

CHURCHILL DOWNS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

<i>(in millions, except per common share data)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenue:				
Racing	\$ 165.3	\$ 156.1	\$ 189.2	\$ 182.3
Casinos	88.3	84.4	175.8	170.9
TwinSpires	80.5	68.4	132.5	118.0
Big Fish Games	112.6	125.2	224.6	247.3
Other Investments	5.2	4.4	9.3	8.4
Total net revenue	451.9	438.5	731.4	726.9
Operating expense:				
Racing	76.5	72.3	112.9	107.9
Casinos	62.1	60.4	124.8	121.4
TwinSpires	51.4	41.4	87.8	76.0
Big Fish Games	89.4	105.6	176.3	215.0
Other Investments	4.9	4.1	8.8	8.0
Corporate	0.5	0.4	1.2	1.0
Selling, general and administrative expense	26.7	24.6	50.8	47.7
Research and development	9.9	9.7	20.2	20.5
Calder exit costs	0.2	1.5	0.6	1.9
Acquisition expenses, net	0.8	1.1	1.0	3.8
Total operating expense	322.4	321.1	584.4	603.2
Operating income	129.5	117.4	147.0	123.7
Other income (expense):				
Interest expense	(11.6)	(11.1)	(23.4)	(21.7)
Equity in income of unconsolidated investments	7.7	4.8	13.8	8.6
Miscellaneous, net	0.2	0.4	0.2	(0.1)
Total other expense	(3.7)	(5.9)	(9.4)	(13.2)
Income from operations before provision for income taxes	125.8	111.5	137.6	110.5
Income tax provision	(47.5)	(41.7)	(52.0)	(37.9)
Net income	\$ 78.3	\$ 69.8	\$ 85.6	\$ 72.6
Net income per common share data:				
Basic net income	\$ 4.86	\$ 4.16	\$ 5.27	\$ 4.32
Diluted net income	\$ 4.81	\$ 4.11	\$ 5.18	\$ 4.27
Weighted average shares outstanding:				
Basic	16.1	16.5	16.2	16.5
Diluted	16.3	17.0	16.5	17.0
Other comprehensive loss:				
Foreign currency translation, net of tax	(0.3)	0.2	(0.4)	0.2
Other comprehensive (loss) gain	(0.3)	0.2	(0.4)	0.2
Comprehensive income	\$ 78.0	\$ 70.0	\$ 85.2	\$ 72.8

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(in millions)</i>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 41.8	\$ 48.7
Restricted cash	31.6	34.3
Accounts receivable, net	70.6	81.4
Receivable from escrow	—	13.6
Income taxes receivable	—	7.6
Game software development, net	10.6	9.6
Other current assets	54.2	50.8
Total current assets	208.8	246.0
Property and equipment, net	602.8	574.4
Game software development, net	8.7	6.3
Investment in and advances to unconsolidated affiliates	168.0	139.1
Goodwill	847.2	832.2
Other intangible assets, net	434.2	445.7
Other assets	12.3	10.7
Total assets	\$ 2,282.0	\$ 2,254.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 87.3	\$ 53.2
Purses payable	23.2	12.5
Account wagering deposit liabilities	25.0	25.0
Accrued expense	93.9	100.1
Income taxes payable	42.3	—
Deferred revenue - Big Fish Games	79.6	81.3
Deferred revenue - all other	11.5	64.3
Big Fish Games deferred payment, current	28.1	27.8
Big Fish Games earnout liability, current	33.8	67.9
Current maturities of long-term debt	16.5	14.2
Dividends payable	—	21.8
Total current liabilities	441.2	468.1
Long-term debt, net of current maturities and loan origination fees	459.9	312.8
Notes payable, including premium and net of debt issuance costs	595.3	594.7
Deferred revenue - all other	20.7	24.4
Deferred income taxes	145.3	153.1
Other liabilities	18.3	16.3
Total liabilities	1,680.7	1,569.4
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 0.3 shares authorized; no shares issued	—	—
Common stock, no par value; 50.0 shares authorized; 15.4 shares issued at June 30, 2017 and 16.5 shares issued at December 31, 2016	—	116.5
Retained earnings	602.8	569.7
Accumulated other comprehensive loss	(1.5)	(1.2)
Total shareholders' equity	601.3	685.0
Total liabilities and shareholders' equity	\$ 2,282.0	\$ 2,254.4

CHURCHILL DOWNS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

<i>(in millions)</i>	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 85.6	\$ 72.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49.3	53.9
Game software development amortization	8.7	7.5
Acquisition expenses, net	1.0	3.8
Distributed earnings from equity investments	8.7	8.2
Big Fish Games earnout payment	(2.5)	(19.7)
Earnings from equity investments, net	(13.8)	(8.6)
Stock-based compensation	11.7	9.4
Other	0.7	1.1
Increase (decrease) in cash resulting from changes in operating assets and liabilities, net of business acquisitions and dispositions:		
Other current assets and liabilities	25.1	20.2
Game software development	(11.3)	(10.1)
Income taxes payable	50.0	35.8
Deferred revenue	(34.9)	(4.2)
Other assets and liabilities	(7.2)	(3.1)
Net cash provided by operating activities	171.1	166.8
Cash flows from investing activities:		
Capital maintenance expenditures	(17.9)	(16.3)
Capital project expenditures	(46.1)	(18.2)
Receivable from escrow	13.6	—
Acquisition of businesses	(23.1)	—
Investment in unconsolidated affiliates	(24.0)	—
Other	0.2	(1.1)
Net cash used in investing activities	(97.3)	(35.6)
Cash flows from financing activities:		
Borrowings on bank line of credit	543.6	442.1
Repayments of bank line of credit	(394.2)	(298.8)
Big Fish Games earnout payment	(31.7)	(261.9)
Payment of dividends	(21.8)	(19.1)
Repurchase of common stock	(181.0)	(17.6)
Other	3.8	4.4
Net cash used in financing activities	(81.3)	(150.9)
Net decrease in cash and cash equivalents	(7.5)	(19.7)
Effect of exchange rate changes on cash flows	0.6	0.3
Cash and cash equivalents, beginning of period	48.7	74.5
Cash and cash equivalents, end of period	\$ 41.8	\$ 55.1

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
(Unaudited)

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenue from external customers:				
Racing:				
Churchill Downs	\$ 136.7	\$ 129.1	\$ 139.0	\$ 131.4
Arlington	18.0	16.8	26.5	25.8
Fair Grounds	10.0	9.5	22.5	23.8
Calder	0.6	0.7	1.2	1.3
Total Racing	165.3	156.1	189.2	182.3
Casinos:				
Oxford Casino	23.1	21.1	44.0	41.0
Riverwalk Casino	12.0	12.4	23.5	25.1
Harlow's Casino	12.5	11.9	26.0	24.9
Calder Casino	21.8	20.5	43.2	40.8
Fair Grounds Slots	8.8	8.8	19.0	19.4
VSI	9.8	9.5	19.5	19.3
Saratoga	0.3	0.2	0.6	0.4
Total Casinos	88.3	84.4	175.8	170.9
TwinSpires	80.5	68.4	132.5	118.0
Big Fish Games:				
Social casino	49.5	46.5	95.7	94.0
Casual and mid-core free-to-play	43.9	56.0	89.2	106.4
Premium	19.2	22.7	39.7	46.9
Total Big Fish Games	112.6	125.2	224.6	247.3
Other Investments	5.2	4.4	9.3	8.4
Net revenue from external customers	\$ 451.9	\$ 438.5	\$ 731.4	\$ 726.9
Intercompany net revenue:				
Racing:				
Churchill Downs	\$ 8.4	\$ 7.0	\$ 8.7	\$ 7.3
Arlington	1.9	1.6	2.9	2.6
Fair Grounds	0.1	—	1.0	1.0
Total Racing	10.4	8.6	12.6	10.9
TwinSpires	0.3	0.3	0.6	0.6
Other Investments	1.3	1.4	2.7	2.3
Eliminations	(12.0)	(10.3)	(15.9)	(13.8)
Intercompany net revenue	\$ —	\$ —	\$ —	\$ —

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
(Unaudited)

Adjusted EBITDA by segment is comprised of the following:

Three Months Ended June 30, 2017

<i>(in millions)</i>	Racing	Casinos	TwinSpires	Big Fish Games	Other Investments	Corporate	Eliminations	Total
Net revenue	\$ 175.7	\$ 88.3	\$ 80.8	\$ 112.6	\$ 6.5	\$ —	\$ (12.0)	\$ 451.9
Taxes & purses	(32.9)	(29.7)	(4.1)	—	—	—	—	(66.7)
Platform & development fees	—	—	—	(40.4)	—	—	—	(40.4)
Marketing & advertising	(2.2)	(3.0)	(4.6)	(28.0)	—	—	0.2	(37.6)
Salaries & benefits	(13.5)	(13.4)	(2.6)	(6.9)	(3.3)	—	—	(39.7)
Content expense	(4.7)	—	(40.2)	—	—	—	11.3	(33.6)
Selling, general & administrative expense	(4.2)	(5.6)	(3.0)	(5.1)	(0.7)	(1.8)	0.3	(20.1)
Research & development	—	—	—	(9.9)	—	—	—	(9.9)
Other operating expense	(20.0)	(9.8)	(7.0)	(3.6)	(1.2)	(0.3)	(0.1)	(42.0)
Other income (expense)	0.5	10.7	—	(0.4)	—	—	0.3	11.1
Adjusted EBITDA	<u>\$ 98.7</u>	<u>\$ 37.5</u>	<u>\$ 19.3</u>	<u>\$ 18.3</u>	<u>\$ 1.3</u>	<u>\$ (2.1)</u>	<u>\$ —</u>	<u>\$ 173.0</u>

Three Months Ended June 30, 2016

<i>(in millions)</i>	Racing	Casinos	TwinSpires	Big Fish Games	Other Investments	Corporate	Eliminations	Total
Net revenue	\$ 164.7	\$ 84.4	\$ 68.7	\$ 125.2	\$ 5.8	\$ —	\$ (10.3)	\$ 438.5
Taxes & purses	(30.3)	(28.1)	(2.0)	—	—	—	—	(60.4)
Platform & development fees	—	—	—	(45.9)	—	—	—	(45.9)
Marketing & advertising	(1.9)	(3.1)	(3.2)	(37.1)	—	—	0.1	(45.2)
Salaries & benefits	(12.7)	(12.7)	(2.3)	(6.1)	(2.8)	—	—	(36.6)
Content expense	(4.8)	—	(33.5)	—	—	—	9.7	(28.6)
Selling, general & administrative expense	(4.0)	(5.3)	(2.8)	(4.3)	(0.9)	(2.2)	0.4	(19.1)
Research & development	—	—	—	(9.7)	—	—	—	(9.7)
Other operating expense	(19.9)	(9.7)	(6.1)	(4.0)	(1.0)	—	0.1	(40.6)
Other income (expense)	0.2	7.8	—	(0.3)	0.2	(0.1)	—	7.8
Adjusted EBITDA	<u>\$ 91.3</u>	<u>\$ 33.3</u>	<u>\$ 18.8</u>	<u>\$ 17.8</u>	<u>\$ 1.3</u>	<u>\$ (2.3)</u>	<u>\$ —</u>	<u>\$ 160.2</u>

Six Months Ended June 30, 2017

<i>(in millions)</i>	Racing	Casinos	TwinSpire	Big Fish Games	Other Investments	Corporate	Eliminations	Total
Net revenue	\$ 201.8	\$ 175.8	\$ 133.1	\$ 224.6	\$ 12.0	\$ —	\$ (15.9)	\$ 731.4
Taxes & purses	(43.1)	(58.8)	(7.1)	—	—	—	—	(109.0)
Platform & development fees	—	—	—	(81.9)	—	—	—	(81.9)
Marketing & advertising	(2.9)	(6.0)	(5.6)	(52.5)	—	—	0.3	(66.7)
Salaries & benefits	(22.1)	(26.5)	(4.8)	(13.9)	(6.2)	—	—	(73.5)
Content expense	(7.9)	—	(65.6)	—	—	—	14.1	(59.4)
Selling, general & administrative expense	(8.0)	(10.8)	(5.7)	(9.8)	(1.5)	(4.0)	0.6	(39.2)
Research & development	—	—	—	(20.2)	—	—	—	(20.2)
Other operating expense	(29.3)	(21.2)	(11.8)	(7.3)	(2.5)	(0.5)	0.6	(72.0)
Other income (expense)	0.5	20.3	—	(0.4)	0.1	—	0.3	20.8
Total segment Adjusted EBITDA	\$ 89.0	\$ 72.8	\$ 32.5	\$ 38.6	\$ 1.9	\$ (4.5)	\$ —	\$ 230.3

Six Months Ended June 30, 2016

<i>(in millions)</i>	Racing	Casinos	TwinSpire	Big Fish Games	Other Investments	Corporate	Eliminations	Total
Net revenue	\$ 193.2	\$ 170.9	\$ 118.6	\$ 247.3	\$ 10.7	\$ —	\$ (13.8)	\$ 726.9
Taxes & purses	(41.5)	(56.5)	(4.8)	—	—	—	—	(102.8)
Platform & development fees	—	—	—	(90.0)	—	—	—	(90.0)
Marketing & advertising	(2.7)	(6.5)	(4.2)	(79.9)	—	—	0.3	(93.0)
Salaries & benefits	(21.1)	(24.8)	(4.6)	(12.2)	(5.5)	—	—	(68.2)
Content expense	(8.1)	—	(57.4)	—	—	—	12.7	(52.8)
Selling, general & administrative expense	(7.9)	(10.4)	(5.6)	(9.2)	(1.6)	(4.0)	0.7	(38.0)
Research & development	—	—	—	(20.5)	—	—	—	(20.5)
Other operating expense	(28.3)	(19.4)	(11.1)	(7.9)	(1.7)	(0.3)	0.1	(68.6)
Other income (expense)	0.3	14.3	—	(0.9)	0.2	—	—	13.9
Total segment Adjusted EBITDA	\$ 83.9	\$ 67.6	\$ 30.9	\$ 26.7	\$ 2.1	\$ (4.3)	\$ —	\$ 206.9

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
(Unaudited)

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Reconciliation of Comprehensive Income to Adjusted EBITDA:				
Comprehensive income	\$ 78.0	\$ 70.0	\$ 85.2	\$ 72.8
Foreign currency translation, net of tax	0.3	(0.2)	0.4	(0.2)
Net income	78.3	69.8	85.6	72.6
Additions:				
Depreciation and amortization	24.8	26.9	49.3	53.9
Interest expense	11.6	11.1	23.4	21.7
Income tax provision	47.5	41.7	52.0	37.9
EBITDA	\$ 162.2	\$ 149.5	\$ 210.3	\$ 186.1
Adjustments to EBITDA:				
Selling, general and administrative:				
Stock-based compensation expense	\$ 6.7	\$ 5.3	\$ 11.7	\$ 9.4
Other charges	—	0.3	0.1	0.3
Other income, expense:				
Interest, depreciation and amortization expense related to equity investments	3.1	2.5	6.6	5.0
Other charges and recoveries, net	—	—	—	0.4
Acquisition expense, net	0.8	1.1	1.0	3.8
Calder exit costs	0.2	1.5	0.6	1.9
Total adjustments to EBITDA	10.8	10.7	20.0	20.8
Adjusted EBITDA	\$ 173.0	\$ 160.2	\$ 230.3	\$ 206.9
Adjusted EBITDA by segment:				
Racing	\$ 98.7	\$ 91.3	\$ 89.0	\$ 83.9
Casinos	37.5	33.3	72.8	67.6
TwinSpires	19.3	18.8	32.5	30.9
Big Fish Games	18.3	17.8	38.6	26.7
Other Investments	1.3	1.3	1.9	2.1
Corporate	(2.1)	(2.3)	(4.5)	(4.3)
Adjusted EBITDA	\$ 173.0	\$ 160.2	\$ 230.3	\$ 206.9

CHURCHILL DOWNS INCORPORATED
SUPPLEMENTAL INFORMATION BY OPERATING UNIT
(Unaudited)

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Corporate allocated expense:				
Racing	\$ (1.4)	\$ (1.5)	\$ (2.8)	\$ (2.8)
Casinos	(1.8)	(1.7)	(3.5)	(3.2)
TwinSpires	(1.3)	(1.4)	(2.5)	(2.6)
Big Fish Games	(0.7)	(0.6)	(1.4)	(1.3)
Other Investments	(0.4)	(0.4)	(0.7)	(0.7)
Corporate allocated expense	5.6	5.6	10.9	10.6
Total Corporate allocated expense	\$ —	\$ —	\$ —	\$ —

CHURCHILL DOWNS INCORPORATED
JOINT VENTURE FINANCIAL STATEMENTS
(Unaudited)

Summarized financial information for Miami Valley Gaming, LLC is comprised of the following:

<i>(in millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Casino revenue	\$ 40.2	\$ 36.6	\$ 79.5	\$ 72.6
Non-casino revenue	1.8	2.0	3.9	4.0
Net revenue	42.0	38.6	83.4	76.6
Operating and SG&A expense	29.0	26.5	57.6	53.3
Depreciation & amortization	3.2	3.3	6.3	6.5
Operating income	9.8	8.8	19.5	16.8
Interest and other expense, net	(0.6)	(0.9)	(1.3)	(1.8)
Net income	\$ 9.2	\$ 7.9	\$ 18.2	\$ 15.0

<i>(in millions)</i>	June 30, 2017	December 31, 2016
Assets		
Current assets	\$ 18.1	\$ 18.7
Property and equipment, net	105.4	109.8
Other assets, net	105.0	105.0
Total assets	<u>\$ 228.5</u>	<u>\$ 233.5</u>
Liabilities and Members' Equity		
Current liabilities	\$ 8.6	\$ 12.5
Current portion of long-term debt	8.3	8.3
Long-term debt, excluding current portion	10.6	14.0
Other liabilities	0.1	0.1
Members' equity	200.9	198.6
Total liabilities and members' equity	<u>\$ 228.5</u>	<u>\$ 233.5</u>