

July 31, 2013

## Churchill Downs Incorporated Reports 2013 Q2 Results

- Record net revenues of \$283.8 million, a 5 percent increase over 2012's Q2
- Record net earnings of \$50.3 million, 4 percent above 2012's Q2
- Record Kentucky Oaks and Derby Week Adjusted EBITDA grows \$5.8 million over last year
- Gaming net revenues increase 30% quarter-over-quarter due to the addition of Riverwalk Casino Hotel

LOUISVILLE, Ky., July 31, 2013 (GLOBE NEWSWIRE) -- Churchill Downs Incorporated (Nasdaq:CHDN) (CDI or Company) today reported results for the second-quarter and six months ended June 30, 2013.

### MANAGEMENT COMMENTARY

Robert L. Evans, Chairman and CEO: "With record second-quarter net revenues and net earnings, we were pleased with the quarter. Our Gaming segment Adjusted EBITDA was up \$4.4 million reflecting the addition of our Riverwalk Casino Hotel property in Vicksburg, Miss., that we acquired in October of last year. The Adjusted EBITDA increase of Kentucky Oaks and Derby Week was \$5.8 million, the third consecutive year where Kentucky Oaks and Derby Week Adjusted EBITDA growth has exceeded \$5.0 million.

"TwinSpires.com's handle was up only 1.3% for the quarter, reflecting the expiration of Illinois' Advance Deposit Wagering (ADW) legislation at the end of 2012, which was not reinstated until June 7. Excluding the impact from Illinois, TwinSpires.com's handle was up 7.2% in the second-quarter outpacing the U.S. thoroughbred industry handle growth of 1.0% as reported by Equibase.com.

"We continue to build our growth portfolio as we closed on our acquisition of the Oxford Casino in Maine, on July 17, and will invest approximately \$3.2 million to expand the gaming floor. Construction of Miami Valley Gaming, our 1,600-video-lottery-terminal joint venture project north of Cincinnati, Ohio, is progressing on budget and ahead of schedule and we hope to open the property in early-to-mid December 2013. We announced a \$14.5 million project at Churchill Downs Racetrack to construct 51,000 square feet of new space adding 2,400 new reserved seats and new amenities serving 20,400 existing seats. We intend to complete this project in time for the 140<sup>th</sup> running of the Kentucky Oaks and Derby in May 2014."

### 2013 SECOND-QUARTER BUSINESS RESULTS

Due primarily to the expansion of CDI's Gaming segment with the addition of Riverwalk Casino Hotel's (Riverwalk) revenues, the Company's net revenues for the second-quarter of 2013 increased 5%, or approximately \$13.0 million, to \$283.8 million from \$270.8 million, during the same period of the prior year.

Gaming revenues increased 30%, or \$15.5 million, reflecting \$14.1 million in revenues generated by Riverwalk. Racing revenues decreased \$3.1 million, or 2%, from \$160.4 million to \$157.4 million, compared to the same period last year. The strong performance of Kentucky Oaks and Derby week was offset primarily by the loss of host revenues at Calder Race Course. Online Business revenues were virtually unchanged as lost wagering by Illinois customers were offset by growth in other jurisdictions.

Racing Operations Adjusted EBITDA (earnings from continuing operations before interest, taxes, depreciation, amortization, insurance recoveries of net losses, Illinois Horse Racing Equity Trust Fund proceeds, share based compensation expenses, pre-opening expenses, including those of our equity investments, the impairment of assets and other changes and recoveries) increased \$3.1 million and was primarily driven by increased profitability of \$5.8 million from Kentucky Oaks and Derby week. Partially offsetting this was a decline in Adjusted EBITDA at Calder of \$2.2 million due to the loss of Florida hosting revenues and a decline in Adjusted EBITDA of \$0.8 million at Fair Grounds due to the timing of the Louisiana Derby and inclement weather during Jazz Fest.

Our Gaming segment Adjusted EBITDA increased \$4.4 million from the same period of the prior year due to the addition of Riverwalk's Adjusted EBITDA of \$4.8 million. Also, Calder Casino Adjusted EBITDA increased \$0.5 million as a result of successful marketing efforts and the closure of internet cafes in the state. Partially offsetting these increases was a decrease in Adjusted EBITDA at Harlow's Casino Resort and Spa of \$1.0 million over the same period of the prior year.

Online Business Adjusted EBITDA increased \$0.3 million compared to the same period of the previous year due to the increase in Velocity's Adjusted EBITDA from the addition of new high volume wagering customers and improvement in our equity

investment in HRTV. These improvements in Adjusted EBITDA were partially offset by the impact of the expiration of Illinois legislation allowing Illinois residents to wager online.

Net earnings for the three months ended June 30, 2013, was \$50.3 million, or \$2.81 per diluted common share, an increase in net earnings of 4%, from \$48.6 million, or \$2.77 per diluted common share, during the second-quarter of 2012.

A conference call regarding this news release is scheduled for Thursday, August 1, 2013, 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 <http://ir.churchilldownsincorporated.com/events.cfm> or by dialing (877) 372-0878 and entering the conference ID number 23597619 at least 10 minutes before the appointed time. International callers should dial (253) 237-1169. An online replay of the call will be available at <http://ir.churchilldownsincorporated.com/events.cfm> by noon ET on Thursday, Aug. 1.

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), the Company has provided Adjusted EBITDA, a non-GAAP measure, which the Company defines as earnings from continuing operations before interest, taxes, depreciation, amortization, insurance recoveries of net losses, Illinois Horse Racing Equity Trust Fund proceeds, share based compensation expenses, pre-opening expenses, including those of our equity investments, the impairment of assets and other changes and recoveries.

Churchill Downs Incorporated uses Adjusted EBITDA, which the Company implemented during the three months ended June 30, 2013, 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 and a poker room 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 resort hotel in Vicksburg, Miss.; as well as a casino in Oxford, Maine; CDI also owns the country's premier advance-deposit wagering company, TwinSpires.com; the totalisator company, United Tote; Luckity.com, where people can legally play fun games online for a chance to win cash prizes; Bluff Media, an Atlanta-based multimedia poker content, brand and publishing company; and a collection of racing-related telecommunications and data companies. Information about CDI can be found online at [www.churchilldownsincorporated.com](http://www.churchilldownsincorporated.com).

*Information set forth in this news release contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 (the "Act") provides certain "safe harbor" provisions for forward-looking statements. All forward-looking statements are made pursuant to the Act.*

*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," "hope," "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 overall economic environment; the impact of increasing insurance costs; the impact of interest rate fluctuations; the effect of any change in our accounting policies or practices; 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 Florida, 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 and gaming activities; a substantial change in allocation of live racing days; changes in Kentucky, Florida, 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 planned expansion projects; 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 ability 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 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 limiting, 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.

**CHURCHILL DOWNS INCORPORATED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(in thousands, except per common share data)

|                                                                       | Three Months Ended |                 |          |
|-----------------------------------------------------------------------|--------------------|-----------------|----------|
|                                                                       | June 30,           |                 |          |
|                                                                       | 2013               | 2012            | % Change |
| Net revenues:                                                         |                    |                 |          |
| Racing                                                                | \$157,387          | \$160,440       | (2)      |
| Gaming                                                                | 66,887             | 51,371          | 30       |
| Online                                                                | 52,531             | 52,702          | —        |
| Other                                                                 | <u>6,968</u>       | <u>6,303</u>    | 11       |
|                                                                       | 283,773            | 270,816         | 5        |
| Operating expenses:                                                   |                    |                 |          |
| Racing                                                                | 90,160             | 95,484          | (6)      |
| Gaming                                                                | 49,624             | 38,291          | 30       |
| Online                                                                | 33,218             | 32,925          | 1        |
| Other                                                                 | 6,573              | 6,866           | (4)      |
| Selling, general and administrative expenses                          | 22,096             | 20,070          | 10       |
| Insurance recoveries, net of losses                                   | <u>—</u>           | <u>(5,003)</u>  | (100)    |
| Operating income                                                      | 82,102             | 82,183          | —        |
| Other income (expense):                                               |                    |                 |          |
| Interest income                                                       | 89                 | 35              | F        |
| Interest expense                                                      | (1,256)            | (982)           | (28)     |
| Equity in losses of unconsolidated investments                        | (631)              | (564)           | (12)     |
| Miscellaneous, net                                                    | <u>1,023</u>       | <u>37</u>       | F        |
|                                                                       | <u>(775)</u>       | <u>(1,474)</u>  | 47       |
| Earnings from continuing operations before provision for income taxes | 81,327             | 80,709          | 1        |
| Income tax provision                                                  | <u>(31,029)</u>    | <u>(32,133)</u> | 3        |
| Earnings from continuing operations                                   | 50,298             | 48,576          | 4        |
| Net earnings and comprehensive income                                 | <u>\$50,298</u>    | <u>\$48,576</u> | 4        |
| Net earnings per common share data:                                   |                    |                 |          |
| Basic                                                                 | \$2.85             | \$2.82          | 1        |
| Diluted                                                               | \$2.81             | \$2.77          | 1        |

Weighted average shares outstanding:

|         |        |        |
|---------|--------|--------|
| Basic   | 17,268 | 16,978 |
| Diluted | 17,921 | 17,502 |

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

|                                                                       | Six Months Ended |                 |                 |
|-----------------------------------------------------------------------|------------------|-----------------|-----------------|
|                                                                       | June 30,         |                 |                 |
|                                                                       | <u>2013</u>      | <u>2012</u>     | <u>% Change</u> |
| Net revenues:                                                         |                  |                 |                 |
| Racing                                                                | \$185,200        | \$190,622       | (3)             |
| Gaming                                                                | 138,976          | 110,707         | 26              |
| Online                                                                | 95,447           | 96,737          | (1)             |
| Other                                                                 | <u>12,223</u>    | <u>10,946</u>   | 12              |
|                                                                       | 431,846          | 409,012         | 6               |
| Operating expenses:                                                   |                  |                 |                 |
| Racing                                                                | 131,280          | 138,472         | (5)             |
| Gaming                                                                | 100,612          | 79,231          | 27              |
| Online                                                                | 63,580           | 63,076          | 1               |
| Other                                                                 | 12,000           | 12,575          | (5)             |
| Selling, general and administrative expenses                          | 39,654           | 36,269          | 9               |
| Insurance recoveries, net of losses                                   | <u>(375)</u>     | <u>(6,514)</u>  | (94)            |
| Operating income                                                      | 85,095           | 85,903          | (1)             |
| Other income (expense):                                               |                  |                 |                 |
| Interest income                                                       | 99               | 53              | 87              |
| Interest expense                                                      | (2,732)          | (2,205)         | (24)            |
| Equity in losses of unconsolidated investments                        | (795)            | (784)           | (1)             |
| Miscellaneous, net                                                    | <u>1,030</u>     | <u>70</u>       | F               |
|                                                                       | <u>(2,398)</u>   | <u>(2,866)</u>  | 16              |
| Earnings from continuing operations before provision for income taxes | 82,697           | 83,037          | —               |
| Income tax provision                                                  | <u>(31,340)</u>  | <u>(33,107)</u> | 5               |
| Earnings from continuing operations                                   | 51,357           | 49,930          | 3               |
| Discontinued operations, net of income taxes:                         |                  |                 |                 |
| Loss from operations                                                  | <u>(1)</u>       | <u>(1)</u>      | —               |
| Net earnings and comprehensive income                                 | <u>\$51,356</u>  | <u>\$49,929</u> | 3               |
| Net earnings per common share data:                                   |                  |                 |                 |
| Basic                                                                 | \$2.91           | \$2.90          | —               |
| Diluted                                                               | \$2.87           | \$2.86          | —               |
| Weighted average shares outstanding:                                  |                  |                 |                 |
| Basic                                                                 | 17,239           | 16,940          |                 |
| Diluted                                                               | 17,882           | 17,443          |                 |

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

|                                              | <u>2013</u>      | <u>2012</u>      | <u>% Change</u> |
|----------------------------------------------|------------------|------------------|-----------------|
| <b>Net revenues from external customers:</b> |                  |                  |                 |
| Churchill Downs                              | \$108,278        | \$102,874        | 5               |
| Arlington Park                               | 22,006           | 22,807           | (4)             |
| Calder                                       | 17,031           | 22,873           | (26)            |
| Fair Grounds                                 | <u>10,072</u>    | <u>11,886</u>    | (15)            |
| Total Racing Operations                      | 157,387          | 160,440          | (2)             |
| Calder Casino                                | 20,466           | 19,188           | 7               |
| Fair Grounds Slots                           | 9,978            | 9,586            | 4               |
| VSI                                          | 9,245            | 8,814            | 5               |
| Harlow's Casino                              | 13,097           | 13,783           | (5)             |
| Riverwalk Casino                             | <u>14,101</u>    | <u>—</u>         | F               |
| Total Gaming                                 | 66,887           | 51,371           | 30              |
| Online Business                              | 52,531           | 52,702           | —               |
| Other Investments                            | 6,550            | 5,967            | 10              |
| Corporate                                    | <u>418</u>       | <u>336</u>       | 24              |
| Net revenues from external customers         | <u>\$283,773</u> | <u>\$270,816</u> | 5               |

**Intercompany net revenues:**

|                         |                |                |       |
|-------------------------|----------------|----------------|-------|
| Churchill Downs         | \$4,607        | \$4,082        | 13    |
| Arlington Park          | 903            | 1,496          | (40)  |
| Calder                  | 492            | 586            | (16)  |
| Fair Grounds            | <u>—</u>       | <u>75</u>      | (100) |
| Total Racing Operations | 6,002          | 6,239          | (4)   |
| Online Business         | 233            | 230            | 1     |
| Other Investments       | 1,348          | 1,072          | 26    |
| Eliminations            | <u>(7,583)</u> | <u>(7,541)</u> | 1     |
| Net revenues            | <u>\$—</u>     | <u>\$—</u>     | —     |

**Reconciliation of Segment Adjusted EBITDA to net earnings:**

|                                              |                 |                 |       |
|----------------------------------------------|-----------------|-----------------|-------|
| Racing Operations                            | \$70,517        | \$67,423        | 5     |
| Gaming                                       | 19,365          | 14,992          | 29    |
| Online Business                              | 14,091          | 13,806          | 2     |
| Other Investments                            | 902             | (25)            | F     |
| Corporate                                    | <u>(988)</u>    | <u>(1,189)</u>  | 17    |
| Total Adjusted EBITDA                        | 103,887         | 95,007          | 9     |
| Insurance recoveries, net of losses          | —               | 5,003           | (100) |
| HRE Trust Fund proceeds                      | 292             | —               | F     |
| Share-based compensation expense             | (6,214)         | (4,715)         | (32)  |
| Pre-opening costs                            | (480)           | —               | U     |
| Depreciation and amortization                | (14,991)        | (13,639)        | (10)  |
| Interest income (expense), net               | (1,167)         | (947)           | (23)  |
| Income tax provision                         | <u>(31,029)</u> | <u>(32,133)</u> | 3     |
| Earnings from continuing operations          | 50,298          | 48,576          | 4     |
| Discontinued operations, net of income taxes | <u>—</u>        | <u>—</u>        | —     |

|              |                 |                 |   |
|--------------|-----------------|-----------------|---|
| Net earnings | <u>\$50,298</u> | <u>\$48,576</u> | 4 |
|--------------|-----------------|-----------------|---|

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

|                                              | <u>2013</u>      | <u>2012</u>      | <u>% Change</u> |
|----------------------------------------------|------------------|------------------|-----------------|
| <b>Net revenues from external customers:</b> |                  |                  |                 |
| Churchill Downs                              | \$110,578        | \$105,424        | 5               |
| Arlington Park                               | 29,247           | 32,224           | (9)             |
| Calder                                       | 19,311           | 24,741           | (22)            |
| Fair Grounds                                 | <u>26,064</u>    | <u>28,233</u>    | (8)             |
| Total Racing Operations                      | 185,200          | 190,622          | (3)             |
| Calder Casino                                | 40,952           | 41,067           | —               |
| Fair Grounds Slots                           | 22,342           | 21,617           | 3               |
| VSI                                          | 19,006           | 18,377           | 3               |
| Harlow's Casino                              | 28,451           | 29,646           | (4)             |
| Riverwalk Casino                             | <u>28,225</u>    | —                | F               |
| Total Gaming                                 | 138,976          | 110,707          | 26              |
| Online Business                              | 95,447           | 96,737           | (1)             |
| Other Investments                            | 11,649           | 10,469           | 11              |
| Corporate                                    | <u>574</u>       | <u>477</u>       | 20              |
| Net revenues from external customers         | <u>\$431,846</u> | <u>\$409,012</u> | 6               |

**Intercompany net revenues:**

|                         |                |                |      |
|-------------------------|----------------|----------------|------|
| Churchill Downs         | \$4,796        | \$4,268        | 12   |
| Arlington Park          | 1,040          | 2,052          | (49) |
| Calder                  | 505            | 596            | (15) |
| Fair Grounds            | <u>833</u>     | <u>822</u>     | 1    |
| Total Racing Operations | 7,174          | 7,738          | (7)  |
| Online Business         | 446            | 436            | 2    |
| Other Investments       | 2,250          | 1,822          | 23   |
| Eliminations            | <u>(9,870)</u> | <u>(9,996)</u> | (1)  |
| Net revenues            | <u>\$—</u>     | <u>\$—</u>     | —    |

**Reconciliation of Segment Adjusted EBITDA to net earnings:**

|                                     |                |                |      |
|-------------------------------------|----------------|----------------|------|
| Racing Operations                   | \$59,260       | \$56,370       | 5    |
| Gaming                              | 41,373         | 34,765         | 19   |
| Online Business                     | 25,426         | 25,434         | —    |
| Other Investments                   | 1,083          | (273)          | F    |
| Corporate                           | <u>(2,165)</u> | <u>(2,277)</u> | 5    |
| Total Adjusted EBITDA               | 124,977        | 114,019        | 10   |
| Insurance recoveries, net of losses | 375            | 6,514          | (94) |
| HRE Trust Fund proceeds             | 292            | —              | F    |
| Share-based compensation expense    | (9,577)        | (7,899)        | (21) |
| Pre-opening costs                   | (711)          | —              | U    |

|                                              |                 |                 |      |
|----------------------------------------------|-----------------|-----------------|------|
| Depreciation and amortization                | (30,026)        | (27,445)        | (9)  |
| Interest income (expense), net               | (2,633)         | (2,152)         | (22) |
| Income tax provision                         | <u>(31,340)</u> | <u>(33,107)</u> | 5    |
| Earnings from continuing operations          | 51,357          | 49,930          | 3    |
| Discontinued operations, net of income taxes | <u>(1)</u>      | <u>(1)</u>      | —    |
| Net earnings                                 | <u>\$51,356</u> | <u>\$49,929</u> | 3    |

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

|                                                      | <u>Three Months Ended June 30,</u> |              | <u>Change</u> |          |
|------------------------------------------------------|------------------------------------|--------------|---------------|----------|
| <b>Intercompany management fee (expense) income:</b> | <u>2013</u>                        | <u>2012</u>  | <u>\$</u>     | <u>%</u> |
| Racing Operations                                    | \$ (3,218)                         | \$ (3,207)   | \$ (11)       | —        |
| Gaming                                               | (819)                              | (549)        | (270)         | (49)     |
| Online Business                                      | (745)                              | (711)        | (34)          | (5)      |
| Other Investments                                    | (112)                              | (84)         | (28)          | (33)     |
| Corporate Income                                     | <u>4,894</u>                       | <u>4,551</u> | <u>343</u>    | <u>8</u> |
| Total management fees                                | <u>\$—</u>                         | <u>\$—</u>   | <u>\$—</u>    |          |

|                                                      | <u>Six Months Ended June 30,</u> |              | <u>Change</u> |          |
|------------------------------------------------------|----------------------------------|--------------|---------------|----------|
| <b>Intercompany management fee (expense) income:</b> | <u>2013</u>                      | <u>2012</u>  | <u>\$</u>     | <u>%</u> |
| Racing Operations                                    | \$ (4,059)                       | \$ (4,152)   | \$93          | 2        |
| Gaming                                               | (2,910)                          | (2,317)      | (593)         | (26)     |
| Online Business                                      | (1,976)                          | (2,030)      | 54            | 3        |
| Other Investments                                    | (275)                            | (237)        | (38)          | (16)     |
| Corporate Income                                     | <u>9,220</u>                     | <u>8,736</u> | <u>484</u>    | <u>6</u> |
| Total management fees                                | <u>\$—</u>                       | <u>\$—</u>   | <u>\$—</u>    |          |

**CHURCHILL DOWNS INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Six months ended June 30,**  
(in thousands)

|                                                                                                                                        | <u>2013</u> | <u>2012</u> |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Cash flows from operating activities:                                                                                                  |             |             |
| Net earnings and comprehensive income                                                                                                  | \$51,356    | \$49,929    |
| Adjustments to reconcile net earnings and comprehensive income to net cash provided by operating activities:                           |             |             |
| Depreciation and amortization                                                                                                          | 30,026      | 27,445      |
| Gain on asset disposition                                                                                                              | (1)         | (27)        |
| Equity in losses of unconsolidated investments                                                                                         | 795         | 784         |
| Share-based compensation                                                                                                               | 9,577       | 4,414       |
| Other                                                                                                                                  | 421         | 455         |
| Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions and dispositions: |             |             |
| Restricted cash                                                                                                                        | (2,179)     | (2,409)     |
| Accounts receivable                                                                                                                    | (17,164)    | (20,157)    |

|                                                     |                 |                 |
|-----------------------------------------------------|-----------------|-----------------|
| Other current assets                                | (4,330)         | (4,013)         |
| Accounts payable                                    | 16,405          | 6,488           |
| Purses payable                                      | 2,956           | 2,944           |
| Accrued expenses                                    | (601)           | 3,798           |
| Deferred revenue                                    | (16,270)        | (7,061)         |
| Income taxes receivable and payable                 | 28,763          | 30,993          |
| Other assets and liabilities                        | 510             | 2,467           |
| Net cash provided by operating activities           | <u>100,264</u>  | <u>96,050</u>   |
| Cash flows from investing activities:               |                 |                 |
| Additions to property and equipment                 | (23,772)        | (16,473)        |
| Acquisition of businesses, net of cash              | —               | (6,728)         |
| Acquisition of gaming license                       | (2,250)         | —               |
| Investment in joint venture                         | (12,500)        | (5,400)         |
| Purchases of minority investments                   | (365)           | (1,600)         |
| Assumption of note receivable                       | —               | (1,100)         |
| Proceeds on sale of property and equipment          | 2               | 88              |
| Proceeds from insurance recoveries                  | —               | 9,870           |
| Change in deposit wagering asset                    | (3,639)         | (6,651)         |
| Net cash used in investing activities               | <u>(42,524)</u> | <u>(27,994)</u> |
| Cash flows from financing activities:               |                 |                 |
| Borrowings on bank line of credit                   | 350,956         | 182,545         |
| Repayments of bank line of credit                   | (407,199)       | (247,143)       |
| Change in bank overdraft                            | 1,320           | 1,280           |
| Payments of dividends                               | —               | (10,110)        |
| Repurchase of common stock                          | (4,046)         | (2,033)         |
| Common stock issued                                 | 244             | 4,416           |
| Windfall tax benefit from share-based compensation  | 1,122           | 640             |
| Loan origination fees                               | (2,036)         | —               |
| Change in deposit wagering liability                | 3,639           | 6,811           |
| Net cash provided by (used in) financing activities | <u>(56,000)</u> | <u>(63,594)</u> |
| Net increase in cash and cash equivalents           | 1,740           | 4,462           |
| Cash and cash equivalents, beginning of year        | <u>37,177</u>   | <u>27,325</u>   |
| Cash and cash equivalents, end of year              | <u>\$38,917</u> | <u>\$31,787</u> |

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

|                           | <b>June 30,</b> | <b>December</b> |
|---------------------------|-----------------|-----------------|
|                           | <b>2013</b>     | <b>31,</b>      |
|                           | <b>2013</b>     | <b>2012</b>     |
| <b>ASSETS</b>             |                 |                 |
| Current assets:           |                 |                 |
| Cash and cash equivalents | \$38,917        | \$37,177        |
| Restricted cash           | 44,058          | 38,241          |
| Accounts receivable, net  | 46,645          | 47,152          |
| Deferred income taxes     | 9,267           | 8,227           |
| Income taxes receivable   | —               | 2,915           |
| Other current assets      | <u>17,368</u>   | <u>13,352</u>   |



|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Total current assets         | 156,255            | 147,064            |
| Property and equipment, net  | 537,333            | 542,882            |
| Goodwill                     | 250,414            | 250,414            |
| Other intangible assets, net | 139,372            | 143,141            |
| Other assets                 | 45,740             | 30,836             |
| Total assets                 | <u>\$1,129,114</u> | <u>\$1,114,337</u> |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:

|                                           |          |          |
|-------------------------------------------|----------|----------|
| Accounts payable                          | \$81,518 | \$62,278 |
| Bank overdraft                            | 7,347    | 6,027    |
| Purses payable                            | 22,041   | 19,084   |
| Accrued expenses                          | 53,312   | 65,537   |
| Current maturities of long-term debt      | —        | 209,728  |
| Income taxes payable                      | 26,888   | —        |
| Deferred revenue                          | 11,905   | 43,916   |
| Total current liabilities                 | 203,011  | 406,570  |
| Long-term debt, net of current maturities | 153,484  | —        |
| Other liabilities                         | 23,246   | 21,030   |
| Deferred revenue                          | 15,805   | 17,794   |
| Deferred income taxes                     | 24,648   | 24,648   |
| Total liabilities                         | 420,194  | 470,042  |

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; 17,925 shares issued at June 30, 2013 and 17,448 shares issued at December 31, 2012 | 287,978            | 274,709            |
| Retained earnings                                                                                                                         | 420,942            | 369,586            |
| Total shareholders' equity                                                                                                                | 708,920            | 644,295            |
| Total liabilities and shareholders' equity                                                                                                | <u>\$1,129,114</u> | <u>\$1,114,337</u> |

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