

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 22, 2003

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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**ITEM 7. Financial Statements and Exhibits
(c) Exhibits (furnished pursuant to Item 12)**

99.1 Press Release dated July 22, 2003.

**ITEM 9. Regulation FD Disclosure (Item 12. Results of Operations and Financial
Condition)**

The registrant's earnings press release dated July 22, 2003, reporting its second quarter 2003 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 and is being presented under Item 9 of Form 8-K pursuant to the U.S. Securities and Exchange Commission's interim filing guidance as set forth in Release No. 33-8216.

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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 22, 2003

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

INDEX TO EXHIBITS

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--------------------------------------------|
| 99.1 | Earnings Press Release dated July 22, 2003 |

CHURCHILL DOWNS INCORPORATED REPORTS SECOND QUARTER REVENUES AND EARNINGS PER SHARE

LOUISVILLE, Ky. (July 22, 2003) – Churchill Downs Incorporated (“CDI” or the “Company”) (Nasdaq: CHDN) today reported results for the second quarter ended June 30, 2003, which included record quarterly revenues, net earnings and earnings per share.

Net revenues for the second quarter reached \$180.5 million, an increase of 4.6 percent compared with \$172.6 million for the same period last year. Net earnings for the quarter were \$28.0 million, a 21.2-percent increase over net earnings of \$23.1 million in 2002. Diluted earnings per share totaled \$2.09, compared with \$1.73 for the second quarter of 2002. Results for the first half of 2003 are outlined in the accompanying tables.

Thomas H. Meeker, CDI’s president and chief executive officer, attributed the Company’s revenue growth for the quarter primarily to record-wagering results on the Kentucky Derby and Oaks, a shift in racing dates from the fourth quarter to the second, and strong growth of the Churchill Downs Simulcast Network (“CDSN”) fueled in part by additional racing dates. Wagering on Derby and Oaks Days increased 13.8 and 8.2 percent, respectively. CDI benefited from 19 additional live race days at Arlington Park in the second quarter of 2003 compared to 2002, and CDSN net revenues increased 23.6 percent over the same period a year ago.

“Our signature event, the Kentucky Derby, continues to stand apart as one of the world’s unique sporting events,” Meeker said. “This year’s Derby generated record wagering, filled to capacity our available Jockey Club Suites, and set the stage for an exciting Triple Crown run. The quality of our live racing and the demand for our product carried over in Churchill Downs racetrack’s record-setting Spring Meet and in CDSN’s growth over the quarter, which was buoyed by a shift in race start times, continued expansion of account wagering, and gains in market share aided in part by inclement weather in the northeast. These factors, coupled with a favorable racing calendar, enabled us to deliver earnings per share for the quarter that exceeded the range previously estimated by the Company.”

Meeker added, “Some of the elements that contributed to our strong second quarter will work against us in the third quarter and remainder of the year. Instead of enjoying incremental revenues from our Master Plan expansion as we did in the second quarter, we will conversely incur expenses associated with the demolition phase of construction. In addition, our racing calendar for the quarter results in 37 fewer days of live racing compared to the same period in 2002. Accordingly, for the third quarter we estimate earnings per share of \$0.55 to \$0.58, down from \$0.59 per share in the year-earlier period. Our full-year estimate of earnings at this time remains approximately \$1.80 per share, compared with \$1.57 per share in 2002, which includes an asset impairment charge at Ellis Park that reduced earnings by \$0.21.”

A conference call regarding this release is scheduled for Wednesday, July 23, at 9 a.m. (EDT). Investors and other interested parties may listen to the teleconference by accessing the online, real-time Web cast and broadcast of the call at www.churchilldownsincorporated.com/investor_relations or www.companyboardroom.com, or by calling (913) 981-5591 at least 10 minutes before the appointed time. The online replay will be available at approximately noon (ET) and continue for two weeks. An eight-day telephonic replay will be available two hours after the call ends by dialing (719) 457-0820 and entering 641135 when prompted for the access code.

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 horse racing venues throughout the United States. The Company’s racetracks in California, Florida, Illinois, Indiana and Kentucky host 115 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 has interests in various television production, 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.

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 involve risks and uncertainties that could cause our actual operating results and financial condition to differ materially. 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 war and terrorist activities or political uncertainties; the impact of increasing insurance costs; 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; 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 racetrack near our Indiana 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; the impact of interest rate fluctuations; our ability to execute our acquisition strategy and to complete or successfully operate planned expansion projects; the economic environment; our

ability to adequately integrate acquired businesses; market reaction to our expansion projects; 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, 2003 and 2002
(Unaudited)
(In thousands, except per share data)

| | <u>Six Months Ended</u> <u>June 30,</u> | | <u>Three Months Ended</u> <u>June 30,</u> | |
|----------------------------------------------|--------------------------------------------|-------------|----------------------------------------------|-------------|
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| Net revenues | \$214,285 | \$203,599 | \$180,496 | \$172,627 |
| Operating Expenses | 166,967 | 162,430 | 123,425 | 122,701 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Gross profit | 47,318 | 41,169 | 57,071 | 49,926 |
| Selling, general and administrative expenses | 16,873 | 17,268 | 8,765 | 8,872 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Operating income | 30,445 | 23,901 | 48,306 | 41,054 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other income (expense): | | | | |
| Interest income | 135 | 174 | 73 | 93 |
| Interest expense | (3,306) | (4,967) | (1,479) | (2,315) |
| Miscellaneous, net | 553 | (591) | 151 | (422) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | (2,618) | (5,384) | (1,255) | (2,644) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Earnings before provision for income taxes | 27,827 | 18,517 | 47,051 | 38,410 |
| Provision for income taxes | (11,298) | (7,444) | (19,026) | (15,302) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net earnings | \$ 16,529 | \$ 11,073 | \$ 28,025 | \$ 23,108 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net earnings per common share data: | | | | |
| Basic | \$1.26 | \$0.84 | \$2.13 | \$1.76 |
| Diluted | \$1.24 | \$0.83 | \$2.09 | \$1.73 |
| Weighted average shares outstanding: | | | | |
| Basic | 13,167 | 13,110 | 13,174 | 13,115 |
| Diluted | 13,367 | 13,341 | 13,380 | 13,338 |

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, 2003 and 2002
(Unaudited)
(In thousands)

| | <u>Six Months Ended June 30,</u> | | <u>Three Months Ended June 30,</u> | |
|---------------------------------------|----------------------------------|-------------|------------------------------------|-------------|
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| Net revenues from external customers: | | | | |

| | | | | |
|----------------------------|------------------|------------------|------------------|------------------|
| Kentucky Operations | \$ 57,852 | \$ 56,007 | \$ 52,954 | \$ 50,411 |
| Hollywood Park | 41,765 | 42,217 | 36,796 | 37,185 |
| Calder Race Course | 19,988 | 19,673 | 18,856 | 18,603 |
| Arlington Park | 34,047 | 26,417 | 22,058 | 20,298 |
| Hoosier Park | 20,451 | 26,629 | 11,021 | 14,593 |
| CDSN | 37,988 | 30,742 | 37,145 | 30,045 |
| Total racing operations | 212,091 | 201,685 | 178,830 | 171,135 |
| Other investments | 1,253 | 1,104 | 725 | 692 |
| Corporate revenues | 941 | 810 | 941 | 800 |
| | <u>\$214,285</u> | <u>\$203,599</u> | <u>\$180,496</u> | <u>\$172,627</u> |
| Intercompany net revenues: | | | | |
| Kentucky Operations | \$ 16,229 | \$ 13,344 | \$ 16,229 | \$ 13,344 |
| Hollywood Park | 6,906 | 6,270 | 6,902 | 6,270 |
| Calder Race Course | 3,585 | 3,152 | 3,337 | 2,968 |
| Arlington Park | 2,732 | 1,217 | 2,732 | 1,217 |
| Hoosier Park | 37 | 34 | 33 | 34 |
| Total racing operations | 29,489 | 24,017 | 29,233 | 23,833 |
| Other investments | 899 | 876 | 755 | 757 |
| Corporate expenses | 552 | 801 | 269 | 373 |
| Eliminations | (30,940) | (25,694) | (30,257) | (24,963) |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EBITDA: | | | | |
| Kentucky Operations | \$ 23,270 | \$ 19,700 | \$ 28,417 | \$ 24,911 |
| Hollywood Park | 7,339 | 6,806 | 9,554 | 9,023 |
| Calder Race Course | 1,462 | 819 | 4,129 | 3,894 |
| Arlington Park | 958 | (2,488) | 2,427 | (227) |
| Hoosier Park | 1,219 | 3,878 | 545 | 1,888 |
| CDSN | 9,363 | 7,505 | 9,144 | 7,242 |
| Total racing operations | 43,611 | 36,220 | 54,216 | 46,731 |
| Other investments | 466 | (352) | 431 | (20) |
| Corporate expenses | (2,908) | (2,835) | (1,081) | (1,231) |
| Eliminations | - | (62) | - | (2) |
| | <u>\$ 41,169</u> | <u>\$ 32,971</u> | <u>\$ 53,566</u> | <u>\$ 45,478</u> |

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, 2003 and 2002
(Unaudited)
(In thousands)

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

| | <u>Six Months Ended June 30,</u> | | <u>Three Months Ended June 30,</u> | |
|--------------------------------|----------------------------------|-----------------|------------------------------------|-----------------|
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| Total EBITDA | \$41,169 | \$32,971 | \$53,566 | \$45,478 |
| Depreciation and amortization | (10,171) | (9,661) | (5,109) | (4,846) |
| Interest income (expense), net | (3,171) | (4,793) | (1,406) | (2,222) |
| Provision for income taxes | (11,298) | (7,444) | (19,026) | (15,302) |
| Net earnings | <u>\$16,529</u> | <u>\$11,073</u> | <u>\$28,025</u> | <u>\$23,108</u> |

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

| | June 30, 2003 (unaudited) | December 31, 2002 | June 30, 2002 (unaudited) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------|------------------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 27,185 | \$ 14,662 | \$ 26,381 |
| Restricted cash | 14,168 | 3,247 | 16,931 |
| Accounts receivable, net | 45,695 | 34,435 | 36,270 |
| Deferred income taxes | 3,043 | 2,159 | 2,022 |
| Other current assets | 5,564 | 5,988 | 5,081 |
| | 95,655 | 60,491 | 86,685 |
| Other assets | | | |
| Plant and equipment, net | 347,699 | 338,381 | 338,696 |
| Goodwill, net | 52,239 | 52,239 | 52,239 |
| Other intangible assets, net | 7,313 | 7,495 | 7,678 |
| | \$514,868 | \$469,212 | \$497,511 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 64,435 | \$ 31,189 | \$ 75,070 |
| Accrued expenses | 35,853 | 31,782 | 36,512 |
| Dividends payable | - | 6,578 | - |
| Income taxes payable | 8,510 | 727 | 5,155 |
| Deferred revenue | 7,653 | 14,876 | 4,979 |
| Long-term debt, current portion | 472 | 508 | 490 |
| | 116,923 | 85,660 | 122,206 |
| Long-term debt, due after one year | | | |
| Other liabilities | 119,811 | 122,840 | 116,672 |
| Deferred income taxes | 14,053 | 12,603 | 13,585 |
| | 13,103 | 13,112 | 15,119 |
| | 263,890 | 234,215 | 267,582 |
| 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; issued: 13,183 shares June 30, 2003, 13,157 shares December 31, 2002, and 13,115 shares June 30, 2002 | 126,725 | 126,043 | 125,132 |
| Retained earnings | 125,770 | 109,241 | 105,923 |
| Accumulated other comprehensive loss | (1,517) | (222) | (1,061) |
| Note receivable for common stock | - | (65) | (65) |
| | 250,978 | 234,997 | 229,929 |
| | \$514,868 | \$469,212 | \$497,511 |

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