purchases by hi HealthInnovations and the continued softness in the conventional channel consistent with industry trends. As of mid-2012, we satisfied hi HealthInnovations initial product ramp-up needs and therefore have taken minimal orders for the second half of 2012 and early 2013. hi HealthInnovations continues to make progress building the infrastructure to provide high-quality, affordable hearing health care to a broad range of customers. Although we do not anticipate that hi HealthInnovations will begin to ramp until the second half of the year, we remain very optimistic about the progress that has been made and the long term prospects of this market-changing program. Market dynamics, such as low penetration rates, an aging population, and the need for reduced cost and convenience, have resulted in the emergence of alternative care models, such the insurance channel and PSAP channel. IntriCon believes it is very well positioned to serve these value hearing health market channels. Over the past several years, the Company has invested heavily in core technologies, product platforms and its global manufacturing capabilities geared to provide high-tech, lower-cost hearing devices. Our DSP devices provide better clarity and an improved ability to filter out background noise at attractive pricing points. We believe product platform introductions such as the APT and Lumen devices will drive market share gains into all channels of the emerging value hearing health market.

Net sales to the professional audio device sector decreased 20.2% for the three months ended March 31, 2013 compared to the same period in 2012. The decline was due to the effect of the U.S. Government sequestration on IntriCon s security business and the conclusion of the Company s Singapore Government contract in 2012. Over the next few quarters, IntriCon anticipates securing additional contracts with both governments. Additionally, we believe our extensive portfolio of communication devices that are portable, smaller and perform well in noisy or hazardous environments will provide future long-term growth in this market.

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Gross profit

Gross profit, both in dollars and as a percent of sales, for the three months ended March 31, 2013 and 2012, was as follows:

	2013		2012		Change	
Three Months Ended March 31	Dollars	Percent of Sales	Dollars	Percent of Sales	Dollars	Percent
Gross profit	$ 3,484	23.8%	$4,157	25.2%	$ (673)	-16.2%

The 2013 gross profit decrease over the comparable prior year period was primarily due to lower overall sales volume, partially offset by a favorable product mix within the medical market. Furthermore, the Company continued to transfer select, labor-intensive programs in its medical and hearing health businesses to its Singapore and Indonesia facilities during the first quarter. To drive margin improvement and remain cost competitive, the Company will continue these shifts throughout 2013.

Sales and Marketing, General and Administrative and Research and Development Expenses

Sales and marketing, general and administrative and research and development expenses for the three months ended March 31, 2013 and 2012 were:

	2013		2012		Change	
Three Months Ended March 31	Dollars	Percent of Sales	Dollars	Percent of Sales	Dollars	Percent
Sales and marketing	$ 892	6.1%	$ 875	5.3%	$ 17	1.9%
General and administrative	1,659	11.3%	1,626	9.8%	33	2.0%
Research and development	1,301	8.9%	1,137	6.9%	164	14.4%

Sales and marketing and general and administrative expenses were comparable to prior year period. Research and development increased over the prior year three month period primarily due to an increase in software depreciation costs.

Interest expense

Net interest expense for the three months ended March 31, 2013 was $153, compared to $179 for the respective period in 2012. The decrease in interest expense was primarily due to lower average debt balances as compared to the prior year.

Equity in loss of partnerships

The equity in loss of partnerships for the three months ended March 31, 2013 was $58, compared to $24 for the respective period in 2012, due to changes in carrying amounts described below.

The Company recorded a decrease of $58 in the carrying amount of its HIMPP investment, reflecting amortization of the patents, other intangibles and the Company s portion of the partnership s operating results for the three months ended March 31, 2013, compared to a decrease of $49 in the same respective period in 2012.

Prior to the sale by the Company of its interest in the Global Coils joint venture in August 2012, the Company recorded a $25 increase in the carrying amount of IntriCon s investment in this joint venture, reflecting the Company s portion of the joint venture s operating results for three months ended March 31, 2012.

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Other income (expense)

Other income (expense) for the three months ended March 31, 2013 was other income of $98, compared to other expense of ($39) period in 2012. The change in other income (expense) primarily related to favorable changes in foreign currency exchange rates and foreign government refunds.

Income tax expense (benefit)

Income tax expense (benefit) for the three months ended March 31, 2013 was ($10), compared to $34 for the same period in 2012. The expense (benefit) for the three months ended March 31, 2013 and 2012, respectively, was primarily due to foreign operations.

Liquidity and Capital Resources

As of March 31, 2013, we had $172 of cash on hand. Sources of our cash for the three months ended March 31, 2013 have been from our operations activities, as described below. The Company s cash flows from operating, investing and financing activities, as reflected in the statement of cash flows, are summarized as follows:

	Three Months Ended	
	March 31, 2013	March 31, 2012
Cash provided by (used in):		
Operating activities	$ 467	$ 1,004
Investing activities	(111)	(398)
Financing activities	(405)	(518)
Effect of exchange rate changes on cash	(5)	1
Increase (decrease) in cash	$ (54)	$ 89

The most significant items that contributed to the $467 of cash provided by operating activities was the increase in accrued expenses and accounts payable, partially offset by increases in inventory and other assets.

Net cash used in investing activities consisted of purchases of property, plant and equipment of $111.

Net cash used in financing activities of $405 was comprised primarily of repayments of borrowings under our credit facilities, partially offset by proceeds of borrowings and increases in checks written in excess of cash.

The Company had the following bank arrangements:

	March 31, 2013	December 31, 2012
Total borrowing capacity under existing facilities	$ 12,504	$ 13,233
Facility Borrowings:		
Domestic revolving credit facility	4,434	4,360
Domestic term loan	3,500	3,750
Foreign overdraft and letter of credit facility	1,415	1,795
Total borrowings and commitments	9,349	9,905
Remaining availability under existing facilities	$ 3,155	$ 3,328

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Domestic Credit Facilities

The Company and its domestic subsidiaries are parties to a credit facility with The PrivateBank and Trust Company. The credit facility, as amended, provides for:

- an $8,000 revolving credit facility, with a $200 sub facility for letters of credit. Under the revolving credit facility, the availability of funds depends on a borrowing base composed of stated percentages of the Company s eligible trade receivables and eligible inventory, and eligible equipment less a reserve; and
- a term loan in the original amount of $4,000.

In December 2012, the Company and its domestic subsidiaries entered into a Fifth Amendment to the Loan and Security Agreement with The PrivateBank and Trust Company. The amendment, among other things:

- permitted the Company to borrow an additional $1,250 under the term loan by increasing the then current principal balance of the term loan from $2,750 to $4,000, while keeping the existing amortization schedule in place.
- increased the inventory cap on the borrowing base from $3,000 to $3,500 and removed eligible equipment from the base. Under the revolving credit facility as amended, the availability of funds depends on a borrowing base composed of stated percentages of the Company s eligible trade receivables and inventory, less a reserve;
- eliminated the minimum EBITDA covenant and amended certain other financial covenants; and
- changed the dates when covenant compliance will be tested from monthly to quarterly.

The Company was in compliance with all applicable covenants under the credit facility, as amended, as of March 31, 2013.

In March 2012, the Company entered into an amendment with The PrivateBank to waive certain covenant violations at December 31, 2011 and reset certain covenants in the agreement. In August 2012, the credit facility was amended to amend the fixed charge covenant ratio and to consent to the Global Coils sale and the application of the proceeds to the pay down of the revolving credit facility.

Loans under the credit facility are secured by a security interest in substantially all of the assets of the Company and its domestic subsidiaries including a pledge of the stock of its domestic subsidiaries. Loans under the credit facility bear interest at varying rates based on the Company s leverage ratio of funded debt / EBITDA, at the option of the Company, at:

- the London InterBank Offered Rate (LIBOR) plus 3.00% - 4.00%, or
- the base rate, which is the higher of (a) the rate publicly announced from time to time by the lender as its prime rate and (b) the Federal Funds Rate plus 0.5%, plus 0.25% - 1.25% depending on the Company s leverage ratio.

Interest is payable monthly in arrears, except that interest on LIBOR based loans is payable at the end of the one, two or three month interest periods applicable to LIBOR based loans. IntriCon is also required to pay a non-use fee equal to 0.25% per year of the unused portion of the revolving line of credit facility, payable quarterly in arrears.

Weighted average interest on the revolving credit facility was 4.53% for the three months ended March 31, 2013 and 4.52% for the year ended December 31, 2012. The outstanding balance of the revolving credit facility was $4,434 and $4,360 at March 31, 2013 and December 31, 2012, respectively. The total remaining availability on the revolving credit facility was approximately $2,477 and $2,689 at March 31, 2013 and December 31, 2012, respectively. The credit facility expires on August 13, 2014 and all outstanding borrowings will become due and payable. The Company expects to seek an extension of the term of this facility or a new credit facility in 2013.

The outstanding principal balance of the term loan, as amended, is payable in quarterly installments of $250, commencing with the calendar quarter ended December 31, 2012. Any remaining principal and accrued interest is payable on August 13, 2014. IntriCon is also required to use 100% of the net cash proceeds of certain asset sales (excluding inventory and certain other dispositions), sale of capital securities or issuance of debt to pay down the term loan.

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Foreign Credit Facility

In addition to its domestic credit facilities, the Company s wholly-owned subsidiary, IntriCon, PTE LTD., entered into an international senior secured credit agreement with Oversea-Chinese Banking Corporation Ltd. that originally provided for a $1,977 line of credit. The international credit agreement was modified in August 2010 and again in August 2011 to allow for an additional total of $736 in borrowing under the existing base to fund the Singapore facility relocation, Batam facility construction and various other capital needs with varying due dates from 2013 to 2015. Borrowings bear interest at a rate of .75% to 2.5% over the lender s prevailing prime lending rate. Weighted average interest on the international credit facilities was 4.01% and 3.89% for the three months ended March 31, 2013 and the year ended December 31, 2012. The outstanding balance was $1,415 and $1,795 at March 31, 2013 and December 31, 2012, respectively. The total remaining availability on the international senior secured credit agreement was approximately $678 and $639 at March 31, 2013 and December 31, 2012, respectively.

Datrix Promissory Note

A portion of the purchase price of the Datrix acquisition was paid by the issuance of a promissory note to the seller in the amount of $1,050 bearing annual interest at 6%. In August 2012, the Company amended the agreement to change the remaining installment of $350 from the original due date of August 13, 2012 to equal monthly principal and interest payments starting in October 1, 2012 over a one year period.

We believe that funds expected to be generated from operations, the available borrowing capacity through our revolving credit loan facilities and the control of capital spending will be sufficient to meet our anticipated cash requirements for operating needs and for repayment of maturing debt for at least the next 12 months. If, however, we do not generate sufficient cash from operations, or if we incur additional unanticipated liabilities, we may be required to seek additional financing or sell equity or debt on terms which may not be as favorable as we could have otherwise obtained. No assurance can be given that any refinancing, additional borrowing or sale of equity or debt will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and equity capital markets, as well as our own financial condition. Furthermore, if we fail to meet our financial and other covenants under our loan agreements, absent waiver, we will be in default of the loan agreements and our lenders could take action that would adversely affect our business. There can be no assurance that our lenders will provide a waiver of any default in our loan covenants. While management believes that we will be able to meet our liquidity needs for at least the next 12 months, no assurance can be given that we will be able to do so.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

ITEM 4. Controls and Procedures

The Company s management, with the participation of its chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of the Company s disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of March 31, 2013 (the Disclosure Controls Evaluation). Based on the Disclosure Controls Evaluation, the Company s chief executive officer and chief financial officer concluded that the Company s disclosure controls and procedures were effective to provide a reasonable level of assurance that: (i) information required to be disclosed by the Company in the reports the Company files or submits under the Securities Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and (ii) information required to be disclosed in the reports the Company files or submits under Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure, all in accordance with Exchange Act Rule 13a-15(e).

There were no changes in the Company s internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), during the quarter ended March 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

The information contained in note 10 to the Consolidated Condensed Financial Statements in Part I of this quarterly report is incorporated by reference herein.

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, which could materially affect the Company s business, financial condition or future results. The risk factors in the Company s Annual Report on Form 10-K have not materially changed. The risks described in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

None.

ITEM 3. Defaults upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information

None.

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ITEM 6. Exhibits

(a) Exhibits

31.1 Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of principal executive officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of principal financial officer to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from IntriCon Corporation s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets as of March 31, 2013 (Unaudited) and December 31, 2012; (ii) Consolidated Condensed Statements of Operations (Unaudited) for the Three Months Ended March 31, 2013 and 2012; (iii) Consolidated Condensed Statements of Comprehensive Income (Loss) (Unaudited) for the Three Months Ended March 31, 2013 and 2012; (iv) Consolidated Condensed Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2013 and 2012; and (v) Notes to Consolidated Condensed Financial Statements (Unaudited)*

*Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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.

INTRICON CORPORATION
(Registrant)

Date: May 13, 2013

By: /s/ Mark S. Gorder

Mark S. Gorder
President and Chief Executive Officer
(principal executive officer)

Date: May 13, 2013

By: /s/ Scott Longval

Scott Longval
Chief Financial Officer and Treasurer
(principal financial officer)

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EXHIBIT INDEX

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ties, real estate development or construction projects;
- unforeseen construction scheduling, engineering, environmental, permitting, construction or geological problems;
- environmental issues, including the discovery of unknown environmental contamination;
- weather interference, floods, fires or other casualty losses; and
- other unanticipated circumstances or cost increases.

The occurrence of any of these development and construction risks could increase the total costs of our construction projects, including the REC project in Calgary, or delay or prevent the construction or opening or otherwise affect the design and features of our construction projects. This could materially adversely affect our plan of operations, financial condition and ability to satisfy our debt obligations. In addition, construction at our operating casinos may disrupt our customer’s experience and cause a decline in our revenue.

Actual costs and construction periods for any of our projects can differ significantly from initial expectations. We can provide no assurance that we will complete any project on time, if at all, or within established budgets, or that any project will result in increased earnings to us. If our initial budgets are not accurate, we may need to pursue additional financing to complete a proposed project, which may not be available on favorable terms or at all. The adverse impact on our results of operations resulting from cost overruns on any construction projects we undertake may harm our stock prices.

We may face disruption in integrating and managing facilities we open or acquire in the future, which could adversely impact our operations.

We continually evaluate opportunities to open new properties, some of which are potentially significant in relation to our size. We expect to continue pursuing expansion opportunities, and we could face significant challenges in managing and integrating expanded or combined operations resulting from our expansion activities. The integration of any new properties we open or acquire in the future will require the dedication of management resources that may temporarily divert attention from the day-to-day business of our existing operations, which may interrupt the activities of those operations and could result in deteriorating performance from those operations. For example, in 2013 we acquired majority ownership in CPL and are currently integrating CPL into our operations, including its internal control structure. Management of new properties, especially in new geographic areas, may require that we increase our managerial staff, which would increase our expenses.

Difficulties in managing our worldwide operations may have an adverse impact on our business.

In 2014, we derived our revenue principally from operations located on two continents and on cruise ships operating around the world. Our management is located in the United States and Europe. Our worldwide operations pose risks to our business, especially for a smaller company such as ours. Risks associated with international operations include:

- different time zones;
- culture, management and language differences;
- fluctuations in foreign currency exchange rates;
- changes in laws and policies that govern our foreign operations;
- possible failure to comply with anti-bribery laws such as the United States Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions;
- difficulty in establishing staffing and managing non-United States operations;
- different labor regulations;
- changes in environmental, health and safety laws;
- potentially negative consequences from changes in or interpretations of tax laws;
- political instability and actual or anticipated military or political conflicts;
- economic instability and inflation, recession or interest rate fluctuations; and
- uncertainties regarding judicial systems and procedures.

These factors make it more challenging to manage and administer a globally-dispersed business and, as a result, we must devote greater resources to operating under several regulatory and legislative regimes (See “Governmental Regulation and Licensing” in Item 1, “Business”). This business model also increases our costs.

Investments in additional properties that are not wholly-owned by the Company may decrease our ability to manage risk.

We have from time to time invested, and expect to continue to invest, as a business partner or co-venturer in certain gaming opportunities. For example, we have a 66.6% ownership interest in CPL, which owns and operates nine casinos throughout Poland, and Polish Airports owns the remaining 33.3% of CPL. In addition, we have a 15% ownership interest in CDR, which will operate the Century Downs Racetrack and Casino upon completion of its construction, and unaffiliated shareholders currently own the remaining 85% of CDR. Under the amended credit agreement with CDR, we control the CDR board of directors and have the right to convert CAD 11 million of a loan to CDR into an additional 60% ownership interest in CDR. Business partners often have shared control over the operation of the business's assets. Therefore, the operation of a joint venture or similar enterprise is subject to inherent risk due to the shared nature of the enterprise and the need to reach agreements on material matters and our inability to take action without the approval of our partners. In addition, these investments may involve risks such as the possibility that the business partner or co-venturer might become bankrupt or not have the financial resources to meet its obligations, or have economic or business interests or goals that are inconsistent with our business interests or goals, or be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives. Consequently, actions by a business partner or co-venturer might subject assets owned by the business to additional risk.

Our reputation and business may be harmed by cyber security breaches, and we may be subject to legal claims if there is loss, disclosure or misappropriation of or access to our customers', our business partners' or our own information or other breaches of our information security.

We make use of online services and centralized data processing, including through third party service providers. The secure maintenance and transmission of customer information, including credit card numbers and other personally identifiable information for marketing and promotional purposes, is a critical element of our operations. Our collection and use of personal data are governed by state and federal privacy laws as well as the applicable laws in other countries in which we operate. Compliance with applicable privacy regulations may increase our operating costs or adversely impact our ability to market our products, properties and services to our guests.

Our information technology and other systems that maintain and transmit customer information, or those of service providers, or our employee or business information may be compromised by a malicious third party penetration of our network security, or that of a third party service provider or business partner, or by actions or inactions by our employees. As a result, information of our customers, third party service providers or business partners or our business information may be lost, disclosed, accessed or taken without their or our consent. Non-compliance with applicable privacy regulations by us (or in some circumstances non-compliance by third parties engaged by us) or a breach of security on systems storing our data may result in a loss of customers and subject us to fines, payment of damages, lawsuits or restrictions on our use or transfer of data. If a cyber security breach were to occur, it could have a serious impact on our reputation and may adversely affect our businesses, operating results and financial condition. Furthermore, the loss, disclosure or misappropriation of our business information may adversely affect our businesses, operating results and financial condition.

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We may be adversely affected by reductions in discretionary consumer spending as a result of consumer concerns over economic conditions, homeland security, terrorism and war.

Our business may be adversely affected by international, national and local economic and political conditions. The volatile global economic environment has had and is continuing to have negative effects on our business because our business is largely impacted by discretionary consumer spending. Reductions in discretionary consumer spending or changes in consumer preferences brought about by factors such as increased unemployment, significant increases in energy prices, perceived or actual deterioration in general economic conditions, housing market instability, bank failures and the potential for additional bank failures, perceived or actual decline in disposable consumer income and wealth, and changes in consumer confidence in the economy could reduce customer demand for the leisure activities we offer and may adversely affect our revenue and operating cash flow. We are unable to predict the frequency, length or severity of economic circumstances.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties and have had a negative impact on travel and leisure expenditures, including gaming, lodging and tourism. For example, our locations in Poland are in close proximity to Ukraine and Russia. While we have not experienced any material impact from the acts of hostility between the two countries, an increase in those hostilities could adversely affect our casinos in Poland. We cannot predict the extent to which terrorism, security alerts or war, or hostilities in countries throughout the world will directly or indirectly affect our business and operating results.

We experience seasonal fluctuations that significantly impact our quarterly operating results.

Weather patterns and holidays affect our operations. For example, our Colorado casinos, which are located in mountain tourist towns, typically experience greater gaming revenue in the summer tourist season than any other time during the year. During the year ended December 31, 2014, net operating revenue attributable to our Colorado operations fluctuated from a low of $6.3 million in the fourth quarter to a high of $7.3 million in the third quarter. If we are not able to offset these seasonal declines with additional revenue from other properties, our quarterly results may suffer.

Inclement weather and other conditions could seriously disrupt our business, which may hamper our financial condition and results of operations.

The operations of our facilities are subject to disruptions or reductions in the number of customers who visit our properties because of severe weather conditions. If weather conditions limit access to our casino properties or otherwise adversely impact our ability to operate our casinos at full capacity, our revenue will suffer, which will negatively impact our operating results. High winds, flooding, blizzards and sub-zero temperatures, such as those experienced in Colorado, Alberta and Poland from time to time, can limit access to our properties.

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Our insurance coverage may not be adequate to cover all possible losses that our properties could suffer, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future.

We may suffer damage to our property caused by a casualty loss (such as fire, natural disasters, acts of war or terrorism), that could severely disrupt our business or subject us to claims by third parties who are injured or harmed. Although we maintain insurance customary in our industry, including property, casualty, terrorism and business interruption insurance, that insurance is subject to deductibles and limits on maximum benefits, including limitations on the coverage period for business interruption. Due to these variables, we may not be able to fully insure such losses, or fully collect, if at all, on claims resulting from severe weather conditions. The lack of sufficient insurance for these types of acts could expose us to heavy losses if any damages occur, directly or indirectly, that could have a significant adverse impact on our operations.

We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits or agree to certain exclusions from our coverage or self-insure. Among other factors, regional political tensions, homeland security concerns, other catastrophic events or any change in government legislation governing insurance coverage for acts of terrorism could materially adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause us to elect to reduce our policy limits), additional exclusions from coverage or higher deductibles. Among other potential future adverse changes, in the future we may elect to not, or may not be able to, obtain any coverage for losses due to acts of terrorism.

Our business, financial condition, and results of operations may be harmed by work stoppages and other labor issues.

There are 157 employees at our CPL casinos in Poland who belong to trade unions. The trade unions do not currently have any collective bargaining agreements with CPL. A lengthy strike or other work stoppage at our casino properties in Poland could have an adverse effect on our business and results of operations. Our employees in the U.S. and Canada are not covered by collective bargaining agreements. From time to time, we have experienced attempts to unionize certain of our non-union employees. If a union seeks to organize any of our employees, we could experience disruption in our business and incur significant costs, both of which could have a material adverse effect on our results of operation and financial condition. If a union were successful in organizing any of our employees, we could experience significant increases in our labor costs which could also have a material adverse effect on our business, financial condition, and results of operations.

Fluctuations in currency exchange rates and currency controls in foreign countries could adversely affect our business.

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, respectively. A decrease in the value of either of these currencies in relation to the value of the U.S. dollar would decrease the operating profit from our foreign operations when translated into U.S. dollars, which would adversely affect our consolidated results of operations. In addition, we may expand our operations into other countries and, accordingly,

we could face similar exchange rate risk with respect to the costs of doing business in such countries as a result of any increases in the value of the U.S. dollar in relation to the currencies of such countries. We do not currently hedge our exposure to fluctuations of these foreign currencies, and there is no guarantee that we will be able to successfully hedge any future foreign currency exposure.

We have invested $1 million in capital in the MCE project located in Argentina. In addition, we have a Consulting Services Agreement with MCE in which CCE will receive a service fee consisting of of a fixed fee plus a percentage of MCE’s EBITDA. Argentina has implemented currency controls within the country that could limit our ability to repatriate our initial capital, the consulting service fee, or other funds.

The loss of key personnel could have a material adverse effect on us.

We are highly dependent on the services of Erwin Haitzmann and Peter Hoetzinger, our Co Chief Executive Officers, and other members of our senior management team. The employment agreements with Erwin Haitzmann and Peter Hoetzinger provide that, under some circumstances, the departure of one executive could allow the other to leave for cause. Our ability to retain key personnel is affected by the competitiveness of our compensation packages and the other terms and conditions of employment, our continued ability to compete effectively against other gaming companies and our growth prospects. The loss of the services of any of these individuals could have a material adverse effect on our business, financial condition and results of operations.

The concentration and evolution of the slot machine manufacturing industry or other technological conditions could impose additional costs on us.

The majority of our revenue is generated from slot machines at our casinos. At our Colorado properties, we own or lease our slot machines through participation agreements. At our Canadian properties, the AGLC owns or leases slot machines through participation agreements. It is important for competitive reasons that we offer popular and up-to-date slot machine games to our guests at all of our casinos.

Slot machine manufacturers have frequently refused to sell some slot machines featuring the most popular games, instead requiring participation agreements in order to acquire the machines. Generally, a participation agreement is substantially more expensive over the long term than the cost to purchase a new machine. Participation agreements typically require the payment of a fixed daily rental. Such agreements may also include a percentage payment of coin-in or net win.

For competitive reasons, we may be forced to purchase new slot machines or enter into participation agreements that are more expensive than the costs associated with the continued operation of our existing slot machines in Colorado. In Canada, the AGLC is faced with this same risk. If the newer slot machines do not result in sufficient incremental revenue to offset the increased investment and participation costs, our profitability could be adversely affected.

We may be required in the future to record impairment losses related to assets we currently carry on our balance sheet.

We have $159 million of tangible and intangible assets, including $12 million of goodwill, $4 million in casino licenses, $2 million in trademarks and $135 million in property and equipment as of December 31, 2014. Accounting rules require that we make certain estimates and assumptions related to our determinations as to the future recoverability of these assets. If we were to determine that the values of these assets carried on our balance sheet are impaired due to adverse changes in our business or otherwise, we may be required to record an impairment charge to write down the value of these assets, which would adversely affect our results during the period in which we recorded

the impairment charge.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies could materially affect our financial position and results of operations.

The current U.S. administration has made public statements indicating that international tax reform is a priority, and key members of the U.S. Congress have conducted hearings and proposed a wide variety of potential changes. Certain changes to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the U.S. until those earnings are repatriated to the U.S., could affect the tax treatment of our foreign earnings. In addition, the cash and cash equivalent balances we currently maintain outside of the U.S. could be affected. Due to our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and harm our financial position and results of operations.

Uncertainties in Polish tax laws and other Polish laws and regulations may lead to additional liabilities

Polish tax laws and other Polish laws and regulations change frequently, and often there is no reference to established regulations or cases. The current laws and regulations also have ambiguities that lead to differences in interpretations between authorities and between authorities and companies. Taxes or other payments may frequently be inspected by Polish authorities that are authorized to impose significant fines, extra liabilities and interest for underpayments. As a result, the tax risk is higher in Poland than in countries with better-developed tax systems. For example, in March 2011, the Polish Internal Revenue Service ("Polish IRS") started conducting a series of tax audits of CPL to review the calculation and payment of personal income tax by CPL employees covering December 1, 2007 to December 31, 2008, January 1, 2009 to December 31, 2009 and January 1, 2011 to January 31, 2011. Based on this 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 for those periods. After proceedings and appeals between CPL and the Polish IRS, the Director of the Tax Chamber in Warsaw confirmed the opinion of the Polish IRS in November 2012 for the period January 2011 and in December 2013 for the period December 2007 to December 2008 and from January 2009 to December 2009. Because of these decisions, in 2013 CPL paid PLN 3.6 million ($1.3 million) in taxes and interest for January 1, 2011 to January 31, 2011 and for January 1, 2008 to December 31, 2008 and in 2014 CPL paid PLN 2.8 million ($0.9 million) in taxes and interest for January 1, 2009 to December 31, 2009 to the Polish IRS. CPL continues to appeal the decisions through the Polish court appeals process and expects a final determination in 2015. However, we believe that the Polish IRS may seek to assess a liability for all periods from January 2007 to present. Management has determined that it is reasonably possible that the litigation will be unfavorable for CPL, and we have recorded PLN 12.0 million ($3.4 million based on the exchange rate in effect on December 31, 2014) as a contingent liability on our consolidated balance sheet as of December 31, 2014. If the decisions of the Polish IRS are upheld, CPL may require cash injections from its shareholders, including us, or from other sources to pay the tax liabilities.

Polish tax payments may be inspected for up to five years. As a result, the amounts included in the financial statements for Polish taxes may change at a later date after the final amounts are determined, and other Polish laws and regulations may lead to additional liabilities.

Our failure to maintain adequate internal controls over financial reporting could adversely affect our business and financial condition.

The Sarbanes-Oxley Act of 2002 requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. Our compliance with the Sarbanes-Oxley Act requires that we incur substantial expense and expend significant management time on compliance-related issues. For the year ended December 31, 2014, we have performed system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting. If in the future, we identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or if our remedial measures are insufficient to address the material weaknesses, our consolidated financial statements may contain material misstatements or other errors and we could be required to restate our financial results. In addition, as we consolidate or open new properties we must integrate their processes and procedures into our internal control framework. Further management must evaluate their internal controls to report on the effectiveness of our internal control over financial reporting. Integrating and evaluating new properties into our internal control framework requires additional cost and additional risk over our financial reporting.

A material weakness in the effectiveness of our internal control over financial reporting could increase our chance of fraud, reduce our ability to obtain financing and require additional expenditures, each of which could negatively impact our business, profitability and financial condition. If we cannot produce reliable financial reports, we could be subject to sanctions or investigations by the NASDAQ Stock Market, the SEC or other regulatory authorities. Such sanctions or investigations would require significant additional financial and management resources, investors could lose confidence in our reported financial information, our business and financial condition could be harmed, and the market price of our stock could decline.

We are or may become involved in legal proceedings that, if adversely adjudicated or settled, could impact our financial condition.

From time to time, we are defendants in various lawsuits and gaming regulatory proceedings relating to matters incidental to our business. As with all litigation, no assurance can be provided as to the outcome of these matters and, in general, litigation can be expensive and time consuming. We may not be successful in the defense or prosecution of our current or future legal proceedings, which could result in settlements or damages that could significantly impact our business, financial condition and results of operations.

We are subject to environmental laws and potential exposure to environmental liabilities.

We are subject to various federal, provincial, state and local environmental laws and regulations that govern our operations, including emissions and discharges into the environment, and the handling and disposal of hazardous and nonhazardous substances and wastes. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities or restrictions.

We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating contaminated soil or groundwater on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties impacted by such contamination. The presence of contamination, or failure to remediate it properly, may adversely affect us. Our properties in Central City and Cripple Creek are located within an area of historic mining activity and near superfund sites that have been the subject of state and federal clean-up actions. Although our properties are not part of a superfund site, it is possible that, as a result of our ownership and operation of our properties (on which mining may have occurred in the past), we may incur costs related to this matter in the future. Furthermore, there may have been soil or groundwater contamination at certain of our properties resulting from current or former operations. None of these matters or other matters arising under environmental laws has had a material adverse effect on our business, financial condition, or results of operations; however, there can be no assurance that such matters will not have such an effect in the future.

We are dependent upon technology services and electrical power to operate our business, and if we experience damage or service interruptions, we may have to cease some or all of our operations, resulting in a decrease in revenue.

Our gaming operations rely heavily on technology services and an uninterrupted supply of electrical power. Our security system and all of our slot machines are controlled by computers and reliant on electrical power to operate. Without electrical power or a failure of the technology services needed to run the computers, we may be unable to run

all or parts of our gaming operations. Any unscheduled interruption in our technology services or interruption in the supply of electrical power is likely to result in an immediate, and possibly substantial, loss of revenue due to a shutdown of our gaming operations. Although we have designed our systems around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences, they remain vulnerable to damage or interruption from floods, fires, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks and similar events.

Energy and fuel price increases may adversely affect our costs of operations and our revenue.

Our casino properties use significant amounts of electricity, natural gas and other forms of energy. We expended approximately $2.1 million for utilities for all of our operations in 2014. Substantial increases in the cost of electricity and natural gas will negatively affect our results of operations. In addition, energy and fuel price increases could reduce the disposable income of our customers and cause a corresponding decrease in visitation to our properties, which would negatively impact our revenue. Fuel price increases also could discourage customers from driving to our casinos, particularly at Cripple Creek and Central City, which are not located in metropolitan areas. The extent of the impact is subject to the magnitude and duration of the energy and fuel price increases, but this impact could be material to our results of operations.

Any violation of the Foreign Corrupt Practices Act or any other similar anti-corruption laws could have a negative impact on us.

A significant portion of our revenue is derived from operations outside the United States, which exposes us to complex foreign and U.S. regulations inherent in doing cross-border business and in each of the countries in which we transact business. We are subject to compliance with the United States Foreign Corrupt Practices Act ("FCPA") and other similar anti-corruption laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. While our employees and agents are required to comply with these laws, we cannot be sure that our internal policies and procedures will always protect us from violations of these laws, despite our commitment to legal compliance and corporate ethics. Violations of these laws may result in severe criminal and civil sanctions as well as other penalties, and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to the FCPA. The occurrence or allegation of these types of risks may adversely affect our business, performance, prospects, value, financial condition, and results of operations.

Risks Related to Our Common Stock

Our stock price has been volatile and may decline significantly and unexpectedly.

Our common stock trades in the U.S. on the NASDAQ Capital Market, which consists of relatively small issuers and a lack of significant trading volumes relative to other U.S. markets. These factors may result in volatility in the price of our common stock. For instance, the trading price of our common stock on the NASDAQ Capital Market in 2013 and 2014 varied from a high of $8.21 to a low of $2.61.

Certain anti-takeover measures we have adopted may limit our ability to consummate transactions that some of our security holders might otherwise support.

We have a fair price business combination provision in our certificate of incorporation, which requires approval of certain business combinations and other transactions by holders of 80% of our outstanding shares of voting stock. In addition, our certificate of incorporation allows our board of directors to issue shares of preferred stock without stockholder approval. These provisions generally have the effect of requiring that any party seeking to acquire us negotiate with our board of directors in order to structure a business combination with us. This may have the effect of depressing the price of our common stock due to the possibility that certain transactions that our stockholders might favor could be precluded by these provisions.

Regulation Risk Related to Stockholders

Stockholders may be required to dispose of their shares of our common stock if they are found unsuitable by U.S. gaming authorities.

Gaming authorities in the U.S. and Canada generally can require that any beneficial owner of our common stock and other securities file an application for a finding of suitability. If a gaming authority requires a record or beneficial owner of our securities to file a suitability application, the owner must apply for a finding of suitability within 30 days or at an earlier time prescribed by the gaming authority. The gaming authority has the power to investigate an owner's suitability, and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of our securities. Our certificate of incorporation also provides us with the right to repurchase shares of our common stock from certain beneficial owners declared by gaming regulators to be unsuitable holders of our equity securities, and the price we pay to any such beneficial owner may be below the price such beneficial owner would otherwise accept for his or her shares of our common stock.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

The following table sets forth the location, size and a description of the gaming and other facilities at each of our casinos as of December 31, 2014:

Summary of Property Information

Property	Segment	Casino Space Sq Ft	Acreage	Number of Slot Machines	Number of Video Lottery Terminals	Number of Tables	Number of Off-Track Betting Parlors	Number of Hotel Rooms	Number of Restaurants	Number of Showrooms	Number of Bowling Alleys
Century Casino & Hotel – Edmonton	Canada	35,000	7	752	10	35	-	26	4	2	-
Century Casino – Calgary	Canada	20,000	8	508	25	16	1	-	1	3	1
Century Casino & Hotel – Central City	United States	22,350	1.3	498	-	7	-	26	2	-	-
Century Casino & Hotel – Cripple Creek	United States	19,600	3.5	447	-	6	-	21	1	-	-
Casinos Poland – Poland (1)	Poland	36,500	-	482	-	75	-	-	-	-	-
Cruise Ships (total of 16) (2)	Corporate and Other	13,500	-	556	-	64	-	-	-	-	-
Radisson Aruba Resort,	Corporate and Other	16,000	15	200	-	16	-	-	1	-	-

Casino &
Spa (3)

(1) We operate Casinos Poland as a majority owned subsidiary for which we have a controlling interest. Casinos Poland operates nine separate casinos in leased building spaces, including hotels, throughout Poland. For the locations of these casinos, see “Majority-Owned Casinos – Casinos Poland – Poland” in Item 1, “business” of this report.

(2) Operated under concessionaire agreements. We do not own the ships on which our casinos operate.

(3) Operated under a casino management agreement. We do not own the hotel in which the casino operates.

Each of the locations listed in the table above are wholly-owned by us except for the casinos operated by Casinos Poland, the cruise ships and the Radisson Aruba Resort, Casino & Spa.

As of December 31, 2014, the Century Casino & Hotel in Edmonton and Century Casino in Calgary are pledged as collateral for our obligations under a mortgage with BMO. As of December 31, 2014, a parcel of land in Kolbaskowo, Poland owned by Casinos Poland was used to secure a bank guarantee with mBank (see Note 6 to the Consolidated Financial Statements included in Item 8, “Financial Statements and Supplementary Data” of this report).

Additional Property Information

Century Casino Calgary – In addition to the property described above, we currently lease approximately 28,900 square feet of land at our property in Calgary for additional parking.

Century Downs Racetrack and Casino – The land on which the REC project is being built was sold by CDR to 1685258 Alberta Ltd. (“Rosebridge”) prior to our acquisition of our ownership interest in CDR. CDR leases from Rosebridge the 51.99 acres on which the REC project is being constructed.

Corporate Offices – We currently lease approximately 5,700 square feet of office space in Colorado Springs, Colorado and approximately 2,500 square feet of office space in Vienna, Austria for corporate and administrative purposes.

Item 3. Legal Proceedings.

We are not a party to any material pending litigation which, in management's opinion, could have a material adverse effect on our financial position or results of operations except as follows.

In March 2011, the Polish IRS started 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 for the periods from December 1, 2007 to December 31, 2008, January 1, 2009 to December 31, 2009 and from January 1, 2011 to January 31, 2011.

After proceedings between CPL and the Polish IRS, the Director of the Tax Chamber in Warsaw upheld the decision of the Polish IRS on November 30, 2012 for the period January 1, 2011 to January 31, 2011. CPL paid PLN 0.1 million (less than $0.1 million) to the Polish IRS for taxes and interest owed resulting from this decision. CPL appealed the decision to the Regional Administrative Court in Warsaw in December 2012. In September 2013, the Regional Administrative Court in Warsaw denied CPL's appeal. CPL appealed the decision to the Supreme Administrative Court and expects a decision in 2015.

After further proceedings and appeals between CPL and the Polish IRS, the Director of the Tax Chamber in Warsaw also upheld the decision of the Polish IRS on December 30, 2013 for the periods December 1, 2007 to December 31, 2008 and from January 1, 2009 to December 31, 2009. CPL paid PLN 3.5 million ($1.2 million) to the Polish IRS for taxes and interest owed from January 1, 2008 to December 31, 2008 on December 31, 2013 and PLN 2.8 million ($0.9 million) for taxes and interest owed from January 1, 2009 to December 31, 2009 on December 16, 2014. CPL filed an appeal of this decision in January 2014 to the Voivodship Administrative Court. In September 2014, the Voivodship Administrative Court denied CPL's appeal. CPL has appealed the decision to the Supreme Administrative Court.

Management has evaluated the likelihood that the litigation will be unfavorable for CPL using a probability weighted cash flow analysis and recorded a liability at estimated fair value in purchase accounting. As a result, the balance of the potential liability recorded on our consolidated balance sheet for all open periods as of December 31, 2014 is estimated at PLN 12.0 million ($3.4 million based on the exchange rate in effect on December 31, 2014).

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded in the United States on the NASDAQ Capital Market under the symbol "CNTY". From 2005 to September 30, 2014, our common stock also was traded on the Vienna Stock Exchange in the form of Austrian Depository Certificates ("ADCs"). Effective September 30, 2014, we delisted the ADCs from the Vienna Stock Exchange due to consistently low trading volume on that exchange and the ADCs were automatically converted into the corresponding number of shares of our common stock.

The following table sets forth the low and high sales price per share of our common stock as reported on the NASDAQ Capital Market for the periods indicated.

	2014		2013	
	High	Low	High	Low
First Quarter	$8.21	$4.91	$3.15	$2.61
Second Quarter	$7.42	$5.35	$3.75	$2.83
Third Quarter	$6.10	$4.80	$6.15	$3.38
Fourth Quarter	$5.55	$4.71	$6.30	$4.41

No dividends have been declared or paid by us. Declaration and payment of dividends, if any, in the future will be at the discretion of the board of directors. At the present time, we intend to use any earnings that may be generated to finance the growth of our business.

At March 9, 2015, we had 125 holders of record of our common stock.

In March 2000, our board of directors approved and announced 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 amount available for repurchase as of December 31, 2014 is $14.7 million. The repurchase program has no set expiration or termination date. No repurchases were made during the year ended December 31, 2014.

Item 6. Selected Financial Data.

Not applicable.

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 21E of the Exchange Act, Section 27A of the Securities Act, 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 and the term "PLN" refers to Polish Zloty.

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

In March 2007, our subsidiary CCE acquired 33.3% of the outstanding shares issued by CPL and we accounted for the investment under the equity method. In April 2013, CCE acquired from LOT Polish Airlines an additional 33.3% ownership interest in CPL. As of the date of this acquisition, we began consolidating our 66.6% ownership of 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.

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CPL has been in operation since 1989 and is the owner and operator of nine casinos throughout Poland with a total of 482 slot machines and 75 tables. The following table summarizes the Polish cities in which CPL operated as of December 31, 2014, each casino's location and the number of slots and tables at each casino.

City	Population	Location	Number of Slots	Number of Tables
Warsaw	1.7 million	Marriott Hotel	70	22
Warsaw	1.7 million	LIM Center	62	3
Krakow	760,000	Dwor Kosciuszko Hotel	54	8
Lodz	730,000	Manufaktura Entertainment Complex	62	8
Wroclaw	630,000	HP Park Plaza Hotel	68	12
Poznan	550,000	Hotel Andersia	56	9
Katowice	310,000	Altus Building	70	9
Sosnowiec*	220,000	Sosnowiec City Center	0	0
Plock	130,000	Hotel Plock	40	4

* Operations at the Sosnowiec casino were suspended as of June 30, 2014. The casino began operating on a limited basis on February 3, 2015, and we expect the casino will continue limited operations until its gaming license expires in May 2017.

We also operate 16 ship-based casinos onboard the ships of the following five cruise lines: Oceania Cruises, TUI Cruises, Windstar Cruises, Regent Seven Seas Cruises and Nova Star Cruises, Ltd. As of December 31, 2014, we had a total of 556 slot machines and 64 tables onboard the 16 cruise ships where we operated casinos. The following table summarizes the cruise lines for which we have entered into agreements and the associated ships on which we operate ship-based casinos.

Cruise Line	Ship	Number of Slots	Number of Tables
Oceania Cruises	Regatta	36	5
Oceania Cruises	Nautica	36	5
Oceania Cruises	Insignia*	36	5
Oceania Cruises	Marina	62	6
Oceania Cruises	Riviera	63	6
TUI Cruises	Mein Schiff 1	19	5
TUI Cruises	Mein Schiff 2	12	0
TUI Cruises	Mein Schiff 3**	20	1
Windstar Cruises	Wind Surf	27	4
Windstar Cruises	Wind Star	11	2
Windstar Cruises	Wind Spirit	12	2
Windstar Cruises	Star Pride***	7	3
Regent Seven Seas Cruises	Seven Seas Voyager	51	6
Regent Seven Seas Cruises	Seven Seas Mariner	51	6
Regent Seven Seas Cruises	Seven Seas Navigator	43	6
Nova Star Cruises Ltd.	Nova Star****	70	2

* Our casino operation onboard Insignia was suspended on April 5, 2012 when Oceania Cruises leased the vessel to a different cruise line. The Insignia rejoined Oceania Cruises in May 2014, at which time we again began operating this ship-based casino. We did not operate this ship-based casino while Oceania Cruises leased it to a different cruise line.

** In June 2014, TUI Cruises launched the Mein Schiff 3, and we currently operate the ship-based casino onboard this ship.

*** In May 2014, Windstar Cruises launched the Star Pride, the first of three newly acquired all suite cruise ships. We operate the ship-based casino onboard this ship. Windstar Cruises is planning to begin operations on the other two vessels during the second quarter of 2015, and we expect to operate the planned ship-based casinos onboard each ship.

**** In February 2014, we signed an exclusive agreement with Nova Star Cruises Ltd. to operate a ship-based casino onboard the Nova Star, a round trip cruise ferry service connecting Portland, Maine and Yarmouth, Nova Scotia. The ferry began operations on May 15, 2014 and operates on a seasonal basis from May to November. In September 2014, Nova Star Cruises Ltd. announced that it was shortening its 2014 sailing season with the final round trip ending on October 14, 2014.

In November 2014, we amended our concessionaire agreement with TUI Cruises to include our operation of the ship-based casino onboard the Mein Schiff 4, a new 2,500-passenger ship that is currently being constructed. TUI Cruises plan to launch the Mein Schiff 4 in June 2015.

In December 2010, we entered into a long-term management agreement to direct the operation of the 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 EBITDA. We were not required to invest any amounts under the management agreement.

In October 2014, our subsidiary CCE entered into the MCE Agreement with Gambling and Entertainment LLC and its affiliates, pursuant to which CCE purchased 7.5% of the shares of MCE, a company formed in Argentina, for $1 million. Pursuant to the MCE Agreement, CCE will work with MCE to utilize MCE's exclusive concession agreement with Instituto Provincial de Juegos y Casinos to lease slot machines and provide related services to Mendoza Casino, a casino located in Mendoza, Argentina, and owned by the Province of Mendoza. MCE may also pursue other gaming opportunities. Under the MCE Agreement, CCE has the right to appoint one director to MCE's board of directors. In addition, CCE has a three-year option to purchase up to 50% of the shares of MCE and appoint additional directors to MCE's board of directors based on its ownership percentage of MCE. We account for our 7.5% investment in MCE using cost basis accounting and report the $1.0 million investment on our consolidated balance sheet.

In October 2014, CCE and MCE also entered into a Consulting Service Agreement in which CCE will provide advice on casino matters. Through the Consulting Service Agreement, CCE will receive a service fee consisting of a fixed fee plus a percentage of MCE's EBITDA.

Century Downs Racetrack and Casino - Calgary, Canada

In November 2012, our subsidiary CCE signed credit and management agreements with CDR in connection with the development and operation of a REC project in Balzac, north metropolitan area of Calgary, Alberta, Canada, which we will operate as Century Downs Racetrack and Casino.

The REC project will be the only horse race track in the Calgary area and will consist of a 5.5 furlong (0.7 mile) racetrack, a gaming floor with 550 proposed slot machines, a bar, a lounge, restaurant facilities, an off-track betting area and an entertainment area. The REC license is the only license for new casinos and RECs currently available in any metropolitan area of Alberta. The license application for this REC project preceded a three year moratorium imposed by the AGLC on new casinos and RECs that was scheduled to expire on April 1, 2015. On February 13, 2015, the AGLC extended this moratorium indefinitely.

The REC project is located less than one mile north of the city limits of Calgary and 4.5 miles from the Calgary International Airport. The location will allow the REC to capture both the north and the northwest Calgary markets, where there is not currently a casino. The REC will be located approximately 17 miles from Century Casino Calgary and would serve what we believe is a different customer base, including customers who also are interested in horse racing.

The AGLC has approved development of the REC project and a preliminary license. The AGLC will not issue a final license until the REC opens. HRA, the governing authority for horse racing in Alberta, has approved the REC project and approved a license. Construction on the REC commenced in March 2014 and we anticipate that the REC will open in April 2015. The 2015 horse racing season will be from April to November.

On November 29, 2013, CCE finalized amended credit and management agreements with CDR in connection with the development of the REC project. Under the amended credit agreement, CCE agreed to loan to CDR a total of CAD 24 million in two separate loans, Loan A and Loan B. Loan A is for CAD 13 million and Loan B is for CAD 11 million. Loan A has an interest rate of BMO prime plus 600 basis points and a term of five years, and CAD 11 million of the loan is convertible at CCE's option into an ownership position in CDR of up to 60%. Loan B has an interest rate equivalent to the rate charged under the BMO Credit Agreement plus an administrative fee and a term of five years. CCE has advanced all funds from Loan A, and any additional funds advanced to CDR will be under Loan B. Both loans are secured by a leasehold mortgage on the REC property and a pledge of CDR's stock by the majority of the CDR shareholders. Both loans are for the exclusive use of developing and operating the REC project. CCE will fund both loans with additional borrowings under our BMO Credit Agreement. As of December 31, 2014, CCE has loaned CDR CAD 18.6 million ($16.0 million based on the exchange rate in effect on December 31, 2014).

Under the amended management and credit agreements with CDR, CCE acquired 15% of CDR, controls the CDR board of directors, manages the development and operation of the REC project and has the right to convert CAD 11 million of Loan A into an additional 60% ownership interest in CDR. As a condition of AGLC licensing, we anticipate converting the loan to a majority ownership interest in CDR on or before the REC is operational.

As of November 29, 2013, we began consolidating CDR as a minority owned subsidiary for which we have a controlling financial interest. Unaffiliated shareholders own the remaining 85% of CDR. We account for and report the 85% CDR ownership interest as a non-controlling financial interest.

Other Projects under Development

On June 10, 2013, we announced that we were one of four companies applying for a 15-year casino license at the Hotel InterContinental in Vienna, Austria. In July 2014, the Austrian authorities awarded the casino license to another applicant.

On December 2, 2014, we announced that we had been selected by the HRA to operate the pari-mutuel off-track horse betting network in Southern Alberta beginning in 2015. We will form a new subsidiary, CBS, in 2015 to operate the off-track betting network. Under a memorandum of understanding with the principal owner of RMTC, CCE will own 75% of CBS and RMTC will own 25% of CBS. We anticipate that CBS will begin operating the pari-mutuel network in the second quarter of 2015.

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	2014	2013	% Change
Canadian dollar (CAD)	1.1046	1.0302	(7.2%)
Euros (€)	0.7539	0.7532	(0.1%)
Polish zloty (PLN)	3.1558	3.1597	0.1%
Source: Pacific Exchange Rate Service			

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 Translation" to the Consolidated Financial Statements included in Item 8, “Financial Statements and Supplementary Data” of this report.

DISCUSSION OF RESULTS

Year ended December 31, 2014 vs. 2013

Century Casinos, Inc. and Subsidiaries

	For the year ended December 31,			
Amounts in thousands	2014	2013	Change	% Change
Gaming Revenue	$ 109,889	$ 95,472	$ 14,417	15.1%
Hotel Revenue	1,636	1,573	63	4.0%
Food and Beverage Revenue	10,988	10,688	300	2.8%
Other Revenue	5,525	4,495	1,030	22.9%
Gross Revenue	128,038	112,228	15,810	14.1%
Less Promotional Allowances	(7,990)	(7,640)	350	4.6%
Net Operating Revenue	120,048	104,588	15,460	14.8%
Gaming Expenses	(60,782)	(50,319)	10,463	20.8%
Hotel Expenses	(590)	(624)	(34)	(5.4%)
Food and Beverage Expenses	(9,252)	(8,359)	893	10.7%
General and Administrative Expenses	(38,932)	(33,069)	5,863	17.7%
Total Operating Costs and Expenses	(117,391)	(98,970)	18,421	18.6%
Losses from Equity Investment	0	(135)	(135)	(100.0%)
Earnings from Operations	2,657	5,483	(2,826)	(51.5%)
Non-controlling Interest	2,321	106	2,215	2089.6%
Net Earnings Attributable to Century Casinos, Inc. Shareholders	1,232	6,181	(4,949)	(80.1%)
Adjusted EBITDA	$ 12,850	$ 12,685	$ 165	1.3%
Earnings Per Share Attributable to Century Casinos, Inc. Shareholders				
Basic	$ 0.05	$ 0.26	$ (0.21)	(80.8%)
Diluted	$ 0.05	$ 0.26	$ (0.21)	(80.8%)

The period over period increase in net operating revenue and decrease in net earnings for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily relate to the inclusion of operating results for Casinos Poland for the full year ended December 31, 2014, as opposed to only including operating results beginning April 8, 2013 through December 31, 2013 for the same period in 2013. On April 8, 2013, we purchased an additional 33.3% ownership interest in CPL and began consolidating CPL as a majority-owned subsidiary for which we have a controlling financial interest. Prior to the acquisition of this additional interest in CPL, we accounted for our 33.3% ownership interest as an equity investment. CPL contributed $51.2 million in net operating revenue and $0.1 million in net losses for the year ended December 31, 2014. In addition, the consolidation of CDR as of November 29, 2013 as a minority owned subsidiary for which we have a controlling financial interest affects the comparability of 2014 and 2013 financial results. CDR contributed $0.5 million in net operating revenue and $0.1 million in net earnings for the year ended December 31, 2014.

As a result of our recent and continuing expansion efforts, during the fourth quarter of 2014, we reorganized our internal management reporting structure. Under the new structure, we have begun reporting our financial performance in three reportable segments based on the geographical locations in which our casinos operate: Canada, the United States and Poland. Each geographical location has similarities among the nature of economic characteristics, services, customers and regulatory environments in which each segment operates. Management views each property as an operating segment based on its business activities, financial information, and operating results, which our chief operating decision maker function uses to assess performance and allocate resources within the Company. Our properties provide gaming, hotel accommodations, dining facilities and other amenities to our customers, which we utilize to drive customer volume. Our operating results are highly dependent on the volume of customers at our casinos, and customer volume affects the price we can charge for our hotel rooms, dining and other amenities. Our operating results are significantly affected by our ability to generate operating revenue.

We have additional business activities including concessionaire agreements, management agreements, consulting agreements and certain other corporate and management operations. We report our operating segments that we do not segregate into reportable segments as "corporate and other" operations in our consolidated results.

Net operating revenue increased by $15.5 million, or 14.8% for the year ended December 31, 2014 compared to the year ended December 31, 2013. Following is a breakout of net operating revenue by segment and property for the year ended December 31, 2014 compared to the year ended December 31, 2013:

· Canada increased by $0.9 million, or 2.5%, due to changes in the following operating segments:
§ Edmonton decreased by ($0.1) million, or (0.4%).
§ Calgary increased by $0.5 million, or 5.4%.
§ CDR increased by $0.5 million, or 1920.0%. *
· United States decreased by ($2.5) million, or (8.5%), due to changes in the following operating segments:
§ Central City decreased by ($1.6) million, or (9.3%).
§ Cripple Creek decreased by ($0.9) million, or (7.3%).
· Poland increased by $16.4 million, or 47.0%, due to our increased ownership in Casinos Poland throughout 2014. **
· Corporate and other increased by $0.7 million, or 10.6%, due to changes in ship-based casinos and other.

* We began consolidating CDR as a minority owned subsidiary for which we have a controlling interest on November 29, 2013.

** We acquired a controlling interest in Casinos Poland on April 8, 2013.

Total operating costs and expenses increased by $18.4 million, or 18.6%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. Following is a breakout of total operating costs and expenses by segment and property for the year ended December 31, 2014 compared to the year ended December 31, 2013:

· Canada increased by $0.2 million, or 0.6%, due to changes in the following operating segments:
§ Edmonton decreased by ($0.4) million, or (2.2%).
§ Calgary decreased by ($0.1) million, or (1.3%).
§ CDR increased by $0.7 million, or 1744.7%. *
· United States decreased by ($1.0) million, or (3.8%), due to changes in the following operating segments:
§ Central City decreased by ($0.8) million, or (5.2%).
§ Cripple Creek decreased by ($0.2) million, or (1.5%).
· Poland increased by $16.9 million, or 48.9%, due to our increased ownership in Casinos Poland throughout 2014. **
· Corporate and other increased by $2.4 million, or 18.2%, due to changes in the following operating segments:
§ Ship-based casinos and other increased by $0.9 million, or 14.2%.
§ Corporate other increased by $1.5 million, or 22.0%.

* We began consolidating CDR as a minority owned subsidiary for which we have a controlling interest on November 29, 2013.

** We acquired a controlling interest in Casinos Poland on April 8, 2013.

Earnings from operations decreased by ($2.8) million, or (51.5%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. Following is a breakout of earnings from operations by segment and property for the year ended December 31, 2014 compared to the year ended December 31, 2013:

· Canada increased by $0.7 million, or 8.9%, due to changes in the following operating segments:
§ Edmonton increased by $0.3 million, or 3.8%.
§ Calgary increased by $0.6 million, or 266.8%.
§ CDR decreased by ($0.2) million, or (290.5%). *
· United States decreased by ($1.5) million, or (42.4%), due to changes in the following operating segments:
§ Central City decreased by ($0.8) million, or (41.3%).
§ Cripple Creek decreased by ($0.7) million, or (43.8%).
· Poland decreased by ($0.5) million, or (149.2%), due to our increased ownership in Casinos Poland throughout 2014. **
· Corporate and other decreased by ($1.5) million, or (24.1%), due to changes in the following operating segments:
§ Ship-based casinos and other decreased by ($0.2) million, or (28.2%).
§ Corporate and other decreased by ($1.3) million, or (19.6%).

* We began consolidating CDR as a minority owned subsidiary for which we have a controlling interest on November 29, 2013.

** We acquired a controlling interest in Casinos Poland on April 8, 2013.

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Net earnings decreased by ($5.0) million, or (80.1%) for the year ended December 31, 2014 compared to the year ended December 31, 2013. Items deducted from or added to earnings from operations to arrive at net earnings include gains on business combinations related to the acquisition of the additional equity interest in CPL and the acquisition of CDR, interest income, interest expense, gains or losses on foreign currency transactions, income tax expense and non-controlling interest. For the year ended December 31, 2013, we recognized an increase in net earnings of $2.1 million because of measuring at fair value our 33.3% equity interest in CPL held prior to the acquisition of the additional equity interest in CPL. We also recognized a $0.4 million gain because of the fair value measurement of the Company's 15% controlling ownership interest in CDR. We reported the total $2.5 million gain in the Corporate Other category for the year ended December 31, 2013. For a discussion of certain of these items, see "Non-Operating Income (Expense)" and "Taxes" below in this Item 7.

Non-GAAP Measures – Adjusted EBITDA

We define Adjusted EBITDA as net earnings (loss) before interest, income taxes (benefit), depreciation, amortization, non-controlling interest, pre-opening expenses, acquisition costs, non-cash stock based compensation charges, asset impairment costs, (gain) loss on disposition of fixed assets, discontinued operations, realized foreign currency (gains) losses, gain on business combination and certain other one-time items. Intercompany transactions consisting primarily of management and royalty fees and interest, along with their related tax effects, are excluded from the presentation of net earnings (loss) and Adjusted EBITDA reported for each property. Not all of the aforementioned items occur in each reporting period, but have been included in the definition based on historical activity. These adjustments have no effect on the consolidated results as reported under accounting principles generally accepted in the United States of America ("US GAAP"). Adjusted EBITDA is not considered a measure of performance recognized under US GAAP.

Management believes that Adjusted EBITDA is a valuable measure of the relative performance of the Company and its properties. The gaming industry commonly uses Adjusted EBITDA as a method of arriving at the economic value of a casino operation. Management uses Adjusted EBITDA to compare the relative operating performance of separate operating units by eliminating the above mentioned items associated with the varying levels of capital expenditures for infrastructure required to generate revenue, and the often high cost of acquiring existing operations. Our computation of Adjusted EBITDA may be different from, and therefore may not be comparable to, similar measures used by other companies within the gaming industry.

The reconciliation of Adjusted EBITDA to net earnings (loss) is presented below.

	For the Year Ended December 31, 2014								
	Canada			United States		Poland	Corporate and Other		
	Edmonton	Calgary	Century Downs	Central City	Cripple Creek	Casinos Poland	Cruise Ships & Other	Corporate	Total
Net earnings (loss)	$ 5,915	$ 444	$ 87	$ 720	$ 563	$ (112)	$ 325	$ (6,710)	$ 1,232
Interest expense (income), net	479	0	1,994	0	1	319	0	(37)	2,756
Income taxes (benefit)	1,865	(57)	163	440	346	25	91	(1,366)	1,507
Depreciation and amortization	995	915	0	1,288	1,131	2,839	506	161	7,835
Non-controlling interest	0	0	(2,267)	0	0	(54)	0	0	(2,321)
Non-cash stock-based compensation	0	0	0	0	0	0	0	1,028	1,028
Foreign currency (gains) losses	(66)	(30)	(97)	0	0	(342)	1	17	(517)
Loss on disposition of fixed assets	0	2	0	33	6	587	3	0	631
Acquisition costs	0	0	115	0	0	0	0	266	381
Other one-time costs	0	0	(103)	0	0	421	0	0	318
Adjusted EBITDA	$ 9,188	$ 1,274	$ (108)	$ 2,481	$ 2,047	$ 3,683	$ 926	$ (6,641)	$ 12,850

	For the Year Ended December 31, 2013								
	Canada			United States		Poland	Corporate and Other		
	Edmonton	Calgary	Century Downs	Central City	Cripple Creek	Casinos Poland	Cruise Ships & Other	Corporate	Total
Net earnings (loss)	$ 5,703	$ (31)	$ (2)	$ 1,225	$ 1,004	$ 12	$ 504	$ (2,234)	$ 6,181
Interest expense (income), net	413	0	171	0	0	374	(3)	(45)	910

Income taxes (benefit)	1,809	(172)	6	750	615	145	81	(1,940)	1,294
Depreciation and amortization	1,028	920	0	1,269	956	1,903	402	121	6,599
Non-controlling interest	0	0	(112)	0	0	6	0	0	(106)
Non-cash stock-based compensation	0	0	0	0	0	0	0	33	33
Foreign currency losses (gains)	(30)	(11)	0	0	0	(204)	(1)	(72)	(318)
(Gain) loss on disposition of fixed assets	3	0	0	(5)	29	505	14	24	570
Acquisition costs	0	0	0	0	0	0	0	49	49
Other one-time costs	0	0	(57)	0	0	8	0	(2,478)	(2,527)
Adjusted EBITDA	$ 8,926	$ 706	$ 6	$ 3,239	$ 2,604	$ 2,749	$ 997	$ (6,542)	$ 12,685

Reportable Segments

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

Canada

Edmonton

Amounts in thousands	For the year ended December 31, 2014	2013	Change	% Change
Gaming	$ 17,705	$ 17,814	$ (109)	(0.6%)
Hotel	851	798	53	6.6%
Food and Beverage	5,376	5,406	(30)	(0.6%)
Other	2,013	2,056	(43)	(2.1%)
Gross Revenue	25,945	26,074	(129)	(0.5%)
Less Promotional Allowances	(818)	(857)	(39)	(4.6%)
Net Operating Revenue	25,127	25,217	(90)	(0.4%)
Gaming Expenses	(6,559)	(6,611)	(52)	(0.8%)
Hotel Expenses	(232)	(248)	(16)	(6.5%)
Food and Beverage Expenses	(3,855)	(3,827)	28	0.7%
General and Administrative Expenses	(5,293)	(5,608)	(315)	(5.6%)
Total Operating Costs and Expenses	(16,934)	(17,322)	(388)	(2.2%)
Earnings from Operations	8,193	7,895	298	3.8%
Net Earnings	5,915	5,703	212	3.7%
Adjusted EBITDA	$ 9,188	$ 8,926	$ 262	2.9%

Net operating revenue at our property in Edmonton decreased by ($0.1) million, or (0.4%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in net operating revenue in USD compared to the increase in net operating revenue in CAD was due to a decrease in the average exchange rate between the U.S. dollar and Canadian dollar of 7.2% for the year ended December 31, 2014 as compared to the year ended December 31, 2013 (the "7.2% exchange rate decrease").

In CAD, net operating revenue increased by 1.8 million, or 6.9%, due to increases in all revenue categories for the year ended December 31, 2014 compared to the year ended December 31, 2013. The majority of the net operating revenue increase was from increased gaming revenue of CAD 1.2 million, or 6.6%, which was primarily due to increased customer volumes of 4.6% and expanded table game hours allowed by the AGLC for the year ended December 31, 2014 compared to the year ended December 31, 2013. Effective April 1, 2014, the AGLC began allowing casino table games to operate up to a maximum of 17 consecutive hours commencing at 10:00 a.m. and ending no later than 3:00 a.m. The increased revenue in food and beverage, hotel and other revenue are a result of the increased customer volumes of 4.6% and increases to food, beverage and showroom ticket prices for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Total operating costs and expenses decreased by ($0.4) million, or (2.2%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in operating expenses in USD compared to the increase in operating expenses in CAD was due to the 7.2% exchange rate decrease.

In CAD, total operating costs and expenses increased by 0.9 million, or 4.8%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increased expenses were mainly due to increased food and beverage costs of CAD 0.2 million, or 8%, due to higher sales, and increased payroll costs of CAD 0.5 million, or 5%, due to the expanded table game hours and a minimum wage increase of CAD 15 cents for hourly employees for the year ended December 31, 2014 compared to the year ended December 31, 2013.

As a result of the foregoing, earnings from operations increased by $0.3 million, or 3.8%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. Net earnings increased by $0.2 million, or 3.7%, for the year ended December 31, 2014 compared to the year ended December 31, 2013.

In CAD, net earnings increased by 0.7 million, or 11.8%, and earnings from operations increased by CAD 0.9 million, or 11.4%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The difference between net earnings of CAD 0.7 million compared to earnings from operations of CAD 0.9 million was due to an increase in interest expense of CAD 0.1 million and an increase in income tax expense of CAD 0.2 million for the year ended December 31, 2014.

Calgary

	For the year ended December 31,			
Amounts in thousands	2014	2013	Change	% Change
Gaming	$ 5,988	$ 5,679	$ 309	5.4%
Food and Beverage	1,926	1,755	171	9.7%
Other	1,339	1,343	(4)	(0.3%)
Gross Revenue	9,253	8,777	476	5.4%
Less Promotional Allowances	(286)	(270)	16	5.9%
Net Operating Revenue	8,967	8,507	460	5.4%
Gaming Expenses	(2,680)	(2,857)	(177)	(6.2%)
Food and Beverage Expenses	(1,572)	(1,462)	110	7.5%
General and Administrative Expenses	(3,443)	(3,482)	(39)	(1.1%)
Total Operating Costs and Expenses	(8,610)	(8,721)	(111)	(1.3%)
Earnings (Losses) from Operations	357	(214)	571	266.8%
Net Earnings (Loss)	444	(31)	475	1532.3%
Adjusted EBITDA	$ 1,274	$ 706	$ 568	80.5%

Net operating revenue at our property in Calgary increased by $0.5 million, or 5.4%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The smaller increase in net operating revenue in USD compared to the increase in net operating revenue in CAD was due to the 7.2% exchange rate decrease.

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In CAD, net operating revenue increased by 1.2 million, or 13.1%, due to increases in all revenue categories for the year ended December 31, 2014 compared to the year ended December 31, 2013. Gaming revenue increased by CAD 0.8 million, or 13.0%, due to the expanded table game hours and increased customer volume of 2.7% for the year ended December 31, 2014 compared to the year ended December 31, 2013. Food and beverage revenue increased by CAD 0.3 million, or 17.8%, due to the increased customer volume of 2.7% along with the addition of the Infinity Bar on the gaming floor and increased attendance during third party events in the showroom for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increased revenue and customer volumes for the year ended December 31, 2014 compared to the year ended December 31, 2013 were also a result of the flooding that occurred in the city of Calgary during June 2013, which disrupted traffic with road closures for seven days and required the property to close table games for three days and slots for one day.

Total operating costs and expenses decreased by ($0.1) million, or (1.3%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. The difference between the decreased operating costs and expenses in USD compared to the increased operating costs and expenses in CAD was due to the 7.2% exchange rate decrease.

In CAD, total operating costs and expenses increased by 0.5 million, or 5.8%, for the year ended December 31, 2014 compared to the year ended December 31, 2013, The increase in operating costs and expenses was primarily due to increased payroll costs of CAD 0.2 million, or 4%, as a result of extended table game hours, the addition of the off-track betting parlor and a minimum wage increase of CAD 0.15 for hourly employees, along with increased general and administrative costs of CAD 0.2 million, or 0.9%, for the year ended December 31, 2014 compared to the year ended December 31, 2013.

As a result of the foregoing, earnings from operations increased by $0.6 million, or 266.8%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. Net earnings increased by $0.5 million, or 1532.3%, for the year ended December 31, 2014 compared to the year ended December 31, 2013.

In CAD, net losses decreased by 0.3 million, or 64.3%, and earnings from operations increased by CAD 0.6 million, or 280.3%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in net losses of CAD 0.3 million compared to the increase in earnings from operations of CAD 0.6 million was due to an increase in foreign currency exchange losses of CAD 0.2 million and a decrease in the income tax benefit of CAD 0.1 million for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Century Downs Racetrack and Casino

Amounts in thousands	For the year ended December 31, 2014	2013 *	Change	% Change
Other	$ 505	25	$ 480	1920.0%
Net Operating Revenue	505	25	480	1920.0%
General and Administrative Expenses	(625)	38	663	1744.7%
Total Operating Costs and Expenses	(625)	38	663	1744.7%
(Losses) Earnings from Operations	(120)	63	(183)	(290.5%)
Non-controlling Interest	2,267	112	2,155	1924.1%
Net Earnings (Loss)	87	(2)	89	4450.0%
Adjusted EBITDA	$ (108)	$ 6	$ (114)	(1900.0%)

*We began consolidating CDR as a minority owned subsidiary for which we have a controlling interest on November 29, 2013.

November 29, 2013 through December 31, 2013

Net operating revenue from CDR was less than $0.1 million, total operating costs and expenses were less than $0.1 million and earnings from operations were $0.1 million for the period from November 29, 2013 through December 31, 2013. Earnings from operations were from revenue earned from an off-track betting parlor and insurance proceeds received from a damaged barn.

January 1, 2014 through December 31, 2014

Net operating revenue for CDR was $0.5 million, total operating costs and expenses were $0.6 million and losses from operations were $0.1 million for the year ended December 31, 2014. Revenue was derived from off-track betting parlor commissions and fees paid by neighboring developers for use of infrastructure on CDR land. Total operating costs and expenses consisted of expenses resulting primarily from managing the construction of the REC project and were partially offset by insurance proceeds received due to a barn that was damaged by wind.

Construction of the REC project began in March 2014 and we anticipate that the REC will open in April 2015. The casino and off-track betting at the REC will be available year-round and the horse racing season will be from March to November each year. The 2015 horse racing season will be from April to November.

United States

Central City

	For the year ended December 31,			
Amounts in thousands	2014	2013	Change	% Change
Gaming	$ 17,331	$ 18,770	$ (1,439)	(7.7%)
Hotel	465	493	(28)	(5.7%)
Food and Beverage	1,900	1,978	(78)	(3.9%)
Other	193	190	3	1.6%
Gross Revenue	19,889	21,431	(1,542)	(7.2%)
Less Promotional Allowances	(4,136)	(4,057)	79	1.9%
Net Operating Revenue	15,753	17,374	(1,621)	(9.3%)
Gaming Expenses	(8,004)	(8,770)	(766)	(8.7%)
Hotel Expenses	(207)	(194)	13	6.7%
Food and Beverage Expenses	(1,201)	(1,286)	(85)	(6.6%)
General and Administrative Expenses	(3,893)	(3,880)	13	0.3%
Total Operating Costs and Expenses	(14,593)	(15,399)	(806)	(5.2%)
Earnings from Operations	1,160	1,975	(815)	(41.3%)
Net Earnings	720	1,225	(505)	(41.2%)
Adjusted EBITDA	$ 2,481	$ 3,239	$ (758)	(23.4%)

Net operating revenue at our property in Central City decreased by ($1.6) million, or (9.3%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease was due to a decrease in all revenue categories and was primarily due to gaming revenue, which decreased by ($1.4) million, or (7.7%), as a result of lower customer volumes of 5.6% for the year ended December 31, 2014 compared to the year ended December 31, 2013.

The decrease in customer volumes of 5.6% was due to a declining Central City market and ongoing road construction on Interstate 70 along with the closure of the Central City Parkway, the main thoroughfares connecting Denver to

Central City. The parkway was closed from August 12-15, 2014 and was reopened to weekday evening and weekend traffic only through October 10, 2014. The Central City market decreased by 8.2% for the year ended December 31, 2014 compared to the year ended December 31, 2013. We believe that the Central City market decreased due to lost market share to the Black Hawk market. The Central City/Black Hawk market remained flat for the year ended December 31, 2014 compared to the year ended December 31, 2013. Although the overall Central City market continues to decrease, our property's share of the Central City market increased by 1.6% for the year ended December 31, 2014 compared to the year ended December 31, 2013. The Central City property has focused on guest service, VIP player promotions as well as daily and monthly promotions to continue to attract customers in the Central City market.

Total operating costs and expenses decreased by ($0.8) million, or (5.2%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in total operating costs and expenses is mainly due to a decrease in gaming tax expense of ($0.4) million, or (19%), due to lower gaming revenue as well as decreased payroll costs of ($0.1) million, or (2%), as a result of operating controls to reduce costs and decreased marketing costs for the year ended December 31, 2014 compared to the year ended December 31, 2013.

As a result of the foregoing, earnings from operations decreased by ($0.8) million, or (41.3%), for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Net earnings decreased by ($0.5) million, or (41.2%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in net earnings of ($0.5) million compared to the ($0.8) million decrease in earnings from operations was due to a decrease in income tax expense of ($0.3) million for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Cripple Creek

	For the year ended December 31,			
Amounts in thousands	2014	2013	Change	% Change
Gaming	$ 12,042	$ 12,731	$ (689)	(5.4%)
Hotel	320	270	50	18.5%
Food and Beverage	1,233	1,174	59	5.0%
Other	103	99	4	4.0%
Gross Revenue	13,698	14,274	(576)	(4.0%)
Less Promotional Allowances	(2,744)	(2,455)	289	11.8%
Net Operating Revenue	10,954	11,819	(865)	(7.3%)
Gaming Expenses	(4,736)	(5,096)	(360)	(7.1%)
Hotel Expenses	(151)	(182)	(31)	(17.0%)
Food and Beverage Expenses	(991)	(916)	75	8.2%
General and Administrative Expenses	(3,035)	(3,050)	(15)	(0.5%)
Total Operating Costs and Expenses	(10,044)	(10,200)	(156)	(1.5%)
Earnings from Operations	910	1,619	(709)	(43.8%)
Net Earnings	563	1,004	(441)	(43.9%)
Adjusted EBITDA	$ 2,047	$ 2,604	$ (557)	(21.4%)

Net operating revenue at our property in Cripple Creek decreased by ($0.9) million, or (7.3%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in net operating revenue was due to a decrease in gaming revenue of ($0.7) million, or (5.4%), as a result of lower customer volumes of 4.4% in the declining Cripple Creek market for the year ended December 31, 2014 compared to the year ended December 31, 2013. The Cripple Creek market declined by 3.9% and our property’s share of the Cripple Creek market declined by 1.4% for the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in net

operating revenue was also due to the increase of promotional allowances of $0.3 million, or 11.8%, as a result of an increased level of free play granted to Player's Club members for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Total operating costs and expenses decreased by ($0.2) million, or (1.5%), primarily due to lower gaming taxes of ($0.1) million, or (15%), as a result of lower gaming revenue as well as lower payroll costs of ($0.1) million, or (2%), as a result of operating controls to reduce costs for the year ended December 31, 2014 compared to the year ended December 31, 2013.

As a result of the foregoing, earnings from operations decreased by ($0.7) million, or (43.8%), for the year ended December 31, 2014 compared to the year ended December 31, 2013. The difference between the decrease in earnings from operations of ($0.7) and the decrease in net earnings of ($0.4) million is due to a decrease in income tax expense of ($0.3) million for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Poland

Casinos Poland

	For the year ended December 31,			
Amounts in thousands	2014	2013 *	Change	% Change
Gaming	$ 50,057	$ 34,409	$ 15,648	45.5%
Food and Beverage	553	375	178	47.5%
Other	587	33	554	1678.8%
Gross Revenue	51,197	34,817	16,380	47.0%
Less Promotional Allowances	(6)	0	6	100.0%
Net Operating Revenue	51,191	34,817	16,374	47.0%
Gaming Expenses	(32,908)	(21,738)	11,170	51.4%
Food and Beverage Expenses	(1,633)	(868)	765	88.1%
General and Administrative Expenses	(13,975)	(9,975)	4,000	40.1%
Total Operating Costs and Expenses	(51,355)	(34,484)	16,871	48.9%
(Losses) Earnings from Operations	(164)	333	(497)	(149.2%)
Non-controlling Interest	54	(6)	60	1000.0%
Net (Loss) Earnings	(112)	12	(124)	(1033.3%)
Adjusted EBITDA	$ 3,683	$ 2,749	$ 934	34.0%

*We acquired a controlling interest in CPL on April 8, 2013.

January 1, 2013 through April 7, 2013

Through April 7, 2013, CCE owned 33.3% of all shares issued by CPL and our portion of CPL's earnings was recorded as earnings from equity investment in Corporate Other. We recorded a decrease in earnings from our investment in CPL of $0.1 million for the period from January 1, 2013 through April 7, 2013. The decrease was primarily due to the decision to close the Gdynia property. CPL's management board decided to close the Gdynia property in March 2013 and the property closed on August 14, 2013. Operations at Gdynia were minimal beginning June 30, 2013. CPL recognized $0.3 million in closing expenses for the period ended April 7, 2013, which reduced earnings from CPL.

April 8, 2013 through December 31, 2013

On April 8, 2013, CCE signed the final share sale agreement with LOT Polish Airlines and completed the purchase of an additional 33.3% ownership interest in CPL. We now own a 66.6% ownership interest in CPL. As of April 8, 2013, we began consolidating CPL as a majority-owned subsidiary for which we have a controlling financial interest rather than reporting it as an equity investment. We account for and report the 33.3% Polish Airports ownership interest as a non-controlling financial interest. Earnings from operations are reduced by the non-controlling interest to arrive at net earnings.

Years ended December 31, 2014 and 2013

Net operating revenue from CPL increased by $16.4 million (PLN 51.7 million), or 47.0%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase is due to the inclusion of net operating revenue for CPL for the full year ended December 31, 2014, as opposed to only including net operating revenue for CPL beginning April 8, 2013 through December 31, 2013. The increase in net operating revenue was also due to the addition of 70 high quality slot machines throughout CPL's casinos along with increased table game activity at the Marriott, Poznan and Plock locations.

Total operating costs and expenses increased by $16.9 million (PLN 52.9 million), or 48.9%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily due to the inclusion of operating costs and expenses for CPL for the full year ended December 31, 2014 as opposed to only including operating costs and expenses for 2013 from April 1, 2013 through December 31, 2013. Total operating costs and expenses also increased due to increased gaming taxes as a result of increased revenue along with higher marketing expenses at the Marriott and Poznan casinos. In addition, there were costs of $0.7 million (PLN 2.2 million) related to the impairment of the leasehold improvements and casino license at the Sosnowiec casino, which suspended its operations on June 30, 2014. The Sosnowiec casino reopened on a limited basis on February 3, 2015 and we expect the casino to continue limited operations until its gaming license expires in May 2017. There were also one-time costs of approximately $0.1 million (PLN 0.3 million) associated with relocating the Poznan casino to the Hotel Andersia that were charged to operating costs and expenses for the year ended December 31, 2014.

Because of the foregoing, earnings from operations decreased by ($0.5) million ((PLN 1.2) million), or (149.2%), and net earnings decreased by ($0.1) million ((PLN 0.5) million), or (1033.3%), for the year ended December 31, 2014 compared to the year ended December 31, 2013.

The difference between the decrease in earnings from operations of ($0.5) million and the decrease in net earnings of ($0.1) million was due to an increase in foreign currency expense of $0.2 million, a decrease in income tax benefit of $0.1 million and an increase in non-controlling interest expense of $0.1 million as a result of the inclusion of these expenses for the full year ended December 31, 2014 as opposed to April 8, 2013 through December 31, 2013.

Corporate and Other

Cruise Ships & Other

Amounts in thousands	For the year ended December 31, 2014	2013	Change	% Change
Gaming	$ 6,766	$ 6,069	$ 697	11.5%
Other	785	758	27	3.6%
Gross Revenue	7,551	6,827	724	10.6%
Net Operating Revenue	7,551	6,827	724	10.6%
Gaming Expenses	(5,895)	(5,246)	649	12.4%
General and Administrative Expenses	(733)	(598)	135	22.6%
Total Operating Costs and Expenses	(7,134)	(6,246)	888	14.2%
Earnings from Operations	417	581	(164)	(28.2%)
Net Earnings	325	504	(179)	(35.5%)
Adjusted EBITDA	$ 926	$ 997	$ (71)	(7.1%)

Net operating revenue from our ship-based casinos, Aruba management agreement and MCE consulting agreement increased by $0.7 million, or 10.6%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily due to the inclusion of the Insignia, Star Pride, Mein Schiff 3 and Nova Star in 2014. Together these ships added $0.8 million, or 13%, to net operating revenue in 2014. The additional revenue from these new ships was offset by decreased net operating revenue from the Voyager of ($0.3) million or (38%) for the year ended December 31, 2014 compared to the year ended December 31, 2013. In addition, there was $0.1 million in net operating revenue added from the consulting service agreement with MCE for the year ended December 31, 2014.

Total operating costs and expenses increased by $0.9 million, or 14.2%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in operating costs and expenses was primarily due to the inclusion of the Insignia, Star Pride, Mein Schiff 3 and Nova Star in 2014. Together these ships added $0.7 million, or 11%, to operating costs and expenses in 2014. Operating costs also increased due to the conversion of games onboard the cruise ships of $0.1 million for the year ended December 2014 compared to the year ended December 31, 2013.

As a result of the foregoing, earnings from operations and net earnings decreased by ($0.2) million, or (28.2%), and ($0.2) million, or (35.5%), respectively, for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Corporate Other

Amounts in thousands	For the year ended December 31, 2014	2013	Change	% Change
General and Administrative Expenses	$ (7,935)	$ (6,514)	$ 1,421	21.8%
Total Operating Costs and Expenses	(8,096)	(6,636)	1,460	22.0%
Losses from Operations	(8,096)	(6,769)	(1,327)	(19.6%)
Net (Loss)	(6,710)	(2,234)	(4,476)	(200.4%)
Adjusted EBITDA	$ (6,641)	$ (6,542)	$ (99)	(1.5%)

General and administrative expenses for Corporate Other consist primarily of legal and accounting fees, corporate travel expenses, corporate payroll, the amortization of stock-based compensation and other expenses not directly related to any of our individual properties. General and administrative expenses increased by $1.4 million, or 21.8%, for year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily due to increased payroll costs of $0.2 million, increased stock-based compensation expense of $1.0 million and increased travel and legal expenses for the year ended December 31, 2014 compared to the year ended December 31, 2013.

The difference between the increased losses from operations of $1.3 million and the increased net loss of $4.5 million was the gain on business combination of $2.5 million that occurred in 2013 as a result of measuring at fair value our 33.3% equity investment in CPL held prior to the acquisition date of April 8, 2013 and as a result of the acquisition of CDR. The difference was also due to a $0.1 million increase in foreign currency losses and increased income tax expense of $0.6 million for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Non-Operating Income (Expense)

Non-operating income (expense) for the years ended December 31, 2014 and 2013 was as follows:

	For the year ended 31	December		
Amounts in thousands	2014	2013	$ Change	% Change
Gain on Business Combination	$ 0	$ 2,478	$ (2,478)	(100.0%)
Interest Income	81	73	8	11.0%
Interest Expense	(2,837)	(983)	1,854	188.6%
Gain on Foreign Currency Transactions & Other	517	318	199	62.6%
Non-Operating Income (Expense)	$ (2,239)	$ 1,886	$ (4,125)	(218.7%)

Gain on business combination

For the year ended December 31, 2013, we recognized a gain of $2.1 million as a result of measuring at fair value our 33.3% equity interest in CPL held prior to the acquisition date and a gain of $0.4 million as a result of our acquisition of CDR.

Interest income

Interest income is directly related to interest earned on our cash reserves and interest earned on a $0.5 million loan in connection with a proposed casino project in Southeast Asia that we decided not to pursue following our diligence investigation. The loan was paid in full in July 2014.

Interest expense

The increase in interest expense of $1.9 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 was due to the interest expense for the CDR land lease with Rosebridge. Prior to the acquisition of our ownership interest in CDR, CDR purchased various plots of land on which the REC project is being constructed. CDR sold a portion of this land consisting of 71.99 acres to Rosebridge and leased back 51.99 acres of the land. We began accounting for the lease using the financing method as of the date of acquisition. Under the financing method, we account for the land subject to lease as an asset and the lease payments as interest on the financing obligation. For the year ended December 31, 2014, we recorded $2.0 million in interest expense related to the land lease compared to $0.2 million for the year ended December 31, 2013.

Taxes

Our income tax expense by jurisdiction is summarized in the table below:

Amounts in thousands	For the year ended December 31, 2014			For the year ended December 31, 2013		
	Pre-tax income (loss)	Income tax expense (benefit)	Effective tax rate	Pre-tax income (loss)	Income tax expense (benefit)	Effective tax rate
Canada	$ 3,644	$ 1,344	36.9%	$ 4,769	$ 1,036	21.1%
United States	(3,205)	(13)	0.4%	(397)	25	-5.7%
Mauritius*	(30)	7	-23.3%	276	(91)	-32.8%
Austria	222	81	36.5%	651	54	23.0%
Poland**	(212)	88	-41.5%	2,070	270	10.7%
Total	$ 419	$ 1,507	359.7%	$ 7,369	$ 1,294	17.6%

*Ship-based casinos
**Poland's 2013 pre-tax income includes earnings from the equity investment in CPL through April 7, 2013

Our worldwide effective income tax rate for 2014 is 359.7%. A substantial portion of our earnings are from the United States, which has a 37.06% blended corporate income tax rate. Due to a full valuation allowance in the United States, the effective tax rate is significantly lower than the blended 37.06% tax rate. Another substantial portion of our earnings are from Canada, which has a 25% income tax rate, the effective tax rate of 36.9% is due to the impact of foreign currency exchange rates and a valuation allowance. The income tax rate for our earnings from Mauritius is 3%; the effective tax rate of (23.3%) is due to a local country income tax audit. A portion of our earnings are from Austria, which has a 25% income tax rate, and due to withholding taxes and a valuation allowance the effective rate is 36.5%, In Poland, the income tax rate is 19%; the effective tax rate of (41.4%) is due to exchange rates as well as meals, entertainment, gifts and giveaways. The movement of exchange rates for intercompany loans denominated in U.S. dollars further impacts our effective income tax rate because foreign currency gains and losses generally are not taxed until realized. Therefore, our overall effective income tax rate was significantly impacted in 2014 and can be significantly impacted by foreign currency gains or losses in the future.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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.

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Credit Agreement – Bank of Montreal

In May 2012, the Company through its Canadian subsidiaries entered into the CAD 28.0 million credit agreement with the Bank of Montreal. On August 15, 2014, the Company, through its Canadian subsidiaries, entered into an amended and restated BMO Credit Agreement that increased the Company's borrowing capacity to CAD 39.1 million. As of December 31, 2014, the Company had borrowed CAD 24.0 million, of which the outstanding balance was CAD 19.0 million ($16.4 million based on the exchange rate in effect on December 31, 2014) and the Company had approximately CAD 15.1 million ($13.0 million based on the exchange rate in effect on December 31, 2014) available for borrowing under the BMO Credit Agreement. The outstanding borrowings cannot be re-borrowed once they are repaid. The Company has used borrowings under the BMO Credit Agreement primarily to repay the Company's mortgage loan related to the Edmonton property, pay for the additional 33.3% investment in CPL and pay for development costs related to the REC project. The Company can also use the loan proceeds to pursue the development or acquisition of new gaming opportunities and for general corporate purposes. Borrowings bear interest at fixed rates or at BMO's floating rate plus a margin. Any funds that are not drawn down under the BMO Credit Agreement are subject to standby fees ranging from 0.50% to 0.75% payable quarterly in arrears. Standby fees of less than CAD 0.1 million (less than $0.1 million based on the exchange rate in effect on December 31, 2014) were recorded as interest expense for the year ended December 31, 2014. The BMO Credit Agreement has a term of five years through August 2019 and is guaranteed by the Company. The shares of the Company's subsidiaries in Edmonton and Calgary and the Company's 15% interest in CDR are pledged as collateral for the BMO Credit Agreement. The BMO Credit Agreement contains a number of financial covenants applicable to the Canadian subsidiaries, including covenants restricting their incurrence of additional debt, a debt to EBITDA ratio, a fixed charge coverage ratio, maintenance of CAD 28 million equity balance and a capital expenditure limit of CAD 2 million per year. The Company was in compliance with all covenants of the BMO Credit Agreement as of December 31, 2014.

Casinos Poland

As of December 31, 2014, CPL had debt totaling PLN 17.9 million ($5.1 million based on the exchange rate in effect on December 31, 2014). The debt includes two credit agreements, one credit facility and 11 capital lease agreements.

The first credit agreement is with mBank (formerly known as BRE Bank). Under this credit agreement, CPL entered into the three year term loan in November 2013 at an interest rate of Warsaw Interbank Offered Rate ("WIBOR") plus 1.75%. Proceeds from the loan were used to repay the balance of the Bank Pocztowy loan related to the CPL properties, invest in slot equipment and relocate the Company's Poznan, Poland casino. As of December 31, 2014, the amount outstanding on the term loan was PLN 9.2 million ($2.6 million based on the exchange rate in effect on December 31, 2014). CPL has no further borrowing availability under the loan, and the loan matures in November 2016. The mBank credit agreement contains a number of financial covenants applicable to CPL, including covenants that restrict incurrence of additional debt, and require CPL to maintain debt ratios and a current liquidity ratio of 0.6 or higher. As of December 31, 2014, CPL's current liquidity ratio was 0.5. CPL has obtained a waiver from mBank regarding its noncompliance with the current liquidity ratio. CPL was in compliance with all other covenants of this credit agreement as of December 31, 2014.

The second credit agreement is also with mBank. Under this credit agreement, CPL entered into the three year term loan on September 15, 2014 at an interest rate of WIBOR plus 1.70%. Proceeds from the loan were used to repay balances outstanding under the prior credit agreement with mBank that matured in September 2014 and to finance

current operations. As of December 31, 2014, the amount outstanding was PLN 3.0 million ($0.8 million based on the exchange rate in effect on December 31, 2014). CPL has no further borrowing availability under the loan and the loan matures in September 2017. The mBank credit agreement contains a number of financial covenants applicable to CPL, including covenants that restrict incurrence of additional debt, and require CPL to maintain debt ratios and a current liquidity ratio of 0.6 or higher. As of December 31, 2014, CPL's current liquidity ratio was 0.5. CPL has obtained a waiver from mBank regarding its noncompliance with the current liquidity ratio. CPL was in compliance with all other covenants of this credit agreement as of December 31, 2014.

The credit facility is a short-term line of credit with BPH Bank used to finance current operations. The bank line of credit bears an interest rate of WIBOR plus 1.85%. The credit facility terminates on February 13, 2016. As of December 31, 2014, the amount outstanding was PLN 5.3 million ($1.5 million based on the exchange rate in effect on December 31, 2014) and CPL had approximately PLN 5.7 million ($1.6 million based on the exchange rate in effect on December 31, 2014) available under the agreement. The BPH Bank facility contains a number of financial covenants applicable to CPL, including covenants restricting incurrence of additional debt and debt to EBITDA ratios. CPL was in compliance with all covenants of the BPH Bank line of credit as of December 31, 2014.

CPL's remaining debt consists of 11 capital lease agreements. As of December 31, 2014, the amount outstanding was PLN 0.4 million ($0.1 million based on the exchange rate in effect on December 31, 2014).

In addition, under Polish gaming law, CPL is required to maintain PLN 3.6 million in the form of deposits of bank guarantees for payment of casino jackpots and gaming tax obligations. mBank has issued guarantees to CPL for this purpose totaling PLN 3.6 million ($1.0 million based on the exchange rate in effect as of December 31, 2014). The mBank guarantees are secured by land owned by CPL in Kolbaskowo, Poland and terminate on October 31, 2019. In addition, CPL is required to maintain deposits or provide bank guarantees for payment of additional prizes given away at the casinos. The amount of these deposits varies depending on the value of the prizes. CPL maintained $0.3 million in deposits for this purpose in each of the years ending December 31,2014 and 2013.

Century Downs Racetrack and Casino

Prior to the Company's acquisition of its ownership interest in CDR in November 2013, CDR had purchased various plots of land on which the REC project is being constructed. CDR sold a portion of this land consisting of 71.99 acres to Rosebridge and leased back 51.99 acres of land. We began accounting for the lease using the financing method as of the date of acquisition. Under the financing method, we account for the land subject to lease as an asset and the lease payments as interest on a financing obligation. As of December 31, 2014, the outstanding balance of the financing obligation was CAD 19.5 million ($16.8 million based on the exchange rate in effect on December 31, 2014) and the implicit interest rate was 10.0%.

Cash and cash equivalents totaled $24.7 million at December 31, 2014, and we had working capital (current assets minus current liabilities) of $2.0 million compared to cash and cash equivalents of $27.4 million and working capital of $5.6 million at December 31, 2013. The decrease in cash and cash equivalents is due to $16.1 million of cash used to purchase property and equipment, mainly for the development of the REC project, $1.0 million in cash used to purchase a 7.5% share of MCE, a $0.3 million distribution of non-controlling interests in CDR and $0.8 million in exchange rate changes on cash, offset by $7.3 million of cash provided by operating activities, and $7.6 million in proceeds from borrowings net of principal payments and deferred financing costs, the repayment of a $0.5 million loan made by us in connection with the proposed casino project in Southeast Asia that we decided not to pursue following our due diligence and $0.1 million in proceeds from the disposition of assets.

Net cash provided by operating activities was $7.3 million and $7.4 million in 2014 and 2013, respectively. 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, and routine fluctuations in accounts payable, accrued expenses and other noncurrent liabilities resulting from cash management activities, somewhat offset by an increase in accounts receivable. Please refer also to the consolidated statements of cash flows and to management's discussion of the results of operations above in this Item 7 for a discussion of earnings from operations.

Net cash used in investing activities of $16.5 million for the year ended December 31, 2014 consisted of $10.7 million for development costs related to the REC project; $2.6 million to remodel the relocated Poznan casino, make

improvements to the Katowice casino, convert slot machines from cash to TITO machines and purchase new slot machines for CPL; $1.2 million to purchase slot machines, surveillance systems, and various gaming equipment for the Mein Schiff 2, Mein Schiff 3, Insignia and Nova Star ship-based casinos; $0.4 million to remodel hotel rooms at our Cripple Creek property; $0.3 million to purchase slot machines and upgrade the slot accounting system at our Central City property; $0.2 million to replace slot chairs at our Edmonton property; $0.1 million to make improvements to our Calgary property and $0.6 million in cumulative additions to our properties. In addition, we purchased a 7.5% ownership interest in MCE for $1.0 million. The capital expenditures and purchase of the 7.5% ownership interest in MCE were offset by proceeds from the repayment of a $0.5 million loan made by us in connection with the proposed casino project in Southeast Asia that we decided not to pursue following our due diligence and proceeds of $0.1 million from the disposition of assets.

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Net cash used in investing activities of $10.9 million for the year ended December 31, 2013 consisted of $4.4 million used to acquire CPL, $1.3 million loaned to CDR in connection with the development of the REC, $0.5 million loaned to pursue a proposed casino project in Southeast Asia, $0.5 million to install new carpet at the casinos in Edmonton, Calgary and Central City, $1.0 million to purchase slot machines for our casinos in Central City, Cripple Creek and CPL, $0.3 million to lease vehicles for CPL, $0.1 million to install corporate accounting software at Casinos Poland, $1.6 million to upgrade our slot monitoring systems at our casinos in Central City and Cripple Creek, $0.4 million used to remodel the Poznan casino, $0.5 million to upgrade hotel rooms for our properties in Central City and Cripple Creek and $0.3 in cumulative additions at our remaining properties.

Net cash provided by financing activities of $7.3 million for the year ended December 31, 2014 consisted of $7.6 million received from various loan agreements net of principal repayments, offset by a $0.3 million distribution to non-controlling interests in CDR.

Net cash used in financing activities of $6.3 million for the year ended December 31, 2013 consisted of $6.3 million received from various loan agreements net of principal repayments.

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 in 2014 or 2013. The total amount remaining under the repurchase program was $14.7 million as of December 31, 2014. The repurchase program has no set expiration or termination date.

Potential Sources of Liquidity, Short-Term Liquidity

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 and potential new projects or dividends, if declared by the board of directors. If necessary, we may seek to obtain further 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 December 31, 2014 as supplemented by cash flows from operations and additional borrowings under the BMO Credit Agreement to fund the REC project 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 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 either for operations, capital expenditures or significant discretionary activities such as acquisitions or 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 $20.2 million of our total $24.7 million in cash and cash equivalents at December 31, 2014 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.

Off-Balance Sheet Arrangements

We issued a guarantee of $1.1 million (€0.8 million) to Bank Austria in connection with our listing of ADCs on the Vienna Stock Exchange. Bank Austria in turn issued a guarantee in the same amount to Oesterreichische Kontrollbank, the holder of our global certificate representing the ADCs. The guarantee of $1.1 million was returned to us on December 30, 2014 as a result of our delisting from the Vienna Stock Exchange.

As of December 31, 2014, we do not have any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial statements.

Critical Accounting Estimates

Management's discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements. To prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, we must make estimates and assumptions that affect the amounts reported in the consolidated financial statements. On an on-going basis, we evaluate these estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. Our significant accounting policies are discussed in Note 2 of the Notes to Consolidated Financial Statements included in Item 8 of this report. Critical estimates inherent in these accounting policies are discussed in the following paragraphs.

Property and Equipment - We have significant capital invested in our property and equipment, which represents approximately 71% of our total assets as of December 31, 2014. Judgments are made in determining the estimated useful lives of assets, salvage values to be assigned to assets and if or when an asset has been impaired. The accuracy of these estimates affects the amount of depreciation expense recognized in our financial results and the extent to which we have a gain or loss on the disposal of the asset. We assign lives to our assets based on our standard policy, which we believe is representative of the useful life of each category of assets. We review the carrying value of our property and equipment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors we consider in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors. As of December 31, 2014, we believe that our investments in property and equipment are recoverable.

Goodwill - We test goodwill for impairment as of October 1 each year, or more frequently as circumstances indicate it is necessary. Testing compares the estimated fair values of our reporting units to the reporting units' carrying values. Our reporting units with goodwill balances as of December 31, 2014 include our Edmonton casino property, our CPL

casino operations, and CDR's REC project development activities. We consider a variety of factors when estimating the fair value of our reporting units, including estimates about the future operating results of each reporting unit, multiples of earnings, various market analyses, and recent sales of comparable businesses, if such information is available to us. We make a variety of estimates and judgments about the relevance and comparability of these factors to the reporting units in estimating their fair values. If the carrying value of a reporting unit exceeds its estimated fair value, the fair value of each reporting unit is allocated to the reporting unit's assets and liabilities to determine the implied fair value of the reporting unit's goodwill and whether impairment is necessary. No impairment charges related to goodwill were recorded during 2014 and 2013.

Intangible Assets - Identifiable intangible assets include trademarks and casino licenses. Our trademarks and the CDR casino license are indefinite-lived intangible assets and therefore are not amortized. We test our trademarks and the CDR casino license for impairment annually or more frequently as circumstances indicate it is necessary. We test for impairment using the relief-from-royalty method. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, we would recognize an impairment charge equal to the difference. No impairment charges related to our trademarks or the CDR casino license were recorded during 2014 and 2013. Our casino licenses related to CPL are finite-lived intangible assets and are amortized over their respective useful lives. CPL licenses are evaluated for impairment annually or more frequently if necessary.

Income Taxes – Significant judgment is required in developing our income tax provision. We have a valuation allowance of $6.1 million on our U.S. deferred tax assets as of December 31, 2014 due to the uncertainty of future taxable income. We have a $3.5 million valuation allowance on the deferred tax assets of two of our Canadian properties as of December 31, 2014 due to the uncertainty of future taxable income. We also have a $0.1 million valuation allowance on CCE's deferred tax assets as of December 31, 2014 due to the uncertainty of future taxable income. We will assess the continuing need for a valuation allowance that results from uncertainty regarding our ability to realize the benefits of our deferred tax assets. Further, our implementation of certain tax strategies could reduce the need for a valuation allowance in the future. If we conclude that our prospects for the realization of our deferred tax assets are more likely than not, we will reduce our valuation allowance as appropriate.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data

See Index to the Financial Statements on page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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, as of December 31, 2014. Based on such evaluation, our principal executive officers and principal financial/accounting officer have concluded that as of December 31, 2014, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting – Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and

15d-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the criteria set forth in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (2013).

Based on our assessment using the criteria set forth by COSO, our management determined that, as of December 31, 2014, our internal control over financial reporting was effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of December 31, 2014, which follows below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Century Casinos, Inc.

Colorado Springs, Colorado

We have audited the internal control over financial reporting of Century Casinos, Inc. and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention of timely detection of unauthorized acquisitions, uses, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of

changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated March 16, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Denver, Colorado

March 16, 2015

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Changes in Internal Control Over Financial Reporting – There were no changes in our internal control over financial reporting during the three months ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item will be included in our definitive proxy statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2014 and is incorporated herein by reference. Information required by Regulation S-K Item 401 concerning executive officers is included in Part I of this Annual Report on Form 10-K under the caption "Executive Officers of the Company."

We have adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including our Co Chief Executive Officers and our Principal Financial/Accounting Officer. A complete text of this Code of Business Conduct and Ethics is available on our web site (http://www.cnty.com). Any future amendments to or waivers of the Code of Business Conduct and Ethics will be posted to the Corporate Governance section of our web site.

Item 11. Executive Compensation.

The information required by this item will be included in our definitive proxy statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2014 and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item relating to securities ownership of certain beneficial owners and management will be included in our definitive proxy statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2014 and is incorporated herein by reference.

Information relating to securities authorized for issuance under equity compensation plans as of December 31, 2014 is as follows:

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Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,559,842 (1)	$5.03	91,928
Equity compensation plans not approved by security holders	-	-	-
Total	1,559,842	$5.03	91,928

(1) As of December 31, 2014, there were 1,559,842 securities to be issued upon exercise of outstanding options and other rights exercisable under the 2005 Equity Incentive Plan, as amended.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be included in our definitive proxy statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2014 and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item will be included in our definitive proxy statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 31, 2014 and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) List of documents filed with this report

1. Financial Statements
The financial statements and related notes, together with the reports of our independent registered public accounting firms, appear in Part II, Item 8, "Financial Statements and Supplementary Data", of this Form 10-K.

2. Financial Statement Schedules
None.

3. List of Exhibits

(b) Exhibits Filed Herewith or Incorporated by Reference to Previous Filings with the Securities and Exchange Commission

(3) Articles of Incorporation and Bylaws

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) Material Contracts

10.1 Credit Agreement by and between Century Casinos Europe GmbH and United Horsemen of Alberta Inc., dated November 30, 2012, is hereby incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 3, 2012.

10.2A Management Agreement by and between Century Casinos Europe GmbH and United Horsemen of Alberta Inc., dated November 30, 2012, is hereby incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 3, 2012.

10.2B Credit Agreement as of November 29, 2013 by and between Century Casinos Europe GmbH and United Horsemen of Alberta Inc., is hereby incorporated by reference to Exhibit 10.2B to the Company's Current Report on Form 8-K filed on December 3, 2013.

10.3 Preliminary Conditional Share Sale Agreement by and between Polskie Linie Lotnicze LOT S.A. and Century Casinos Europe GmbH, dated September 21, 2012, is hereby incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K dated December 31, 2012.

10.4 Share Sale Agreement by and between Polskie Linie Lotnicze LOT S.A. and Century Casinos Europe GmbH dated April 8, 2013, is hereby incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 9, 2013.

10.5A*	Employment Agreement by and between Century Casinos, Inc. and Erwin Haitzmann as restated on February 18, 2003, is hereby incorporated by reference to Exhibit 10.120 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
10.5B*	Amendment No. 1 to Employment Agreement by and between Century Casinos, Inc. and Erwin Haitzmann, dated February 3, 2005, is hereby incorporated by reference to Exhibit 10.143 to the Company’s Current report on Form 8-K filed on February 10, 2005.
10.5C*	Amendment No. 2 to Employment Agreement by and between Century Casinos, Inc. and Erwin Haitzmann, effective September 1, 2006, is hereby incorporated by reference to Exhibit 10.178 to the Company’s Current Report on Form 8-K filed on October 19, 2006.
10.5D*	Amendment No. 3 to Employment Agreement by and

	between Century Casinos, Inc. and Erwin Haitzmann, effective November 5, 2009, is hereby incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 10, 2009.
10.5E*	Amendment No. 4 to Employment Agreement by and between Century Casinos, Inc. and Erwin Haitzmann, effective November 3, 2014, is hereby incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 12, 2014.
10.6A*	Employment Agreement by and between Century Casinos, Inc. and Peter Hoetzinger as restated on February 18, 2003, is hereby incorporated by reference to Exhibit 10.121 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
10.6B*	Amendment No. 1 to Employment Agreement by and between Century Casinos, Inc. and

	Peter Hoetzinger, dated February 3, 2005, is hereby incorporated by reference to Exhibit 10.144 to the Company's Current Report on Form 8-K filed on February 10, 2005.
10.6C*	Amendment No. 2 to Employment Agreement by and between Century Casinos, Inc. and Peter Hoetzinger, effective September 1, 2006, is hereby incorporated by reference to Exhibit 10.179 to the Company's Current Report on Form 8-K filed on October 19, 2006.
10.6D*	Amendment No. 3 to Employment Agreement by and between Century Casinos, Inc. and Peter Hoetzinger, effective November 5, 2009, is hereby incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 10, 2009.
10.6E*	Amendment No. 4 to Employment Agreement by and between Century Casinos, Inc. and Peter Hoetzinger effective November 3, 2014, is hereby

	incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on November 12, 2014.
10.7	Share Sale Agreement by and between EK Middle Class Financing AG and Century Casinos Europe GmbH dated June 6, 2013, is hereby incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on June 10, 2013.
10.8A	Credit Agreement by and between Century Resorts Alberta Inc. and Century Casino Calgary Inc. and the Bank of Montreal, dated May 23, 2012, is hereby incorporated by reference to the Company's Current Report on Form 8-K filed on May 29, 2012.
10.8B	Amended and Restated Credit Agreement, dated as of August 15, 2014, by and among Century Resorts Alberta Inc., Century Casino Calgary Inc. and the Bank of Montreal, is hereby incorporated by

	reference to Exhibit 10.8A to the Company's Current Report on Form 8-K filed on August 19, 2014.
10.9*	Revised and Restated Management Agreement, effective September 30, 2006, by and between Century Resorts International Ltd, Century Casinos, Inc. and Flyfish Consulting Agreement, is hereby incorporated by reference to Exhibit 10.176 to the Company's Current Report on Form 8-K filed on October 19, 2006.
10.10*	Revised and Restated Management Agreement, effective September 30, 2006, by and between Century Resorts International Ltd, Century Casinos, Inc. and Focus Consulting Agreement, is hereby incorporated by reference to Exhibit 10.177 to the Company's Current Report on Form 8-K filed on October 19, 2006.
10.11	Termination Agreement, dated August 22, 2014,

by and among Century Casinos, Inc., UniCredit Bank Austria AG and Oesterreichische Kontrollbank Aktiengesellschaft, is hereby incorporated by reference to Exhibit 10.11A to the Company’s Current Report on Form 8-K filed on August 26, 2014.

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10.12	Credit Facility Agreement as of November 18, 2013 by and between Casinos Poland Sp. z o.o. and BRE Bank SA, is hereby incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K filed on November 22, 2013.
10.13*†	Century Casinos, Inc. Amended and Restated 2005 Equity Incentive Plan, as amended and restated as of December 26, 2014.

	(21) Subsidiaries of the Registrant
21†	Subsidiaries of the Registrant
	(23) Consents of Experts and Counsel
23†	Consent of Independent Registered Public Accounting Firm – Deloitte & Touche LLP
	(31) Rule 13a-14(a)/15d-14(a) Certifications
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 Hoetzinger, 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) Section 1350 Certifications
32.1††	Certification of Erwin Haitzmann, Co Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2††	Certification of Peter Hoetzinger, 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

* A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(a)(3) of Form 10-K.

† Filed herewith.

†† Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By:/s/ Erwin Haitzmann Erwin Haitzmann, Chairman of the Board and Co Chief Executive Officer (Co Principal Executive Officer)	By:/s/ Peter Hoetzinger Peter Hoetzinger, Vice Chairman of the Board, Co Chief Executive Officer and President (Co Principal Executive Officer)
	Date: March 16, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on March 16, 2015.

Signature	Title	Signature	Title
/s/ Erwin Haitzmann Erwin Haitzmann	Chairman of the Board and Co Chief Executive Officer	/s/ Gottfried Schellmann Gottfried Schellmann	Director
/s/ Peter Hoetzinger Peter Hoetzinger	Vice Chairman of the Board, Co Chief Executive Officer and President	/s/ Robert S. Eichberg Robert S. Eichberg	Director
/s/ Margaret Stapleton Margaret Stapleton	Principal Financial/Accounting Officer	/s/ Dinah Corbaci Dinah Corbaci	Director

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements

Financial Statements:

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Financial Statement Schedules:

All schedules are omitted because they are not applicable or are insignificant, or the required information is shown in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Century Casinos, Inc.

Colorado Springs, Colorado

We have audited the accompanying consolidated balance sheets of Century Casinos, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of (loss) earnings, comprehensive (loss) earnings, equity and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Century Casinos, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Denver, Colorado

March 16, 2015

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CENTURY CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Amounts in thousands, except for share and per share information	December 31, 2014	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 24,741	$ 27,348
Receivables	1,569	1,205
Prepaid expenses	2,307	2,298
Inventories	636	498
Current portion of note receivable	0	195
Deferred income taxes	310	231
Restricted cash	257	470
Other current assets	343	115
Total Current Assets	30,163	32,360
Property and equipment, net	134,627	132,639
Goodwill	11,629	13,279
Deferred income taxes	3,476	3,634
Casino licenses	4,026	5,236
Trademark	1,831	2,129
Cost Investment	1,000	0
Note receivable	0	305
Deposits and other	360	800
Deferred financing costs	355	242
Total Assets	$ 187,467	$ 190,624
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 5,272	$ 4,195
Accounts payable	3,441	2,460
Accrued liabilities	6,817	5,819
Accrued payroll	4,082	4,257
Taxes payable	4,799	4,803
Contingent liability (note 3)	3,560	5,104
Deferred income taxes	157	163
Total Current Liabilities	28,128	26,801
Long-term debt, less current portion	32,977	29,864

Taxes payable and other	517	601
Deferred income taxes	3,419	3,908
Total Liabilities	65,041	61,174
Commitments and Contingencies		

See notes to consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

Amounts in thousands, except for share and per share information	December 31, 2014	December 31, 2013
Equity:		
Preferred stock; $0.01 par value; 20,000,000 shares authorized; no shares issued or outstanding	0	0
Common stock; $0.01 par value; 50,000,000 shares authorized; 24,381,057 and 24,377,761 shares issued and outstanding	244	244
Additional paid-in capital	76,169	75,138
Retained earnings	45,651	44,419
Accumulated other comprehensive (loss) earnings	(3,636)	2,008
Total Century Casinos shareholders' equity	118,428	121,809
Non-controlling interest	3,998	7,641
Total equity	122,426	129,450
Total Liabilities and Equity	$ 187,467	$ 190,624

See notes to consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

	For the year ended December 31,	
Amounts in thousands, except for per share information	2014	2013
Operating revenue:		
Gaming	$ 109,889	$ 95,472
Hotel	1,636	1,573
Food and beverage	10,988	10,688
Other	5,525	4,495
Gross revenue	128,038	112,228
Less: Promotional allowances	(7,990)	(7,640)
Net operating revenue	120,048	104,588
Operating costs and expenses:		
Gaming	60,782	50,319
Hotel	590	624
Food and beverage	9,252	8,359
General and administrative	38,932	33,069
Depreciation and amortization	7,835	6,599
Total operating costs and expenses	117,391	98,970
Loss from equity investment	0	(135)
Earnings from operations	2,657	5,483
Non-operating income (expense):		
Gain on business combination	0	2,478
Interest income	81	73
Interest expense	(2,837)	(983)
Gain on foreign currency transactions and other	517	318
Non-operating (expense) income, net	(2,239)	1,886
Earnings before income taxes	418	7,369
Income tax provision	1,507	1,294
Net (loss) earnings	(1,089)	6,075
Net loss attributable to non-controlling interests	2,321	106
Net earnings attributable to Century Casinos, Inc. shareholders	$ 1,232	$ 6,181
Earnings per share attributable to Century Casinos, Inc. shareholders:		
Basic	$ 0.05	$ 0.26
Diluted	$ 0.05	$ 0.26
Weighted average shares outstanding - basic	24,381	24,052
Weighted average shares outstanding - diluted	24,419	24,213

See notes to consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) EARNINGS

	For the year ended December 31,	
Amounts in thousands	2014	2013
Net (loss) earnings	$ (1,089)	$ 6,075
Other comprehensive (loss) earnings:		
Foreign currency translation adjustments	(6,685)	(2,561)
Other comprehensive (loss):	(6,685)	(2,561)
Comprehensive (loss) earnings	$ (7,774)	$ 3,514
Other comprehensive loss attributable to non-controlling interests	2,321	106
Foreign currency translation adjustments attributable to non-controlling interests	1,041	(279)
Other comprehensive (loss) earnings attributable to Century Casinos, Inc. shareholders	$ (4,412)	$ 3,341

See notes to consolidated financial statements.

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CENTURY CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

CENTURY CASINOS, INC.
STATEMENTS OF EQUITY

Amounts in thousands, except share information	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock Shares	Total Cen Casinos Sharehold Equity
BALANCE AT January 1, 2013	24,128,114	$ 243	$ 75,388	$ 4,569	$ 38,238	$ (282)	$ 118,156
Net earnings (loss)	0	0	0	0	6,181	0	6,181
Foreign currency translation adjustment	0	0	0	(2,561)	0	0	(2,561)
Stock-based compensation expense	0	0	33	0	0	0	33
Fair value of non-controlling interest	0	0	0	0	0	0	0
Exercise of stock options	249,647	1	(283)	0	0	282	0
BALANCE AT December 31, 2013	24,377,761	$ 244	$ 75,138	$ 2,008	$ 44,419	$ 0	$ 121,809
Net earnings (loss)	0	0	0	0	1,232	0	1,232
Foreign currency translation adjustment	0	0	0	(5,644)	0	0	(5,644)
Stock-based compensation expense	0	0	1,028	0	0	0	1,028
Distribution to non-controlling interest	0	0	0	0	0	0	0
Exercise of stock options	3,296	0	3	0	0	0	3
BALANCE AT December 31, 2014	24,381,057	$ 244	$ 76,169	$ (3,636)	$ 45,651	$ 0	$ 118,428

See notes to consolidated financial statements.

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CENTURY CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in thousands	For the year ended December 31, 2014	2013
Cash Flows from Operating Activities:		
Net (loss) earnings	$ (1,089)	$ 6,075
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization	7,835	6,599
Gain on business combination	0	(2,478)
Casino license impairment	198	0
Loss on disposition and impairment of fixed assets	631	570
Stock-based compensation expense	1,028	33
Amortization of deferred financing costs	76	82
Deferred tax expense	(411)	(348)
Loss from unconsolidated subsidiary	0	135
Changes in Operating Assets and Liabilities:		
Receivables	(177)	182
Prepaid expenses and other assets	79	(1,346)
Accounts payable	(961)	1,160
Accrued liabilities	1,217	(1,520)
Inventories	(211)	(72)
Other operating assets	0	(4)
Other operating liabilities	19	113
Accrued payroll	113	150
Taxes payable	(1,025)	(1,888)
Net cash provided by operating activities	7,322	7,443
Cash Flows used in Investing Activities:		
Purchases of property and equipment	(16,097)	(4,746)
Acquisition of Casinos Poland, net of cash acquired	0	(4,399)
Acquisition of Century Downs Racetrack and Casino, net of cash acquired	0	98
Proceeds advanced to Century Downs Racetrack and Casino prior to consolidation	0	(1,390)
Payment of origination costs of Century Downs Racetrack and Casino loan prior to consolidation	0	(52)
Investment in Mendoza Central Entretenimientos S.A.	(1,000)	0
Proceeds from disposition of assets	91	72
Note receivable proceeds (issuance)	500	(500)
Net cash used in investing activities	$ (16,506)	$ (10,917)

- Continued -

CENTURY CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Amounts in thousands	For the year ended December 31, 2014		2013	
Cash Flows provided by Financing Activities:				
Proceeds from borrowings	$	12,545	$	13,181
Principal repayments		(4,717)		(6,863)
Payment of deferred financing costs		(214)		0
Distribution to non-controlling interest		(281)		0
Exercise of stock options		3		0
Net cash provided by financing activities		7,336		6,318
Effect of Exchange Rate Changes on Cash	$	(759)	$	(243)
(Decrease) Increase in Cash and Cash Equivalents	$	(2,607)	$	2,601
Cash and Cash Equivalents at Beginning of Period	$	27,348	$	24,747
Cash and Cash Equivalents at End of Period	$	24,741	$	27,348
Supplemental Disclosure of Cash Flow Information:				
Interest paid	$	655	$	731
Income taxes paid	$	2,819	$	3,864
Non-cash investing activities:				
Purchase of property, plant and equipment on account	$	1,961	$	1,343

See notes to consolidated financial statements.

CENTURY CASINOS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Century Casinos, Inc. (“CCI” or the “Company”) is an international casino entertainment company. As of December 31, 2014, the Company owned casino operations in North America, managed cruise ship-based casinos in international and Alaskan waters, held a majority ownership interest in nine casinos throughout Poland, had a management contract to manage the casino in the Radisson Aruba Resort, Casino & Spa, was developing a racetrack and entertainment center (“REC”) in Canada, and had entered into an agreement to provide gaming services in Argentina..

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

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

The Company operates 16 ship-based casinos onboard five cruise lines: Oceania Cruises, TUI Cruises, Windstar Cruises, Regent Seven Seas Cruises, and Nova Star Cruises Ltd. In addition, in 2014 the Company amended its concessionaire agreement with TUI Cruises to include its operation of the ship-based casino onboard the Mein Schiff 4, which is a new 2,500 passenger ship that is currently being built and is scheduled to commence operations in June 2015.

In March 2007, the Company’s subsidiary Century Casinos Europe GmbH (“CCE”) acquired 33.3% of the outstanding shares issued by Casinos Poland Ltd (“CPL” or “Casinos Poland”) and the Company accounted for the investment under the equity method. In April 2013, CCE acquired from LOT Polish Airlines an additional 33.3% ownership interest in CPL. As of the date of acquisition; the Company began consolidating its 66.6% ownership of CPL as a majority-owned subsidiary for which it has a controlling financial interest. Polish Airports Company (“Polish Airports”) owns the remaining 33.3% of CPL. The Company accounts for and reports the 33.3% Polish Airports ownership interest as a non-controlling financial interest. See Note 3 for additional information related to CPL.

In December 2010, the Company entered into a long-term management agreement to direct the operation of the casino at the Radisson Aruba Resort, Casino & Spa. The Company receives a management fee consisting of a fixed fee, plus a percentage of the casino’s earnings before interest, taxes, depreciation and amortization (“EBITDA”). The Company is not required to invest any amounts under the management agreement.

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In November 2012, CCE signed credit and management agreements with United Horsemen of Alberta Inc. dba Century Downs Racetrack and Casino ("CDR" or "Century Downs") in connection with the development and operation of the REC in Balzac, north metropolitan area of Calgary, Alberta, Canada, which the Company will operate as Century Downs Racetrack and Casino. On November 29, 2013, CCE and CDR amended the credit agreement. Under the amended credit agreement, CCE owns 15% of CDR, controls the CDR board of directors, manages the development of the REC project, and has the right to convert CAD 11 million that the Company has loaned to CDR into an additional 60% ownership interest in CDR. The Company began consolidating CDR as a minority owned subsidiary for which it has a controlling financial interest on November 29, 2013. Unaffiliated shareholders own the remaining 85% of CDR and the Company accounts for and reports the 85% CDR ownership interest as a non-controlling financial interest. See Note 3 for additional information related to CDR.

On October 31, 2014, CCE entered into an agreement (the "MCE Agreement") with Gambling and Entertainment LLC and its affiliates, pursuant to which CCE purchased 7.5% of the shares of Mendoza Central Entretenimientos S.A., a company formed in Argentina ("MCE"), for $1 million. Pursuant to the MCE Agreement, CCE will work with MCE to utilize MCE's exclusive concession agreement with Instituto Provincial de Juegos y Casinos to lease slot machines and provide related services to Mendoza Casino, a casino located in Mendoza, Argentina, and owned by the Province of Mendoza. MCE may also pursue other gaming opportunities. Under the MCE Agreement, CCE has the right to appoint one director to MCE's board of directors. In addition, CCE has a three-year option to purchase up to 50% of the shares of MCE and to appoint additional directors to MCE's board of directors based on its ownership percentage of MCE. We report our 7.5% ownership interest in MCE using the cost method of accounting and report the $1.0 million investment on our consolidated balance sheet. On October 31, 2014, CCE and MCE also entered into a Consulting Service Agreement, in which CCE will provide advice on casino matters. Through the Consulting Service Agreement, CCE will receive a service fee consisting of a fixed fee plus a percentage of MCE's EBITDA.

2.SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The Company also consolidates CPL as a majority owned subsidiary and CDR as a minority owned subsidiary for which the Company has a controlling interest. The portion of CPL and CDR that are not wholly-owned are reflected as non-controlling interests in the accompanying consolidated financial statements. All intercompany transactions and balances have been eliminated.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Recently Issued Accounting Pronouncements – In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). The objective of ASU 2013-11 is to provide guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company has implemented the new standard as of January 1, 2014. The adoption of the standard had no impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The objective of ASU 2014-09 is to clarify the principles for recognizing revenue and to develop a common revenue standard for US GAAP and International Financial Reporting Standards. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning December 15, 2016. Early adoption of ASU 2014-09 is not permitted. The Company is currently evaluating the impact of adopting ASU 2014-09, but does not expect the standard to have a significant effect on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern ("ASU 2014-15"). The objective of ASU 2014-15 is to provide guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for fiscal years ending after December 15, 2016, and annual and interim periods thereafter. The Company has assessed the new standard and does not expect this standard to have a material impact on the Company's consolidated financial statements.

Cash and Cash Equivalents – All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. Although the amount of credit exposure to any one institution may exceed federally insured amounts, the Company limits its cash investments to high quality financial institutions in order to minimize its credit risk.

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

Property and Equipment - Property and equipment are stated at cost. Depreciation of assets in service is determined using the straight-line method over the estimated useful lives of the assets. Leased property and equipment under capital leases are amortized over the lives of the respective leases or over the service lives of the assets, whichever is shorter. Estimated service lives used are as follows:

Buildings and improvements	7–39 years
Gaming equipment	3–7 years
Furniture and non-gaming equipment	3-7 years

The Company evaluates long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an indication of impairment, determined by the excess of the carrying value in relation to anticipated undiscounted future cash flows, the carrying amount of the asset is written down to its estimated fair value by a charge to operations. For the year ended December 31, 2014, the Company wrote down the leasehold improvements at Casinos Poland's Sosnowiec casino based on the decision to suspend operations at the casino and charged $0.5 million to operating costs and expenses. No long-lived asset impairment charges were recorded for the year ended December 31, 2013.

Goodwill—Goodwill represents the excess purchase price over the fair value of the net identifiable assets acquired related to third party business combinations. See Note 5.

Intangible Assets—Identifiable intangible assets include trademarks and casino licenses. The Company's trademarks and CDR casino license are indefinite-lived intangible assets and therefore are not amortized. The Company's casino licenses related to CPL are finite-lived intangible assets and are amortized over their respective useful lives. See Note 5.

Foreign Currency Translation –

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

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

Ending Rates	2014	2013
Canadian dollar (CAD)	1.1601	1.0636
Euros (€)	0.8264	0.7258
Polish zloty (PLN)	3.5401	3.0182

Average Rates	2014	2013	% Change
Canadian dollar (CAD)	1.1046	1.0302	(7.2%)
Euros (€)	0.7539	0.7532	(0.1%)
Polish zloty (PLN)	3.1558	3.1597	0.1%

Source: Pacific Exchange Rate Service

Comprehensive Earnings (Loss) – Comprehensive earnings (loss) includes the effect of fluctuations in foreign currency rates on the values of the Company's foreign investments.

Revenue Recognition and Promotional Allowances – Casino revenue is the aggregate net difference between gaming wins and losses, with liabilities recognized for chips in the customer's possession. Hotel, bowling, food and beverage revenue is recognized when products are delivered or services are performed. Management and consulting fees are

recognized as revenue when services are provided. Advance deposits on rooms and advance ticket sales are recorded as accrued liabilities until services are provided to the customer. The incremental amount of unpaid progressive jackpots is recorded as a liability and a reduction of casino revenue in the period during which the progressive jackpot increases. Revenue is recognized net of incentives related to gaming play and points earned in point-loyalty programs.

At the Company's casinos in Edmonton and Calgary, the Alberta Gaming and Liquor Commission ("AGLC") retains 85% of slot machine net win, of which 15% is allocated to licensed charities. For all table games, excluding poker and craps, the casino is required to allocate 50% of its net win to a charity designated by the AGLC. For poker and craps, 25% of the casino's net win is allocated to the charity. The Century Casino & Hotel in Edmonton and the Century Casino Calgary record revenue net of the amounts retained by the AGLC and charities.

Hotel accommodations, bowling, food and beverage furnished without charge to customers are included in gross revenue at retail value and are deducted as promotional allowances to arrive at net operating revenue. The Company issues coupons and downloadable promotional credits to customers for the purpose of generating future revenue. The value of coupons and downloadable promotional credits redeemed is applied against the revenue generated on the day of the redemption. The estimated cost of providing promotional allowances is included in casino expenses. For the years ended December 31, 2014 and 2013, the cost of providing promotional allowances were as follows:

	For the year ended December 31,	
Amounts in thousands	2014	2013
Hotel	$ 90	$ 82
Food and beverage	1,112	1,070
Total	$ 1,202	$ 1,152

Loyalty Programs - Members of the Company’s casinos’ player clubs earn points based on, among other things, their volume of play at the Company’s casinos. Players can accumulate points over time that they may redeem at their discretion under the terms of the program. The Company records a liability based on the redemption value of the points earned, and records a corresponding reduction in casino revenue. Points can be redeemed for cash, downloadable promotional credits and/or various amenities at the casino, such as meals, hotel stays and gift shop items. The value of the points is offset against the revenue in the period in which the points were earned. The value of unused or unredeemed points is included in accrued liabilities on the Company’s consolidated balance sheets. The expiration of unused points results in a reduction of the liability. As of December 31, 2014 and 2013, the outstanding balance of this liability was $0.9 million.

Stock-Based Compensation – Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of all option grants.

Advertising Expenses – Advertising expenses are expensed when incurred by the Company. Advertising expenses were $1.4 million in each of the years ended December 31, 2014 and 2013.

Income Taxes – The Company accounts for income taxes using the asset and liability method, which provides that deferred tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities

and their carrying amounts for financial reporting purposes, at a rate expected to be in effect when the differences become deductible or payable. Recorded deferred tax assets are evaluated for impairment by reviewing internal estimates for future taxable income. Due to the uncertainty of future taxable income, deferred tax assets of $6.1 million resulting from net operating losses in the U.S., $3.5 million resulting from two of the Company's Canadian properties and $0.1 million from the CCE subsidiary have been fully reserved (see Note 10). The Company will assess 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. Further, the Company's implementation of certain tax strategies could reduce the need for a valuation allowance in the future.

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. Weighted average shares outstanding for the year ended December 31, 2014 and 2013 were as follows:

	For the year ended December 31,	
Amounts in thousands	2014	2013
Weighted average common shares, basic	24,381	24,052
Dilutive effect of stock options	38	161
Weighted average common shares, diluted	24,419	24,213

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

	For the year ended December 31,	
Amounts in thousands	2014	2013
Stock options	1,505	68

3. ACQUISITIONS

Casinos Poland

On April 8, 2013, the Company's subsidiary CCE acquired from LOT Polish Airlines an additional 33.3% ownership interest in CPL for cash consideration of $6.8 million. CPL is the owner and operator of nine casinos throughout Poland with a total of 482 slot machines and 75 gaming tables. The Company paid for the purchase through borrowings under its credit agreement with the Bank of Montreal ("BMO Credit Agreement") (Note 6). There was no contingent consideration related to the transaction.

Prior to April 8, 2013, the Company owned 33.3% of CPL and accounted for the ownership interest as an equity investment. The Company currently owns a 66.6% interest in CPL and on April 8, 2013 began consolidating CPL as a majority-owned subsidiary for which the Company has a controlling financial interest. As a result, the Company changed its accounting for CPL from an equity method investment to a consolidated subsidiary. CPL contributed a total of $34.8 million in net operating revenue and less than $0.1 million in net earnings from the date of acquisition through December 31, 2013 and $51.2 million in net operating revenue and $0.1 million in net losses for the year ended December 31, 2014. Polish Airports owns the remaining 33.3% ownership interest in CPL and the Company accounts for and reports the Polish Airports ownership interest as a non-controlling financial interest.

Upon consolidation, the fair value of the Company's initial 33.3% equity investment was determined to be $5.2 million as of the acquisition date. The $5.2 million was greater than the carrying value of the equity investment, resulting in a gain of $2.1 million, net of foreign currency translation. The Company recorded the gain in "Gain on business combination" in the 2013 consolidated statement of earnings. The fair value was determined based on the controlling interest obtained through the additional 33.3% interest acquired and on the Company's internal valuation of CPL using the following methods, which the Company believes provide the most appropriate indicators of fair value:

· relief from royalty method;
· replacement cost method;
· direct market value approach and direct and indirect cost approach; and
· sales comparison approach, income approach and cost approach.

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Amounts in thousands (in USD)	Total
Investment fair value - April 8, 2013	$ 5,214
Investment book value at April 8, 2013	(3,020)
Gain on business combination including foreign currency translation	2,194
Less: foreign currency translation	(113)
Gain on business combination	$ 2,081

Details of the purchase in the table below are based on estimated fair values of assets and liabilities as of April 8, 2013, the date of acquisition. The fair value measurement is final.

Acquisition Date	April 8, 2013
Amounts in thousands	
Purchase consideration:	
Cash paid	$ 6,780
Acquisition-date fair value of the previously held equity interest	5,214
Total purchase consideration, including fair value of previously held equity interest	$ 11,994

The assets and liabilities recognized as a result of the acquisition are as follows:

	$
Cash	2,381
Accounts receivable	545
Deferred tax assets - current	325
Prepaid expenses	354
Inventory	139
Other current assets	3
Property and equipment	17,905
Licenses	2,533
Trademark	1,924
Deferred tax assets, non-current	1,034
Other long-term assets	477
Current portion of long-term debt	(4,267)
Accounts payable and accrued liabilities	(1,743)
Contingent liability	(5,776)
Accrued payroll	(1,640)
Taxes payable	(2,112)
Long-term debt, less current portion	(1,687)
Deferred income taxes, non-current	(1,257)
Net identifiable assets acquired	9,138
Less: Non-controlling interest	(5,214)
Add: Goodwill	8,070
	$
Net assets acquired	11,994

The Company accounted for the transaction as a step acquisition, and accordingly, CPL's assets of $27.6 million (including $2.4 million in cash) and liabilities of $18.5 million were included in the Company's consolidated balance sheet at April 8, 2013. The goodwill is attributable to the expected synergies and economies of scale of incorporating CPL with the Company. The acquisition also combines the specialties of the Company’s management expertise in the gaming industry with the brand awareness of CPL. Goodwill is not a tax deductible item for the Company.

Non-controlling interest

The Company recognized the Polish Airports’ non-controlling interest in CPL at its fair value as of the acquisition date. The Company estimated the fair value of the non-controlling interest by determining the value of a controlling interest in the entity. Having control over a company gives additional rights to the holder of the controlling interest as opposed to the holder of the non-controlling interest. The Company applied a 22.5% discount for lack of control to determine the value of the non-controlling interest. The discount for lack of control was estimated based on an

analysis of the transactions in the casinos and gaming industry in the past five years. The resulting value of the non-controlling interest was PLN 16.5 million ($5.2 million).

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The following table provides information regarding the purchase consideration paid for the Company's acquisition of an additional 33.3% interest in CPL:

Purchase Consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	$ 6,780
Less: balances acquired	(2,381)
Net of cash - investing activities	$ 4,399

Acquisition-related costs

The Company incurred acquisition costs of approximately $0.1 million in connection with the CPL acquisition. These costs include legal, accounting and valuation fees and have been recorded as general and administrative expenses for the year ended December 31, 2013.

Contingent liability

In March 2011, the Polish Internal Revenue Service ("Polish IRS") started 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 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.

After proceedings between CPL and the Polish IRS, the Director of the Tax Chamber in Warsaw upheld the decision of the Polish IRS on November 30, 2012 for review of the period from January 1, 2011 to January 31, 2011. CPL paid PLN 0.1 million (less than $0.1 million) to the Polish IRS for taxes and interest owed resulting from the decision. CPL appealed the decision to the Regional Administrative Court in Warsaw in December 2012. In September 2013, the Regional Administrative Court in Warsaw denied CPL's appeal. CPL appealed the decision to the Supreme Administrative Court and expects a decision in 2015.

After further proceedings and appeals between CPL and the Polish IRS, the Director of the Tax Chamber in Warsaw also upheld the decision of the Polish IRS on December 30, 2013 for review of the period from December 1, 2007 to December 31, 2008 and from January 1, 2009 to December 31, 2009. CPL paid PLN 3.5 million ($1.2 million) to the Polish IRS for taxes and interest owed from January 1, 2008 to December 31, 2008 on December 31, 2013 and PLN 2.8 million ($0.9 million) for taxes and interest owed from January 1, 2009 to December 31, 2009 on December 16, 2014. CPL filed an appeal of this decision in January 2014 to the Voivodship Administrative Court. In September 2014, the Voivodship Administrative Court denied CPL’s appeal. CPL has appealed the decision to the Supreme Administrative Court.

Management has evaluated the likelihood that the litigation will be unfavorable for CPL using a probability weighted cash flow analysis and recorded a liability at estimated fair value in purchase accounting. As a result, the balance of the potential liability for all open periods as of December 31, 2014 is estimated at PLN 12.0 million ($3.4 million based on the exchange rate in effect on December 31, 2014).

Pro Forma Results

The following table provides unaudited pro forma information of the Company as if the acquisition of CPL had occurred as of January 1, 2013. This pro forma information is not necessarily indicative of the combined results of operations that actually would have been realized had the acquisition been consummated prior to the periods for which the pro forma information is presented, or of future results.

	Unaudited For the year ended December 31, 2013
Net operating revenue	$ 117,955
Net earnings	$ 6,037
Basic and diluted earnings per share	$ 0.25

Century Downs Racetrack and Casino

In November 2012, the Company's subsidiary CCE signed credit and management agreements with CDR in connection with the development of a REC project in Balzac, north metropolitan area of Calgary, Alberta, Canada, which the Company will operate as Century Downs Racetrack and Casino.

On November 29, 2013, CCE finalized amended credit and management agreements with CDR in connection with the development of the REC project. Under the amended credit agreement, CCE agreed to loan to CDR a total of CAD 24 million in two separate loans, Loan A and Loan B. Loan A is for CAD 13 million and Loan B is for CAD 11 million. As of December 31, 2014, CCE has loaned CDR CAD 18.6 million ($16.0 million based on the exchange rate in effect on December 31, 2014). Loan A has an interest rate of BMO prime plus 600 basis points (9.0% as of December 31, 2014 and December 31, 2013) and a term of five years, and CAD 11 million of Loan A is convertible at CCE's option into an additional ownership position in CDR of up to 60%. Loan B has an interest rate equivalent to the rate charged under the BMO Credit Agreement plus an administrative fee and a term of five years. CCE has advanced all funds from Loan A, and any remaining funds that are advanced to CDR will be advanced under Loan B. Both loans are secured by a leasehold mortgage on the REC property and a pledge of CDR's stock by the majority of the CDR shareholders. Both loans are for the exclusive use of developing and operating the REC project. CCE intends to fund both loans with additional borrowings under our BMO Credit Agreement (Note 6).

Under the amended management and credit agreements with CDR, CCE acquired 15% of CDR, controls the CDR board of directors, manages the development and operation of the REC project and has the right to convert CAD 11 million of Loan A into an additional 60% ownership interest in CDR. As a condition of licensing by the AGLC, the Company anticipates converting the loan to a majority ownership interest on or before the REC is operational.

As of November 29, 2013, the Company began consolidating CDR as a minority owned subsidiary for which it has a controlling financial interest. Unaffiliated shareholders own the remaining 85% of CDR. The Company accounts for and reports the 85% CDR ownership interest as a non-controlling financial interest. CDR contributed a total of less than $0.1 million in net operating revenue and less than $0.1 million in net losses from the date of acquisition through December 31, 2013 and $0.5 million in net operating revenue and $0.1 million in net earnings from January 1, 2014 to December 31, 2014.

The REC project will be the only horse race track in the Calgary area and will consist of a 5.5 furlongs (0.7 mile) racetrack, a gaming floor with 550 proposed slot machines, a bar, a lounge, restaurant facilities, an off-track-betting area and an entertainment area. The AGLC has approved development of the project and a preliminary license. The AGLC will not issue a final license until the REC opens. Horse Racing Alberta, the governing authority for horseracing in Alberta, has approved the REC project and approved a license. Construction commenced on the REC in March 2014 and the Company expects that the REC will open in April 2015. The casino and off-track betting at the REC will be available year-round, and the horse racing season will be from March to November each year. The 2015 horse racing season will be from April to November.

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The Company accounted for the transaction as a business combination, and accordingly, CDR's assets of $22.9 million (including $0.1 million in cash) and liabilities of $20.5 million were included in the Company's consolidated balance sheet at November 29, 2013. The goodwill is attributable to the expected business expansion opportunity for the Company. The acquisition leverages the Company's management specialties and expertise in the gaming industry to the horse racing industry, and the REC project, once completed, will be one of the Company's largest scale properties. Goodwill is not a tax deductible item for the Company.

Upon consolidation, the fair value of the Company's 15% ownership interest was determined to be $0.4 million as of the acquisition date. Since the Company did not give any cash consideration for the 15% ownership interest, it recorded the $0.4 million as a gain in "Gain on business combination" in the 2013 consolidated statement of earnings. The fair value was determined based on the controlling interest obtained and on the Company's valuation of CDR using the following methods, which the Company believes provide the most appropriate indicators of fair value:

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

Details of the purchase in the table below are based on estimated fair values of assets and liabilities as of November 29, 2013. The measurement period to make any adjustments to the fair value of the assets and liabilities recognized as a result of the acquisition ended a year after the date of acquisition on November 29, 2014. In 2014, the Company adjusted the deferred taxes and valuation allowance recorded as part of the purchase of CDR. The deferred tax asset was increased by $3.0 million and the deferred tax liability was increased by $0.2 million. These amounts were offset in the valuation allowance, which was increased by $2.8 million. The net impact to purchase accounting was zero. The fair value measurement is final.

Acquisition Date	November 29, 2013
Amounts in thousands	
Purchase consideration:	
Cash paid	$ 0
Acquisition date fair value for 15% equity interest for the Company's guarantee of additional REC project financing	397
Total purchase consideration	$ 397
Cash	$ 98
Restricted cash	472
Accounts receivable	126
Prepaid expenses	12
Casino license	3,001
Property and equipment	19,234
Accounts payable and accrued liabilities	(471)
Taxes payable	(19)
Contingent liability	(189)
Long-term debt, less current portion	(19,792)
Net identifiable assets acquired	2,472
Less: Non-controlling interest	(2,253)
Add: Goodwill	178
Net assets acquired	$ 397

Non-controlling interest

The Company recognized non-affiliated shareholders non-controlling interest in CDR at its fair value of $2.3 million as of November 29, 2013.

Acquisition-related costs

The Company incurred acquisition costs of approximately $0.1 million in the year ended December 31, 2014 in connection with the CDR acquisition. These costs include legal, accounting, and valuation fees and have been recorded as general and administrative expenses.

Land

Prior to the Company's acquisition of its ownership interest in CDR on November 29, 2013, CDR purchased various plots of land on which to build the REC project. CDR sold a portion of this land consisting of 71.99 acres to 1685258 Alberta Ltd ("Rosebridge") and leased back 51.99 acres of the land. The Company began accounting for the lease using the financing method as of the date of acquisition. Under the financing method, the Company accounts for the land subject to lease as an asset and the lease payments as interest on the financing obligation. As of December 31, 2014, the outstanding balance on the financing obligation was CAD 19.5 million ($16.8 million based on the exchange rate in effect on December 31, 2014) and the implicit interest rate was 10.0%.

Contingent Liability

In February 2013, 1369454 Alberta Ltd filed a lawsuit against CDR for previously owed money not paid by CDR. The case was settled in April 2013, and CDR issued a promissory note to pay 1369454 Alberta Ltd CAD 0.2 million ($0.2 million based on the exchange rate in effect on December 31, 2014).

Financing

Prior to November 29, 2013, the Company loaned to CDR $1.4 million for deferred financing costs related to legal fees incurred for the CDR loan and various expenditures relating to the development of the REC. As of the date of consolidation, the Company began eliminating the loan as an intercompany transaction.

Restricted Cash

The Company's subsidiary CCE loaned CDR $0.2 million to pay outstanding Canadian Federal tax owed by CDR in December 2013. The unsecured note was paid on December 4, 2014 and had a nominal 4% interest rate. The note was paid following the release in December 2014 of $0.2 million of restricted cash from escrow that was held with Rosebridge in connection with the land lease.

Pro Forma Results

Pro forma information is not included because the limited activities of CDR during the comparable 2013 periods are immaterial.

Mendoza Central Entretenimientos S.A.

On October 31, 2014, CCE entered into the MCE Agreement with Gambling and Entertainment LLC and its affiliates, pursuant to which CCE purchased 7.5% of the shares of MCE, a company formed in Argentina, for $1 million. Pursuant to the MCE Agreement, CCE will work with MCE to utilize MCE's exclusive concession agreement with Instituto Provincial de Juegos y Casinos to lease slot machines and provide related services to Mendoza Casino, a casino located in Mendoza, Argentina, and owned by the Province of Mendoza. MCE may also pursue other gaming opportunities. Under the MCE Agreement, CCE has the right to appoint one director to MCE's board of directors. In addition, CCE has a three-year option to purchase up to 50% of the shares of MCE and to appoint additional directors to MCE's board of directors based on its ownership percentage of MCE.

The Company accounts for the $1 million investment in MCE using the cost method. Acquisition costs of $0.2 million were incurred for the year ended December 31, 2014 in connection with the MCE investment. These costs include legal and accounting fees and have been recorded as general and administrative expenses.

4.PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consist of the following:

	December 31,	
Amounts in thousands	2014	2013
Land	$ 47,959	$ 50,465
Buildings and improvements	85,489	89,429
Gaming equipment	25,077	22,244
Furniture and non-gaming equipment	16,831	19,243
Capital leases	246	286
Capital projects in process	11,661	1,704
	$ 187,263	$ 183,371
Less accumulated depreciation	(52,636)	(50,732)
Property and equipment, net	$ 134,627	$ 132,639

Depreciation expense was $7.3 million for the year ended December 31, 2014 and $6.2 million for the year ended December 31, 2013.

5.GOODWILL AND INTANGIBLE ASSETS

Goodwill

We test goodwill for impairment as of October 1 each year, or more frequently as circumstances indicate it is necessary. Testing compares the estimated fair values of our reporting units to the reporting units' carrying values. Our reporting units with goodwill balances as of December 31, 2014 include our Edmonton casino property, our CPL casino operations, and CDR's REC project development activities. We consider a variety of factors when estimating the fair value of our reporting units, including estimates about the future operating results of each reporting unit, multiples of earnings, various market analyses, and recent sales of comparable businesses, if such information is available to us. The Company makes a variety of estimates and judgments about the relevance and comparability of these factors to the reporting units in estimating their fair values. If the carrying value of a reporting unit exceeds its estimated fair value, the fair value of each reporting unit is allocated to the reporting unit's assets and liabilities to determine the implied fair value of the reporting unit's goodwill and whether impairment is necessary. No impairment charges related to goodwill related to the Company's Edmonton property, CDR or CPL have been recorded.

Changes in the carrying amount of goodwill related to the Company's Edmonton property, CDR and CPL for the period ended December 31, 2014 are as follows:

	Canada		Poland	
		Century	Casinos	
Amounts in thousands	Edmonton	Downs	Poland	Total
Balance – January 1, 2014	$ 4,622	$ 178	$ 8,479	$ 13,279
Effect of foreign currency translation	(385)	(15)	(1,250)	(1,650)
Balance – December 31, 2014	$ 4,237	$ 163	$ 7,229	$ 11,629

Intangible Assets

Trademarks

The Company currently owns two trademarks, the Century Casinos trademark and the Casinos Poland trademark, which are reported as intangible assets on the Company's consolidated balance sheets.

As of December 31, 2014, the carrying amounts of the trademarks were as follows:

Amounts in thousands	Century Casinos	Casinos Poland	Total
Balance – January 1, 2014	$ 108	$ 2,021	$ 2,129
Effect of foreign currency translation	0	(298)	(298)
Balance – December 31, 2014	$ 108	$ 1,723	$ 1,831

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

Casino Licenses

Casinos Poland

Casinos Poland currently has nine casino licenses, each with an original term of six years, which are reported as finite-lived intangible assets on the Company's consolidated balance sheets. In June 2014, CPL's management board decided to suspend operations at the Sosnowiec casino for a limited time. The casino began operating on a limited basis on February 3, 2015, and we expect the casino will continue limited operations until its gaming license expires in May 2017. Based on the decision to suspend operations in June 2014, the Company evaluated the carrying amount of the Sosnowiec casino license and wrote down the Sosnowiec casino license to zero and charged $0.2 million to operating costs and expenses for the year ended December 31, 2014. Changes in the carrying amount of the Casinos Poland licenses for the period ended December 31, 2014 are as follows:

Amounts in thousands	Casinos Poland
Balance – January 1, 2014	$ 2,245
Sosnowiec license impairment	(198)
Amortization	(527)
Effect of foreign currency translation	(236)
Balance – December 31, 2014	$ 1,284

As of December 31, 2014, estimated amortization expense for the CPL casino licenses over the next five years is as follows:

Amounts in thousands	
2015	$ 438
2016	407
2017	324
2018	100
2019	15
	$ 1,284

Such estimates do not reflect the impact of future foreign exchange rate changes or the renewal of the licenses. The weighted average period before the next renewal is 2.9 years.

Century Downs Racetrack and Casino

CDR currently has two casino licenses, one from the AGLC and one from Horse Racing Alberta ("HRA"). The licenses are reported as an infinite lived intangible asset on the Company's consolidated balance sheet. The licenses have been awarded but are pending final approval from the AGLC once the REC project is completed. As of December 31, 2014, the carrying amount of the licenses was $2.7 million. No impairment charges related to the CDR licenses have been recorded. Changes in the carrying amount of the CDR licenses for the period ended December 31, 2014 are as follows:

Amounts in thousands	Century Downs
Balance – January 1, 2014	$ 2,991
Effect of foreign currency translation	(249)
Balance – December 31, 2014	$ 2,742

6.LONG-TERM DEBT

Long-term debt at December 31, 2014 and 2013 consisted of the following:

Amounts in thousands	December 31, 2014	December 31, 2013
Credit agreement - Bank of Montreal	$ 16,383	$ 9,277
Credit agreement - Casinos Poland	3,446	4,798
Credit facility - Casinos Poland	1,506	1,447
Capital leases - Casinos Poland	108	207
Financing obligation - CDR land lease	16,806	18,330
Total long-term debt	$ 38,249	$ 34,059
Less current portion	(5,272)	(4,195)
Long-term portion	$ 32,977	$ 29,864

The consolidated weighted average interest rate on all Company debt was 7.95% for the year ended December 31, 2014. The Company pays a floating interest rate on its borrowings under the BMO Credit Agreement and the current interest rate is approximately 3.50%. The Company pays a weighted average interest rate of 5.26% on its borrowings under the CPL loan agreements. The weighted average interest rate on all Company debt is higher than the 3.50% interest rate of the BMO Credit Agreement and the weighted average interest of 5.26% on the CPL loan agreements due to the CDR financing obligation, on which the Company pays an implicit interest rate of 10.0%.

Credit Agreement – Bank of Montreal

In May 2012, the Company, through its Canadian subsidiaries, entered into the CAD 28.0 million credit agreement with the Bank of Montreal. On August 15, 2014, the Company, through its Canadian subsidiaries, entered into an amended and restated BMO Credit Agreement that increased the Company's borrowing capacity to CAD 39.1 million. As of December 31, 2014, the Company had borrowed CAD 24.0 million, of which the outstanding balance was CAD 19.0 million ($16.4 million based on the exchange rate in effect on December 31, 2014) and the Company had approximately CAD 15.1 million ($13.0 million based on the exchange rate in effect on December 31, 2014) available under the BMO Credit Agreement. The outstanding borrowings cannot be re-borrowed once they are repaid. The Company has used borrowings under the BMO Credit Agreement primarily to repay the Company's mortgage

loan related to the Edmonton property, pay for the additional 33.3% investment in CPL (Note 3) and pay for development costs related to the REC project (Note 3). The Company can also use the proceeds to pursue the development or acquisition of new gaming opportunities and for general corporate purposes. Borrowings bear interest at fixed rates or at BMO's floating rate plus a margin. Any funds not drawn down under the BMO Credit Agreement are subject to standby fees ranging from 0.50% to 0.75% payable quarterly in arrears. Standby fees of less than CAD 0.1 million (less than $0.1 million based on the exchange rate in effect on December 31, 2014) were recorded as interest expense in the consolidated statement of earnings for the year ended December 31, 2014. The BMO Credit Agreement has a term of five years through August 2019 and is guaranteed by the Company. The shares of the Company's subsidiaries in Edmonton and Calgary and the Company's 15% interest in CDR are pledged as collateral for the BMO Credit Agreement. The BMO Credit Agreement contains a number of financial covenants applicable to the Canadian subsidiaries, including restricting their incurrence of additional debt, a debt to EBITDA ratio, a fixed charge coverage ratio, maintenance of a CAD 28 million equity balance and a capital expenditure limit of CAD 2 million per year. The Company was in compliance with all covenants of the BMO Credit Agreement as of December 31, 2014.

Amortization expenses relating to deferred financing charges were $0.1 million for each of the years ended December 31, 2014 and December 31, 2013. These costs are included in interest expense in the consolidated statements of earnings.

Casinos Poland

As of December 31, 2014, CPL had debt totaling PLN 17.9 million ($5.1 million based on the exchange rate in effect on December 31, 2014). The debt includes two credit agreements, one credit facility and 11 capital lease agreements.

The first credit agreement is with mBank (formerly known as BRE Bank). Under this agreement, CPL entered into a three year term loan in November 2013 at an interest rate of Warsaw Interbank Offered Rate ("WIBOR") plus 1.75%. Proceeds from the loan were used to repay the balance of the Bank Pocztowy loan related to the CPL properties, invest in slot equipment and relocate the Company's Poznan, Poland casino. As of December 31, 2014, the amount outstanding was PLN 9.2 million ($2.6 million based on the exchange rate in effect on December 31, 2014). CPL has no further borrowing availability under the loan, and the loan matures in November 2016. The mBank credit agreement contains a number of financial covenants applicable to CPL, including covenants that restrict the incurrence of additional debt and require CPL to maintain debt ratios and a current liquidity ratio of 0.6 or higher. As of December 31, 2014, CPL's current liquidity ratio was 0.5. CPL has obtained a waiver from mBank regarding its noncompliance with the current liquidity ratio. CPL was in compliance with all other covenants of this credit agreement as of December 31, 2014.

The second credit agreement is also with mBank. Under this credit agreement, CPL entered into the three year term loan at an interest rate of WIBOR plus 1.70%. Proceeds from the loan were used to repay balances outstanding under a prior credit agreement that matured in September 2014 and to finance current operations. As of December 31, 2014, the amount outstanding was PLN 3.0 million ($0.8 million based on the exchange rate in effect on December 31, 2014). CPL has no further borrowing availability under the loan and the loan matures in September 2017. The mBank credit agreement contains a number of financial covenants applicable to CPL, including covenants that restrict the incurrence of additional debt and require CPL to maintain debt ratios and a current liquidity ratio of 0.6 or higher. As of December 31, 2014, CPL's current liquidity ratio was 0.5. CPL has obtained a waiver from mBank regarding its noncompliance with the current liquidity ratio. CPL was in compliance with all other covenants of this credit agreement as of December 31, 2014.

The credit facility is a short-term line of credit with BPH Bank used to finance current operations. The bank line of credit bears an interest rate of WIBOR plus 1.85%. The credit facility terminates on February 13, 2016. As of December 31, 2014, the amount outstanding was PLN 5.3 million ($1.5 million based on the exchange rate in effect on December 31, 2014) and CPL had approximately PLN 5.7 million ($1.6 million based on the exchange rate in effect on December 31, 2014) available under the facility. The BPH Bank facility contains a number of financial covenants applicable to CPL, including restricting incurrence of additional debt and debt to EBITDA ratios. CPL complied with all covenants of the BPH Bank line of credit as of December 31, 2014.

CPL's remaining debt consists of 11 capital lease agreements for various vehicles. As of December 31, 2014, the amount outstanding was PLN 0.4 million ($0.1 million based on the exchange rate in effect on December 31, 2014).

In addition, under Polish gaming law, CPL is required to maintain PLN 3.6 million in the form of deposits or bank guarantees for payment of casino jackpots and gaming tax obligations. mBank issued guarantees to CPL for this purpose totaling PLN 3.6 million ($1.0 million based on the exchange rate in effect as of December 31, 2014). The mBank guarantees are secured by land owned by CPL in Kolbaskowo, Poland and terminate on October 31, 2019. In addition, CPL is required to maintain deposits or provide bank guarantees for payment of additional prizes and giveaways at the casinos. The amount of these deposits varies depending on the value of the prizes. CPL maintained $0.3 million in deposits for this purpose in each of the years ending December 31, 2014 and 2013.

Century Downs Racetrack and Casino

The financing obligation represents the land lease with CDR. Prior to the Company's acquisition of its ownership interest in CDR on November 29, 2013, CDR had purchased various plots of land on which the REC project is being constructed. CDR sold a portion of this land consisting of 71.99 acres to Rosebridge. CDR then entered into an agreement with Rosebridge to lease back 51.99 acres of the land. The Company began accounting for the lease using the financing method as of the date of acquisition. Under the financing method, the Company accounts for the land subject to lease as an asset and the lease payments as interest on the financing obligation. Under the land lease, CDR has four options to purchase the land. The first option is July 1, 2023. Due to the nature of the CDR land lease financing obligation, there are no principal payments due until the Company exercises its option to purchase the land. Lease payments are applied to interest only, and any change in the outstanding balance of the financing obligation relates to foreign currency translation. As of December 31, 2014, the outstanding balance on the financing obligation was CAD 19.5 million ($16.8 million based on the exchange rate in effect on December 31, 2014) and the implicit interest rate was 10.0%.

As of December 31, 2014, scheduled maturities related to long-term debt are as follows:

Amounts in thousands	Bank of Montreal	Century Downs	Casinos Poland	Total
2015	$ 2,073	$ 0	$ 3,199	$ 5,272
2016	2,073	0	1,606	3,679
2017	2,073	0	255	2,328
2018	2,073	0	0	2,073
2019	2,073	0	0	2,073
Thereafter	6,018	16,806	0	22,824
Total	$ 16,383	$ 16,806	$ 5,060	$ 38,249

7.OTHER BALANCE SHEET CAPTIONS

Accrued liabilities include the following as of December 31, 2014 and 2013:

	December 31,	
Amounts in thousands	2014	2013
Accrued commissions (AGLC)	$ 1,012	$ 726
Progressive slot & table liability	1,335	1,173
Player point liability	891	874
Deposit liability	979	539
Other accrued liabilities	2,600	2,507
Total	$ 6,817	$ 5,819

Accrued commissions (AGLC) include the portion of slot machine net sales and table games win owed to the AGLC as of December 31, 2014 and December 31, 2013.

Taxes payable include the following as of December 31, 2014 and 2013:

	December 31,	
Amounts in thousands	2014	2013
Accrued property taxes	$ 1,042	$ 1,036
Gaming taxes payable	3,212	3,150
Other taxes payable	545	617
Total	$ 4,799	$ 4,803

8.SHAREHOLDERS' EQUITY

In March 2000, the Company's board of directors approved a discretionary program to repurchase the Company's outstanding common stock. In November 2009, the Company's board of directors increased the amount available to be repurchased to $15.0 million. The Company did not repurchase any shares of its common stock during 2014 and 2013. The total remaining authorization under the repurchase program was $14.7 million as of December 31, 2014. The repurchase program has no set expiration or termination date.

The Company has not declared or paid any dividends. Declaration and payment of dividends, if any, in the future will be at the discretion of the board of directors. At the present time, the Company intends to use any earnings that may be generated to finance the growth of its business.

The Company does not have any minimum capital requirements related to its status as a U.S. corporation in the state of Delaware.

9.STOCK-BASED COMPENSATION

The board of directors of the Company adopted an Employees' Equity Incentive Plan (the "EEIP") in April 1994. The EEIP expired in April 2004. All outstanding options from the EEIP have been issued and the Company no longer administers the plan. Stockholders of the Company approved a new equity incentive plan (as amended, the "2005 Plan") at the 2005 annual meeting of stockholders. The 2005 Plan provides for the grant of awards to eligible individuals in the form of stock, restricted stock, stock options, performance units or other stock-based awards, all as defined in the 2005 Plan. The 2005 Plan provides for the issuance of up to 2,000,000 shares of common stock to eligible individuals through the various forms of permitted awards. The Company may not issue stock options at an exercise price lower than fair market value at the date of grant. All stock options must have an exercise period not to exceed ten years. Through December 31, 2014, the Company has granted, under the 2005 Plan, shares of incentive stock option awards (for which the exercise price was not less than the fair market value at the date of grant) and non-qualified options. Options granted to date have six-month, one-year, three-year or four-year vesting periods. Through December 31, 2014, the Company has issued all outstanding options at market value as of the date of the grant. Any committee as delegated by the board of directors has the power and discretion to, among other things, prescribe the terms and conditions for the exercise of, or modification of, any outstanding awards in the event of merger, acquisition or any other form of acquisition other than a reorganization of the Company under the United States Bankruptcy Code or liquidation of the Company. The 2005 Plan also allows limited transferability of any stock options to legal entities that are 100% owned or controlled by the optionee or to the optionee's family trust.

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Stock Options

Activity in the Company's stock-based compensation plan for employee stock options was as follows:

Options	Option Shares	Weighted -Average Exercise Price	Weighted -Average Remaining Contractual Term	Options Exercisable	Weighted-Average Exercise Price
Outstanding at January 1, 2013	919,848	$ 2.94	1.58	895,348	$ 2.96
Granted	0	0.00			
Exercised*	(849,210)	2.93			
Cancelled or forfeited	0	0.00			
Outstanding at December 31, 2013	70,638	$ 3.03	5.40	56,638	$ 3.21
Granted	1,365,000	5.05			
Exercised**	(3,296)	0.91			
Cancelled or forfeited	(2,500)	9.00			
Outstanding at December 31, 2014	1,429,842	$ 4.95	9.74	406,092	$ 4.71

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*849,210 options were exercised and 249,647 shares were issued through net share settlement in 2013, as a result there was no cash consideration or intrinsic value for the options.

**3,296 options were exercised for cash consideration of $3,000 in 2014. The intrinsic value of the options exercised was $19,000.

The following table summarizes information about employee stock options outstanding and exercisable at December 31, 2014:

Dollar amounts in thousands

Exercise Price:	Options Outstanding	Options Exercisable	Intrinsic Value of Options Outstanding	Intrinsic Value of Options Exercisable	Weighted-Average Life of Options Outstanding (1)	Weighted-Average Life of Options Exercisable (1)
$0.91	8,230	8,230	$ 34	$ 34	3.9	3.9
$0.93	11,612	11,612	48	48	3.9	3.9
$2.30	35,000	35,000	96	96	5.4	5.4
$5.05	1,365,000	341,250	0	0	10.0	10.0
$9.00	10,000	10,000	0	0	2.5	2.5
	1,429,842	406,092	$ 139	$ 139	9.7	9.1

(1) In years

The aggregate intrinsic value represents the difference between the Company's closing stock price of $5.05 per share as of December 31, 2014 and the exercise price multiplied by the number of options outstanding or exercisable as of that date.

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Activity in the Company’s stock-based compensation plan for non-vested employee stock options was as follows:

Nonvested Options	Options		Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2013	24,500	$	1.28
Granted	0		0.00
Vested	(10,500)		1.28
Forfeited	0		0.00
Nonvested at December 31, 2013	14,000	$	1.19
Granted	1,365,000		2.62
Vested	(355,250)		2.56
Forfeited	0		0.00
Nonvested at December 31, 2014	1,023,750	$	2.62

The total fair value for options vested for each of the years ended December 31, 2014 and 2013 was less than $0.1 million.

There were 75,000 options issued to independent directors of the Company during 2014. As of December 31, 2014, there were 130,000 options outstanding to independent directors of the Company with a weighted-average exercise price of $5.84. During 2014, independent directors did not exercise any options.

The weighted-average fair value of options granted are estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Assumptions for 2013 Awards	
Weighted-average risk-free interest rate	1.31%
Weighted-average expected life	5.4 yrs
Weighted-average expected volatility	63.6%
Weighted-average expect dividends	$0

Assumptions for 2014 Awards

Weighted-average risk-free interest rate	1.68%
Weighted-average expected life	4.4 yrs
Weighted-average expected volatility	62.3%
Weighted-average expect dividends	$0

The Company recorded stock-based compensation expense of $1.0 million for the year ended December 31, 2014 and less than $0.1 million for the year ended December 31, 2013. This amount is included in general and administrative expenses.

At December 31, 2014, there was $2.7 million of total unrecognized compensation expense related to unvested stock options. The cost is expected to be recognized over a weighted-average period of 2.0 years.

Cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) are classified as financing cash flows on the Company's consolidated statement of cash flows. No excess tax benefits were recorded for the years ended December 31, 2014 and 2013.

10.INCOME TAXES

The Company's provision (benefit) for income taxes is summarized as follows:

Amounts in thousands	For the twelve months ended December 31,	
	2014	2013
U.S. Federal - Current	$ (13)	$ 25
U.S. Federal - Deferred	0	0
Provision for U.S. federal income taxes	(13)	25
Foreign - Current	$ 1,931	$ 1,616
Foreign - Deferred	(411)	(348)
Provision for foreign income taxes	1,520	1,268
Total provision for income taxes	$ 1,507	$ 1,294

The Company's effective income tax rate differs from the statutory federal income tax rate as follows:

	2014	2013
U.S. Federal income tax statutory rate	34.0%	34.0%
Foreign income taxes	68.0%	(18.5%)
Equity in Polish investment	0.0%	(5.4%)
State income tax (net of federal benefit)	(15.0%)	(0.3%)
Meals, entertainment, gifts & giveaways	38.7%	1.8%
Statutory to GAAP adjustments, including foreign currency	(283.9%)	(3.0%)
Valuation allowance	532.4%	5.7%
Permanent and other items	(14.6%)	3.3%
Total provision for income taxes	359.7%	17.6%

The Company's current year effective income tax rate was impacted due to losses in the United States, Poland and Mauritius. The comparison of pre-tax income of $0.4 million for the year ended December 31, 2014, compared to pre-tax income of $7.4 million for the year ended December 31, 2013 should be considered when comparing tax rates year over year. The overall effective tax rate of 359.7% is primarily driven by income tax expense recorded in jurisdictions with taxable that are not offset by tax benefits and in jurisdictions with losses that are not offset by tax benefits as a result of valuation allowances recorded against such losses. A majority of the earnings recognized by the Company during the year ended December 31, 2014 were at our properties in Canada. Based on permanent items and the impact of foreign currency exchange rates the earnings in the Company's Canadian properties accounted for nearly 89% of the total tax expense recorded. There was no tax benefit recorded on the significant losses at the Company's properties in the United States as those amounts are fully valued and no benefit can be recognized.

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 taxable income.

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 Company has a valuation allowance of $5.9 million on its U.S. deferred tax assets as of December 31, 2014 due to the uncertainty of future taxable income. The Company has a $3.5 million valuation allowance on the deferred tax assets of two of its Canadian properties as of December 31, 2014 due to the uncertainty of future taxable income. The Company also has a $1.6 million valuation allowance on CCE’s deferred tax assets as of December 31, 2014 due to the uncertainty of future taxable income. The ultimate realization of deferred income tax assets depends on generation of future taxable income in the jurisdictions where the assets are located 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.

The Company's deferred income taxes at December 31, 2014 and 2013 are summarized as follows:

Amounts in thousands	2014	2013
Deferred tax assets (liabilities) - U.S. Federal and state		
Deferred tax assets - current:		
Accrued liabilities and other	$ 184	$ 169
Deferred tax (liabilities) - current		
Prepaid expenses	(157)	(67)
Valuation allowance	(179)	(167)
Net deferred tax (liabilities) - current	(152)	(65)
Deferred tax assets - non-current:		
Amortization of goodwill for tax	421	473
Amortization of startup costs	275	317
Property and equipment	1,059	971
NOL carry forward	3,752	2,894
Accrued liabilities and other	409	675
Total deferred tax assets - non-current	5,916	5,330
Valuation allowance	(5,764)	(5,265)
Net deferred tax assets - non-current	152	65
Total deferred tax assets - U.S. federal and state	$ 0	$ 0
Deferred tax assets (liabilities) - foreign		
Deferred tax assets - current:		
NOL carryforward	$ 0	$ 0
Other	300	229
Deferred tax (liabilities) - current:		
Other	0	(96)
Net deferred tax assets - current	300	133
Deferred tax assets - non-current		
Property and equipment	1,521	1,771
NOL carry forward	4,583	2,483
Tax credits	199	262
Accrued liabilities and other	1,329	453
Exchange rate gain or (loss)	821	0
Deferred tax (liabilities) - non current:		
Property and equipment	(2,204)	(2,477)
Contingent liability	(985)	(1,208)
Others	(230)	(223)
Valuation allowance	(5,129)	(1,400)

Net deferred tax (liabilities) - non-current	(95)	(339)
Total deferred tax (liabilities) - foreign	$ 205	$ (206)
Net deferred tax (liabilities)	$ 205	$ (206)

The Company has analyzed filing positions in all of the U.S. federal, state and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Company has identified its U.S. federal tax return, its state tax return in Colorado and its foreign tax returns in Canada, Poland and South Africa, where it previously owned and operated casinos, as "major" tax jurisdictions, as defined by the Code.

The Company's tax returns for the following periods are subject to examination:

Jurisdiction:	Periods
U.S. Federal	2007 - 2013
U.S. State - Colorado	2005 - 2013
Canada	2006 - 2013
South Africa	2009
Poland	2013

The Company has recognized a $0.1 million tax liability for an uncertain tax position on a foreign tax return. This adjustment has been recorded as a component of taxes payable in the accompanying consolidated balance sheet as of December 31, 2014. The Company may, from time to time, be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results.

As of December 31, 2014, the Company had undistributed foreign earnings of approximately $46.2 million that it considers indefinitely reinvested and that as of December 31, 2014 the Company had not provided for taxes. Based on the Company's capital, debt and liquidity position, there is no expected need for cash repatriation from foreign subsidiaries, and all cash held in foreign jurisdictions is considered permanently reinvested. These earnings could become subject to income taxes if they are remitted as dividends, are loaned to the Company or any of the Company's subsidiaries located in the United States, or if the Company sells its stock in the foreign subsidiaries. However, the Company believes that any additional taxes could be offset, in part or in whole, by foreign tax credits.

The Company's total amount of unrecognized tax benefit is summarized in the table below:

Amounts in thousands	2014	2013
Unrecognized tax benefit - January 1	$ 146	$ 191
Gross increases - tax positions in prior period	0	0
Gross decreases - tax positions in prior period	0	0
Gross increases - tax positions in current period	0	0
Settlements	0	0
Lapse of statute of limitations	(85)	(45)
Unrecognized benefit - December 31	$ 61	$ 146

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. Related to the unrecognized tax benefits noted above, the Company accrued penalties and interest of less than $0.1 million during 2014 and in total, as of December 31, 2014, recognized a liability of less than $0.1 million. During 2013, the Company accrued no penalties and interest of less than $0.1 million and in total, as of December 31, 2014, recognized a liability less than $0.1 million.

Included in the balance of unrecognized tax benefits as of December 31, 2014 and 2013, is $0.1 million of tax benefits that, if recognized, would affect the effective tax rate. Also included in the balance of unrecognized tax benefits at December 31, 2014 is $0.1 million, of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

The Company's U.S. and foreign pre-tax income is summarized in the table below:

Amounts in thousands	2014	2013
Income (loss) before taxes:		
U.S.	$ (3,205)	$ (397)
Foreign	3,623	7,766
Total income before taxes	$ 418	$ 7,369

11. FAIR VALUE MEASUREMENTS

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

· Level 1 – quoted prices in active markets for identical assets or liabilities

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

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

Recurring Fair Value Measurements

The Company had no assets or liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013.

Nonrecurring Fair Value Measurements

The Company applies the provisions of the fair value measurement standard to its nonrecurring, non-financial assets and liabilities measured at fair value. There were no assets or liabilities measured at fair value on a non-recurring basis as of December 31, 2014 and 2013.

Long-Term Debt – The carrying value of the Company's BMO Credit Agreement approximates fair value as of December 31, 2014 and December 31, 2013 because it bears interest at the lenders' variable rate. The carrying value of the CPL debt approximates fair value as of December 31, 2014 and December 31, 2013 because a substantial portion of the debt is short-term with a primarily variable interest rate and CPL recently negotiated the debt with the lender. Based on prices for identical or similar instruments in markets that are not active, the estimated fair values of the outstanding balances under the Company's BMO Credit Agreement and CPL debt are designated as Level 2 measurements in the fair value hierarchy. The carrying value of the CDR debt approximates fair value as of December 31, 2014 and December 31, 2013 because the debt bears interest at a rate implicit in the CDR land lease and, as a result, the estimated fair value of the Company's CDR debt is designated as a Level 3 measurement in the fair value hierarchy. As of December 31, 2014, the carrying amount of CDR's land lease was CAD 19.5 million ($16.8 million based on the exchange rate in effect on December 31, 2014) with an effective interest rate of 11.1%. Due to the nature of the land lease financing obligation, there is no maturity date for the land lease until CDR exercises its option to purchase the land. Under the land lease, CDR has four options to purchase the land. The first option is July 1, 2023. Due to cost considerations and the continued construction of the REC project, it is not practicable for the Company to estimate the fair value of the land as of December 31, 2014.

Other Estimated Fair Value Measurements – The estimated fair values of our other assets and liabilities, such as cash and cash equivalents, accounts receivable, inventory, accrued payroll and accounts payable, have been determined to approximate carrying value based on the short-term nature of those financial instruments. As of December 31, 2014 and 2013, the Company had no cash equivalents.

12.SEGMENT AND GEOGRAPHIC INFORMATION

As a result of the Company's recent and continuing expansion efforts, during the fourth quarter of 2014, the Company reorganized its internal management reporting structure. Although the Company's consolidated results of operations, financial position and cash flows were not impacted, the Company has updated the segment disclosures for prior periods to reflect the new internal management reporting structure.

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

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

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

The Company's chief operating decision maker is a management function comprised of two individuals. These two individuals are our Co-Chief Executive Officers. The Company's chief operating decision makers and management utilize Adjusted EBITDA as a primary profit measure for its reportable segments. Adjusted EBITDA is a non-GAAP measure defined as net earnings (loss) before interest, income taxes (benefit), depreciation, amortization, pre-opening expenses, non-cash stock-based compensation charges, asset impairment costs, (gains) losses on disposition of fixed assets, discontinued operations, realized foreign currency (gains) losses, gain on business combinations, acquisition costs, intercompany transactions and certain other one-time items. Non-cash stock-based compensation expense is presented under Corporate and Other in the tables below as the expense is not allocated to reportable segments when reviewed by the Company's chief operating decision maker.

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The following summaries provide information regarding the Company's segment information for the years ended December 31:

Amounts in thousands

2014	Canada	United States	Poland	Corporate and Other	Consolidated
Revenue					
Net operating revenue	$ 34,599	$ 26,707	$ 51,191	$ 7,551	$ 120,048
Results					
Net earnings (loss) attributable to Century Casinos, Inc. shareholders	$ 6,446	$ 1,283	$ (112)	$ (6,385)	$ 1,232
Interest expense (income), net	2,473	1	319	(37)	2,756
Income taxes (benefit)	1,971	786	25	(1,275)	1,507
Depreciation and amortization	1,910	2,419	2,839	667	7,835
Non-controlling interests	(2,267)	0	(54)	0	(2,321)
Non-cash stock-based compensation	0	0	0	1,028	1,028
Foreign currency (gains) losses	(193)	0	(342)	18	(517)
Loss on disposition of fixed assets	2	39	785	2	828
Acquisition costs	115	0	0	266	381
Other one-time (income) expense items	(103)	0	223	1	121
Adjusted EBITDA	$ 10,354	$ 4,528	$ 3,683	$ (5,715)	$ 12,850
Long-lived assets	$ 53,870	$ 63,246	$ 15,120	$ 2,391	$ 134,627
Capital expenditures	$ 11,190	$ 834	$ 2,742	$ 1,331	$ 16,097

Net operating revenue for Corporate and Other of $7.1 million, $0.4 million and $0.1 million is attributable to international waters, Aruba and Argentina, respectively. Long-lived assets for Corporate and Other of $0.8 million, $0.1 million and $1.5 million are attributable to the United States, Europe and international waters, respectively.

Amounts in thousands

2013	Canada	United States	Poland	Corporate and Other	Consolidated
Revenue					
Net operating revenue	$ 33,749	$ 29,193	$ 34,817	$ 6,829	$ 104,588
Results					
Net earnings (loss) attributable to Century Casinos, Inc. shareholders	$ 5,670	$ 2,229	$ 12	$ (1,730)	$ 6,181
Interest expense (income), net	584	0	374	(48)	910
Income taxes (benefit)	1,643	1,365	145	(1,859)	1,294
Depreciation and amortization	1,948	2,225	1,903	523	6,599
Non-controlling interests	(112)	0	6	0	(106)
Non-cash stock-based compensation	0	0	0	33	33
Foreign currency (gains) losses	(41)	0	(204)	(73)	(318)
Loss on disposition of fixed assets	3	24	505	38	570
Acquisition costs	0	0	0	49	49
Other one-time (income) expense items	(57)	0	8	(2,478)	(2,527)
Adjusted EBITDA	$ 9,638	$ 5,843	$ 2,749	$ (5,545)	$ 12,685
Long-lived assets	$ 54,859	$ 57,957	$ 18,091	$ 1,732	$ 132,639
Capital expenditures	$ 692	$ 1,405	$ 1,093	$ 1,555	$ 4,746

Net operating revenue for Corporate and Other of $6.4 million and $0.4 million is attributable to international waters and Aruba, respectively. Long-lived assets for Corporate and Other of $0.7 million, $0.2 million and $0.8 million are attributable to the United States, Europe and international waters, respectively.

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13.COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Litigation – From time to time, the Company is subject to various legal proceedings arising from normal business operations. The Company does not expect the outcome of such proceedings, either individually or in the aggregate, to have a material effect on its financial position, cash flows or results of operations, except for the proceedings involving the Polish IRS described in Note 3.

Employee Benefit Plans – The Company provides its employees in Colorado with a 401(k) Savings and Retirement Plan (the "401K Plan"). The 401K Plan allows eligible employees to make tax-deferred cash contributions that are matched on a discretionary basis by the Company up to a specified level. Participants become fully vested in employer contributions over a six-year period. Effective January 1, 2012, the Company reinstated matching contributions that were suspended on December 1, 2008. For each of the years ended December 31, 2014 and 2013, the Company contributed less than $0.1 million to the 401K Plan.

The Company provides its employees in Canada with two registered retirement plans: the Registered Savings Plan and Registered Pension Plan ("RSP and RPP Plans"). The RSP and RPP Plans allow eligible employee to make tax-deferred cash contributions that are matched on a discretionary basis by the Company up to a specified level. Participants of the RPP Plan become fully vested in employer contributions over a two-year period and participants of the RSP Plan become fully vested in employer contributions immediately. The Company contributed $0.1 million to the RSP and RPP Plans during each of the years ended December 31, 2014 and 2013.

Austrian Depository Certificates ("ADC") Guarantee - The Company issued a guarantee of $1.1 million (€0.8 million) to Bank Austria in connection with the listing of ADCs on the Vienna Stock Exchange. Bank Austria in turn issued a guarantee in the same amount to Oesterreichische Kontrollbank, the holder of the global certificate representing the ADCs. The guarantee was returned to the Company on December 30, 2014 as a result of delisting the ADCs from the Vienna Stock Exchange.

Operating Lease Commitments and Purchase Options – The Company has entered into certain noncancelable operating leases for real property and equipment. Rental expenses, including month-to-month rentals, were $0.8 million for the years ended December 31, 2014 and 2013.

Following is a summary of operating lease commitments as of December 31, 2014:

Amounts in thousands	
2015	$ 365
2016	196
2017	142
2018	131
2019	125
Total	$ 959

14.TRANSACTIONS WITH RELATED PARTIES

The Company has entered into separate management agreements with Flyfish Management and Consulting AG (“Flyfish”), a management company controlled by Erwin Haitzmann’s family trust/foundation, and with Focus Lifestyle & Entertainment AG (“Focus”), a management company controlled by Peter Hoetzinger’s family trust/foundation, to secure the services of each officer and related management company. Both Co CEOs are responsible for planning, directing, and controlling the activities of the Company. Included in the consolidated statements of earnings are charges from both Flyfish and Focus for a total of $1.0 million for each of the years ended December 31, 2014 and December 31, 2013.

15.SUBSEQUENT EVENTS

On December 2, 2014, the Company announced that it had been selected by the HRA to operate the pari-mutuel off-track horse betting network in Southern Alberta beginning in 2015. The Company will form a new subsidiary, Century Bets! Inc, ("CBS"), in 2015 to operate the off-track betting network. Under a memorandum of understanding with the principal owner of Rocky Mountain Turf Club ("RMTC"), CCE will own 75% of CBS and RMTC will own 25% of CBS. The Company anticipates CBS will begin operating the pari-mutuel network in the second quarter of 2015.