

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

| | Three Months Ended | | % Change |
|--|--------------------|-----------------|----------|
| | March 31, | | |
| | 2014 | 2013 | |
| Net revenues: | | | |
| Racing | \$ 30,579 | \$ 27,813 | 10 |
| Gaming | 86,555 | 72,089 | 20 |
| Online | 46,084 | 42,916 | 7 |
| Other | 4,092 | 5,058 | (19) |
| | <u>167,310</u> | <u>147,876</u> | 13 |
| Operating expenses: | | | |
| Racing | 43,220 | 41,120 | 5 |
| Gaming | 62,215 | 50,988 | 22 |
| Online | 33,577 | 30,362 | 11 |
| Other | 5,698 | 5,182 | 10 |
| Selling, general and administrative expenses | 21,465 | 17,558 | 22 |
| Insurance recoveries, net of losses | (431) | (375) | 15 |
| Operating income | <u>1,566</u> | <u>3,041</u> | (49) |
| Other income (expense): | | | |
| Interest income | 4 | 10 | (60) |
| Interest expense | (4,973) | (1,476) | U |
| Equity in gains (losses) of unconsolidated investments | 2,290 | (164) | F |
| Miscellaneous, net | (25) | 7 | U |
| | <u>(2,704)</u> | <u>(1,623)</u> | (67) |
| (Loss) earnings from continuing operations before provision for income taxes | (1,138) | 1,418 | U |
| Income tax benefit (provision) | 438 | (329) | F |
| (Loss) earnings from continuing operations | <u>(700)</u> | <u>1,089</u> | U |
| Discontinued operations, net of income taxes: | | | |
| Loss from operations | — | (31) | F |
| Net (loss) earnings and comprehensive income | <u>\$ (700)</u> | <u>\$ 1,058</u> | U |
| Net (loss) earnings per common share data: | | | |
| Basic | | | |
| Net (loss) earnings | <u>\$ (0.04)</u> | <u>\$ 0.06</u> | U |
| Diluted | | | |
| Net (loss) earnings | <u>\$ (0.04)</u> | <u>\$ 0.06</u> | U |
| Weighted average shares outstanding: | | | |
| Basic | 17,419 | 17,209 | |
| Diluted | 17,419 | 17,828 | |

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
for the three months ended March 31,
(in thousands, except per common share data)

| | <u>2014</u> | <u>2013</u> | <u>% Change</u> |
|--|-------------------|-------------------|-----------------|
| Net revenues from external customers: | | | |
| Churchill Downs | \$ 2,142 | \$ 2,300 | (7) |
| Arlington Park | 6,122 | 7,241 | (15) |
| Calder | 8,024 | 2,280 | F |
| Fair Grounds | 14,291 | 15,992 | (11) |
| Total Racing Operations | 30,579 | 27,813 | 10 |
| Calder Casino | 20,583 | 20,486 | — |
| Fair Grounds Slots | 11,784 | 12,364 | (5) |
| VSI | 8,923 | 9,761 | (9) |
| Harlow's Casino | 14,451 | 15,354 | (6) |
| Oxford Casino | 17,519 | — | F |
| Riverwalk Casino | 13,295 | 14,124 | (6) |
| Total Gaming | 86,555 | 72,089 | 20 |
| Online Business | 46,084 | 42,916 | 7 |
| Other Investments | 3,837 | 4,902 | (22) |
| Corporate | 255 | 156 | 63 |
| Net revenues from external customers | <u>\$ 167,310</u> | <u>\$ 147,876</u> | 13 |
| Intercompany net revenues: | | | |
| Churchill Downs | \$ 228 | \$ 189 | 21 |
| Arlington Park | 1,017 | 137 | F |
| Calder | 356 | 13 | F |
| Fair Grounds | 732 | 833 | (12) |
| Total Racing Operations | 2,333 | 1,172 | 99 |
| Online Business | 230 | 213 | 8 |
| Other Investments | 898 | 902 | — |
| Eliminations | (3,461) | (2,287) | 51 |
| Net revenues | <u>\$ —</u> | <u>\$ —</u> | — |
| Reconciliation of Adjusted EBITDA to net (loss) earnings: | | | |
| Racing Operations | \$ (10,250) | \$ (11,257) | 9 |
| Gaming | 27,251 | 21,927 | 24 |
| Online Business | 9,950 | 11,335 | (12) |
| Other Investments | (1,353) | 309 | U |
| Corporate | (1,106) | (1,177) | 6 |
| Total Adjusted EBITDA | 24,492 | 21,137 | 16 |
| Insurance recoveries, net of losses | 431 | 375 | 15 |
| Share-based compensation expense | (5,241) | (3,363) | 56 |
| Pre-opening costs | (27) | (230) | (88) |
| MVG interest expense, net | (540) | — | U |
| Depreciation and amortization | (15,284) | (15,035) | 2 |
| Interest income (expense), net | (4,969) | (1,466) | U |
| Income tax benefit (provision) | 438 | (329) | F |
| (Loss) earnings from continuing operations | (700) | 1,089 | U |
| Discontinued operations, net of income taxes | — | (31) | F |
| Net (loss) earnings and comprehensive income | <u>\$ (700)</u> | <u>\$ 1,058</u> | U |

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
for the three months ended March 31,
(in thousands)

| Intercompany management fee (expense) income: | Three Months Ended | | Change | |
|--|---------------------------|-------------|---------------|----------|
| | March 31, | | \$ | % |
| | 2014 | 2013 | | |
| Racing Operations | \$ (978) | \$ (841) | \$ (137) | (16) |
| Gaming | (2,574) | (2,091) | (483) | (23) |
| Online Business | (1,431) | (1,232) | (199) | (16) |
| Other Investments | (133) | (162) | 29 | 18 |
| Corporate Income | 5,116 | 4,326 | 790 | 18 |
| Total management fees | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | |

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended March 31,
(in thousands)

| | 2014 | 2013 |
|--|------------------|------------------|
| Cash flows from operating activities: | | |
| Net (loss) earnings and comprehensive income | \$ (700) | \$ 1,058 |
| Adjustments to reconcile net (loss) earnings and comprehensive income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,284 | 15,035 |
| Loss (gain) on asset disposition | 1 | (1) |
| Equity in (gain) loss of unconsolidated investments | (2,290) | 164 |
| Share-based compensation | 5,241 | 3,363 |
| Other | 149 | 244 |
| Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions and dispositions: | | |
| Restricted cash | 6,547 | 6,758 |
| Accounts receivable | (153) | 4,413 |
| Other current assets | (8,883) | (8,970) |
| Accounts payable | 9,519 | (203) |
| Purses payable | (5,445) | (3,318) |
| Accrued expenses | (6,979) | (8,980) |
| Deferred revenue | 33,099 | 37,378 |
| Income taxes receivable and payable | 6,030 | (460) |
| Other assets and liabilities | 511 | 234 |
| Net cash provided by operating activities | <u>51,931</u> | <u>46,715</u> |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (20,169) | (13,694) |
| Investment in joint venture | (6,500) | (3,500) |
| Purchases of minority investments | (273) | (365) |
| Proceeds on sale of property and equipment | 86 | — |
| Change in deposit wagering asset | (1,021) | (2,244) |
| Net cash used in investing activities | <u>(27,877)</u> | <u>(19,803)</u> |
| Cash flows from financing activities: | | |
| Borrowings on bank line of credit | 93,067 | 103,387 |
| Repayments of bank line of credit | (96,509) | (125,796) |
| Change in bank overdraft | 1,845 | (3,633) |
| Payments of dividends | (15,186) | — |
| Repurchase of common stock | (7,402) | (1,007) |
| Common stock issued | 68 | 53 |
| Windfall tax benefit from share-based compensation | 2,630 | — |
| Loan origination fees | (103) | (49) |
| Debt issuance costs | (1,029) | — |
| Change in deposit wagering liability | 1,021 | 2,244 |
| Net cash used in financing activities | <u>(21,598)</u> | <u>(24,801)</u> |
| Net increase in cash and cash equivalents | 2,456 | 2,111 |
| Cash and cash equivalents, beginning of year | 44,708 | 37,177 |
| Cash and cash equivalents, end of year | <u>\$ 47,164</u> | <u>\$ 39,288</u> |

CHURCHILL DOWNS INCORPORATED
CONSOLIDATED BALANCE SHEETS
March 31,
(in thousands)

| | March 31, 2014 | December 31, 2013 |
|--|---------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 47,164 | \$ 44,708 |
| Restricted cash | 30,548 | 36,074 |
| Accounts receivable, net | 35,231 | 46,572 |
| Deferred income taxes | 7,100 | 8,927 |
| Income taxes receivable | 8,195 | 12,398 |
| Other current assets | 20,764 | 12,036 |
| Total current assets | 149,002 | 160,715 |
| Property and equipment, net | 590,586 | 585,498 |
| Investment in and advance to unconsolidated affiliate | 94,692 | 86,151 |
| Goodwill | 300,616 | 300,616 |
| Other intangible assets, net | 195,321 | 198,149 |
| Other assets | 20,866 | 21,132 |
| Total assets | \$ 1,351,083 | \$ 1,352,261 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 51,697 | \$ 43,123 |
| Bank overdraft | 2,818 | 973 |
| Account wagering deposit liabilities | 19,700 | 18,679 |
| Purses payable | 13,394 | 18,839 |
| Accrued expenses | 51,808 | 66,469 |
| Accrued interest payable | 4,944 | 859 |
| Current maturities of long-term debt | — | 15,186 |
| Deferred revenue | 70,413 | 49,078 |
| Total current liabilities | 214,774 | 213,206 |
| Long-term debt, net of current maturities | 365,750 | 369,191 |
| Other liabilities | 18,299 | 17,753 |
| Deferred revenue | 17,018 | 16,706 |
| Deferred income taxes | 30,616 | 30,616 |
| Total liabilities | 646,457 | 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; 17,857 shares issued at March 31, 2014 and 17,948 shares issued at December 31, 2013 | 296,492 | 295,955 |
| Retained earnings | 408,134 | 408,834 |
| Total shareholders' equity | 704,626 | 704,789 |
| Total liabilities and shareholders' equity | \$ 1,351,083 | \$ 1,352,261 |

CHURCHILL DOWNS INCORPORATED
JOINT VENTURE FINANCIAL STATEMENTS
for the three months ended March 31,
(Unaudited)

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

| | Three Months Ended | | % Change |
|--------------------------------------|--------------------|-----------------|----------|
| | March 31, 2014 | March 31, 2013 | |
| Gaming revenue | \$ 31,163 | \$ — | F |
| Non-gaming revenue | 1,631 | 1,441 | 13% |
| Net revenues | 32,794 | 1,441 | F |
| Operating and SG&A expenses | 24,211 | 1,553 | U |
| Adjusted EBITDA | 8,583 | (112) | F |
| Depreciation & amortization expenses | 3,367 | 23 | U |
| Pre-opening expenses | 54 | 460 | F |
| Operating income (loss) | 5,162 | (595) | F |
| Interest and other expenses, net | (1,080) | — | U |
| Net earnings (loss) | <u>\$ 4,082</u> | <u>\$ (595)</u> | F |

| | Three Months Ended | | % Change |
|--|--------------------|----------------|----------|
| | March 31, 2014 | March 31, 2013 | |
| Reconciliation of Operating income (loss) to Churchill Downs' Adjusted EBITDA | | | |
| Operating income (loss) | \$ 5,162 | \$ (595) | F |
| Pre-opening expenses | 54 | 460 | F |
| | <u>5,216</u> | <u>(135)</u> | F |
| Churchill Downs' Adjusted EBITDA | <u>\$ 2,608</u> | <u>\$ (68)</u> | F |

| | March 31, 2014 | December 31, 2013 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets | \$ 21,638 | \$ 18,002 |
| Property and equipment, net | 148,083 | 151,434 |
| Other assets, net | 80,746 | 80,665 |
| Total assets | <u>\$ 250,467</u> | <u>\$ 250,101</u> |
| Liabilities and Members' Equity | | |
| Current liabilities | \$ 31,785 | \$ 46,966 |
| Long-term debt | 39,223 | 40,758 |
| Other liabilities | 75 | 75 |
| Members' equity | 179,384 | 162,302 |
| Total liabilities and members' equity | <u>\$ 250,467</u> | <u>\$ 250,101</u> |

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