LIVEPERSON INC
Form 10-Q
May 09, 2008

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

FORM 10-Q

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

For the quarterly period ended MARCH 31, 2008

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: 0-30141

LIVEPERSON, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**13-3861628**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
462 SEVENTH AVENUE NEW YORK, NEW YORK	**10018**
(Address of Principal Executive Offices)	(Zip Code)

(212) 609-4200
(Registrant’s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of May 5, 2008, there were 47,175,139 shares of the issuer’s common stock outstanding.

LIVEPERSON, INC.
MARCH 31, 2008
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FORWARD-LOOKING STATEMENTS

STATEMENTS IN THIS REPORT ABOUT LIVEPERSON, INC. THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING STATEMENTS BASED ON OUR CURRENT EXPECTATIONS, ASSUMPTIONS, ESTIMATES AND PROJECTIONS ABOUT LIVEPERSON AND OUR INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL FUTURE EVENTS OR RESULTS TO DIFFER MATERIALLY FROM SUCH STATEMENTS. ANY SUCH FORWARD-LOOKING STATEMENTS ARE MADE PURSUANT TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. IT IS ROUTINE FOR OUR INTERNAL PROJECTIONS AND EXPECTATIONS TO CHANGE AS THE YEAR OR EACH QUARTER IN THE YEAR PROGRESS, AND THEREFORE IT SHOULD BE CLEARLY UNDERSTOOD THAT THE INTERNAL PROJECTIONS AND BELIEFS UPON WHICH WE BASE OUR EXPECTATIONS MAY CHANGE PRIOR TO THE END OF EACH QUARTER OR THE YEAR. ALTHOUGH THESE EXPECTATIONS MAY CHANGE, WE ARE UNDER NO OBLIGATION TO INFORM YOU IF THEY DO. OUR COMPANY POLICY IS GENERALLY TO PROVIDE OUR EXPECTATIONS ONLY ONCE PER QUARTER, AND NOT TO UPDATE THAT INFORMATION UNTIL THE NEXT QUARTER. ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN THE PROJECTIONS OR FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE THOSE DISCUSSED IN PART II, ITEM 1A, “RISK FACTORS.”

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

LIVEPERSON, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	March 31, 2008 (Unaudited)	December 31, 2007 (Note 1(B))
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,542	$ 26,222
Accounts receivable, net of allowances for doubtful accounts of $270 and $208 as of March 31, 2008 and December 31, 2007, respectively	7,247	6,026
Prepaid expenses and other current assets	1,844	1,802
Deferred tax assets, net	-	42
Total current assets	30,633	34,092
Property and equipment, net	4,752	3,733
Intangibles, net	6,255	6,953
Goodwill	51,783	51,684
Deferred tax assets, net	4,272	4,202
Security deposits	337	499
Other assets	1,527	1,325
Total assets	$ 99,559	$ 102,488
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 3,770	$ 3,067
Accrued expenses	5,759	9,191
Deferred revenue	4,941	4,000
Deferred tax liabilities, net	208	193
Total current liabilities	14,678	16,451
Other liabilities	1,527	1,325
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock, $.001 par value per share; 5,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2008 and December 31, 2007	—	—
Common stock, $.001 par value per share; 100,000,000 shares authorized, 47,482,357 shares issued and outstanding at March 31, 2008 and 47,892,128 shares issued and outstanding at December 31, 2007	47	48
Additional paid-in capital	176,904	178,041
Accumulated deficit	(93,570)	(93,358)
Accumulated other comprehensive loss	(27)	(19)
Total stockholders’ equity	83,354	84,712
Total liabilities and stockholders’ equity	$ 99,559	$ 102,488

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS.

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LIVEPERSON, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
UNAUDITED

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
Revenue	$	17,085	$	10,969
Operating expenses:				
Cost of revenue		4,886		2,789
Product development		3,074		1,820
Sales and marketing		5,798		3,402
General and administrative		3,180		2,020
Amortization of intangibles		391		242
Total operating expenses		17,329		10,273
(Loss) Income from operations		(244)		696
Other income:				
Interest income		81		222
(Loss) Income before provision for income taxes		(163)		918
Provision for income taxes		49		-
Net (loss) income	$	(212)	$	918
Basic net (loss) income per common share	$	(0.00)	$	0.02
Diluted net (loss) income per common share	$	(0.00)	$	0.02
Weighted average shares outstanding used in basic net (loss) income per common share calculation		47,892,703		41,297,515
Weighted average shares outstanding used in diluted net (loss) income per common share calculation		47,892,703		44,761,279

Net income for the three months ended March 31, 2008 and 2007 includes stock-based compensation expense related to the adoption of SFAS No. 123(R) in the amount of $959 and $815, respectively. See note 1(D).

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

LIVEPERSON, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
UNAUDITED

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (212)	$ 918
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Stock-based compensation expense	959	815
Depreciation	323	208
Amortization of intangibles	698	325
Deferred income taxes	(13)	(1,029)
Provision for doubtful accounts	68	20
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	(1,289)	(608)
Prepaid expenses and other current assets	(42)	132
Security deposits	162	15
Other non-current assets	(202)	-
Accounts payable	1,232	(47)
Accrued expenses	(3,153)	(753)
Deferred revenue	941	684
Other liabilities	201	-
Net cash (used in) provided by operating activities	(327)	680
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, including capitalized software	(2,453)	(427)
Acquisition of Kasamba, net of cash	(78)	-
Acquisition of Proficient	(56)	(15)
Net cash used in investing activities	(2,587)	(442)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock	(2,023)	-
Excess tax benefit from the exercise of employee stock options	(70)	907
Proceeds from issuance of common stock in connection with the exercise of options	335	1,020
Net cash (used in) provided by financing activities	(1,758)	1,927
Effect of foreign exchange rate changes on cash and cash equivalents	(8)	(6)
Net (decrease) increase in cash and cash equivalents	(4,680)	2,159
Cash and cash equivalents at the beginning of the period	26,222	21,729
Cash and cash equivalents at the end of the period	$ 21,542	$ 23,888

Supplemental disclosure of non-cash investing activities:

Cash flows from investing for the three months ended March 31, 2008 does not include the purchases of approximately $165 of capitalized equipment as the corresponding invoice was included in accounts payable at March 31, 2008, and therefore did not have an impact on cash flows in the three month period.

Cash flows from financing for the three months ended March 31, 2008 does not include a repurchase of the Company's common stock in the amount of approximately $339 as the corresponding payment was made in April 2008, and therefore did not have an impact on cash flows in the three month period.

During the three months ended March 31, 2007, the Company issued 1,129,571 shares of common stock, valued at $8,923, in connection with the acquisition of Proficient Systems, Inc. on July 18, 2006.

During the three months ended March 31, 2007, the Company reduced the amount of accrued restructuring costs related to the Proficient acquisition in the amount of approximately $102.

SEE ACCOMPANYING NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

LIVEPERSON, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(A) SUMMARY OF OPERATIONS

LivePerson, Inc. (the “Company” or “LivePerson”) was incorporated in the State of Delaware in 1995. The Company commenced operations in 1996. LivePerson provides online engagement solutions that facilitate real-time assistance and expert advice.

The Company’s primary revenue source is from the sale of the LivePerson services under the brand names Timpani and LivePerson. The Company also facilitates online transactions between service providers (“experts”) who provide advice to consumers (“users”). Headquartered in New York City, the Company’s product development staff, help desk, online sales support and the Kasamba operations are located in Israel. The Company also maintains offices in Atlanta and the United Kingdom.

(B) UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The accompanying condensed consolidated financial statements as of March 31, 2008 and for the three months ended March 31, 2008 and 2007 are unaudited. In the opinion of management, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the consolidated financial position of LivePerson as of March 31, 2008, and the consolidated results of operations and cash flows for the interim periods ended March 31, 2008 and 2007. The financial data and other information disclosed in these notes to the condensed consolidated financial statements related to these periods are unaudited. The results of operations for any interim period are not necessarily indicative of the results of operations for any other future interim period or for a full fiscal year. The condensed consolidated balance sheet at December 31, 2007 has been derived from audited consolidated financial statements at that date.

Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2007, included in the Company’s Annual Report on Form 10-K filed with the SEC on March 14, 2008.

(C) REVENUE RECOGNITION

Our primary revenue source is the sale of the LivePerson services under the brand names Timpani and LivePerson. With the acquisition of Kasamba on October 3, 2007, we also facilitate online transactions between experts who provide online advice to consumers.

The majority of the Company’s revenue is generated from monthly service revenues and related professional services from the sale of the LivePerson services. Because the Company provides its application as a service, the Company follows the provisions of SEC Staff Accounting Bulletin No. 104, “Revenue Recognition” and Emerging Issues Task Force Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables”. The Company charges a monthly fee, which varies by service and client usage. The majority of the Company’s larger clients also pay a professional services fee related to implementation. The Company may also charge professional service fees related to additional training, business consulting and analysis in support of the LivePerson services.

The Company also sells certain of the LivePerson services directly via Internet download. These services are marketed as LivePerson Pro and LivePerson Contact Center for small and mid-sized businesses (“SMBs”), and are paid for almost exclusively by credit card. Credit card payments accelerate cash flow and reduce the Company’s collection risk, subject to the merchant bank’s right to hold back cash pending settlement of the transactions. Sales of LivePerson Pro and LivePerson Contact Center may occur with or without the assistance of an online sales representative, rather than through face-to-face or telephone contact that is typically required for traditional direct sales.

The Company recognizes monthly revenue from the sale of the LivePerson services when there is persuasive evidence of an arrangement, no significant Company obligations remain, collection of the resulting receivable is probable and the amount of fees to be paid is fixed or determinable. The Company's service agreements typically have twelve month terms and are terminable upon 30 to 90 days' notice without penalty. When professional service fees provide added value to the customer on a standalone basis and there is objective and reliable evidence of the fair value of each deliverable, the Company recognizes professional service fees upon completion and customer acceptance of key milestones within each of the professional services engagements. If a professional services arrangement does not qualify for separate accounting, the Company recognizes the fees, and the related labor costs, ratably over a period of 36 months, representing the Company's current estimate of the term of the client relationship.

For revenue generated from online transactions between experts and consumers, the Company applies Emerging Issues Task Force ("EITF") 99-19, "Reporting Revenue Gross as a Principle versus Net as an Agent" due to the fact that the Company performs as an agent without any risk of loss for collection. The Company retains a portion of the fee it collects from the consumer and then remits the balance to the expert. Revenue from these transactions is recognized net of the fee paid to the expert when there is persuasive evidence of an arrangement, no significant Company obligations remain, collection of the resulting receivable is probable and the amount of fees to be paid is fixed or determinable.

(D) STOCK-BASED COMPENSATION

The Company adopted Statement of Financial Accounting Standards No. 123(R) ("SFAS No. 123(R)") using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company's fiscal year. The Company's Consolidated Financial Statements as of and for the three months ended March 31, 2008 and 2007 reflect the impact of SFAS No. 123(R). In accordance with the modified prospective transition method, the Company's Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS No. 123(R).

The following table summarizes stock-based compensation expense related to employee stock options under SFAS No. 123(R) included in Company's Statement of Income for the three months ended March 31, 2008 and 2007:

	Three Months Ended March 31,	
	2008	**2007**
Cost of revenue	$ 114	$ 95
Product development expense	291	255
Sales and marketing expense	289	248
General and administrative expense	265	217
Total stock based compensation included in operating expenses	$ 959	$ 815

The per share weighted average fair value of stock options granted during the three months ended March 31, 2008 and 2007 was $1.97 and $3.59, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three Months Ended March 31,	
	2008	2007
Dividend yield	0.0%	0.0%
Risk-free interest rate	3.5% - 3.8%	4.9%
Expected life (in years)	4.2	4.2
Historical volatility	71.5%	75.7%

Prior to the adoption of SFAS No. 123(R) on January 1, 2006, the Company applied the intrinsic value-based method of accounting prescribed by APB Opinion No. 25 and related interpretations including Financial Accounting Standards Board (“FASB”) Interpretation No. 44, “Accounting for Certain Transactions Involving Stock Compensation: An Interpretation of APB Opinion No. 25” (issued in March 2000), to account for its fixed plan stock options. Under this method, compensation expense was recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123 and SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosure” (an amendment to SFAS No. 123), established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As permitted by the accounting standards, the Company had elected to continue to apply the intrinsic value-based method of accounting described above, and had adopted the disclosure requirements of SFAS No. 123, as amended by SFAS No. 148. The Company amortized deferred compensation on a graded vesting methodology in accordance with FASB Interpretation No. 28, “Accounting for Stock Appreciation Rights and Other Variable Stock Award Plans.”

During 1998, the Company established the Stock Option and Restricted Stock Purchase Plan (the “1998 Plan”). Under the 1998 Plan, the Board of Directors could issue incentive stock options or nonqualified stock options to purchase up to 5,850,000 shares of common stock.

The Company established a successor to the 1998 Plan, the 2000 Stock Incentive Plan (the “2000 Plan”). Under the 2000 Plan, the options which had been outstanding under the 1998 Plan were incorporated into the 2000 Plan and the Company increased the number of shares available for issuance under the plan by approximately 4,150,000, thereby reserving for issuance 10,000,000 shares of common stock in the aggregate. Options to acquire common stock granted thereunder have ten-year terms. Pursuant to the provisions of the 2000 Plan, the number of shares of common stock available for issuance thereunder automatically increases on the first trading day in each calendar year by an amount equal to three percent (3%) of the total number of shares of the Company’s common stock outstanding on the last trading day of the immediately preceding calendar year, but in no event shall such annual increase exceed 1,500,000 shares. As of March 31, 2008, approximately 12,753,000 shares of common stock were reserved for issuance under the 2000 Plan (taking into account all option exercises through March 31, 2008). As of March 31, 2008, there was $10,300 of total unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of approximately 2.2 years.

A summary of the Company’s stock option activity and weighted average exercise prices is as follows:

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2007	8,997,366	$ 3.72
Options granted	423,000	$ 3.44
Options exercised	(299,900)	$ 1.12

Options cancelled	(128,766)	$	5.35
Options outstanding at March 31, 2008	8,991,700	$	3.77
Options exercisable at March 31, 2008	5,190,994	$	2.93

The total intrinsic value of stock options exercised during the period ended March 31, 2008 was approximately $594. The total intrinsic value of options exercisable at March 31, 2008 was approximately $4,700. The total intrinsic value of options expected to vest is approximately $275.

A summary of the status of the Company's nonvested shares as of December 31, 2007, and changes during the three months ended March 31, 2008 is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested Shares at December 31, 2007	4,349,083	$ 3.18
Granted	423,000	$ 1.97
Vested	(842,611)	$ 3.04
Cancelled	(128,766)	$ 3.42
Nonvested Shares at March 31, 2008	3,800,706	$ 3.05

(E) BASIC AND DILUTED NET INCOME PER SHARE

The Company calculates earnings per share in accordance with the provisions of SFAS No. 128, "Earnings Per Share ("EPS")," and the guidance of the SEC Staff Accounting Bulletin No. 98. Under SFAS No. 128, basic EPS excludes dilution for common stock equivalents and is computed by dividing net income or loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. All options, warrants or other potentially dilutive instruments issued for nominal consideration are required to be included in the calculation of basic and diluted net income attributable to common stockholders. Diluted EPS is calculated using the treasury stock method and reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and resulted in the issuance of common stock.

Diluted net income per common share for the three months ended March 31, 2008 does not include the effect of assumed exercised options or warrants because the company reported a net loss from continuing operations and, therefore, all common stock equivalents are anti-dilutive. Diluted net income per common share for the three months ended March 31, 2008 does not include the effect of options to purchase 4,929,554 shares of common stock. Diluted net income per common share for the three months ended March 31, 2007 includes the effect of options to purchase 5,971,506 shares of common stock with a weighted average exercise price of $2.22 and warrants to purchase 137,500 shares of common stock with a weighted average exercise price of $1.86. Diluted net income per common share for the three months ended March 31, 2007 does not include the effect of options to purchase 3,154,850 shares of common stock.

A reconciliation of shares used in calculating basic and diluted earnings per share follows:

	Three Months Ended March 31,	
	2008	2007
Basic	47,892,703	41,297,515
Effect of assumed exercised options and warrants	-	3,463,764
Diluted	47,892,703	44,761,279

(F) SEGMENT REPORTING

The Company accounts for its segment information in accordance with the provisions of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." ("SFAS No. 131") SFAS No. 131 establishes annual and interim reporting standards for operating segments of a company. SFAS No. 131 requires disclosures of selected segment-related financial information about products, major customers, and geographic areas based on the Company's internal accounting methods. Due to the acquisition of Kasamba Inc. in October 2007, the Company is now organized into two operating segments for purposes of making operating decisions and assessing performance. The Company may reorganize its operations in the future when the integration of its products and services are complete. The Business segment supports and manages real-time online interactions - chat, voice/click-to-call, email and self-service/knowledgebase and sells its products and services to global corporations of all sizes. The Consumer segment facilitates online transactions between experts and users and sells its services to consumers. Both segments currently generate their revenue primarily in the U.S. The chief operating decision-makers evaluate performance, make operating decisions, and allocate resources based on the operating income of each segment. The reporting segments follow the same accounting polices used in the preparation of the Company's consolidated financial statements and are described in the summary of significant accounting policies. The Company allocates cost of revenue, sales and marketing and amortization of purchased intangibles to the segments, but it does not allocate product development, general and administrative, non cash-compensation expenses and income taxes because management does not use this information to measure performance of the operating segments. There are currently no inter-segment sales.

Summarized financial information by segment for the period ended March 31, 2008, based on the Company's internal financial reporting system utilized by the Company's chief operating decision makers, follows:

	Consolidated	Business	Consumer
Revenue:			
Hosted services	$ 13,710	$ 13,710	$ —
Expert advice	2,684	—	2,684
Professional services	691	691	—
Total revenue	$ 17,085	$ 14,401	$ 2,684
Cost of revenue	4,886	3,994	892
Sales and marketing	5,798	4,083	1,715
Amortization of intangibles	391	242	149
Unallocated corporate expenses	6,254	—	—
Operating (loss) income	$ (244)	$ 6,082	$ (72)

Revenues attributable to domestic and foreign operations follows:

United States	$ 13,332
United Kingdom	1,773
Other countries	1,980
Total revenue	$ 17,085

Long-lived assets by geographic region follows:

United States	$ 27,382
Israel	41,544
Total long-lived assets	$ 68,926

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(G) GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the period ended March 31, 2008 are as follows:

	Total	Business	Consumer
Balance as of December 31, 2007	$ 51,684	$ 18,744	$ 32,940
Adjustments to goodwill:			
Contingent earnout payments	92	92	-
Other	7	-	7
Balance as of March 31, 2008	$ 51,783	$ 18,836	$ 32,947

The changes in the carrying amount of goodwill for the year ended December 31, 2007 are as follows:

	Total	Business	Consumer
Balance as of December 31, 2006	$ 9,673	$ 9,673	$ -
Adjustments to goodwill:			
Acquisitions	32,940	-	32,940
Contingent earnout payments	8,914	8,914	-
Other	157	157	-
Balance as of December 31, 2007	$ 51,684	$ 18,744	$ 32,940

Intangible assets are summarized as follows (see Note 3):

Acquired Intangible Assets

	As of March 31, 2008		
	Gross Carrying Amount	**Weighted Average Amortization Period**	**Accumulated Amortization**
Amortizing intangible assets:			
Technology	$ 5,410	3.8 years	$ 1,114
Customer contracts/customer lists	2,633	2.9 years	1,565
Trade names	630	3.0 years	105
Non-compete agreements	410	1.2 years	240
Other	235	3.0 years	39
Total	$ 9,318		$ 3,063

	As of December 31, 2007				
	Gross Carrying Amount	**Weighted** assets	Current	$ 3,824	$ 3,225
Noncurrent assets	$ 20,462	$ 20,978			
Current liabilities	$ 15,779	$ 17,757			
Noncurrent liabilities	$ 1,946	$ 1,825			

	For the three months ended September 30, 2008	For the three months ended August 31, 2007
Operating Results:		
Net operating revenue	$ 14,036	$ 11,330
Net earnings	$ 654	$ 110

	For the nine months ended September 30, 2008	March 12, 2007 through August 31, 2007
Operating Results:		
Net operating revenue	$ 44,340	$ 25,462
Net earnings	$ 2,298	$ 274

The Company's maximum exposure to losses at September 30, 2008 is $13.1 million, the value of its equity investment in CPL. Of the $13.1 million, $10.3 million relates to goodwill recorded at the time of the Company's acquisition of its 33.3% ownership interest in CPL.

6. LONG-TERM DEBT

Term Loan and Revolving Credit Facility – Central City

On November 6, 2008, the Company entered into a third amendment of the term loan agreement with Wells Fargo Bank (the "Bank"). Prior to the amendment, the Company's interest rate of the loan was the greater of 6.5% or the Prime Rate plus 2.0%. The amendment permits the Company to set the interest rate of the loan based on one of the following options:

a. Prime Rate + 6.5%;
b. The greater of 3.75% or the 30-day LIBOR rate + 6.5%; or
c. The greater of 3.75% or the 90-day LIBOR rate + 6.5%.

This amendment also permits the Company to convert the interest rate of the loan on three business days notice, redefines the covenant requirements for the Adjusted Fixed Charge Coverage Ratio and Maximum Senior Leverage Ratio and permits CCI to make contributions to CC Tollgate LLC to ensure compliance with these covenants. In return, the amendment revises the repayment schedule of the term loan to require monthly payments of $0.2 million in lieu of quarterly payments of $0.6 million and eliminates the $2.5 million revolving credit facility. As of September 30, 2008, $18.0 million of principal is outstanding, of which $15.6 million is considered long-term in the accompanying September 30, 2008 condensed consolidated balance sheet.

For the three months ended March 31, 2008 and the three months ended June 30, 2008, the Company met all financial covenant terms related to this agreement except the adjusted fixed charge coverage ("AFCC") ratio covenant related to the term loan. On April 28, 2008 and July 23, 2008, the Company received written waivers from the Bank related to this covenant in exchange for approximately $0.2 million and $0.1 million, respectively.

Revolving Credit Facility – Cripple Creek

On November 6, 2008, the Company entered into a Second Amended and Restated Credit Agreement with the Bank ("Amended Agreement"). The Amended Agreement converts the existing revolving credit facility for Womacks to a 44-month term loan facility requiring monthly principal repayments of $0.1 million beginning on December 1, 2008 through maturity (July 1, 2012). The amended agreement also redefines the covenant requirements for the Adjusted Fixed Charge Coverage Ratio and Senior Leverage Ratio and requires the Company to maintain a consolidated leverage ratio of 4:00 to 1:00. The Amended Agreement increases the interest rate on the outstanding debt from Wells Fargo Prime (currently 4.0%) to Wells Fargo Prime + 5.5%. As of September 30, 2008, $4.0 million of principal is outstanding, of which $2.3 million is considered long-term in the accompanying September 30, 2008 condensed consolidated balance sheet.

7. PROMOTIONAL ALLOWANCES

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

The Company issues free play or coupons for the purpose of generating future revenue. Coupons are issued the month prior to when they can be redeemed and are valid for defined periods of time in the subsequent month. The Company expects the net win from a customer visit to be in excess of the value of the coupon utilized. The cost of the coupons redeemed is applied against the revenue generated on the day of the redemption.

Members of the Company's casinos' player clubs earn points based on their volume of play (typically as a percentage of coin-in) at certain of our casinos. Players can accumulate points over time that they may redeem at their discretion under the terms of the program. Points can be redeemed for cash and/or various amenities at the casino, such as meals, hotel stays and gift shop items. The cost of the points is offset against the revenue in the period that the revenue generated the points. The value of unused or unredeemed points is included in accounts payable and accrued liabilities on our condensed consolidated balance sheet. The expiration of unused points results in a reduction of the liability.

Promotional allowances presented in the condensed consolidated statements of operations for the three and nine-month periods ended September 30, 2008 and 2007 include the following:

	For the three months ended September 30,		For the nine months ended September 30,	
Amounts in thousands	2008	2007	2008	2007
Hotel, Food & Beverage	$ 1,023	$ 894	$ 2,656	$ 2,355
Free Plays or Coupons	683	755	2,097	2,366
Player Points	559	819	1,662	2,176
Total Promotional Allowances	$ 2,265	$ 2,468	$ 6,415	$ 6,897

8. INCOME TAXES

The Company records deferred tax assets and liabilities based on the difference between the financial statement and income tax basis of assets and liabilities using the enacted statutory tax rate in effect for the year these differences are expected to be taxable or refunded. 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 our internal estimates for future net income. Due to the uncertainty of future taxable income, deferred tax assets of $6.0 million resulting from our net operating losses in the U.S. were fully reserved during the three months ended September 30, 2008.

In accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), 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. The ultimate realization of deferred income tax assets is dependent upon generation of future taxable income during the periods in which those temporary differences become deductible. If the Company concludes that its prospects for the realization of its deferred tax assets are more likely than not, the Company will then reduce its valuation allowance as appropriate and credit income tax expense after considering the following factors:

- The level of historical taxable income and projections for future taxable income over periods in which the deferred tax assets would be deductible, and
    - Accumulation of net income before tax utilizing a look-back period of three years.

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The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), on January 1, 2007. FIN 48 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company has analyzed filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. As a result of the implementation of FIN 48, the Company recognized a $0.1 million liability for unrecognized tax liabilities related to tax positions taken in prior periods, which is recorded as a component of other long-term accrued liabilities. This increase was accounted for as an adjustment to the opening balance of retained earnings on January 1, 2007.

The income tax provisions are based on estimated full-year earnings for financial reporting purposes adjusted for permanent differences. The (benefit) provision for income tax expense consists of the following:

	For the three months ended September 30,		For the nine months ended September 30,	
Amounts in thousands	2008	2007	2008	2007
Provision for U.S. federal income taxes	$ (780)	$ (335)	$ (2,349)	$ (473)
Provision for state income taxes	(111)	(8)	(335)	(28)
Valuation allowance for U.S. and state income taxes	6,020	-	6,020	-
Provision for foreign income taxes	581	370	1,670	1,156
Total provision for income taxes	$ 5,710	$ 27	$ 5,006	$ 655

The provision for income taxes is summarized by jurisdiction in the table below:

Amounts in thousands	For the three months ended September 30, 2008			For the three months ended September 30, 2007			
	Pre-tax income	Income tax	Effective tax rate	Pre-tax income	Income tax	Effective tax rate	
Canada	$ 998	$ 314	31.5%	$ 183	$ 59	32.2%	
United States	(11,163)	5,130	(46.0%)	(431)	(343)	79.6%	(a)
South Africa	729	226	31.0%	716	262	36.6%	
Mauritius	1,025	34	3.3%	1,444	43	3.0%	
Austria	82	6	7.3%	(18)	6	(33.3%)	
Czech Republic	58	-	-%	64	-	-%	
Poland	(39)	-	-%	(93)	-	-%	
Total	$ (8,310)	$ 5,710	(68.7%)	$ 1,865	$ 27	1.4%	

(a) pre-tax income in the United States for the three months ended September 30, 2007 includes $0.2 million in losses that were allocated to the former minority partner of CC Tollgate LLC.

Amounts in thousands	For the nine months ended September 30, 2008			For the nine months ended September 30, 2007		
	Pre-tax income	Income tax	Effective tax rate	Pre-tax income	Income tax	Effective tax rate
Canada	$ 2,782	$ 840	30.2%	$ 138	$ 53	38.4%
United States	(16,468)	3,337	(20.3%)	(1,588)	(501)	31.5% (a)
South Africa	2,213	698	31.5%	2,391	968	40.5%
Mauritius	3,659	113	3.1%	3,868	118	3.0%
Austria	15	18	120.0%	75	17	22.7%
Czech Republic	(114)	-	-%	12	-	-%
Poland	558	-	-%	(196)	-	-%
Total	$ (7,355)	$ 5,006	(68.1%)	$ 4,700	$ 655	13.9%

(a) pre-tax income in the United States for the nine months ended September 30, 2007 includes $0.9 million in losses that were allocated to the former minority partner of CC Tollgate LLC.

On December 31, 2007, the Company purchased the 35% interest in CC Tollgate LLC that it did not already own from the minority partner in the project. Prior to this date, the Company did not record a provision for income tax on the losses allocated to the minority partner.

9. (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share for the three and nine months ended September 30, 2008 and 2007 were computed as follows:

Amounts in thousands, except for share information	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Basic (Loss) Earnings Per Share:				
Net (loss) earnings	$ (14,198)	$ 1,949	$ (12,822)	$ 4,532
Weighted average common shares	23,522,763	23,051,067	23,432,279	23,043,351
Basic (loss) earnings per share	$ (0.60)	$ 0.08	$ (0.55)	$ 0.20
Diluted Earnings Per Share:				
Net (loss) earnings	$ (14,198)	$ 1,949	$ (12,822)	$ 4,532
Weighted average common shares	23,522,763	23,051,067	23,432,279	23,043,351
Effect of dilutive securities using the treasury stock method:				
Stock options and warrants	3,542	782,431	109,706	861,510
	23,526,305	23,833,498	23,541,985	23,904,861

Dilutive potential common shares								
Diluted (loss) earnings per share	$	(0.60)	$	0.08	$	(0.55)	$	0.19

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Stock options and warrants	975,210	85,000	77,500	85,000
Unvested restricted stock	360,000	400,000	360,000	400,000

10. SEGMENT AND GEOGRAPHIC INFORMATION

Beginning in the fourth quarter of 2007, the Company modified its segment reporting from seven reportable segments to one reportable segment, because the Company now believes that its properties can be aggregated together in accordance with SFAS 131, “Disclosures about Segments of an Enterprise and Related Information” (“SFAS 131”). Based on a review of SFAS 131, the Company has determined that it operates primarily in one segment, the operation of casino facilities, which includes the provision of gaming, hotel accommodations, dining facilities and other amenities. As a gaming company, the Company’s operating results are highly dependent on the volume of customers at its casinos. Most of the Company’s revenue is essentially cash-based, through customers wagering with cash or paying for non-gaming services with cash or credit cards. Prior period segments have been restated to conform to the current presentation.

The following summary provides information concerning the Company’s principal geographic areas:

	Long-Lived Assets*	
Amounts in thousands	September 30, 2008	December 31, 2007
United States	$ 63,598	$ 75,782
International:		
Canada	$ 34,210	$ 37,419
Africa	34,912	42,979
Europe	14,566	13,668
Total international	83,688	94,066
Total	$ 147,286	$ 169,848

* Long-lived assets consist of property and equipment, goodwill, casino licenses and equity investment.

	Net Operating Revenue			
	For the three months ended September 30,		For the nine months ended September 30,	
Amounts in thousands	2008	2007	2008	2007
United States	$ 7,741	$ 11,008	$ 22,509	$ 29,089
International:				
Canada	$ 5,656	$ 4,930	$ 17,008	$ 13,562
Africa	7,011	7,411	20,899	21,919
Europe	1,453	1,375	3,971	3,888
Total international	14,120	13,716	41,878	39,369
Total	$ 21,861	$ 24,724	$ 64,387	$ 68,458

11. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Sale of interest in South Africa – In September 2008, the Company announced that it had received verbal expressions of interest, the Company is considering the sale of all or part of its interest in The Caledon Hotel, Spa & Casino in the Western Cape province and the Century Casino and Hotel in Newcastle, KwaZulu-Natal province. The Company has evaluated the potential sale in accordance with Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") which outlines the criteria under which an investment is classified as held for sale and subsequently accounted for as a discontinued operation. While the Company has established a protocol for tendering offers, the Company currently believes that not all the criteria under SFAS 144 relating to discontinued operations have been met.

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

Forward-Looking Statements, Business Environment and Risk Factors

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, Century Casinos, Inc. (the "Company") may make other written and oral communications from time to time that contain such statements. Forward-looking statements include statements as to industry trends and future expectations of the Company and other matters that do not relate strictly to historical facts and are based on certain assumptions by management. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations. These statements are based on the beliefs and assumptions of the management of the Company based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, among others, the risks described in the sections entitled "Risk Factors" under Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2007 and Item 1A of Part II of this report. We caution the reader to carefully consider such factors. Furthermore, such forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

References in this item to "we," "our," or "us" are to the Company and its subsidiaries on a consolidated basis unless the context otherwise requires.

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

OVERVIEW

Since our inception in 1992, we have been primarily engaged in developing and operating gaming establishments and related lodging and restaurant facilities. Our primary source of revenue is from the net proceeds of our gaming machines and tables, with ancillary revenue generated from the hotel and restaurant facilities that are a part of the casinos.

We own, operate and manage the following casinos through either wholly-owned or majority-owned subsidiaries:

- The Century Casino & Hotel in Edmonton, Alberta, Canada;
- Womacks Casino & Hotel in Cripple Creek, Colorado;
- The Century Casino & Hotel in Central City, Colorado;
- The Caledon Hotel, Spa & Casino near Cape Town, South Africa;
- The Century Casino & Hotel in Newcastle, South Africa; and
- The Century Casino Millennium in the Marriott Hotel in Prague, Czech Republic.

We also operate ship-based casinos aboard the Silver Cloud and the vessels of Oceania Cruises. Effective October 16, 2008, we have terminated operations aboard the World of Residensea.

We also hold a 33.3% ownership interest in and actively participate in the management of Casinos Poland Ltd ("CPL"), the owner and operator of seven full casinos and one slot casino in Poland. At CPL, day to day decision making is controlled by a management board consisting of three persons. Long term decision making is controlled by a supervisory board consisting of three persons. As we are the only shareholder with experience in the gaming industry, we chair both the management board and the supervisory board. No material decisions can be made without our consent, including the removal of the chairman of each board. Based on this influence, management believes that it is appropriate to account for our investment in CPL as a component of our operations.

Beginning in the fourth quarter of 2007, we modified our segment reporting from seven reportable segments to one reportable segment in accordance with SFAS 131, we have determined that we operate primarily in one segment, the operation of casino facilities, which includes the provision of gaming, hotel accommodations, dining facilities and other amenities. Prior period segments have been restated to conform to the current presentation.

Our industry is capital intensive, and we rely heavily on the ability of our casinos to generate operating cash flow to repay debt financing, fund maintenance capital expenditures and provide excess cash for future development.

As a gaming company, our operating results are highly dependent on the volume of customers at our casinos. Most of our revenue is essentially cash-based, through customers wagering with cash or paying for non-gaming services with cash or credit cards. Management believes that in South Africa and Colorado, rising fuel prices and lower consumer discretionary income have significantly impacted our operations.

On November 4, 2008, voters in Colorado approved a ballot initiative that will permit raising the maximum betting limit from $5 to $100, will permit gaming establishments to be open for 24-hours and allows the introduction of roulette and craps to the Colorado gaming market beginning July 1, 2009. The local gaming communities must approve these changes. While management currently cannot project the estimated impact of this change, we believe that if the local gaming communities approve these changes, our gaming revenues in Cripple Creek, Colorado and Central City, Colorado will be positively impacted.

Presentation of Foreign Currency Amounts - Historical transactions that are denominated in a foreign currency are translated and presented at the United States exchange rate in effect on the date of the transaction. Commitments that are denominated in a foreign currency and all balance sheet accounts other than shareholders' equity are translated and presented based on the exchange rate at the end of the reported periods. Current period transactions affecting the profit and loss of operations conducted in foreign currencies are valued at the average exchange rate for the period in which they are incurred. The average exchange rates to the U.S. dollar used to translate balances during each reported period are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Canadian dollar (CAD)	1.0407	1.0507	1.0185	1.1049
Czech koruna (CZK)	16.0745	20.3677	16.3418	20.8563
Euros (€)	0.6668	0.7282	0.6582	0.7424
Polish zloty (PLN)	2.2040	2.7627	2.2571	2.8084
South African rand (ZAR)	7.7805	7.1068	7.6998	7.1468

Source: Pacific Exchange Rate Service

RESULTS OF OPERATIONS

The results of operations for the three and nine months ended September 30, 2008 and 2007 are below (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Gaming revenue	$ 19,816	$ 23,163	$ 58,753	$ 64,541
Net operating revenue	21,861	24,724	64,387	68,458
Total operating costs and expenses	29,158	21,259	68,672	60,085
Earnings from equity investment	218	37	766	91
(Loss) earnings from operations	(7,079)	3,502	(3,519)	8,464
Net (loss) earnings	(14,198)	1,949	(12,822)	4,532
(Loss) earnings per share				
Basic	(0.60)	0.08	(0.55)	0.20
Diluted	(0.60)	0.08	(0.55)	0.19

The decrease in net operating revenue from $24.7 million for the three months ended September 30, 2007 to $21.9 million for the three months ended September 30, 2008 is primarily the result of a $3.4 million decline in gaming revenue at our properties in Colorado, a $0.7 million decline in gaming revenue at the Caledon and a 9.5% decline in the average exchange rate between the U.S. dollar and South African rand, partially offset by increased gaming revenue at our casino in Edmonton.

The decrease in net operating revenue from $68.5 million for the nine months ended September 30, 2007 to $64.4 million for the nine months ended September 30, 2008 can be attributed to the same factors described above. Further declines in the average exchange rate between the U.S. dollar and South African rand may harm our U.S. results.

The increase in operating costs and expenses from $21.3 million for the three months ended September 30, 2007 to $29.2 million for the three months ended September 30, 2008 is the result of the write-off of $9.4 million of goodwill related to our investments in our properties in Central City, Colorado and Cripple Creek, Colorado, an increase in overall depreciation charges resulting from gaming and non-gaming equipment additions in 2007 and the completion of a renovation project at Womacks in the first quarter of 2008, which contributed an additional $1.8 million of depreciable assets, partially offset by a decline in gaming expenses primarily due to the decrease in gaming revenue and a decline in general and administrative expenses.

The increase in operating costs and expenses from $60.1 million for the nine months ended September 30, 2007 to $68.7 million for the nine months ended September 30, 2008 is primarily due to the write-off of $9.4 million of goodwill related to our investments in our properties in Central City, Colorado and Cripple Creek, Colorado and increased charges related to the amortization of restricted stock and an increase in overall depreciation charges resulting from gaming and non-gaming equipment additions in 2007 and 2008, partially offset by a decline in gaming expense resulting from reduced gaming revenue.

The decrease from net earnings of $1.9 million for the three months ended September 30, 2007 to a net loss of $14.2 million for the three months ended September 30, 2008 was due to a decline in operations, the write-off of $9.4 million of goodwill and an increase in tax expense of $5.7 million, due primarily to the establishment of a valuation allowance for our U.S. deferred tax asset of approximately $6.0 million.

The decrease from net earnings of $4.5 million for the nine months ended September 30, 2007 to a net loss of $12.8 million for the nine months ended September 30, 2008 is primarily the result of the decline in overall operations, the write-off of $9.4 million of goodwill and an increase in tax expense of $4.4 million, due primarily to the establishment of a valuation allowance for our U.S. deferred tax assets of approximately $6.0 million.

Net operating revenue by property for the three and nine months ended September 30, 2008 and 2007 is summarized below (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Century Casino & Hotel (Edmonton, Alberta, Canada)	$ 5,656	$ 4,930	$ 17,008	$ 13,562
Womacks (Cripple Creek, Colorado)	3,086	5,011	8,827	13,510
Century Casino & Hotel (Central City, Colorado)	4,655	5,954	13,679	15,529
The Caledon Hotel, Spa & Casino (Caledon, South Africa)	3,988	4,526	12,277	13,324
Century Casino & Hotel (Newcastle, South Africa)	3,023	2,885	8,622	8,595
Casino Millennium (Prague, Czech Republic)	884	719	2,119	1,862
Cruise Ships	569	656	1,852	2,026
Casinos Poland (Poland)(1)	-	-	-	-
Corporate	-	43	3	50
Net operating revenue	$ 21,861	$ 24,724	$ 64,387	$ 68,458

(1) A 33.3% interest was acquired on March 12, 2007 and is accounted for as an equity investment.

Earnings and (losses) from operations by property for the three and nine months ended September 30, 2008 and 2007 are summarized below (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Century Casino & Hotel (Edmonton, Alberta, Canada)	$ 1,674	$ 1,175	$ 5,133	$ 2,715
Womacks (Cripple Creek, Colorado)	(7,121)	1,433	(7,259)	3,620
Century Casino & Hotel (Central City, Colorado)	(1,700)	1,007	(1,158)	1,730
The Caledon Hotel, Spa & Casino (Caledon, South Africa)	972	1,492	3,214	4,351
	806	586	2,075	1,905

Century Casino & Hotel (Newcastle, South Africa)				
Casino Millennium (Prague, Czech Republic)	65	110	(101)	153
Cruise Ships	(3)	(59)	119	(77)
Casinos Poland (Poland)(1)	218	37	766	91
Corporate	(1,990)	(2,279)	(6,308)	(6,024)
(Loss) earnings from operations	$ (7,079)	$ 3,502	$ (3,519)	$ 8,464

(1) A 33.3% interest was acquired on March 12, 2007 and is accounted for as an equity investment.

Three months ended September 30, 2008 vs 2007

Revenue

Net operating revenue for the three months ended September 30, 2008 and 2007 was as follows (in thousands):

	Three months ended September 30,			
	2008	2007	Variance	Percentage Variance
Gaming	$ 19,816	$ 23,163	$ (3,347)	(14.4%)
Hotel, food and beverage	3,729	3,479	250	7.2%
Other	581	550	31	5.6%
Gross revenue	24,126	27,192	(3,066)	(11.3%)
Less promotional allowances	2,265	2,468	(203)	(8.2%)
Net operating revenue	$ 21,861	$ 24,724	$ (2,863)	(11.6%)

Gaming revenue

Gaming revenue decreased by $3.3 million, or 14.4%, from $23.2 million for the three months ended September 30, 2007 to $19.8 million for the three months ended September 30, 2008. Declines in gaming revenue at our casinos in Colorado and Caledon, South Africa were partially offset by increased gaming revenue at our casino in Edmonton, Alberta, Canada.

Gaming revenue at the Century Casino & Hotel in Edmonton increased by $0.5 million, or 13.2%, from $3.8 million for the three months ended September 30, 2007 to $4.3 million for the three months ended September 30, 2008, primarily due to increased play at the casino resulting from additional slot machines and increased traffic from a showroom that is a part of the casino. Gaming revenue in Canadian dollars increased by CAD 0.5 million, or 12.2%, from CAD 3.9 million for the three months ended September 30, 2007 to CAD 4.4 million for the three months ended September 30, 2008. This increase is the result of an increase of 4.6% in slot revenue and 24.0% in table revenue. The Alberta Gaming and Liquor Commission increased the number of slot machines at the casino from 600 to 650 in September 2007. In addition, we introduced 24-hour poker at the casino during the fourth quarter of 2007.

Gaming revenue at Womacks decreased by $2.1 million, or 38.3%, from $5.4 million for the three months ended September 30, 2007 to $3.3 million for the three months ended September 30, 2008. Management believes that gaming revenue was negatively impacted by a 7.0% decline in the Cripple Creek gaming market, which is where Womacks is located, and can be attributed to a decline in consumer discretionary income, increased fuel prices and a smoking ban that went into effect on January 1, 2008. The Cripple Creek gaming market experienced a smaller decline than either the Central City or Black Hawk gaming markets, which posted declines of 20.1% and 13.4%, respectively. Management believes that a decision by several casinos in Cripple Creek to claim an exemption to the smoking ban contributed to the smaller decline in Cripple Creek than either Central City or Black Hawk. In addition, in late May 2008, a new larger casino opened in Cripple Creek. Management also believes that we lost a significant amount of our customer base due to a renovation that we began during the fourth quarter of 2007 and continued through the first quarter of 2008. We believe the renovation has upgraded the gaming floor and dining area, but may have inconvenienced customers which led to our decreased revenue. Womacks has continued the effort to improve the customer experience at Womacks by converting 100% of the total machines on the floor to Ticket in/Ticket out devices. We are currently reviewing various strategies to increase gaming revenue at Womacks. Our market share of the Cripple Creek gaming revenue declined from 12.5% for the third quarter of 2007 to 8.1% for the third quarter of 2008.

Gaming revenue at the Century Casino and Hotel in Central City decreased by $1.3 million, or 20.8%, from $6.3 million for the three months ended September 30, 2007 to $5.0 million for the three months ended September 30, 2008. Similar to the Cripple Creek market, management believes that gaming revenue was negatively impacted by a 20.1% decline in the Central City gaming market and can be attributed to a decline in consumer discretionary income, increased fuel prices and the smoking ban that went into effect on January 1, 2008. Our market share of the Central City gaming revenue increased slightly from 28.5% for the third quarter of 2007 to 28.6% for the third quarter of 2008.

Gaming revenue at our casino in Caledon, South Africa decreased by $0.7 million, or 17.4% from $3.9 million for the three months ended September 30, 2007 to $3.2 million for the three months ended September 30, 2008, due primarily to lower customer attendance and a 9.5% decline in the average exchange rate between the U.S. dollar and South African rand. As Caledon is located approximately 60 miles from Cape Town, management believes that higher fuel prices throughout 2008 have led local patrons from Cape Town to gamble in Cape Town as opposed to traveling to our casino. Gaming revenue in rand decreased by ZAR 2.7 million, or 9.7%, from ZAR 27.8 million to ZAR 25.1 million for the three months ended September 30, 2008. Our slot machine win per day (in ZAR) declined from ZAR 770 for the three months ended September 30, 2007 to ZAR 703 for the three months ended September 30, 2008. Also, to a lesser extent, the addition of two table games in 2008 contributed to a decline in table win per day (in ZAR) of 43.7% for the three months ended September 30, 2008. Our market share of the Western Cape gaming revenue declined from 5.1% for the three months ended September 30, 2007 to 4.8% for the three months ended September 30, 2008. Management attributes this decline to the rising fuel prices. The Western Cape operates with the maximum permitted number of five casinos.

Gaming revenue at the Century Casino & Hotel in Newcastle, South Africa increased $0.1 million, or 4.3%, from $2.5 million for the three months ended September 30, 2007 to $2.6 million for the three months ended September 30, 2008. A significant increase in gaming revenue reported in local currency was offset by a 9.5% decline in the average exchange rate between the U.S. dollar and South African rand. Gaming revenue in rand increased by ZAR 2.5 million, or 14.0%, from ZAR 17.8 million to ZAR 20.3 million for the three months ended September 30, 2008, which management believes is the result of increased marketing efforts and new promotions at the casino Slot machine win per day (in ZAR) increased 14.4% for the three months ended September 30, 2008. Our market share of the Kwazulu-Natal gaming revenue increased from 3.4% for the three months ended September 30, 2007 to 3.6% for the three months ended September 30, 2008.

Combined gaming revenue at the Century Casino Millennium (Prague, Czech Republic) and aboard the cruise ships on which we operated increased by $0.1 million, or 8.5%, from $1.3 million for the three months ended September 30, 2007 to $1.4 million for the three months ended September 30, 2008, primarily due to an increase in gaming revenue at the Century Casino Millennium. Our revenue related to these operations fluctuates significantly with the quality of the players. Century Casino Millennium derives the majority of its gaming revenue from live table games. The quality of the player has more of an impact on the live game results when compared to the income derived from slot machines.

Hotel, food and beverage revenue

Hotel, food and beverage revenue increased by $0.2 million, or 7.2%, from $3.5 million for the three months ended September 30, 2007 to $3.7 million for the three months ended September 30, 2008. Hotel, food and beverage revenue increased primarily due to a special food promotion held at Womacks during the third quarter of 2008 and increases in the number of players and hotel guests from the August 2007 conversion of the dinner theater to a live music showroom in Edmonton.

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Promotional allowances

Promotional allowances decreased by $0.2 million, or 8.2%, from $2.5 million for the three months ended September 30, 2007 to $2.3 million for the three months ended September 30, 2008. Promotional allowances decreased by $0.1 million at our casino in Central City and by $0.1 million at our casino in Caledon, South Africa, the direct result of declines in gaming revenue at each property. The retail value of accommodations, food and beverage, and other services furnished to guests without charge ("complimentaries") is included in gross revenue and then deducted as promotional allowances. As a result, complimentaries neither increase nor decrease our overall net operating revenue.

Operating Costs and Expenses

Operating costs and expenses for the three months ended September 30, 2008 and 2007 were as follows (in thousands):

	Three months ended September 30,			
	2008	2007	Variance	Percentage Variance
Gaming	$ 8,289	$ 9,222	$ (933)	(10.1%)
Hotel, food and beverage	2,827	2,802	25	0.9%
General and administrative	6,316	7,239	(923)	(12.8%)
Impairments and other write-offs, net of recoveries	9,357	9	9,348	100.0%
Depreciation	2,369	1,987	382	19.2%
Total operating costs and expenses	$ 29,158	$ 21,259	$ 7,899	37.2%

Gaming expenses

Gaming expenses decreased $0.9 million, or 10.1%, from the three months ended September 30, 2007 to the three months ended September 30, 2008, primarily due to a decrease in expenses at our Colorado and Caledon, South Africa casino that are directly related to decreased gaming revenue and a decline in the average exchange rate between the U.S. dollar and South African rand, partially offset by increased expenses at our casino in Edmonton.

Gaming expenses at the Century Casino & Hotel in Edmonton increased $0.3 million, or 24.0%, from $1.4 million for the three months ended September 30, 2007 to $1.7 million for the three months ended September 30, 2008. In CAD, gaming expenses increased CAD 0.4 million, or 25.9%, from CAD 1.4 million for the three months ended September 30, 2007 to CAD 1.8 million for the three months ended September 30, 2008, primarily due to an increase in payroll expenses resulting from the introduction of 24-hour poker in the fourth quarter of 2007.

Gaming expenses at Womacks decreased $0.6 million, or 34.1%, from $1.7 million for the three months ended September 30, 2007 to $1.1 million for the three months ended September 30, 2008. This decrease is primarily the result of a $0.3 million decrease in gaming taxes resulting from the decrease in gaming revenue, a decline in royalties of $0.1 million and a decline in payroll expenses of $0.1 million. As part of a plan to bring expenses back in line with revenue levels, management has reduced staff levels from 135 full time equivalents at December 31, 2007 to 91 full time equivalents as of September 30, 2008. Management continues to evaluate various marketing strategies to attract customers back to this casino.

Gaming expenses at the Century Casino & Hotel in Central City decreased $0.4 million, or 18.4%, from $2.4 million for the three months ended September 30, 2007 to $2.0 million for the three months ended September 30, 2008, primarily due to a $0.3 million decrease in gaming taxes resulting from the decrease in gaming revenue and a $0.1 million decrease in payroll expenses. As part of a plan to bring expenses back in line with revenue levels, management has reduced staff levels from 122 full time equivalents at December 31, 2007 to 96 full time equivalents as of September 30, 2008.

Gaming expenses at our casino in Caledon, South Africa decreased by $0.2 million, or 11.4%, from $1.5 million for the three months ended September 30, 2007 to $1.3 million for the three months ended September 30, 2008. In rand, gaming expense decreased by ZAR 0.3 million, or 3.1%, from ZAR 10.9 million for the three months ended September 30, 2007 to ZAR 10.6 million for the three months ended September 30, 2008, primarily due to a decrease in value added taxes of ZAR 0.4 million, a decrease in gaming taxes of ZAR 0.2 million and a decrease in advertising charges of ZAR 0.2 million. These decreases were offset by an increase in payroll expenses of ZAR 0.2 million and an increase in royalties of ZAR 0.2 million.

Gaming expenses at the Century Casino & Hotel in Newcastle decreased by $0.1 million, or 5.1%, from $1.1 million for the three months ended September 30, 2007 to $1.0 million for the three months ended September 30, 2008, due to the decrease in the exchange rate between the U.S. dollar and the South African rand. In rand, gaming expenses increased by ZAR 0.4 million, or 4.6%, from ZAR 7.6 million for the three months ended September 30, 2007 to ZAR 8.0 million for the three months ended September 30, 2008, primarily due to an increase of ZAR 0.2 million in gaming taxes resulting from increased gaming revenue and an increase of ZAR 0.2 million in value added taxes.

Gaming expenses at the Century Casino Millennium in Prague and aboard the cruise ships on which we operate remained flat at $1.1 million for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. Increased gaming expenses at the Century Casino Millennium were offset by a decline in ship gaming expenses.

Hotel, food and beverage expenses

Hotel, food and beverage expenses remained flat at $2.8 million for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. Increased food expenses resulting from a special promotion at Womacks were offset by decreased food and beverage expenses at our remaining properties.

General and administrative expenses

General and administrative expenses decreased $0.9 million, or 12.8%, from $7.2 million for the three months ended September 30, 2007 to $6.3 million for the three months ended September 30, 2008. General and administrative expenses at the properties include facility maintenance, utilities, property and liability insurance, property taxes, housekeeping, and all administrative departments, such as information technology, accounting, human resources and internal audit.

General and administrative expenses at the Century Casino & Hotel in Edmonton remained flat at $1.1 million for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. In CAD, general and administrative expenses decreased by CAD 0.1 million, or 10.5%, from CAD 1.2 million to CAD 1.1 million for the three months ended September 30, 2008, primarily due to declines in property tax expenses, payroll expenses and professional fees.

General and administrative expenses at Womacks decreased by $0.2 million, or 20.6%, from $1.0 million for the three months ended September 30, 2007 to $0.8 million for the three months ended September 30, 2008, primarily due to a decrease in payroll related to reduced staffing at the casino.

General and administrative expenses at the Century Casino & Hotel in Central City decreased by $0.2 million, or 16.7%, from $1.1 million for the three months ended September 30, 2007 to $0.9 million for the three months ended September 30, 2008. The decrease is primarily the result of a $0.1 million decline in payroll expenses and a $0.1 million decline in professional fees.

General and administrative expenses at the Caledon increased by $0.2 million, or 19.7%, from $0.6 million for the three months ended September 30, 2008 to $0.8 million for the three months ended September 30, 2008. In rand, general and administrative expenses increased by ZAR 1.6 million, or 36.7%, from ZAR 4.3 million for the three months ended September 30, 2007 to ZAR 5.9 million for the three months ended September 30, 2008. This increase is the result of a ZAR 0.3 million increase in payroll resulting from additional employees at the casino, ZAR 0.2 million increase in professional fees, ZAR 0.4 million increase in property taxes resulting from a one-time credit received in 2007, a ZAR 0.1 million increase in uniform expenses and a ZAR 0.5 million increase in corporate allocations (primarily payroll).

General and administrative expenses at the Century Casino & Hotel in Newcastle decreased by $0.3 million, or 28.3%, from $0.9 million for the three months ended September 30, 2007 to $0.6 million for the three months ended September 30, 2008. In rand, general and administrative expenses decreased by ZAR 0.8 million, or 14.0%, from ZAR 5.8 million for the three months ended September 30, 2007 to ZAR 5.0 million for the three months ended September 30, 2008. The decrease is primarily due to a decrease in professional fees of ZAR 0.3 million, decreased maintenance charges of ZAR 0.1 million and a decrease in other taxes (primarily VAT) of ZAR 0.5 million, partially offset by an increase in payroll expenses of ZAR 0.1 million.

Combined general and administrative expenses at the Century Casino Millennium and aboard the cruise ships remained flat at $0.2 million for the three months ended September 30, 2008 compared to the three months ended September 30, 2007.

Corporate expenses decreased by $0.3 million, or 15.4%, from $2.2 million for the three months ended September 30, 2007 to $1.9 million for the three months ended September 30, 2008, primarily due to a decrease in payroll expense of $0.2 million and a decline in legal, accounting and other professional fees of $0.1 million.

At September 30, 2008, we have $2.1 million of total unrecognized compensation expense related to unvested stock options and unvested restricted stock. Of this amount, $0.4 million will be recognized over the remainder of 2008, and $1.7 million will be recognized in subsequent years through 2011.

Impairments and other write-offs, net of recoveries

For the three months ended September 30, 2008, we recorded $9.4 million in impairments of goodwill related to Womacks and the Century Casino and Hotel in Central City, Colorado. During 2008, these operations have experienced a significant decline in gaming revenue. We deemed this to be an indicator of potential impairment under the guidance set forth in SFAS No. 142, “Goodwill and Other Intangible Assets.” As a result, the Company performed interim goodwill impairment analyses as of September 30, 2008 and determined that there would be no remaining value attributable to goodwill. Accordingly, we wrote-off the entire goodwill balances related to these operations.

Depreciation

Depreciation expense increased by $0.4 million, or 19.2%, from $2.0 million for the three months ended September 30, 2007 to $2.4 million for the three months ended September 30, 2008. This increase is primarily due to the completion of a renovation project at Womacks in the first quarter of 2008 which contributed $1.8 million of depreciable assets. In addition, based upon a compliance review of our fixed asset policy in Newcastle, South Africa, we recorded a one-time reduction of $0.2 million of depreciation expense for the three months ended September 30, 2007.

Non-operating income (expense)

Non-operating income (expense) for the three months ended September 30, 2008 and 2007 was as follows (in thousands):

	Three months ended September 30,			
	2008	2007	Variance	Percentage Variance
Interest income	$ 37	$ 85	$ (48)	(56.5%)
Interest expense	(1,197)	(1,649)	452	(27.4%)
Losses on foreign currency translation and other	(71)	(73)	2	(2.7%)
Non-operating expense	$ (1,231)	$ (1,637)	$ 406	(24.8%)

Interest income

Interest income is directly related to the cash reserves we have on hand. Since September 30, 2007, we have reduced our outstanding third party debt related to our casinos in Colorado from $28.2 million to $21.9 million as of September 30, 2008, utilizing cash on hand. This decrease in available cash, combined with a decrease in interest rates that we earn on our deposits, contributed to the overall decline in interest income for the three months ended September 30, 2008 compared to the three months ended September 30, 2007.

Interest expense

The decrease in interest expense is primarily due to a decrease in interest rates and a decrease in our average debt balance from $65.6 million for the three months ended September 30, 2007 to $52.2 million for the three months ended September 30, 2008. Our weighted average interest rate, excluding the impact of the amortization of deferred financing charges, was 9.4% and 8.6% for the three months ended September 30, 2007 and 2008, respectively.

Losses on foreign currency transactions and other

We recognized foreign currency losses of less than $0.1 million for both the three months ended September 30, 2007 and 2008, resulting from the exchange of currency. We have outstanding cash denominated in U.S. dollars, Canadian dollars, Euros and South African rand.

Other Items

Earnings from equity investment

We own 33.3% of all shares issued by CPL. Our portion of CPL’s earnings are recorded as earnings from equity investment. We recorded less than $0.1 million of earnings and $0.2 million of earnings from our investment in CPL for the three months ended September 30, 2007 and 2008, respectively.

Taxes

Our effective tax rate was 1.4% and (68.7%) for the three months ended September 30, 2007 and 2008, respectively. The mix of domestic losses and foreign earnings significantly impacts our tax rate. The tax benefit recorded on losses incurred by our U.S. domestic entities is significantly higher than the tax on income at our foreign operations, particularly in South Africa and Mauritius. For the three months ended September 30, 2008, we incurred pre-tax losses for our U.S. based operations (including corporate losses) of $11.1 million compared to pre-tax earnings at our remaining operations of $2.8 million. Our taxes are further adjusted for non-deductible permanent differences. Also, for the three months ended September 30, 2008, we established a $6.0 million valuation allowance for our U.S. deferred taxes. If we conclude at a later date that the realization of these deferred taxes is more likely than not, we will reduce the valuation allowance as appropriate.

Minority interest in subsidiary earnings and losses

For the three months ended September 30, 2007, we allocated losses of $0.2 million to various parties who hold a minority interest in our properties. For the three months ended September 30, 2008, we allocated earnings of $0.1 million to these parties. For the 2007 period, we allocated approximately $0.2 million in losses to a former partner in CC Tollgate LLC, which owns our Central City casino. On December 31, 2007, we purchased this partner's interest in CC Tollgate LLC. As a result, we now retain all the earnings and losses for the casino in Central City.

Preference dividends issued by subsidiary

Preference shareholders of our subsidiary, Century Casinos Caledon (Pty) Ltd., are entitled to per share dividends of 0.009% of the annual gross gaming revenue of the Caledon Hotel, Spa & Casino after the deduction of gaming taxes and value added tax. For each of the three months ended September 30, 2007 and 2008, we issued dividends of less than $0.1 million.

Nine months ended September 30, 2008 vs 2007

Revenue

Net operating revenue for the nine months ended September 30, 2008 and 2007 was as follows (in thousands):

	Nine months ended September 30,			
	2008	2007	Variance	Percentage Variance
Gaming	$ 58,753	$ 64,541	$ (5,788)	(9.0%)
Hotel, food and beverage	10,390	9,325	1,065	11.4%
Other	1,659	1,489	170	11.4%
Gross revenue	70,802	75,355	(4,553)	(6.0%)
Less promotional allowances	6,415	6,897	(482)	(7.0%)
Net operating revenue	$ 64,387	$ 68,458	$ (4,071)	(5.9%)

Gaming revenue

Gaming revenue decreased by $5.8 million, or 9.0%, from $64.5 million for the nine months ended September 30, 2007 to $58.7 million for the nine months ended September 30, 2008. Declines in our Colorado operations and our Caledon, South Africa operation were partially offset by increased gaming revenue at our casino in Edmonton.

Gaming revenue at the Century Casino & Hotel in Edmonton increased by $2.4 million, or 23.4%, from $10.3 million for the nine months ended September 30, 2007 to $12.7 million for the nine months ended September 30, 2008, primarily due to increased play at the casino resulting from additional slot machines and increased traffic from the showroom, as well as a 7.8% improvement in the average exchange rate between the U.S. dollar and Canadian dollar. Gaming revenue in Canadian dollars increased by CAD 1.7 million, or 14.4%, from CAD 11.3 million to CAD 13.0 million for the nine months ended September 30, 2008. This is the result of an increase of 9.1% in slot revenue and 21.9% in table revenue. The Alberta Gaming and Liquor Commission increased the number of slot machines at the casino from 600 to 650 in September 2007. In addition, we introduced 24-hour poker at the casino during the fourth quarter of 2007.

Gaming revenue at Womacks decreased by $4.9 million, or 33.2%, from $14.7 million for the nine months ended September 30, 2007 to $9.8 million for the nine months ended September 30, 2008. Management believes that gaming revenue was negatively impacted by a 9.0% decline in the Cripple Creek gaming market, which is where Womacks is located, and can be attributed to a decline in consumer discretionary income, increased fuel prices and a smoking ban that went into effect on January 1, 2008. The Cripple Creek gaming market experienced a smaller decline than either the Central City or Black Hawk gaming markets, which posted declines of 20.3% and 11.5%, respectively. Management believes that a decision by several casinos in Cripple Creek to claim an exemption to the smoking ban contributed to the smaller decline in Cripple Creek than either Central City or Black Hawk (the last casino permitting smoking stopped allowing it on October 9, 2008). In addition, in late May 2008, a new larger casino opened in Cripple Creek. Management also believes that we lost a significant amount of our customer base due to a renovation that we began during the fourth quarter of 2007 and continued through the first quarter of 2008. We believe the renovation has upgraded the gaming floor and dining area, but may have inconvenienced customers which ultimately led to our decreased revenue. Womacks has continued the effort to improve the customer experience at Womacks by converting 100% of the machines on the floor to Ticket in/Ticket out devices. We are currently reviewing various strategies to increase gaming revenue at Womacks. Our market share of the Cripple Creek gaming revenue declined from 12.3% for the first nine months of 2007 to 9.1% for the first nine months of 2008.

Gaming revenue at the Century Casino and Hotel in Central City decreased by $2.1 million, or 12.6%, from $16.9 million for the nine months ended September 30, 2007 to $14.8 million for the nine months ended September 30, 2008. Similar to the Cripple Creek market, management believes that gaming revenue was negatively impacted by a 20.3% decline in the Central City gaming market and can be attributed to a decline in consumer discretionary income, increased fuel prices and the smoking ban that went into effect on January 1, 2008. Our market share of the Central City gaming revenue increased from 27.5% for the first nine months of 2007 to 28.5% for the first nine months of 2008.

Gaming revenue at our casino in Caledon, South Africa decreased by $1.2 million, or 10.6% from $11.4 million for the nine months ended September 30, 2007 to $10.2 million for the nine months ended September 30, 2008, due primarily to lower customer attendance and a 7.7% decline in the average exchange rate between the U.S. dollar and the South African rand. As Caledon is located approximately 60 miles from Cape Town, management believes that higher fuel prices during 2008 has led local patrons from Cape Town to gamble in Cape Town as opposed to traveling to our casino. Gaming revenue in rand decreased by ZAR 3.1 million, or 3.9%, from ZAR 81.2 million to ZAR 78.1 million for the nine months ended September 30, 2008. In May 2007, we increased the number of slot machines on the floor from 350 to 370. This resulted in a decline in our slot machine win per day from ZAR 772 for the nine months ended September 30, 2007 to ZAR 734 for the nine months ended September 30, 2008. Also, to a lesser extent, the addition of two table games contributed to a decline in table win (in ZAR) per day of 41.0% for the nine months ended September 30, 2008. Our market share of the Western Cape gaming revenue declined from 5.0% for the nine months ended September 30, 2007 to 4.7% for the nine months ended September 30, 2008. Management attributes this decline to the higher fuel prices. The Western Cape operates with the maximum permitted number of five casinos.

Gaming revenue at the Century Casino & Hotel in Newcastle, South Africa decreased by $0.2 million, or 1.8%, from $7.6 million for the nine months ended September 30, 2007 to $7.4 million for the nine months ended September 30, 2008, a result of a 7.7% decline in the average exchange rate between the U.S. dollar and the South African rand. Gaming revenue in rand increased by ZAR 3.1 million, or 5.7%, from ZAR 53.9 million to ZAR 57.0 million for the nine months ended September 30, 2008. For the nine months ended September 30, 2008, our slot machine win per day increased by 7.4% (in ZAR). Our market share of the Kwazulu-Natal gaming revenue declined slightly from 3.5% for the nine months ended September 30, 2007 to 3.4% for the nine months ended September 30, 2008.

Combined gaming revenue at the Century Casino Millennium (Prague, Czech Republic) and aboard the cruise ships on which we operated increased by $0.1 million, or 4.5%, from $3.7 million for the nine months ended September 30, 2007 to $3.8 million for the nine months ended September 30, 2008, primarily due to improved operations at the Century Casino Millennium. Our revenue related to these operations fluctuates significantly with the quality of players. Century Casino Millennium derives the majority of its gaming revenue from live table games. The quality of the player has more of an impact on the live game results when compared to the income derived from slot machines.

Hotel, food and beverage revenue

Hotel, food and beverage revenue increased by $1.1 million, or 11.4%, from $9.3 million for the nine months ended September 30, 2007 to $10.4 million for the nine months ended September 30, 2008. The combined effect of opening our hotel in Edmonton in March 2007 and converting the dinner theater to a live music showroom in August 2007 increased hotel, food and beverage revenue in Edmonton by $0.6 million period over period. In addition, hotel, food and beverage revenue at our South African operations increased by $0.4 million, primarily due to increased hotel occupancy and conferences.

Promotional allowances

Promotional allowances decreased by $0.5 million, or 7.0%, from $6.9 million for the nine months ended September 30, 2007 to $6.4 million for the nine months ended September 30, 2008. Promotional allowances at our casino in Central City decreased by $0.5 million, the direct result of a decline in gaming revenue at the property.

Operating Costs and Expenses

Operating costs and expenses for the nine months ended September 30, 2008 and 2007 were as follows (in thousands):

	Nine months ended September 30,			
	2008	2007	Variance	Percentage Variance
Gaming	$ 24,618	$ 25,790	$ (1,172)	(4.5%)
Hotel, food and beverage	7,864	7,927	(63)	(0.8%)
General and administrative	19,888	20,024	(136)	(0.7%)
Impairments and other write-offs, net of recoveries	9,357	34	9,323	100.0%
Depreciation	6,945	6,310	635	10.1%
Total operating costs and expenses	$ 68,672	$ 60,085	$ 8,587	14.3%

Gaming expenses

Gaming expenses decreased $1.2 million, or 4.5%, from the nine months ended September 30, 2007 compared to the nine months ended September 30, 2008, primarily due to a decrease in gaming expenses at our Colorado and South African casinos that are directly related to decreased gaming revenue and a decline in the average exchange rate between the U.S. dollar and South African rand, partially offset by increased expenses at our casino in Edmonton.

Gaming expenses at the Century Casino & Hotel in Edmonton increased $0.9 million, or 24.5%, from $3.8 million for the nine months ended September 30, 2007 to $4.7 million for the nine months ended September 30, 2008. This increase is primarily due to a $0.6 million increase in payroll expenses resulting from the introduction of 24-hour poker in the fourth quarter of 2007, an increase of $0.2 million in advertising and promotional charges and increased lease expenses of $0.1 million.

Gaming expenses at Womacks decreased $1.0 million, or 21.7%, from $4.6 million for the nine months ended September 30, 2007 to $3.6 million for the nine months ended September 30, 2008. This decrease is the result of a $0.6 million decrease in gaming taxes resulting from the decrease in gaming revenue, a decline in payroll expenses of $0.2 million and a decline in royalty expense of $0.2 million. Womacks was not able to offset the decrease in revenue by decreasing variable expenses for the first nine months of 2008. As part of a plan to bring expenses back in line with revenue levels, management has reduced staff levels from 135 full time equivalents at December 31, 2007 to 91 full time equivalents as of September 30, 2008. Management continues to evaluate various marketing strategies to attract customers back to this casino.

Gaming expenses at the Century Casino & Hotel in Central City decreased by $0.6 million, or 9.2%, from $6.5 million for the nine months ended September 30, 2007 to $5.9 million for the nine months ended September 30, 2008. The decrease in gaming expenses is primarily the result of a $0.4 million decrease in gaming taxes resulting from the decrease in gaming revenue and a $0.2 million decrease in payroll expenses. As part of a plan to bring expenses back in line with revenue levels, management has reduced staff levels from 122 full time equivalents at December 31, 2007 to 96 full time equivalents as of September 30, 2008.

Gaming expenses at our casino in Caledon, South Africa decreased by $0.2 million, or 5.0%, from $4.4 million for the nine months ended September 30, 2007 to $4.2 million for the nine months ended September 30, 2008, primarily due to the decline in the exchange rate between the U.S. dollar and South African rand. In rand, gaming expense increased by ZAR 0.8 million, or 2.5%, from ZAR 31.6 million for the nine months ended September 30, 2007 to ZAR 32.4 million for the nine months ended September 30, 2008, primarily due to a ZAR 0.5 million increase in payroll expenses resulting from additional employees at the casino, a ZAR 0.7 million increase in royalty expenses and a ZAR 0.5 million increase in supply expenses. These increases were offset by a decrease of ZAR 0.3 million in maintenance expenses, ZAR 0.2 million in gaming taxes and ZAR 0.5 million in value added taxes.

Gaming expenses at the Century Casino & Hotel in Newcastle decreased by $0.2 million, or 6.0%, from $3.2 million for the nine months ended September 30, 2007 to $3.0 million for the nine months ended September 30, 2008. In rand, gaming expense increased by ZAR 0.4 million, or 1.7%, from ZAR 22.7 million for the nine months ended September 30, 2007 to ZAR 23.1 million for the nine months ended September 30, 2008, primarily due to ZAR 0.3 million increase in slot conversions and ZAR 0.2 million increase in supply expenses, a ZAR 0.3 million increase in gaming taxes and a ZAR 0.4 million increase in value added taxes. These increases were offset by a ZAR 0.4 million decrease in license fees and a ZAR 0.5 million decrease in marketing/advertising expenses.

Gaming expenses at the Century Casino Millennium in Prague and aboard the cruise ships on which we operate decreased by $0.1 million, or 2.8%, from $3.2 million for the nine months ended September 30, 2007 to $3.1 million for the nine months ended September 30, 2008 primarily due to decreases in marketing expenditures and gaming and sales/use taxes.

Hotel, food and beverage expenses

Hotel, food and beverage expenses remained flat at $7.9 million for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007. Increased hotel, food and beverage expenses at Womacks and the Caledon were offset by decreases in hotel, food and beverage expenses at our remaining properties.

General and administrative expenses

General and administrative expenses decreased by $0.1 million, or 0.7%, from $20.0 million for the nine months ended September 30, 2007 to $19.9 million for the nine months ended September 30, 2008. General and administrative expenses at the properties include facility maintenance, utilities, property and liability insurance, property taxes, housekeeping, and all administrative departments, such as information technology, accounting, human resources and internal audit.

General and administrative expenses at the Century Casino & Hotel in Edmonton increased by $0.2 million, or 5.4%, from $3.4 million for the nine months ended September 30, 2007 to $3.6 million for the nine months ended September 30, 2008. In CAD, general and administrative expenses decreased by CAD 0.2 million, or 4.4%, from CAD 3.8 million for the nine months ended September 30, 2007 to CAD 3.6 million for the nine months ended September 30, 2008. The decrease is primarily the result of a decrease in payroll expense of CAD 0.1 million and a decrease in insurance expense of CAD 0.1 million.

General and administrative expenses at Womacks decreased by $0.3 million, or 11.0%, from $2.8 million for the nine months ended September 30, 2007 to $2.5 million for the nine months ended September 30, 2008, primarily due to a $0.3 million decline in payroll expenses from reduced staffing.

General and administrative expenses at the Century Casino & Hotel in Central City decreased by $0.4 million, or 11.3%, from $3.4 million for the nine months ended September 30, 2007 to $3.0 million for the nine months ended September 30, 2008, primarily the result of decreases of $0.1 million in our property tax accrual, $0.1 million of professional fees and $0.1 million of insurance expenses.

General and administrative expenses at the Caledon increased by $0.2 million, or 10.3%, from $2.0 million for the nine months ended September 30, 2007 to $2.2 million for the nine months ended September 30, 2008. In rand, general and administrative expenses increased ZAR 2.5 million, or 18.0%, from ZAR 14.4 million for the nine months ended September 30, 2007 to ZAR 16.9 million for the nine months September 30, 2008. The increase is due to ZAR 1.7 million of increased corporate overhead allocations (primarily payroll), ZAR 0.7 million of increased payroll at the casino and a ZAR 0.6 million of increased property taxes (resulting from a one-time property tax adjustment in 2007, offset by a ZAR 0.5 million decrease in professional fees.

General and administrative expenses at the Century Casino & Hotel in Newcastle decreased by $0.1 million, or 6.0%, from $2.1 million for the nine months ended September 30, 2007 to $2.0 million for the nine months ended September 30, 2008. In rand, general and administrative expenses remained flat at ZAR 15.3 million for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007. Increases in payroll expenses of approximately ZAR 0.4 million and professional fees of approximately ZAR 0.7 million, were offset by decreased licensing expenses of ZAR 0.2 million, decreased tax expenses of ZAR 0.2 million and decreases in other losses resulting from casino thefts in 2007 of ZAR 0.6 million.

Combined general and administrative expenses at the Century Casino Millennium and aboard the cruise ships increased by $0.2 million, or 36.7%, from $0.3 million for the nine months ended September 30, 2007 to $0.5 million for the nine months ended September 30, 2008, primarily due to increases in professional fees and payroll expenses at the Century Casino Millennium.

Corporate expenses increased by $0.2 million, or 2.9%, from $5.9 million for the nine months ended September 30, 2007 to $6.1 million for the nine months ended September 30, 2008. The increase in 2008 is primarily due to a $0.6 million increase in stock compensation expenses related to the amortization of costs associated with restricted stock and stock options issued in July 2007, offset by a $0.1 million decrease in communication expenses and a $0.2 million decrease in legal, accounting and other professional fees.

Impairments and other write-offs, net of recoveries

For the nine months ended September 30, 2008, we recorded $9.4 million in impairments of goodwill related to Womacks and the Century Casino and Hotel in Central City, Colorado. During 2008, these operations have experienced a significant decline in gaming revenue. We deemed this to be an indicator of potential impairment under the guidance set forth in SFAS No. 142, "Goodwill and Other Intangible Assets." As a result, the Company performed interim goodwill impairment analyses as of September 30, 2008 and determined that there would be no remaining value attributable to goodwill. Accordingly, we wrote-off the entire goodwill balances related to these operations.

Depreciation

Depreciation expense increased by $0.6 million, or 10.1%, from $6.3 million for the nine months ended September 30, 2007 to $6.9 million for the nine months ended September 30, 2008. This increase is primarily due to $1.6 million of gaming equipment and non-gaming equipment additions during 2007 and the completion of a renovation project at Womacks in the first quarter 2008 which contributed $1.8 million of depreciable assets. These assets are depreciated over periods varying from three to seven years.

Non-operating income (expense)

Non-operating income (expense) for the nine months ended September 30, 2008 and 2007 was as follows (in thousands):

	Nine months ended September 30,			
	2008	2007	Variance	Percentage Variance
Interest income	$ 162	$ 802	$ (640)	(79.8%)
Interest expense	(4,106)	(5,280)	1,174	(22.2%)
Gains of foreign currency translation and other	108	714	(606)	(84.9%)
Non-operating expense	$ (3,836)	$ (3,764)	$ (72)	1.9%

Interest income

Interest income is directly related to the cash reserves we have on hand. Since September 30, 2007, we have reduced our outstanding third party debt related to our casinos in Colorado from $28.2 million to $21.9 million as of September 30, 2008, utilizing cash on hand. This decrease in available cash, combined with a decrease in interest rates that we earn on our deposits, contributed to the overall decline in interest income for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007.

Interest expense

The decrease in interest expense is primarily due to a decrease in interest rates and a decrease in our average debt balance from $68.2 million for the nine months ended September 30, 2007 to $56.4 million for the nine months ended September 30, 2008. Our weighted average interest rate, excluding the impact of the amortization of deferred financing charges and one-time charges of $0.3 million for bank waivers of a financial covenant related to our Central City debt, was 9.0% and 8.3% for the nine months ended September 30, 2007 and 2008, respectively.

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Gain on foreign currency transactions and other

We recognized foreign currency gains of $0.7 million and $0.1 million for the nine months ended September 30, 2007 and 2008, respectively, resulting from the exchange of currency. We have outstanding cash denominated in U.S. dollars, Canadian dollars, Euros and South African rand.

Other Items

Earnings from equity investment

On March 12, 2007, we completed the acquisition of G5 Sp. z o.o. ("G5"). G5 owns 33.3% of all shares issued by CPL. Our portion of CPL's earnings are recorded as earnings from equity investment. We began reporting our share of CPL's earnings in April 2007. We recorded $0.1 million of earnings from our investment in CPL for the period between March 12, 2007 and August 31, 2007. For the nine months ended September 30, 2008, we recorded $0.8 million of earnings from our investment in CPL.

Taxes

Our effective tax rate was 13.9% and (68.1%) for the nine months ended September 30, 2007 and 2008, respectively. The mix of domestic losses and foreign earnings significantly impacts our rate. The tax benefit received on losses incurred by our U.S. domestic entities is significantly higher than the tax on income at our foreign operations, particularly in South Africa and Mauritius. For the nine months ended September 30, 2008, we incurred pre-tax losses for our U.S. based operations (including corporate losses) of $16.5 million compared to pre-tax earnings at our remaining operations of $9.1 million. Our taxes are further adjusted for non-deductible permanent differences. Also, for the nine months ended September 30, 2008, we established a $6.0 million valuation allowance for our U.S. deferred taxes. If we conclude at a later date that the realization of these deferred taxes are more likely than not, we will reduce the valuation allowance as appropriate.

Minority interest in subsidiary earnings and losses

For the nine months ended September 30, 2007, we allocated net losses of $0.8 million to various parties who hold a minority interest in our properties. For the nine months ended September 30, 2008, we allocated earnings of $0.3 million to these parties. For the 2007 period, we allocated approximately $1.1 million in losses to a former partner in CC Tollgate LLC. On December 31, 2007, we purchased this partner's interest in CC Tollgate LLC. As a result, we now retain all the earnings and losses for the casino in CC Tollgate LLC.

Preference dividends issued by subsidiary

Preference shareholders of our subsidiary, Century Casinos Caledon (Pty) Ltd., are entitled to per share dividends of 0.009% of the annual gross gambling revenue of the Caledon, Hotel, Spa & Casino after the deduction of gaming taxes and value added tax. Dividends issued by Caledon to preference shareholders decreased by $0.1 million, or 55.2%, from $0.3 million for the nine months ended September 30, 2007 to $0.2 million for the nine months ended September 30, 2008. The dividends issued for the nine months ended September 30, 2007 included a one time dividend payment of $0.2 million to a preference shareholder that exchanged its original preference shares for a new class of preference shares.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash and cash equivalents totaled $8.3 million at September 30, 2008, and we had a working capital (current assets minus current liabilities) deficit of $9.7 million compared to cash and cash equivalents of $17.9 million and a working capital deficit of $2.8 million at December 31, 2007.

We use the cash flows that we generate to repay existing third party debt, to fund reinvestment in existing properties for both refurbishment and expansion projects and to pursue additional growth via new development opportunities. When necessary, we supplement the cash flows generated by our operations with either cash on hand or funds provided by financing activities.

For the nine months ended September 30, 2008, $5.5 million of net cash was provided by operating activities. For the nine months ended September 30, 2007, $7.4 million of net cash was provided by operating activities. The change from the 2007 period relates primarily to a $3.6 million decrease in pre-tax earnings, excluding the write-off of goodwill, in Cripple Creek Colorado, offset by a $2.5 million increase in pre-tax earnings in Edmonton Canada. For a description of the operating activities of the Company, please refer to the condensed consolidated statements of cash flows and management's discussion of the results of operations.

Cash used in investing activities of $2.6 million for the nine months ended September 30, 2008 consisted of $0.7 million in capital project additions at Womacks; $0.2 million in gaming and non-gaming addition in Central City; $0.4 million of furniture and non-gaming equipment additions in Edmonton; $0.9 million in capital project and gaming equipment additions at Caledon; $0.3 million in gaming equipment and capital project additions at Newcastle; and $0.2 million of cumulative additions at our other remaining properties. These cash payments were offset by $0.2 million received from the disposition of assets.

Cash used in investing activities of $8.9 million for the nine months ended September 30, 2007 consisted of $2.0 million towards the acquisition of G5; $1.2 million in property and equipment additions at Womacks; $0.7 million towards construction in Edmonton; $1.6 million in property and gaming equipment additions in Central City; $0.8 million towards the development of a golf course and other property improvements at Caledon; $2.4 million towards property improvements and furniture and fixtures in Newcastle; $0.2 million for additional gaming equipment on the ships; and $0.2 million of cumulative additions at our other remaining properties. These cash payments were offset by the release of $0.2 million of restricted cash in Edmonton.

Cash used in financing activities of $11.3 million for the nine months ended September 30, 2008 consisted of repayments of $1.8 million towards the Central City term loan; repayments of $1.1 million towards the Edmonton term loan; net repayments of $6.9 million towards the Womacks revolving credit facility; net repayments of $2.0 million towards our South African term loans; and payments of $0.2 million for fees associated with the amendment of debt agreements for the Central City term loan and Womacks revolving credit facility. These repayments were offset by $0.7 million of proceeds from stock option exercises.

Cash used in financing activities of $15.1 million for the nine months ended September 30, 2007 consisted of net repayments of $12.0 million towards the Central City term loan; net repayments of $1.4 million towards the Womacks revolving credit facility; repayments of $1.1 million towards our Caledon term loan; repayments of $1.0 million towards our Newcastle term loan; capital lease repayments of approximately $0.2 million; and other net repayments of $0.1 million. These repayments were offset by borrowings of $0.7 million under the loan agreement for the Edmonton property.

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Common Stock Repurchase Program

Since 2000, we have had a discretionary program to repurchase up to $5.0 million of our outstanding common stock. We did not purchase any shares of our common stock on the open market during the nine months ended September 30, 2008 and 2007. The total remaining authorization under the repurchase program was $1.2 million as of September 30, 2008. The repurchase program has no set expiration or termination date.

Potential Sources of Liquidity

Following the receipt of a number of verbal expressions of interest, we are considering the sale of part or all of our South African casino resorts, which are The Caledon Hotel, Spa and Casino in the Western Cape province and the Century Casino and Hotel in Newcastle, KwaZulu-Natal province. While no formal plan or agreement is yet in place, we have invited several interested parties to submit their written expressions of interest.

We believe that our cash at September 30, 2008, together with expected cash flows from operations, will be sufficient to fund our anticipated operating costs and capital expenditures at existing properties and to satisfy our current debt repayment obligations. However, if operations at our properties do not improve, we may need to raise additional capital or obtain additional debt financing in order to fund our operations. We may not be able to obtain this funding when we need it or on favorable terms. In addition, the amount of capital that we are able to raise often depends on variables that are beyond our control, such as the share price of our stock and its trading volume. As a result, we may not be able to secure financing on terms attractive to us, or at all. If we are able to consummate a financing arrangement, the amount raised may not be sufficient to meet all of our future needs and may be highly dilutive. If we cannot raise adequate funds to satisfy our capital requirements, we may have to scale back or eliminate certain operations.

Prior to September 30, 2008, we had a $5.0 million revolving line of credit facility for Womacks. Effective September 30, 2008, this facility converted to a $4.4 million term loan, repayable in 44 monthly installments. We also had a $2.5 million revolving line of credit facility for our Central City property, of which there was no balance outstanding. Effective September 30, 2008, this facility has been eliminated.

Short-Term Liquidity and Capital Requirements

We expect that the primary source of our future operating cash flows will be from gaming operations. Expected short-term uses of cash include ordinary operations, foreign income tax payments, and interest and principal payments on outstanding debt.

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 of new properties or expansion of existing properties that exceed our current borrowing capacity and we may be required to seek additional financing in the debt or equity markets. We may be unable to obtain additional debt or equity financing on acceptable terms or at all. As a result, limitations on our capital resources could delay or cause us to abandon certain plans for the development of new properties or expansion and/or renovation of existing properties.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We had no significant changes in our exposure to market risks from that previously reported in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures – Our management, with the participation of our Co Chief Executive Officers, Principal Financial Officer and Chief 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 Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Based on such evaluation, our Co Chief Executive Officers, Principal Financial Officer and Chief Accounting Officer have concluded that as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable Securities and Exchange Commission rules and forms.

Changes in Internal Control Over Financial Reporting – There has been no change in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. – Risk Factors

The information presented below updates and should be read in conjunction with Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2007. In addition to the other information set forth in the Form 10-K and this report, you should carefully consider the facts discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our 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 or operating results.

A downturn in general economic and geopolitical conditions may adversely affect our results of operations. We are and may continue to be adversely affected by the ongoing world financial crisis.

Our business operations are subject to changes in international, national and local economic conditions. The current volatile global economic environment is having significant negative effects on our business. Our business is fueled by discretionary income. Recessions or downturns in the general economies in which we operate could result in fewer customers visiting our properties, which would adversely affect our results of operations. Our operations in Colorado and in Caledon, South Africa are located approximately one hour away from the major markets they serve. Management believes that increased fuel prices and the introduction of a smoking ban at all casinos in 2008 (in Colorado) have contributed to a decline in these markets.

Our indebtedness imposes restrictive covenants on us, which limits our operating flexibility.

Our various credit agreements require us, among other obligations, to maintain specified financial ratios and satisfy certain financial tests, including leverage ratios, total fixed charge coverages and minimum annualized EBITDA (earnings before interest, taxes, depreciation and amortization, or a variant thereof). In addition, these agreements restrict our ability to incur additional indebtedness, repay indebtedness or amend debt instruments, pay dividends, create liens on assets, make investments, make acquisitions, engage in mergers or consolidations, make capital expenditures or engage in certain transactions with subsidiaries and affiliates. There can be no assurances that we or our subsidiaries would be able to obtain a waiver to these restrictive covenants if necessary. If we fail to comply with the restrictions contained in these credit agreements, the resulting event of default could result in a lender accelerating the repayment of all outstanding amounts due under these agreements. There can be no assurances that we would be successful in obtaining alternative sources of funding to repay these obligations should this event occur. For the nine months ended September 30, 2008, we paid approximately $0.3 million to obtain waivers towards a financial covenant on our debt in Central City, Colorado.

We may be required in the future to record impairment losses related to the indefinite lived intangible assets and the equity investment we currently carry on our balance sheet.

We have $5.4 million of goodwill, $8.9 million of casino licenses and a $13.1 million equity investment as of September 30, 2008. 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 the goodwill, the casino licenses or the equity investment carried on our balance sheet are impaired, 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. For instance, in 2008, we recorded goodwill impairments related to our investments in Cripple Creek, Colorado and Central City, Colorado of approximately $9.4 million.

Our available cash balances have been declining and we may be unable to obtain the capital necessary to fund our operations.

As of September 30, 2008, we had $8.0 million in cash available to fund our operations and had a working capital deficit of $9.2 million. If operations at our properties do not improve, we may need to raise additional capital or obtain additional debt financing in order to fund our operations. We may not be able to obtain this funding when we need it or on favorable terms. In addition, the amount of capital that we are able to raise often depends on variables that are beyond our control, such as the share price of our stock and its trading volume. As a result, we may not be able to secure financing on terms attractive to us, or at all. If we are able to consummate a financing arrangement, the amount raised may not be sufficient to meet all of our future needs and may be highly dilutive. If we cannot raise adequate funds to satisfy our capital requirements, we may have to scale back or eliminate certain operations.

Item 5. – Other Information

On November 6, 2008, the Second Amended and Restated Credit Agreement ("Amended Agreement") was entered into among WMCK Venture Corp., Century Casinos Cripple Creek, Inc., WMCK Acquisition Corp. (collectively the "Borrowers"), Century Casinos, Inc. (the "Guarantor") and Wells Fargo Bank, National Association, as Agent.

Among other items, the terms of the Amended Agreement added or modified the following (capitalized terms have the meanings ascribed to them in the Amended Agreement):

1) Sets an interest rate of Prime + 5.5%;
2) Converts the existing revolving credit facility to a 44-month term loan facility requiring monthly principal repayments of $0.1 million beginning on December 1, 2008 through maturity (July 1, 2012);
3) Redefines and modifies the covenant requirements for the Adjusted Fixed Charge Coverage Ratio and Senior Leverage Ratio; and
4) Requires the Guarantor to maintain a Guarantor Total Leverage Ratio of 4.00:1.00.

This summary of the terms of the Amended Agreement is qualified in its entirety by the text of the Amended Agreement, a copy of which is attached to this Form 10-Q as Exhibit 10.1 and is incorporated herein by reference.

On November 6, 2008, the Third Amendment to the Credit Agreement dated November 18, 2005 ("Third Amendment") was entered into among CC Tollgate LLC (the "Borrower"), Century Casinos, Inc. ("Century") and Wells Fargo Bank, National Association, as Agent.

Amongst other items, the terms of the Third Amendment added or modified the following (capitalized terms have the meanings ascribed to them in the Third Amendment and in Section 1.01 of the Existing Credit Agreement):

1) Permits the Borrower to set the interest rate of the loan to one of the following options:
   a. Prime Rate + 6.5%;
   b. The greater of 3.75% or the 30-day LIBOR rate + 6.5%; or
   c. The greater of 3.75% or the 90-day LIBOR rate + 6.5%.
2) Permits the Borrower to convert the interest rate of the loan on three business day notice;
3) Revises the C/T Loan Reduction Schedule to require monthly principal repayments of $0.2 million beginning on October 31, 2008 through maturity;
4) Redefines and modifies the covenant requirements for the Adjusted Fixed Charge Coverage Ratio and Maximum Senior Leverage Ratio;
5) Permits Century to make contributions to the Borrower within 45 days after a fiscal quarter end to ensure that Borrower is in compliance with the financial covenants of the Existing Credit Agreement, as amended; and

6) Eliminates the $2.5 million Senior Secured Revolving Credit Facility.

This summary of the terms of the Third Amendment is qualified in its entirety by the text of the Third Amendment, a copy of which is attached to this Form 10-Q as Exhibit 10.2 and is incorporated herein by reference.

Item 6. – Exhibits

(a) Exhibits - The following exhibits are filed herewith:

3.1 Certificate of Incorporation of Century Casinos, Inc. is hereby incorporated by reference to the Company’s Proxy Statement for the 1994 Annual Meeting of Stockholders.
3.2 Amended and Restated Bylaws of Century Casinos, Inc. is hereby incorporated by reference from Exhibit 11.14 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002.
4.1 Rights Agreement, dated as of April 29, 1999, between the Century Casinos, Inc. and the American Securities Transfer & Trust, Inc., as Rights Agent, is hereby incorporated by reference from Exhibit 1 to the Company’s Form 8-A dated May 7, 1999.
4.2 First Supplement to Rights Agreement dated April 2000, between Century Casinos, Inc. and American Securities Transfer & Trust, Inc., as Rights Agent, is hereby incorporated by reference from Exhibit A to the Company’s Proxy Statement for the 2000 Annual Meeting of Stockholders.
4.3 Second Supplement to Rights Agreement dated July 2002, between Century Casinos, Inc. and Computershare Investor Services, Inc., as Rights Agent, is hereby incorporated by reference from Exhibit 11.13 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002.
10.1 Amended and Restated Credit Agreement, by and between WMCK Venture Corp., Century Casinos Cripple Creek, Inc., WMCK Acquisition Corp., Century Casinos, Inc. and Wells Fargo Bank, National Association, dated November 6, 2008.
10.2 Third Amendment to Credit Agreement, dated as of November 6, 2008, by and between CC Tollgate LLC, the Lenders, the L/C issuer and Wells Fargo Bank, National Association, as Agent Bank.
31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Co Chief Executive Officer.
31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Co Chief Executive Officer and President.
31.3 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Principal Financial Officer.
31.4 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Chief Accounting Officer.
32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Co Chief Executive Officer.
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32.3 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Principal Financial Officer.
32.4 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Chief Accounting Officer.

SIGNATURES:

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

CENTURY CASINOS, INC.

/s/ Larry Hannappel
Larry Hannappel
Senior Vice President (Principal Financial Officer)
Date: November 10, 2008

CENTURY CASINOS, INC.
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