

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

	Three Months Ended		
	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)
	<u>173,665</u>	<u>185,496</u>	(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	<u>8,373</u>	<u>10,253</u>	(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)
	<u>(3,996)</u>	<u>2,150</u>	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	<u>3,531</u>	<u>9,208</u>	(62)
Discontinued operations, net of income taxes:			
Earnings from operations	—	41	(100)
Net earnings and comprehensive income	<u>\$ 3,531</u>	<u>\$ 9,249</u>	(62)
Net earnings per common share data:			
Basic			
Net earnings	<u>\$ 0.21</u>	<u>\$ 0.52</u>	(60)
Diluted			
Net earnings from continuing operations	\$ 0.20	\$ 0.51	(61)
Discontinued operations	—	0.01	(100)
Net earnings	<u>\$ 0.20</u>	<u>\$ 0.52</u>	(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		
	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)
	<u>644,626</u>	<u>616,966</u>	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	<u>104,096</u>	<u>95,413</u>	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)
	<u>(8,757)</u>	<u>(248)</u>	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	<u>60,164</u>	<u>60,606</u>	(1)
Discontinued operations, net of income taxes:			
Loss from operations	—	(1)	100
Net earnings and comprehensive income	<u>\$ 60,164</u>	<u>\$ 60,605</u>	(1)
Net earnings per common share data:			
Basic			
Net earnings	<u>\$ 3.44</u>	<u>\$ 3.44</u>	—
Diluted			
Net earnings	<u>\$ 3.40</u>	<u>\$ 3.39</u>	—
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)**

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
<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	<u>41,055</u>	<u>50,687</u>	(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	<u>81,805</u>	<u>79,832</u>	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	<u>2,694</u>	<u>3,193</u>	(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	<u>32,154</u>	<u>31,841</u>	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	<u>3,531</u>	<u>9,208</u>	(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)**

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
<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	<u>231,069</u>	<u>235,887</u>	(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	<u>250,318</u>	<u>218,808</u>	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	<u>12,097</u>	<u>10,367</u>	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	<u>173,172</u>	<u>156,883</u>	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	<u>60,164</u>	<u>60,606</u>	(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	<u>114,245</u>	<u>114,373</u>
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	<u>(59,423)</u>	<u>(220,942)</u>
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	<u>(57,489)</u>	<u>113,143</u>
Net (decrease) increase in cash and cash equivalents	<u>(2,667)</u>	<u>6,574</u>
Cash and cash equivalents, beginning of year	44,708	37,177
Cash and cash equivalents, end of year	<u>\$ 42,041</u>	<u>\$ 43,751</u>

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

	September 30, 2014	December 31, 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	\$ 1,332,264	\$ 1,352,261
<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	\$ 1,332,264	\$ 1,352,261

**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 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