

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

**FORM 8-K**

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

**Date of Report (Date of earliest event reported): October 29, 2014**

**CHURCHILL DOWNS**  
I N C O R P O R A T E D

(Exact name of registrant as specified in its charter)

Kentucky  
(State of incorporation)

001-33998  
(Commission file number)

61-0156015  
(IRS Employer Identification No.)

600 North Hurstbourne Parkway, Suite 400, Louisville, Kentucky 40222  
(Address of principal executive offices)  
(Zip Code)

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

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (18 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

A copy of the news release issued by Churchill Downs Incorporated (the “Company”) on October 29, 2014 announcing the results of operations and financial condition for the quarter ended September 30, 2014, is attached hereto as Exhibit 99.1 and incorporated by reference herein.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

99.1 Press Release dated October 29, 2014 issued by Churchill Downs Incorporated.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------|
|--------------------|--------------------|

|              |  |
|--------------|--|
| Exhibit 99.1 | Press Release dated October 29, 2014 issued by Churchill Downs Incorporated. |
|--------------|--|

**SIGNATURE**

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.

October 29, 2014

**CHURCHILL DOWNS INCORPORATED**

/s/ William E. Mudd

By: William E. Mudd

Title: President and Chief Financial Officer

(Principal Financial and Accounting Officer)

# CHURCHILL DOWNS

INCORPORATED

**FOR IMMEDIATE RELEASE**

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## **CHURCHILL DOWNS INCORPORATED REPORTS 2014 THIRD-QUARTER RESULTS**

**LOUISVILLE, Ky. (Oct. 29, 2014)** - Churchill Downs Incorporated (NASDAQ: CHDN) (CDI or Company) today reported business results for the third-quarter ended Sept. 30, 2014.

### **2014 THIRD-QUARTER HIGHLIGHTS:**

- Record Adjusted EBITDA of \$32.2 million, up 1% over 2013's third-quarter
- Net revenues of \$173.7 million declined 6% compared to prior year, driven by the closure of racing operations at Calder and loss of Texas online wagering
- Gaming Operations Adjusted EBITDA increased \$4.4 million, 22% above 2013's third-quarter, as a result of CDI's share of the increase in operating income from Miami Valley Gaming (MVG) and a full period of results from Oxford Casino
- Online Business Adjusted EBITDA declined \$1.9 million, 15% below the same period in 2013, as organic growth was outpaced by the loss of Texas online wagering and new online wagering taxes
- Earnings from continuing operations dropped \$5.7 million, or 62%, primarily as the result of one-time effects of leasing the pari-mutuel operations at Calder and the non-recurrence of \$4.2 million in Illinois Horse Racing Equity Trust Fund income that occurred in the third-quarter of 2013

### **MANAGEMENT COMMENTARY**

Bill Carstanjen, Chief Executive Officer of CDI commented, "We were pleased with our third-quarter results which were in line with our internal expectations. We produced record Adjusted EBITDA of \$32.2 million, despite generally soft regional gaming trends and changes to the legal and tax environment affecting our online operations. We continued to make strategic investments in the development of our real-money internet gaming platform and incurred costs associated with our Capital View Casino joint venture bid for a New York gaming license."

## 2014 THIRD-QUARTER CONSOLIDATED FINANCIAL RESULTS

(in millions, except per share data):

|   | Third Quarter |         |          |
|---|---------------|---------|----------|
|   | 2014          | 2013    | % Change |
| <b>GAAP Measures:</b>                                 |               |         |          |
| Net revenues  | \$173.7       | \$185.5 | (6)      |
| Earnings from continuing operations                   | 3.5           | 9.2     | (62)     |
| Diluted earnings from continuing operations per share | \$0.20        | \$0.51  | (61)     |
| Net cash flow provided by operating activities        | 114.2         | 114.4   | —        |
| <b>Non-GAAP Measure:</b>                              |               |         |          |
| Adjusted EBITDA                                       | \$32.2        | \$31.8  | 1        |

Primarily due to the leasing of pari-mutuel operations at Calder Race Course and the loss of Texas online wagering, CDI's net revenues for the third-quarter of 2014 declined \$11.8 million, or 6%. Additionally, net revenues declined as a result of generally soft regional gaming trends as well as declines in Racing Operations' handle resulting from smaller field sizes at Arlington. Partially offsetting the overall decline was a \$2.0 million increase in Gaming revenues due to a full-quarter of net revenues from Oxford Casino, which CDI acquired on July 17, 2013.

Earnings from continuing operations declined \$5.7 million to \$3.5 million during the quarter. In addition to the decline in net revenues, prior year earnings included \$4.2 million of miscellaneous income recognition related to the Illinois Horse Racing Equity Trust Fund. Finally, Calder racing exit costs including severance of \$2.3 million and accelerated depreciation of \$1.3 million also contributed to the decreased earnings and earnings per share results.

During the third-quarter of 2014, CDI reported record Adjusted EBITDA of \$32.2 million, 1% above 2013's third-quarter, driven by a \$4.4 million increase in CDI's Gaming Adjusted EBITDA, which benefited from the addition of CDI's two newest gaming properties, MVG and Oxford, as well as improved profitability from our two Mississippi properties - Harlow's Casino and Riverwalk Casino.

## 2014 THIRD-QUARTER BUSINESS SEGMENT OVERVIEW

### GAMING RESULTS

(in millions):

|                 | Third Quarter |        |          |
|-----------------|---------------|--------|----------|
|                 | 2014          | 2013   | % Change |
| Net revenues    | \$81.8        | \$79.8 | 2        |
| Adjusted EBITDA | 24.9          | 20.5   | 22       |

During the third-quarter of 2014, Gaming net revenues increased \$2.0 million, or 2%, primarily due to an additional 16 days of operation at Oxford. Partially offsetting this increase were declines in our other gaming operations primarily driven by regional gaming weakness and the exit of poker operations at Calder.

Gaming Adjusted EBITDA increased \$4.4 million with the addition of a full period of results from Oxford, which increased \$1.3 million for the period, CDI's share of MVG operating income of \$2.5

million, and Harlow's Adjusted EBITDA increase of \$0.7 million from cost reductions and an improvement in table games. Partially offsetting these increases was a decline in our Louisiana Gaming operations' Adjusted EBITDA of \$0.2 million, which was affected by an overall decline in the New Orleans market, and a decline in Calder Casino Adjusted EBITDA of \$0.2 million from heightened competition in the local market.

## ONLINE BUSINESS RESULTS

(in millions):

|                 | Third Quarter |        |          |
|-----------------|---------------|--------|----------|
|                 | 2014          | 2013   | % Change |
| Net revenues    | \$46.3        | \$48.5 | (5)      |
| Adjusted EBITDA | 11.1          | 13.0   | (15)     |
| Total handle    | 224.4         | 230.9  | (3)      |

CDI Online Business third quarter revenues decreased \$2.2 million due to the loss of Texas resident wagering beginning on September 25, 2013. Excluding Texas resident wagering from the prior year, Online Business handle increased 3.0% compared to a total industry handle decline of 4.2%, outpacing industry growth by 7.2 percentage points.

Online Business Adjusted EBITDA decreased \$1.9 million due to the loss of Texas resident wagering, which resulted in a handle decline of \$13.2 million and a corresponding Adjusted EBITDA decline of \$1.7 million. Additionally, new online pari-mutuel taxes in New York and Pennsylvania reduced Adjusted EBITDA by \$0.7 million during the quarter.

## RACING OPERATIONS RESULTS

(in millions):

|                 | Third Quarter |        |          |
|-----------------|---------------|--------|----------|
|                 | 2014          | 2013   | % Change |
| Net revenues    | \$41.1        | \$50.7 | (19)     |
| Adjusted EBITDA | (1.2)         | (0.9)  | (36)     |
| Total handle    | 283.5         | 413.9  | (32)     |

Primarily due to the leasing of pari-mutuel operations at Calder on July 1, 2014, Racing Operations net revenues decreased \$9.6 million. Arlington revenues declined \$1.6 million due to a 15% decline in handle from smaller field sizes. Finally, Fair Grounds had two fewer live quarter horse race dates, compared to 2013, and saw a 7% decline in handle.

Racing Operations Adjusted EBITDA improvements from Calder lease income were offset by lower earnings at our other tracks on lower pari-mutuel revenues which were experienced industry wide in the third quarter.

## BUSINESS RESULTS CONFERENCE CALL

A conference call regarding this news release is scheduled for Thursday, October 30, 2014, at 9 a.m. ET. 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](http://www.churchilldownsincorporated.com), or by dialing (877) 372-0878 and entering the pass code 22012440 at least 10 minutes before the appointed time. International callers should dial (253) 237-1169. The online replay will be available at approximately noon EDT and continue for two weeks at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com). A copy of the Company's news release announcing quarterly results and relevant financial and statistical information about the period will be accessible at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

*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 and certain other items as described in the Company's Annual Report on Form 10K ("Adjusted EBITDA"). Churchill Downs Incorporated uses Adjusted 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, the Company's operating performance in a meaningful and consistent manner. This non-GAAP measurement is not intended to replace the presentation of the Company's financial results in accordance with GAAP.*

## **ABOUT CHURCHILL DOWNS INCORPORATED**

Churchill Downs Incorporated (CDI) (NASDAQ: CHDN), headquartered in Louisville, Ky., owns and operates the world-renowned Churchill Downs Racetrack, home of the Kentucky Derby and Kentucky Oaks, as well as racetrack and casino operations in Miami Gardens, Fla.; racetrack, casino and video poker operations in New Orleans, La.; racetrack operations in Arlington Heights, Ill.; a casino resort in Greenville, Miss.; a casino hotel in Vicksburg, Miss.; a casino in Oxford, Maine; and a 50 percent owned joint venture, Miami Valley Gaming and Racing LLC, in Lebanon, Ohio. CDI also owns the country's premier online wagering company, TwinSpires.com; the totalisator company, United Tote; Bluff Media, an Atlanta-based multimedia poker company; and a collection of racing-related telecommunications and data companies. Additional information about CDI can be found online at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

*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 expectations include: the effect of global economic conditions, including any disruptions in the credit markets; a decrease in consumers' discretionary income; the effect (including possible increases in the cost of doing business) resulting from future war and terrorist activities or political uncertainties; 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, online gaming and riverboat, cruise ship and land-based casinos) and other sports and entertainment options in the markets in which we operate; our ability to maintain racing and gaming licenses to conduct our businesses; the impact of live racing day competition with other Kentucky, Illinois and Louisiana racetracks within those respective markets; the impact of higher purses and other incentives in states that compete with our racetracks; costs associated with our efforts in support of alternative gaming initiatives; costs associated with customer relationship management initiatives; a substantial change in law or regulations affecting pari-mutuel or gaming activities; a substantial change in allocation of live racing days; changes in Kentucky, Illinois or Louisiana law or regulations that impact revenues or costs of racing operations in those states; the presence of wagering and gaming operations at other states' racetracks and casinos near our operations; our continued ability*

*to effectively compete for the country's horses and trainers necessary to achieve full field horse races; our continued ability to grow our share of the interstate simulcast market and obtain the consents of horsemen's groups to interstate simulcasting; our ability to enter into agreements with other industry constituents for the purchase and sale of racing content for wagering purposes; our ability to execute our acquisition strategy and to complete or successfully operate acquisitions and planned expansion projects including the effect of required payments in the event we are unable to complete acquisitions; our ability to successfully complete any divestiture transaction; market reaction to our expansion projects; the inability of our totalisator company, United Tote, to maintain its processes accurately, keep its technology current or maintain its significant customers; our accountability for environmental contamination; the inability of our Online Business to prevent security breaches within its online technologies; the loss of key personnel; the impact of natural and other disasters on our operations and our ability to obtain insurance recoveries in respect of such losses (including losses related to business interruption); our ability to integrate any businesses we acquire into our existing operations, including our ability to maintain revenues at historic or anticipated levels and achieve anticipated cost savings; the impact of wagering laws, including changes in laws or enforcement of those laws by regulatory agencies; the outcome of pending or threatened litigation; changes in our relationships with horsemen's groups and their memberships; our ability to reach agreement with horsemen's groups on future purse and other agreements (including, without limitation, agreements on sharing of revenues from gaming and advance deposit wagering); the effect of claims of third parties to intellectual property rights; and the volatility of our stock price.*

*You should read this discussion in conjunction with the condensed consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q and Annual Report on Form 10-K for the year ended December 31, 2013 for further information.*

**CHURCHILL DOWNS INCORPORATED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)  
(in thousands, except per common share data)

|   | Three Months Ended<br>September 30, |           |          |
|---|-------------------------------------|-----------|----------|
|   | 2014                                | 2013      | % Change |
| Net revenues:   |                                     |           |          |
| Racing  | \$ 41,055                           | \$ 50,687 | (19)     |
| Gaming  | 81,805                              | 79,832    | 2        |
| Online  | 46,266                              | 48,522    | (5)      |
| Other   | 4,539                               | 6,455     | (30)     |
|   | 173,665                             | 185,496   | (6)      |
| Operating expenses:   |                                     |           |          |
| Racing  | 46,492                              | 54,375    | (14)     |
| Gaming  | 60,618                              | 61,086    | (1)      |
| Online  | 31,872                              | 32,227    | (1)      |
| Other   | 5,837                               | 6,367     | (8)      |
| Selling, general and administrative expenses                          | 20,473                              | 21,188    | (3)      |
| Operating income  | 8,373                               | 10,253    | (18)     |
| Other income (expense):   |                                     |           |          |
| Interest income   | 6                                   | 6         | —        |
| Interest expense  | (5,173)                             | (1,407)   | U        |
| Equity in gains (losses) of unconsolidated investments                | 1,057                               | (887)     | F        |
| Miscellaneous, net  | 114                                 | 4,438     | (97)     |
|   | (3,996)                             | 2,150     | U        |
| Earnings from continuing operations before provision for income taxes | 4,377                               | 12,403    | (65)     |
| Income tax provision  | (846)                               | (3,195)   | 74       |
| Earnings from continuing operations                                   | 3,531                               | 9,208     | (62)     |
| Discontinued operations, net of income taxes:                         |                                     |           |          |
| Earnings from operations  | —                                   | 41        | (100)    |
| Net earnings and comprehensive income                                 | \$ 3,531                            | \$ 9,249  | (62)     |
| Net earnings per common share data:                                   |                                     |           |          |
| Basic   |                                     |           |          |
| Net earnings  | \$ 0.21                             | \$ 0.52   | (60)     |
| Diluted   |                                     |           |          |
| Net earnings from continuing operations                               | \$ 0.20                             | \$ 0.51   | (61)     |
| Discontinued operations   | —                                   | 0.01      | (100)    |
| Net earnings  | \$ 0.20                             | \$ 0.52   | (62)     |
| Weighted average shares outstanding:                                  |                                     |           |          |
| Basic   | 17,020                              | 17,328    |          |
| Diluted   | 17,303                              | 17,955    |          |



**CHURCHILL DOWNS INCORPORATED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)  
(in thousands, except per common share data)

|   | Nine Months Ended<br>September 30, |            |          |
|---|------------------------------------|------------|----------|
|   | 2014                               | 2013       | % Change |
| Net revenues:   |                                    |            |          |
| Racing  | \$ 231,069                         | \$ 235,887 | (2)      |
| Gaming  | 250,318                            | 218,808    | 14       |
| Online  | 149,426                            | 143,969    | 4        |
| Other   | 13,813                             | 18,302     | (25)     |
|   | 644,626                            | 616,966    | 4        |
| Operating expenses:   |                                    |            |          |
| Racing  | 175,195                            | 185,655    | (6)      |
| Gaming  | 185,017                            | 161,698    | 14       |
| Online  | 102,260                            | 95,807     | 7        |
| Other   | 17,885                             | 17,926     | —        |
| Selling, general and administrative expenses                          | 60,604                             | 60,842     | —        |
| Insurance recoveries, net of losses                                   | (431)                              | (375)      | 15       |
| Operating income  | 104,096                            | 95,413     | 9        |
| Other income (expense):   |                                    |            |          |
| Interest income   | 15                                 | 105        | (86)     |
| Interest expense  | (15,107)                           | (4,139)    | U        |
| Equity in gains (losses) of unconsolidated investments                | 5,853                              | (1,682)    | F        |
| Miscellaneous, net  | 482                                | 5,468      | (91)     |
|   | (8,757)                            | (248)      | U        |
| Earnings from continuing operations before provision for income taxes | 95,339                             | 95,165     | —        |
| Income tax provision  | (35,175)                           | (34,559)   | (2)      |
| Earnings from continuing operations                                   | 60,164                             | 60,606     | (1)      |
| Discontinued operations, net of income taxes:                         |                                    |            |          |
| Loss from operations  | —                                  | (1)        | 100      |
| Net earnings and comprehensive income                                 | \$ 60,164                          | \$ 60,605  | (1)      |
| Net earnings per common share data:                                   |                                    |            |          |
| Basic   |                                    |            |          |
| Net earnings  | \$ 3.44                            | \$ 3.44    | —        |
| Diluted   |                                    |            |          |
| Net earnings  | \$ 3.40                            | \$ 3.39    | —        |
| Weighted average shares outstanding:                                  |                                    |            |          |
| Basic   | 17,322                             | 17,269     |          |
| Diluted   | 17,670                             | 17,881     |          |

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION BY OPERATING UNIT**  
**for the three months ended September 30,**  
**(Unaudited) (in thousands, except per common share data)**

|   | 2014              | 2013              | % Change |
|---|-------------------|-------------------|----------|
| <b>Net revenues from external customers:</b>              |                   |                   |          |
| Churchill Downs   | \$ 8,021          | \$ 7,956          | 1        |
| Arlington Park  | 26,974            | 28,473            | (5)      |
| Calder  | 786               | 8,597             | (91)     |
| Fair Grounds  | 5,274             | 5,661             | (7)      |
| Total Racing Operations                                   | 41,055            | 50,687            | (19)     |
| Calder Casino   | 18,104            | 19,157            | (5)      |
| Fair Grounds Slots  | 9,453             | 9,781             | (3)      |
| VSI   | 8,190             | 8,443             | (3)      |
| Harlow's Casino   | 12,197            | 12,082            | 1        |
| Oxford Casino   | 21,887            | 17,730            | 23       |
| Riverwalk Casino  | 11,974            | 12,639            | (5)      |
| Total Gaming  | 81,805            | 79,832            | 2        |
| Online Business   | 46,266            | 48,522            | (5)      |
| Other Investments   | 4,249             | 6,135             | (31)     |
| Corporate   | 290               | 320               | (9)      |
| Net revenues from external customers                      | <u>\$ 173,665</u> | <u>\$ 185,496</u> | (6)      |
| <b>Intercompany net revenues:</b>                         |                   |                   |          |
| Churchill Downs   | \$ 678            | \$ 689            | (2)      |
| Arlington Park  | 2,001             | 2,070             | (3)      |
| Calder  | —                 | 412               | (100)    |
| Fair Grounds  | 15                | 22                | (32)     |
| Total Racing Operations                                   | 2,694             | 3,193             | (16)     |
| Online Business   | 240               | 211               | 14       |
| Other Investments   | 829               | 938               | (12)     |
| Eliminations  | (3,763)           | (4,342)           | (13)     |
| Net revenues  | <u>\$ —</u>       | <u>\$ —</u>       | —        |
| <b>Reconciliation of Adjusted EBITDA to net earnings:</b> |                   |                   |          |
| Racing Operations   | \$ (1,229)        | \$ (907)          | (36)     |
| Gaming  | 24,937            | 20,496            | 22       |
| Online Business   | 11,098            | 12,998            | (15)     |
| Other Investments   | (1,254)           | 469               | U        |
| Corporate   | (1,398)           | (1,215)           | (15)     |
| Total Adjusted EBITDA                                     | 32,154            | 31,841            | 1        |
| Other charges   | (2,298)           | —                 | U        |
| HRE Trust Fund proceeds                                   | —                 | 4,249             | (100)    |
| Share-based compensation expense                          | (2,213)           | (5,990)           | 63       |
| Pre-opening costs   | —                 | (500)             | 100      |
| MVG interest expense, net                                 | (819)             | —                 | U        |
| Depreciation and amortization                             | (17,280)          | (15,796)          | (9)      |
| Interest (expense) income, net                            | (5,167)           | (1,401)           | U        |
| Income tax provision                                      | (846)             | (3,195)           | 74       |
| Earnings from continuing operations                       | 3,531             | 9,208             | (62)     |
| Discontinued operations, net of income taxes              | —                 | 41                | (100)    |
| Net earnings and comprehensive income                     | <u>\$ 3,531</u>   | <u>\$ 9,249</u>   | (62)     |

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION BY OPERATING UNIT**  
**for the nine months ended September 30,**  
**(Unaudited) (in thousands, except per common share data)**

|   | 2014              | 2013              | % Change |
|---|-------------------|-------------------|----------|
| <b>Net revenues from external customers:</b>              |                   |                   |          |
| Churchill Downs   | \$ 128,511        | \$ 118,534        | 8        |
| Arlington Park  | 54,289            | 57,720            | (6)      |
| Calder  | 18,524            | 27,908            | (34)     |
| Fair Grounds  | 29,745            | 31,725            | (6)      |
| Total Racing Operations                                   | 231,069           | 235,887           | (2)      |
| Calder Casino   | 58,560            | 60,109            | (3)      |
| Fair Grounds Slots  | 30,823            | 32,123            | (4)      |
| VSI   | 25,771            | 27,449            | (6)      |
| Harlow's Casino   | 38,425            | 40,533            | (5)      |
| Oxford Casino   | 58,808            | 17,730            | F        |
| Riverwalk Casino  | 37,931            | 40,864            | (7)      |
| Total Gaming  | 250,318           | 218,808           | 14       |
| Online Business   | 149,426           | 143,969           | 4        |
| Other Investments   | 12,864            | 17,408            | (26)     |
| Corporate   | 949               | 894               | 6        |
| Net revenues from external customers                      | <u>\$ 644,626</u> | <u>\$ 616,966</u> | 4        |
| <b>Intercompany net revenues:</b>                         |                   |                   |          |
| Churchill Downs   | \$ 5,851          | \$ 5,485          | 7        |
| Arlington Park  | 4,795             | 3,110             | 54       |
| Calder  | 707               | 917               | (23)     |
| Fair Grounds  | 744               | 855               | (13)     |
| Total Racing Operations                                   | 12,097            | 10,367            | 17       |
| Online Business   | 714               | 657               | 9        |
| Other Investments   | 2,937             | 3,188             | (8)      |
| Eliminations  | (15,748)          | (14,212)          | 11       |
| Net revenues  | <u>\$ —</u>       | <u>\$ —</u>       | —        |
| <b>Reconciliation of Adjusted EBITDA to net earnings:</b> |                   |                   |          |
| Racing Operations   | \$ 66,600         | \$ 58,353         | 14       |
| Gaming  | 78,362            | 61,788            | 27       |
| Online Business   | 35,135            | 38,424            | (9)      |
| Other Investments   | (3,280)           | 1,698             | U        |
| Corporate   | (3,645)           | (3,380)           | (8)      |
| Total Adjusted EBITDA                                     | 173,172           | 156,883           | 10       |
| Other charges   | (2,298)           | —                 | U        |
| Insurance recoveries, net of losses                       | 431               | 375               | 15       |
| HRE Trust Fund proceeds                                   | —                 | 4,541             | (100)    |
| Share-based compensation expense                          | (10,567)          | (15,567)          | 32       |
| Pre-opening costs   | (27)              | (1,211)           | 98       |
| MVG interest expense, net                                 | (1,956)           | —                 | U        |
| Depreciation and amortization                             | (48,324)          | (45,822)          | (5)      |
| Interest (expense) income, net                            | (15,092)          | (4,034)           | U        |
| Income tax provision                                      | (35,175)          | (34,559)          | (2)      |
| Earnings from continuing operations                       | 60,164            | 60,606            | (1)      |
| Discontinued operations, net of income taxes              | —                 | (1)               | 100      |
| Net earnings and comprehensive income                     | <u>\$ 60,164</u>  | <u>\$ 60,605</u>  | (1)      |

**CHURCHILL DOWNS INCORPORATED**  
**SUPPLEMENTAL INFORMATION BY OPERATING UNIT**  
**for the three and nine months ended September 30,**  
(unaudited) (in thousands)

|  | <b>Three Months Ended September 30,</b> |             | <b>Change</b> |          |
|--|---|-------------|---------------|----------|
|  | <b>2014</b>                             | <b>2013</b> | <b>\$</b>     | <b>%</b> |
| <b>Intercompany management fee (expense) income:</b> |   |             |               |          |
| Racing Operations                                    | \$ (1,505)                              | \$ (1,441)  | \$ (64)       | (4)      |
| Gaming   | (2,319)                                 | (1,978)     | (341)         | (17)     |
| Online Business                                      | (1,340)                                 | (1,198)     | (142)         | (12)     |
| Other Investments                                    | (134)                                   | (168)       | 34            | 20       |
| Corporate Income                                     | 5,298                                   | 4,785       | 513           | 11       |
| Total management fees                                | <u>\$ —</u>                             | <u>\$ —</u> | <u>\$ —</u>   |          |

|  | <b>Nine Months Ended September 30,</b> |             | <b>Change</b> |          |
|--|--|-------------|---------------|----------|
|  | <b>2014</b>                            | <b>2013</b> | <b>\$</b>     | <b>%</b> |
| <b>Intercompany management fee (expense) income:</b> |  |             |               |          |
| Racing Operations                                    | \$ (5,683)                             | \$ (5,500)  | \$ (183)      | (3)      |
| Gaming   | (5,850)                                | (4,888)     | (962)         | (20)     |
| Online Business                                      | (3,573)                                | (3,174)     | (399)         | (13)     |
| Other Investments                                    | (347)                                  | (443)       | 96            | 22       |
| Corporate Income                                     | 15,453                                 | 14,005      | 1,448         | 10       |
| Total management fees                                | <u>\$ —</u>                            | <u>\$ —</u> | <u>\$ —</u>   |          |

**CHURCHILL DOWNS INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Nine Months Ended September 30,**  
**(unaudited)**  
**(in thousands)**

|  | 2014      | 2013      |
|--|-----------|-----------|
| Cash flows from operating activities:  |           |           |
| Net earnings and comprehensive income  | \$ 60,164 | \$ 60,605 |
| Adjustments to reconcile net earnings and comprehensive income to net cash provided by operating activities:                           |           |           |
| Depreciation and amortization  | 48,324    | 45,822    |
| Gain on asset disposition  | (405)     | (495)     |
| Equity in (gain) loss of unconsolidated investments  | (5,853)   | 1,682     |
| Share-based compensation   | 10,567    | 15,567    |
| Other  | 458       | 555       |
| Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions and dispositions: |           |           |
| Restricted cash  | 8,525     | 2,056     |
| Accounts receivable  | (1,455)   | (8,482)   |
| Other current assets   | (3,346)   | (793)     |
| Accounts payable   | 2,872     | 5,812     |
| Purses payable   | (6,336)   | (3,284)   |
| Accrued expenses   | 2,707     | 2,202     |
| Deferred revenue   | (24,797)  | (17,100)  |
| Income taxes receivable and payable  | 20,482    | 9,305     |
| Other assets and liabilities   | 2,338     | 921       |
| Net cash provided by operating activities  | 114,245   | 114,373   |
| Cash flows from investing activities:  |           |           |
| Additions to property and equipment  | (48,854)  | (29,858)  |
| Acquisition of business, net of cash   | —         | (154,872) |
| Acquisition of intangible asset  | —         | (2,500)   |
| Acquisition of gaming license  | (2,250)   | (2,250)   |
| Investment in joint ventures   | (9,375)   | (27,000)  |
| Purchases of minority investments  | (273)     | (625)     |
| Proceeds on sale of property and equipment   | 925       | 4         |
| Change in deposit wagering asset   | 404       | (3,841)   |
| Net cash used in investing activities  | (59,423)  | (220,942) |
| Cash flows from financing activities:  |           |           |
| Borrowings on bank line of credit  | 317,379   | 641,665   |
| Repayments of bank line of credit  | (303,179) | (526,611) |
| Change in bank overdraft   | 1,580     | (1,103)   |
| Payments of dividends  | (15,186)  | —         |
| Repurchase of common stock   | (61,561)  | —         |
| Repurchase of common stock from share-based compensation   | (9,298)   | (5,940)   |
| Common stock issued  | 7,475     | 1,135     |
| Windfall tax benefit from share-based compensation   | 6,904     | 2,194     |
| Loan origination fees  | (170)     | (2,038)   |
| Debt issuance costs  | (1,029)   | —         |
| Change in deposit wagering liability   | (404)     | 3,841     |
| Net cash (used in) provided by financing activities  | (57,489)  | 113,143   |
| Net (decrease) increase in cash and cash equivalents   | (2,667)   | 6,574     |
| Cash and cash equivalents, beginning of year   | 44,708    | 37,177    |
| Cash and cash equivalents, end of year   | \$ 42,041 | \$ 43,751 |

**CHURCHILL DOWNS INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(unaudited) (in thousands)

|  | September 30,<br>2014 | December 31,<br>2013 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$ 42,041             | \$ 44,708            |
| Restricted cash  | 27,144                | 36,074               |
| Accounts receivable, net   | 35,410                | 46,572               |
| Deferred income taxes  | 5,357                 | 8,927                |
| Income taxes receivable  | —                     | 12,398               |
| Other current assets   | 16,393                | 12,036               |
| Total current assets   | 126,345               | 160,715              |
| Property and equipment, net  | 591,678               | 585,498              |
| Investment in and advances to unconsolidated affiliate   | 99,198                | 86,151               |
| Goodwill   | 300,616               | 300,616              |
| Other intangible assets, net   | 191,915               | 198,149              |
| Other assets   | 22,512                | 21,132               |
| Total assets   | <u>\$ 1,332,264</u>   | <u>\$ 1,352,261</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable   | \$ 49,024             | \$ 43,123            |
| Bank overdraft   | 2,553                 | 973                  |
| Account wagering deposit liabilities   | 18,275                | 18,679               |
| Purses payable   | 12,503                | 18,839               |
| Accrued expenses   | 62,891                | 66,469               |
| Accrued interest payable   | 5,026                 | 859                  |
| Current maturities of long-term debt   | —                     | 15,186               |
| Income taxes payable   | 4,513                 | —                    |
| Deferred revenue   | 12,496                | 49,078               |
| Total current liabilities  | 167,281               | 213,206              |
| Long-term debt, net of current maturities  | 383,391               | 369,191              |
| Other liabilities  | 20,061                | 17,753               |
| Deferred revenue   | 15,916                | 16,706               |
| Deferred income taxes  | 30,616                | 30,616               |
| Total liabilities  | 617,265               | 647,472              |
| Commitments and contingencies  |                       |                      |
| Shareholders' equity:  |                       |                      |
| Preferred stock, no par value; 250 shares authorized; no shares issued   | —                     | —                    |
| Common stock, no par value; 50,000 shares authorized; 17,322 shares issued at September 30, 2014 and 17,948 shares issued at December 31, 2013 | 246,001               | 295,955              |
| Retained earnings  | 468,998               | 408,834              |
| Total shareholders' equity   | 714,999               | 704,789              |
| Total liabilities and shareholders' equity   | <u>\$ 1,332,264</u>   | <u>\$ 1,352,261</u>  |

**CHURCHILL DOWNS INCORPORATED**  
**JOINT VENTURE FINANCIAL STATEMENTS**  
**for the three and nine months ended September 30,**  
**(Unaudited)**

Summarized financial information for Miami Valley Gaming, LLC is comprised of the following (in thousands):

|                                      | Three Months Ended September 30, |            |          | Nine Months Ended September 30, |            |          |
|--------------------------------------|----------------------------------|------------|----------|---------------------------------|------------|----------|
|                                      | 2014                             | 2013       | % Change | 2014                            | 2013       | % Change |
| Gaming revenue                       | \$ 33,365                        | \$ —       | F        | \$ 98,928                       | \$ —       | F        |
| Non-gaming revenue                   | 1,289                            | 1,305      | (1)%     | 4,833                           | 4,509      | 7%       |
| Net revenues                         | 34,654                           | 1,305      | F        | 103,761                         | 4,509      | F        |
| Operating and SG&A expenses          | 26,123                           | 1,347      | U        | 76,387                          | 4,703      | U        |
| Adjusted EBITDA                      | 8,531                            | (42)       | F        | 27,374                          | (194)      | F        |
| Depreciation & amortization expenses | 3,474                            | 101        | U        | 10,315                          | 114        | U        |
| Pre-opening expenses                 | —                                | 1,001      | F        | 54                              | 2,422      | F        |
| Operating income (loss)              | 5,057                            | (1,144)    | F        | 17,005                          | (2,730)    | F        |
| Interest (expense) income, net       | (1,380)                          | —          | U        | (3,654)                         | —          | U        |
| Net earnings (loss)                  | \$ 3,677                         | \$ (1,144) | F        | \$ 13,351                       | \$ (2,730) | F        |

| Reconciliation of operating income (loss) to<br>Churchill Downs' Adjusted EBITDA | Three Months Ended September 30, |            |          | Nine Months Ended September 30, |            |          |
|--|----------------------------------|------------|----------|---------------------------------|------------|----------|
|  | 2014                             | 2013       | % Change | 2014                            | 2013       | % Change |
| Operating income (loss)  | \$ 5,057                         | \$ (1,144) | F        | \$ 17,005                       | \$ (2,730) | F        |
| Pre-opening expenses   | —                                | 1,001      | (100)%   | 54                              | 2,422      | (98)%    |
|  | 5,057                            | (143)      | F        | 17,059                          | (308)      | F        |
| Churchill Downs' Adjusted EBITDA   | \$ 2,529                         | \$ (72)    | F        | \$ 8,530                        | \$ (154)   | F        |

|   | September 30, 2014 | December 31, 2013 |
|---|--------------------|-------------------|
| <b>Assets</b>                             |                    |                   |
| Current assets                            | \$ 25,882          | \$ 18,002         |
| Property and equipment, net               | 133,021            | 151,434           |
| Other assets, net                         | 80,407             | 80,665            |
| Total assets                              | \$ 239,310         | \$ 250,101        |
| <b>Liabilities and Members' Equity</b>    |                    |                   |
| Current liabilities                       | \$ 14,468          | \$ 46,966         |
| Current portion of long-term debt         | 8,332              | 8,332             |
| Long-term debt, excluding current portion | 28,039             | 32,426            |
| Other liabilities                         | 75                 | 75                |
| Members' equity                           | 188,396            | 162,302           |
| Total liabilities and members' equity     | \$ 239,310         | \$ 250,101        |