

**FORM 8-K**

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

**Date of Report (Date of earliest event reported): July 20, 2004**



**CHURCHILL DOWNS**  
INCORPORATED

(Exact name of registrant as specified in its charter)

Kentucky  
(State or other jurisdiction of  
incorporation or organization)

0-1469  
(Commission File Number)

61-0156015  
(IRS Employer Identification No.)

700 Central Avenue, Louisville, KY 40208  
(Address of principal executive offices)  
(Zip Code)

(502) 636-4400  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name or former address, if changed since last report)

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**CHURCHILL DOWNS INCORPORATED**

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**Item 7. Financial Statements and Exhibits**

Exhibit 99.1 - Press release dated July 20, 2004

**Item 12. Results of Operations and Financial Condition**

The registrant's earnings press release dated July 20, 2004, reporting its second quarter 2004 results of operation and financial condition, is attached hereto as Exhibit 99.1 and incorporated by reference herein. This information is being furnished under Item 12 of Form 8-K.

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**SIGNATURES**

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

**CHURCHILL DOWNS INCORPORATED**

July 20, 2004

/s/Michael E. Miller  
Michael E. Miller  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CHURCHILL DOWNS INCORPORATED REPORTS SECOND QUARTER EARNINGS**

**LOUISVILLE, Ky. (July 20, 2004)** – Churchill Downs Incorporated (“CDI” or the “Company”) (Nasdaq: CHDN) today reported results for the second quarter and six months ended June 30, 2004.

Net revenues for the second quarter reached \$191.1 million, an increase of 1.1 percent compared with \$189.0 million for the same period last year. Net earnings for the quarter were \$27.4 million, a 2.1 percent decline from net earnings of \$28.0 million for the same period a year ago. Diluted earnings per share totaled \$2.04, compared with \$2.09 for the second quarter of 2003. Results for the first half of 2004 are outlined in the accompanying tables.

Thomas H. Meeker, CDI’s president and chief executive officer, attributed the Company’s slight decline in quarterly earnings year-over-year primarily to significant investment in two key long-term growth initiatives – legislative efforts to attain alternative gaming and CDI’s Customer Relationship Management (“CRM”) program. “Alternative gaming initiatives in California and Florida necessitated, and may continue to require, higher levels of investment,” he said. “Our CRM effort also called for additional spending during the quarter. As we mentioned when we announced revised earnings expectations three weeks ago, the costs of these strategic initiatives, so essential to our future growth, could not be offset totally due to business levels at three of our racetracks.”

Meeker added, “The uncertain nature of our alternative gaming efforts will continue into the third quarter, with the level of spending contingent upon the prospects of the California and Florida ballot initiatives. Based on the information available to us today, we estimate earnings for the third quarter to be approximately \$0.33 to \$0.38 per share, with the full-year estimate remaining at approximately \$1.44 to \$1.53 per share.”

A conference call regarding this release is scheduled for Wednesday, July 21, at 9 a.m. (EDT). Investors and other interested parties may listen to the teleconference by accessing the online, real-time webcast and broadcast of the call at [www.churchilldownsincorporated.com/investor\\_relations](http://www.churchilldownsincorporated.com/investor_relations) or [www.fulldisclosure.com](http://www.fulldisclosure.com), or by calling (913) 981-5532 at least 10 minutes before the appointed time. The online replay will be available at approximately noon and continue for two weeks. A six-day telephonic replay will be

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available two hours after the call ends by dialing (719) 457-0820 and entering 366674 then prompted for the access code. A copy of the Company’s news release announcing earnings and relevant financial and statistical information about the period will be accessible at [www.churchilldownsincorporated.com/investor\\_relations](http://www.churchilldownsincorporated.com/investor_relations).

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), the Company has provided a non-GAAP measurement, which presents a financial measure of Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”). CDI uses EBITDA as a key performance measure of results of operations for purposes of evaluating performance internally. The Company believes the use of this measure enables management and investors to evaluate and compare, from period to period, CDI’s operating performance in a meaningful and consistent manner. This non-GAAP measurement is not intended to replace the presentation of CDI’s financial results in accordance with GAAP.

Churchill Downs Incorporated, headquartered in Louisville, Ky., owns and operates world-renowned horseracing venues throughout the United States. The Company’s racetracks in California, Florida, Illinois, Indiana and Kentucky host 114 graded-stakes events and many of North America’s most prestigious races, including the Kentucky Derby and Kentucky Oaks, Hollywood Gold Cup and Arlington Million. CDI racetracks have hosted nine Breeders’ Cup World Thoroughbred Championships – more than any other North American racing company. CDI also owns off-track betting facilities and a television production company and has interests in various telecommunications and racing services companies that support CDI’s network of simulcasting and racing operations. CDI trades on the Nasdaq National Market under the symbol CHDN and can be found on the Internet at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

*This news release contains forward-looking statements made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. The reader is cautioned that such forward-looking statements are based on information available at the time and/or management’s good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information. Forward-looking statements are typically identified by the use of terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “predict,” “project,” “should,” “will,” and similar words, although some forward-looking statements are expressed differently. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from our expectations include: the effect of global economic conditions; the effect (including possible increases in the cost of doing business) resulting from future war and terrorist activities or political uncertainties; the economic environment; the impact of increasing insurance costs; the impact of interest rate fluctuations; the financial performance of our racing operations; the impact of gaming competition (including lotteries and riverboat, cruise ship and land-based casinos) and other sports and entertainment options in those markets in which we operate; costs associated with our efforts in support of alternative gaming initiatives; costs associated with our Customer Relationship Management initiative; a substantial change in law or regulations affecting our pari-mutuel activities; a substantial change in allocation of live racing days; litigation surrounding the Rosemont, Illinois, riverboat casino; changes in Illinois law that impact revenues of racing operations in Illinois; a decrease in riverboat admissions subsidy revenue from our Indiana operations; the impact of an additional Indiana racetrack and its wagering facilities near our operations; our continued ability to effectively compete for the country’s top horses and trainers necessary to field high-quality horse racing; our continued ability to grow our share of the interstate simulcast market; our ability to execute our acquisition strategy and to complete or successfully operate planned expansion projects; our ability to adequately integrate acquired businesses; market reaction to our expansion projects; any business disruption associated with our facility renovations; the loss of our totalisator companies or their inability to keep their technology current; our accountability for environmental contamination; the loss of key personnel and the volatility of our stock price.*

CHURCHILL DOWNS INCORPORATED  
 CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS  
 for the six and three months ended June 30, 2004 and 2003  
 (Unaudited)  
 (In thousands, except per share data)

|  | <b>Six Months Ended</b> |                    | <b>Three Months Ended</b> |                    |
|--|-------------------------|--------------------|---------------------------|--------------------|
|  | <b><u>June 30,</u></b>  |                    | <b><u>June 30,</u></b>    |                    |
|  | <b><u>2004</u></b>      | <b><u>2003</u></b> | <b><u>2004</u></b>        | <b><u>2003</u></b> |
| Net revenues                                 | \$ 228,797              | \$ 224,718         | \$ 191,068                | \$ 188,999         |
| Operating expenses                           | 181,079                 | 177,524            | 133,586                   | 131,984            |
| <b>Gross profit</b>                          | <b>47,718</b>           | <b>47,194</b>      | <b>57,482</b>             | <b>57,015</b>      |
| Selling, general and administrative expenses | 19,163                  | 16,839             | 10,085                    | 8,731              |
| <b>Operating income</b>                      | <b>28,555</b>           | <b>30,355</b>      | <b>47,397</b>             | <b>48,284</b>      |
| Other income (expense):                      |                         |                    |                           |                    |
| Interest income                              | 201                     | 135                | 85                        | 73                 |
| Interest expense                             | (2,558)                 | (3,306)            | (1,174)                   | (1,479)            |
| Miscellaneous, net                           | 840                     | 643                | 504                       | 173                |
|  | <b>(1,517)</b>          | <b>(2,528)</b>     | <b>(585)</b>              | <b>(1,233)</b>     |
| Earnings before provision for income taxes   | 27,038                  | 27,827             | 46,812                    | 47,051             |
| Provision for income taxes                   | (11,356)                | (11,298)           | (19,384)                  | (19,026)           |
| Net earnings                                 | <b>\$ 15,682</b>        | <b>\$ 16,529</b>   | <b>\$ 27,428</b>          | <b>\$ 28,025</b>   |
| Net earnings per common share data:          |                         |                    |                           |                    |
| Basic  | \$1.18                  | \$1.26             | \$2.06                    | \$2.13             |
| Diluted                                      | \$1.17                  | \$1.24             | \$2.04                    | \$2.09             |
| Weighted average shares outstanding:         |                         |                    |                           |                    |
| Basic  | 13,272                  | 13,167             | 13,287                    | 13,174             |
| Diluted                                      | 13,460                  | 13,367             | 13,473                    | 13,380             |

Certain financial statement amounts have been reclassified in the prior periods to conform to current period presentation.

CHURCHILL DOWNS INCORPORATED  
 SUPPLEMENTAL INFORMATION BY OPERATING UNIT  
 for the six and three months ended June 30, 2004 and 2003  
 (Unaudited)  
 (In thousands)

|                                       | <b><u>Six Months Ended June 30,</u></b> |                    | <b><u>Three Months Ended June 30,</u></b> |                    |
|---------------------------------------|---|--------------------|---|--------------------|
|                                       | <b><u>2004</u></b>                      | <b><u>2003</u></b> | <b><u>2004</u></b>                        | <b><u>2003</u></b> |
| Net revenues from external customers: |   |                    |   |                    |
| Kentucky Operations                   | \$ 61,625                               | \$ 57,852          | \$ 56,892                                 | \$ 52,954          |

|                                   |                   |                   |                   |                   |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Hollywood Park                    | 45,527            | 44,234            | 40,428            | 39,265            |
| Arlington Park                    | 40,062            | 37,996            | 24,007            | 24,072            |
| Calder Race Course                | 23,675            | 24,003            | 22,160            | 22,876            |
| Hoosier Park                      | 20,603            | 20,451            | 11,193            | 11,021            |
| CDSN                              | 36,043            | 37,988            | 35,164            | 37,145            |
| <b>Total racing operations</b>    | <b>227,535</b>    | <b>222,524</b>    | <b>189,844</b>    | <b>187,333</b>    |
| Other investments                 | 238               | 1,253             | 200               | 725               |
| Corporate revenues                | 1,024             | 941               | 1,024             | 941               |
|                                   | <b>\$ 228,797</b> | <b>\$ 224,718</b> | <b>\$ 191,068</b> | <b>\$ 188,999</b> |
| <b>Intercompany net revenues:</b> |                   |                   |                   |                   |
| Kentucky Operations               | \$ 15,559         | \$ 16,229         | \$ 15,559         | \$ 16,229         |
| Hollywood Park                    | 6,918             | 6,906             | 6,914             | 6,902             |
| Arlington Park                    | 2,200             | 2,732             | 2,200             | 2,732             |
| Calder Race Course                | 3,276             | 3,585             | 2,992             | 3,337             |
| Hoosier Park                      | 50                | 37                | 43                | 33                |
| <b>Total racing operations</b>    | <b>28,003</b>     | <b>29,489</b>     | <b>27,708</b>     | <b>29,233</b>     |
| Other investments                 | 845               | 899               | 700               | 755               |
| Corporate expenses                | 544               | 552               | 266               | 269               |
| Eliminations                      | (29,392)          | (30,940)          | (28,674)          | (30,257)          |
|                                   | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       |
| <b>EBITDA:</b>                    |                   |                   |                   |                   |
| Kentucky Operations               | \$ 23,927         | \$ 23,270         | \$ 30,103         | \$ 28,417         |
| Hollywood Park                    | 5,447             | 7,339             | 8,636             | 9,554             |
| Arlington Park                    | 3,344             | 958               | 2,940             | 2,427             |
| Calder Race Course                | 808               | 1,462             | 3,460             | 4,129             |
| Hoosier Park                      | 1,228             | 1,219             | 554               | 545               |
| CDSN                              | 8,613             | 9,363             | 8,746             | 9,144             |
| <b>Total racing operations</b>    | <b>43,367</b>     | <b>43,611</b>     | <b>54,439</b>     | <b>54,216</b>     |
| Other investments                 | 647               | 466               | 632               | 431               |
| Corporate expenses                | (3,794)           | (2,908)           | (1,707)           | (1,081)           |
| Eliminations                      | (6)               | -                 | (6)               | -                 |
|                                   | <b>\$ 40,214</b>  | <b>\$ 41,169</b>  | <b>\$ 53,358</b>  | <b>\$ 53,566</b>  |

Certain financial statement amounts have been reclassified in the prior periods to conform to current period presentation.

CHURCHILL DOWNS INCORPORATED  
SUPPLEMENTAL INFORMATION  
for the six and three months ended June 30, 2004 and 2003  
(Unaudited)  
(In thousands)

The following table is a reconciliation of our non-GAAP financial measure of EBITDA to the accompanying financial statements:

|                                | <b>Six Months Ended June 30,</b> |                  | <b>Three Months Ended June 30,</b> |                  |
|--------------------------------|----------------------------------|------------------|------------------------------------|------------------|
|                                | <b>2004</b>                      | <b>2003</b>      | <b>2004</b>                        | <b>2003</b>      |
| Total EBITDA                   | \$ 40,214                        | \$ 41,169        | \$ 53,358                          | \$ 53,566        |
| Depreciation and amortization  | (10,819)                         | (10,171)         | (5,457)                            | (5,109)          |
| Interest income (expense), net | (2,357)                          | (3,171)          | (1,089)                            | (1,406)          |
| Provision for income taxes     | (11,356)                         | (11,298)         | (19,384)                           | (19,026)         |
| <b>Net earnings</b>            | <b>\$ 15,682</b>                 | <b>\$ 16,529</b> | <b>\$ 27,428</b>                   | <b>\$ 28,025</b> |

CHURCHILL DOWNS INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

| ASSETS  | June 30,<br>2004<br>(unaudited) | December 31,<br>2003 | June 30,<br>2004(unaudited) |
|---|---------------------------------|----------------------|-----------------------------|
| Current assets:   |                                 |                      |                             |
| Cash and cash equivalents   | \$ 40,460                       | \$ 18,053            | \$ 41,353                   |
| Accounts receivable, net  | 49,717                          | 36,693               | 45,695                      |
| Deferred income taxes   | 3,349                           | 3,767                | 3,043                       |
| Other current assets  | 6,261                           | 4,120                | 5,564                       |
| <b>Total current assets</b>   | <b>99,787</b>                   | <b>62,633</b>        | <b>95,655</b>               |
| Other assets  |                                 |                      |                             |
| Plant and equipment, net  | 15,474                          | 15,941               | 11,962                      |
| Goodwill, net   | 403,191                         | 367,229              | 347,699                     |
| Other intangible assets, net  | 52,239                          | 52,239               | 52,239                      |
|   | 7,178                           | 7,464                | 7,313                       |
|   | <b>\$ 577,869</b>               | <b>\$ 505,506</b>    | <b>\$ 514,868</b>           |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                                 |                      |                             |
| Current liabilities:  |                                 |                      |                             |
| Accounts payable  | \$ 76,913                       | \$ 34,466            | \$ 64,435                   |
| Accrued expenses  | 43,918                          | 38,491               | 35,853                      |
| Dividends payable   | -                               | 6,625                | -                           |
| Income taxes payable  | 7,062                           | 1,016                | 8,510                       |
| Deferred revenue  | 4,478                           | 18,050               | 7,653                       |
| Long-term debt, current portion   | -                               | 5,740                | 472                         |
| <b>Total current liabilities</b>  | <b>132,371</b>                  | <b>104,388</b>       | <b>116,923</b>              |
| Long-term debt, due after one year  | 146,079                         | 121,096              | 119,811                     |
| Other liabilities   | 13,627                          | 11,719               | 14,053                      |
| Deferred income taxes   | 13,318                          | 13,327               | 13,103                      |
| <b>Total liabilities</b>  | <b>305,395</b>                  | <b>250,530</b>       | <b>263,890</b>              |
| Commitments and contingencies   |                                 |                      |                             |
|   | -                               | -                    | -                           |
| Shareholders' equity:   |                                 |                      |                             |
| Preferred stock, no par value;<br>250 shares authorized; no shares issued   | -                               | -                    | -                           |
| Common stock, no par value; 50,000 shares<br>authorized; issued: 13,295 shares June 30<br>2004, 13,250 shares December 31, 2003,<br>and 13,183 shares June 30, 2003 | 129,789                         | 128,583              | 126,725                     |
| Retained earnings   | 142,436                         | 126,754              | 125,770                     |
| Accumulated other comprehensive gain (loss)   | 249                             | (361)                | (1,517)                     |
|   | <b>272,474</b>                  | <b>254,976</b>       | <b>250,978</b>              |
|   | <b>\$ 577,869</b>               | <b>\$ 505,506</b>    | <b>\$ 514,868</b>           |

Certain financial statement amounts have been reclassified in the prior periods to conform to current period presentation.