# Churchill Downs Incorporated Reports 2010 Second-Quarter Results

- **Quarterly Net Revenues Grow 11% Year-Over-Year**
- **Oaks and Derby Week EBITDA Reach New Record High**
- **Acquisition of Youbet.com, Inc. closes on June 2, 2010**
- **EBITDA Increases 1% Despite $4 Million Costs Related to Youbet.com Acquisition**

LOUISVILLE, Ky., Aug. 4, 2010 (GLOBE NEWSWIRE) -- Churchill Downs Incorporated ("CDI"), (Nasdaq:CHDN) today reported results for the second quarter and six months ended June 30, 2010.

Net revenues for the second quarter of 2010 totaled $200.5 million, an increase of 11 percent over net revenues of $180.0 million recorded during the second quarter of 2009. Net revenues for the quarter were positively affected by the performance of CDI's Gaming Segment, up 83 percent over last year, its Online Segment, up 41 percent over last year and growth of Kentucky Oaks and Kentucky Derby Week. Net revenues from CDI's Racing Operations Segment, excluding Kentucky Oaks and Derby Week, declined consistent with the 6 percent decline in U.S. Thoroughbred industry handle, as reported by Equibase, and the 5 percent reduction in CDI race days from 118 to 112 in the quarter.

Earnings from continuing operations for the second quarter were $27.6 million or $1.85 per diluted common share, compared to net earnings from continuing operations of $30.9 million, or $2.20 per diluted common share, during the second quarter of 2009. CDI's EBITDA (earnings before interest, taxes, depreciation and amortization) from continuing operations increased 1 percent year over year from $58.6 million in 2009 to $59.3 million in 2010. Earnings in the quarter were negatively affected by $4 million in costs related to the acquisition of Youbet.com, Inc., which closed on June 2, 2010.

"This was an important quarter for us on four fronts," said Robert L. Evans, CDI president and chief executive officer. "First, we set a new record in terms of the EBITDA performance of our most important asset, the Kentucky Oaks and Kentucky Derby week, up $3.4 million from last year. Second, we continued on pace to meet our expected $80-$100 million in annual gross gaming revenue ("GGR") for the Calder Casino, with $21.1 million in GGR for the quarter. Third, we realized 11 percent handle growth in our Online Business excluding Youbet.com, despite a decline in overall U.S. Thoroughbred industry handle of 6 percent. Finally, we completed the acquisition of Youbet.com and United Tote and are pleased to report that, based upon our integration efforts to date, we should achieve annualized cost synergies of $12 million, rather than the $10 million we previously anticipated."

Subsequent to the quarter, CDI launched the inaugural HullabaLOU Music Festival at Churchill Downs Racetrack on July 23-25. Added Evans, "We more than achieved our primary goals of establishing a national brand and creating an outstanding entertainment experience for the over 78,000 people who attended. Of the attendees surveyed, 99 percent said they would recommend HullabaLOU to their friends, 70 percent said they would definitely attend next year, while 28 percent said they would likely attend depending on the weather (heat) and the lineup of bands. However, with concert ticket sales off 17 percent through June, according to Pollstar, and with the punishing 95-plus degree heat during the three-day event, our EBITDA loss exceeded $5 million, roughly twice what we had expected."

A conference call regarding this news release is scheduled for Thursday, August 5, 2010, at 9 a.m. ET. Investors and other interested parties may listen to the conference call by accessing the online, real-time webcast of the call at www.ChurchillDownsIncorporated.com or by dialing toll-free: **877-372-0878** or if dialing internationally, using the toll number **253-237-1169**, at least 10 minutes before the appointed time. The conference ID number for this call is **83691891**. The online replay will be available within 90 minutes from the conclusion of the conference call, and continue for one year. A copy of this news release announcing quarterly results and relevant financial and statistical information about the period will be accessible at www.ChurchillDownsIncorporated.com.

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), CDI 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. CDI 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 ("CDI"), headquartered in Louisville, Ky., owns and operates four world renowned Thoroughbred racing facilities: Arlington Park in Illinois, Calder Casino and Race Course in Florida, Churchill Downs Racetrack in Kentucky and Fair Grounds Race Course & Slots in Louisiana. CDI operates slots and gaming operations in Louisiana and Florida. CDI

tracks are host to many of North America's most prestigious races, including the Arlington Million, the Kentucky Derby and the Kentucky Oaks, the Louisiana Derby and the Princess Rooney, along with hosting the Breeders' Cup World Championships for a record seventh time on Nov. 5-6, 2010 and eighth time on Nov. 4-5, 2011. CDI also owns off-track betting facilities, TwinSpires.com, Youbet.com and other advance-deposit wagering providers, United Tote, television production, telecommunications and racing service companies such as BRIS and a 50-percent interest in the national cable and satellite network, HorseRacing TV, which supports CDI's network of simulcasting and racing operations. CDI's Churchill Downs Entertainment Group produces the HullabaLOU Music Festival and 'Fork, Cork & Style.' CDI trades on the NASDAQ Global Select Market under the symbol CHDN and can be found at www.ChurchillDownsIncorporated.com

Information set forth in this press 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 made in this press release 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," "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; 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, on-line gaming and riverboat, cruise ship and land-based casinos) and other sports and entertainment options in those markets in which we operate; 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 Florida, Illinois or Louisiana law that impact revenues of racing operations in those states; the presence of wagering facilities of Indiana racetracks 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 horsemens' groups to interstate simulcasting; 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 loss of our totalisator companies or their inability to provide us assurance of the reliability of their internal control processes through Statement on Auditing Standards No. 70 audits or to keep their technology current; the need for various alternative gaming approvals in Louisiana; our accountability for environmental contamination; the loss of key personnel; the impact of natural and other disasters on our operations and our ability to adjust the casualty losses through our property and business interruption insurance coverage; our ability to integrate Youbet and other businesses we acquire, 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
CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS
For the three months ended June 30, 2010 and 2009
(In thousands, except per share data)

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | **2010** | **2009** | **% Change** |
| Net revenues | $ 200,512 | $ 180,037 | 11 |
| Operating expenses | 137,332 | 116,929 | 17 |
| Selling, general and administrative expenses | 15,956 | 11,986 | 33 |
| Operating income | 47,224 | 51,122 | (8) |
| Other income (expense): | | | |

| | | | |
|---|---|---|---|
| Interest income | 17 | 264 | (94) |
| Interest expense | (1,420) | (211) | U |
| Equity in loss of unconsolidated investments | (290) | (395) | 27 |
| Miscellaneous, net | 359 | 400 | (10) |
| | (1,334) | 58 | U |
| Earnings from continuing operations before provision for income taxes | 45,890 | 51,180 | (10) |
| Income tax provision | (18,285) | (20,324) | 10 |
| Earnings from continuing operations | 27,605 | 30,856 | (11) |
| Discontinued operations, net of income taxes: | | | |
| Earnings from operations | -- | 5 | (100) |
| Net earnings | $ 27,605 | $ 30,861 | (11) |
| | | | |
| Net earnings per common share data: | | | |
| Basic | | | |
| Earnings from continuing operations | $ 1.85 | $ 2.20 | (16) |
| Discontinued operations | -- | -- | -- |
| Net earnings | $ 1.85 | $ 2.20 | (16) |
| Diluted | | | |
| Earnings from continuing operations | $ 1.85 | $ 2.20 | (16) |
| Discontinued operations | -- | -- | -- |
| Net earnings | $ 1.85 | $ 2.20 | (16) |
| | | | |
| Weighted average shares outstanding: | | | |
| Basic | 14,440 | 13,573 | |
| Diluted | 14,895 | 14,031 | |

NM: Not meaningful U: > 100% unfavorable F: > 100% favorable

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS
For the six months ended June 30, 2010 and 2009
(Unaudited)
(In thousands, except per share data)

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | **2010** | **2009** | **% Change** |
| Net revenues | $ 275,562 | $ 253,774 | 9 |
| Operating expenses | 215,237 | 187,212 | 15 |
| Selling, general and administrative expenses | 29,327 | 24,435 | 20 |
| Operating income | 30,998 | 42,127 | (26) |
| | | | |
| Other income (expense): | | | |
| Interest income | 128 | 387 | (67) |
| Interest expense | (2,678) | (527) | U |
| Equity in earnings (loss) of unconsolidated investments | 153 | (73) | F |
| Miscellaneous, net | 653 | 720 | (9) |

| | | | |
|---|---|---|---|
| | (1,744) | 507 | U |
| Earnings from continuing operations before provision for income taxes | 29,254 | 42,634 | (31) |
| Income tax provision | (10,058) | (16,845) | 40 |
| Earnings from continuing operations | 19,196 | 25,789 | (26) |
| Discontinued operations, net of income taxes: | | | |
| (Loss) earnings from operations | (259) | 246 | U |
| Net earnings | $ 18,937 | $ 26,035 | (27) |
| | | | |
| Net earnings per common share data: | | | |
| Basic | | | |
| Earnings from continuing operations | $ 1.33 | $ 1.84 | (28) |
| Discontinued operations | (0.02) | 0.02 | U |
| Net earnings | $ 1.31 | $ 1.86 | (30) |
| Diluted | | | |
| Earnings from continuing operations | $ 1.33 | $ 1.84 | (28) |
| Discontinued operations | (0.02) | 0.02 | U |
| Net earnings | $ 1.31 | $ 1.86 | (30) |
| | | | |
| Weighted average shares outstanding: | | | |
| Basic | 14,027 | 13,573 | |
| Diluted | 14,490 | 14,031 | |

NM: Not meaningful U: > 100% unfavorable F: > 100% favorable

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
For the three months ended June 30, 2010 and 2009
(Unaudited)
(In thousands)

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | **2010** | **2009** | **% Change** |
| **Net revenues from external customers:** | | | |
| Churchill Downs | $ 89,390 | $ 88,421 | 1 |
| Arlington Park | 23,050 | 25,361 | (9) |
| Calder | 18,294 | 19,448 | (6) |
| Fair Grounds | 9,898 | 10,040 | (1) |
| Total Racing Operations | 140,632 | 143,270 | (2) |
| Online Business | 29,393 | 20,794 | 41 |
| Gaming | 28,186 | 15,389 | 83 |
| Other Investments | 2,305 | 256 | F |
| Corporate | (4) | 328 | U |
| Net revenues from external customers | $ 200,512 | $ 180,037 | 11 |

**Intercompany net revenues:**

| | | | |
|---|---|---|---|
| Churchill Downs | $ 2,428 | $ 2,205 | 10 |
| Arlington Park | 919 | 595 | 54 |
| Calder | 351 | 342 | 3 |
| Fair Grounds | 8 | -- | F |
| Total Racing Operations | 3,706 | 3,142 | 18 |
| Online Business | 257 | 174 | 48 |
| Other Investments | 602 | 525 | 15 |
| Eliminations | (4,565) | (3,841) | (19) |
| Intercompany net revenues | $ -- | $ -- | -- |
| **Reconciliation of Segment EBITDA to net earnings:** | | | |
| Racing Operations | $ 49,428 | $ 48,495 | 2 |
| Online Business | 4,654 | 5,227 | (11) |
| Gaming | 6,706 | 4,825 | 39 |
| Other Investments | (194) | 442 | U |
| Corporate | (1,311) | (403) | U |
| Total EBITDA | 59,283 | 58,586 | 1 |
| Depreciation and amortization | (11,990) | (7,459) | (61) |
| Interest income (expense), net | (1,403) | 53 | U |
| Income tax expense | (18,285) | (20,324) | 10 |
| Earnings from continuing operations | 27,605 | 30,856 | (11) |
| Discontinued operations, net of income taxes | -- | 5 | (100) |
| Net earnings | $ 27,605 | $ 30,861 | (11) |

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
For the six months ended June 30, 2010 and 2009
(Unaudited)
(In thousands)

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | **2010** | **2009** | **% Change** |
| **Net revenues from external customers:** | | | |
| Churchill Downs | $ 91,530 | $ 90,492 | 1 |
| Arlington Park | 32,088 | 41,402 | (22) |
| Calder | 21,244 | 21,632 | (2) |
| Fair Grounds | 26,425 | 28,728 | (8) |
| Total Racing Operations | 171,287 | 182,254 | (6) |
| Online Business | 47,350 | 37,444 | 26 |
| Gaming | 54,518 | 33,264 | 64 |
| Other Investments | 2,404 | 357 | F |
| Corporate | 3 | 455 | (99) |
| Net revenues from external customers | $ 275,562 | $ 253,774 | 9 |
| **Intercompany net revenues:** | | | |
| Churchill Downs | $ 2,536 | $ 2,205 | 15 |

| | | | |
|---|---|---|---|
| Arlington Park | 1,343 | 837 | 60 |
| Calder | 375 | 362 | 4 |
| Fair Grounds | 547 | 580 | (6) |
| Total Racing Operations | 4,801 | 3,984 | 21 |
| Online Business | 421 | 298 | 41 |
| Other Investments | 975 | 900 | 8 |
| Eliminations | (6,197) | (5,182) | (20) |
| Intercompany net revenues | $ -- | $ -- | -- |
| **Reconciliation of Segment EBITDA** | | | |
| **to net earnings:** | | | |
| Racing Operations | $ 36,565 | $ 37,746 | (3) |
| Online Business | 8,649 | 8,965 | (4) |
| Gaming | 11,645 | 11,517 | 1 |
| Other Investments | (417) | 820 | U |
| Corporate | (2,623) | (1,398) | (88) |
| Total EBITDA | 53,819 | 57,650 | (7) |
| Depreciation and amortization | (22,015) | (14,876) | (48) |
| Interest income (expense), net | (2,550) | (140) | U |
| Income tax expense | (10,058) | (16,845) | 40 |
| Earnings from continuing operations | 19,196 | 25,789 | (26) |
| Discontinued operations, net of income taxes | (259) | 246 | U |
| Net earnings | $ 18,937 | $ 26,035 | (27) |

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 24,251 | $ 13,643 |
| Restricted cash | 57,376 | 35,125 |
| Accounts receivable, net | 28,469 | 33,446 |
| Deferred income taxes | 7,617 | 6,408 |
| Other current assets | 24,684 | 16,003 |
| Total current assets | 142,397 | 104,625 |
| Property and equipment, net | 471,254 | 458,222 |
| Goodwill | 183,394 | 115,349 |
| Deferred income taxes | 6,233 | -- |
| Other intangible assets, net | 56,830 | 34,329 |
| Other assets | 12,877 | 12,877 |
| Total assets | $ 872,985 | $ 725,402 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 61,719 | $ 38,772 |

| | | |
|---|---|---|
| Purses payable | 17,895 | 11,857 |
| Accrued expenses | 52,869 | 46,603 |
| Dividends payable | -- | 6,777 |
| Deferred revenue | 17,668 | 30,972 |
| Income taxes payable | 7,745 | 1,997 |
| Deferred riverboat subsidy | 36,487 | 23,965 |
| Note payable, related party | -- | 24,043 |
| Total current liabilities | 194,383 | 184,986 |
| | | |
| Long-term debt | 113,512 | 71,132 |
| Convertible note payable, related party | 14,865 | 14,655 |
| Other liabilities | 20,508 | 19,137 |
| Deferred revenue | 15,560 | 16,720 |
| Deferred income taxes | -- | 11,750 |
| Total liabilities | 358,828 | 318,380 |
| | | |
| 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; 16,443 shares issued June 30, 2010 and 13,684 shares issued at December 31, 2009 | 233,621 | 145,423 |
| Retained earnings | 280,536 | 261,599 |
| Total shareholders' equity | 514,157 | 407,022 |
| Total liabilities and shareholders' equity | $ 872,985 | $ 725,402 |

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