

Edgar Filing: BROWN FORMAN CORP - Form 10-K

BROWN FORMAN CORP  
Form 10-K  
June 27, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended April 30, 2008  
Commission file number 002-26821

BROWN-FORMAN CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

61-0143150  
(IRS Employer  
Identification No.)

850 Dixie Highway  
Louisville, Kentucky  
(Address of principal executive offices)

40210  
(Zip Code)

Registrant's telephone number, including area code (502) 585-1100

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class -----	Name of Each Exchange on Which Registered -----
Class A Common Stock (voting) \$0.15 par value	New York Stock Exchange
Class B Common Stock (nonvoting) \$0.15 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:	None
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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer ☒ [X]

Accelerated filer ☐ [ ]

Non-accelerated filer ☐ [ ]

Smaller reporting company ☐ [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ [ ] No ☒ [X]

The aggregate market value, as of the last business day of the most recently completed second fiscal quarter, of the voting and nonvoting equity held by nonaffiliates of the registrant was approximately \$4,800,000,000.

The number of shares outstanding for each of the registrant's classes of Common Stock on May 31, 2008 was:

Class A Common Stock (voting)	56,570,292
Class B Common Stock (nonvoting)	64,023,374

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2008 Annual Report to Stockholders are incorporated by reference into Parts I, II, and IV of this report. Portions of the Proxy Statement of Registrant for use in connection with the Annual Meeting of Stockholders to be held July 24, 2008 are incorporated by reference into Part III of this report.

### PART I

#### Item 1. Business

Brown-Forman Corporation ("we," "us," or "our" below) was incorporated under the laws of the State of Delaware in 1933, successor to a business founded in 1870 as a partnership and subsequently incorporated under the laws of the Commonwealth of Kentucky in 1901.

We primarily manufacture, bottle, import, export, and market a wide variety of alcoholic beverage brands. Our principal beverage brands are:

Jack Daniel's Tennessee Whiskey	Fontana Candida Wines
Southern Comfort	Gala Rouge Wines
Finlandia Vodka	Herradura Tequila
Gentleman Jack	Jekel Vineyards Wines
Jack Daniel's Single Barrel	Korbel California Champagnes*
Jack Daniel's Ready-to-Drinks	Little Black Dress Wines
Bel Arbor Wines	Michel Picard Wines*
Bolla Wines	New Mix Ready-to-Drinks
Bonterra Vineyards Wines	Old Forester Bourbon
Canadian Mist Blended Canadian Whisky	Pepe Lopez Tequilas
Chambord Liqueur	Sanctuary Wines
Don Eduardo Tequila	Sonoma-Cutrer Wines
Early Times Kentucky Whisky	Tuaca Liqueur
el Jimador Tequila	Stellar Gin
Eleven Tongues Wines	Virgin Vines Wines*
Fetzer Wines	Wakefield Wines*
Five Rivers Wines	Woodford Reserve Bourbon

\* Brands represented in the U.S. and/or other select markets by Brown-Forman

The most important brand in our portfolio is Jack Daniel's, which is the fourth-largest premium spirits brand and the largest selling American whiskey brand in the world according to volume statistics recently published by Impact Databank, a well-known trade publication. Our other leading brands are Southern Comfort, the second-largest selling liqueur in the United States, and Canadian

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Mist, the fourth-largest selling Canadian whiskey worldwide, according to the recently published volume statistics referenced above. Our largest wine brands are Fetzer, Korbel, and Bolla, generally selling in the \$6-11 per bottle price range. We believe the statistics used to rank these products are reasonably accurate.

Geographic information about net sales and long-lived assets is in Note 13 of the Notes to Consolidated Financial Statements on page 47 of our 2008 Annual Report to Stockholders, which information is incorporated into this report by reference.

Our strategy is to market high quality products that satisfy the preferences of consumers of legal drinking age and to support those products with extensive international, national, and regional marketing programs. These programs are intended to extend consumer brand recognition and brand loyalty.

We own numerous valuable trademarks that are essential to our business. Registrations of trademarks can generally be renewed indefinitely as long as the trademarks are in use. Through licensing arrangements, we have authorized the use of some of our trademarks on promotional items for the primary purpose of enhancing brand awareness.

### Customers

In the United States, we sell spirits and wines either through wholesale distributors or directly to state governments in those states that control alcohol sales. The contracts that we have with many of our distributors have formulas that determine reimbursement to distributors if we terminate them. The amount of reimbursement is based primarily on the distributor's length of service and a percentage of its purchases over time. Some states have statutes that limit our ability to terminate distributor contracts.

Our principal export markets are the United Kingdom, Australia, Mexico, Poland, Germany, Spain, Canada, France, the Czech Republic, Italy, South Africa, China, Japan, and Russia. We use a variety of distribution models outside the United States. Our preference for a particular arrangement depends on our assessment of a market's long-term competitive dynamics and our portfolio's stage of development in that market. We own and operate our distribution network in several markets, including Australia, China, the Czech Republic, Korea, Mexico, Poland, and Thailand. In the United Kingdom and Germany, we have joined forces with another supplier, Bacardi, to sell our and their products. In all of these markets, we sell our beverage alcohol products directly to retail stores and to wholesalers. In many other markets, we use third parties to distribute our portfolio of brands.

### Ingredients and Other Supplies

The principal raw materials used in manufacturing and packaging our distilled spirits are corn, rye, malted barley, agave, sugar, glass, cartons, and wood for new white oak barrels, which are used for storage of bourbon, Tennessee whiskey, and certain tequilas. Currently, none of these raw materials is in short supply, and there are adequate sources from which they may be obtained, but shortages in some of these can occur.

Due to aging requirements, production of whiskeys and other distilled spirits is scheduled to meet demand three to ten years in the future. Accordingly, our inventories may be larger in relation to sales and total assets than would be normal for most other businesses.

The principal raw materials used in the production of wines are grapes, packaging materials and wood for wine barrels. Grapes are primarily purchased under contracts with independent growers and, from time to time, are adversely

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affected by weather and other forces that may limit production. We believe that our relationships with our growers are good.

### Competition

The wine and spirits industry is highly competitive, and there are many brands sold in the consumer market. Trade information indicates that we are one of the largest wine and spirits suppliers in the United States in terms of revenues.

### Regulatory Environment

The Alcohol and Tobacco Tax and Trade Bureau of the United States Treasury Department regulates the wine and spirits industry with respect to production, blending, bottling, sales, advertising and transportation of industry products. Also, each state regulates the advertising, promotion, transportation, sale, and distribution of such products.

Under federal regulations, whiskey must be aged for at least two years to be designated "straight whiskey." We age our straight whiskeys for a minimum of three to six years. Federal regulations also require that "Canadian" whiskey must be manufactured in Canada in compliance with Canadian laws and must be aged in Canada for at least three years. We believe we are in compliance with these regulations.

### Employees

As of April 30, 2008, we employed about 4,466 persons, including approximately 331 employed on a part-time or temporary basis. We believe our employee relations are good.

### Available Information

You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at <http://www.sec.gov>.

Our website address is [www.brown-forman.com](http://www.brown-forman.com). Please note that our website address is provided as an inactive textual reference only. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge on our website as soon as reasonably practicable after we electronically file those reports with the Securities and Exchange Commission. The information provided on our website is not part of this report, and is therefore not incorporated by reference, unless such information is otherwise specifically referenced elsewhere in this report.

On our website, we have posted our Corporate Governance Guidelines, our Code of Conduct and Compliance Guidelines that apply to all directors and employees, and our Code of Ethics that applies specifically to our senior executive and financial officers. We have also posted on our website the charters of our Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee. Copies of these materials are also available free of charge by writing to our Secretary, Matthew E. Hamel, 850 Dixie Highway, Louisville, Kentucky 40210 or e-mailing him at [Secretary@b-f.com](mailto:Secretary@b-f.com).

### Item 1A. Risk Factors

You should carefully consider the following factors that could materially affect our business. There are also other risks that are not presently known or not presently material, as well as the other information set forth in this report,

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which could affect materially our business. In addition, in our periodic filings with the SEC, press releases and other statements, we discuss estimates and projections regarding our future performance and business outlook. Such "forward-looking statements," by their nature, involve known and unknown risks, uncertainties and other factors that in some cases are out of our control. These factors could cause our actual results to differ materially from our historical experience or our present expectations and projections. The following is a non-exclusive discussion of such risks and uncertainties.

OUR BUSINESS MAY BE ADVERSELY AFFECTED BY UNFAVORABLE ECONOMIC CONDITIONS, PARTICULARLY IN THE UNITED STATES AND OTHER MARKETS WHOSE ECONOMIES ARE LINKED TO THAT OF THE U.S.

In fiscal 2008, nearly half of our net sales were in the United States. Our business prospects generally depend heavily on the health of the U.S. economy and the local economies of a number of countries whose economies are linked to that of the U.S. Difficult economic conditions may result from a number of factors, including higher energy prices, declining home prices, deterioration of the lending markets, decreased discretionary income, major natural disasters, widespread outbreak of infectious diseases such as avian influenza, terrorist attacks and related subsequent events, including the U.S. response, other hostile acts, retaliation, war, threats of any of these, and other factors. In difficult economic times, consumers may reduce discretionary spending, decrease their bar, restaurant and hotel spending, purchase beverage alcohol on fewer occasions, and shift to lower-priced products. For all of these reasons, a continuation of the deterioration in general economic conditions in the United States could adversely affect our sales and earnings.

OUR GLOBAL GROWTH IS SUBJECT TO A NUMBER OF ECONOMIC, COMMERCIAL AND POLITICAL RISKS.

We currently market products in more than 135 countries. Significant markets for us in terms of revenue and profits include the United Kingdom, Australia, Germany, Poland, Mexico, South Africa, Spain, France, Canada, the Czech Republic, Italy, China, Japan, and Russia. We expect our future growth in markets outside the U.S. to surpass our growth in this country. Emerging markets, such as Central and Eastern Europe, Latin America, Russia and China, as well as countries that some companies might consider to be developed markets, also provide significant growth opportunities for us.

If economic conditions deteriorate in our significant global markets, or if there is an increase in anti-American sentiment in the principal countries to which we export our beverage products, our global business could suffer. Potentially unstable governments or legal systems, intergovernmental disputes, military conflicts, local labor conditions and business practices, nationalizations, inflation, recession, U. S. laws regulating activities of U.S. companies abroad, and laws, regulations and policies of foreign governments, are also risks due to the global nature of our business. These and other political, commercial and economic uncertainties in our various markets around the world may have a material adverse effect on our prospects or results of operation.

The long-term outlook for our beverage business anticipates continued success of Jack Daniel's Tennessee Whiskey, Southern Comfort, Finlandia Vodka, Tequila Herradura, el Jimador Tequila, and our other core spirits and wine brands. This assumption is based in part on favorable demographic trends in the United States and many of our global markets for the sale of wine and spirits. If these demographic trends do not translate into corresponding sales increases, we may fail to meet our expectations for our global beverage business.

OUR OPERATIONS SUBJECT US TO RISKS ASSOCIATED WITH FOREIGN CURRENCY EXCHANGE RATES.

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Sales of our brands and our purchases of goods and services in international markets are conducted in local currency. Thus, profits from our overseas business could be adversely affected if the U.S. dollar strengthens against other currencies, especially the British pound, euro, Australian dollar, and South African rand, because the local currency received from the sale of our products would translate into fewer U.S. dollars. To the extent we are unable to effectively manage our exposure to such foreign exchange fluctuations, our financial results may suffer.

RISING COSTS OR UNAVAILABILITY OF INPUT MATERIALS COULD AFFECT OUR FINANCIAL RESULTS, AS COULD OUR INABILITY TO OBTAIN FINISHED GOODS.

If energy costs continue to rise or remain high, our transportation, freight and other operating costs, such as distilling and bottling, will likely increase. Similarly, rising costs of grain, grapes, agave, wood, glass, plastic, and other input materials and/or associated labor costs would likely adversely affect our financial results. We may not be able to pass along such cost increases to our customers through higher prices.

Our products use a number of materials and ingredients that we purchase from third party suppliers. Our ability to produce our products hinges on having available all of the raw materials, ingredients, bottle closures, packaging, bottles, cans, and other materials used to make and package them; without sufficient quantities of one or more key input materials, our operations and financial results could suffer. For instance, only a few glass producers make bottles on a scale sufficient for our requirements and a single producer (Owens-Illinois) supplies virtually all of our glass container requirements. Similarly, a Finnish corporation (Altia plc) distills and bottles our Finlandia products for us pursuant to an exclusive long-term supply agreement. If Owens-Illinois, Altia or other of our key suppliers ceased being able to meet our timing, quality or capacity requirements, ceased doing business with us, or increased their prices and we could not develop alternative cost-effective sources of supply, our operations and financial results could be adversely affected. Additionally, rising energy and other costs may curtail consumer spending on entertainment and discretionary products, thereby resulting in decreased purchases of our brands.

DEMAND FOR OUR PRODUCTS MAY DECREASE DUE TO CHANGES IN CONSUMER PREFERENCES AND TASTES.

We operate in a highly competitive marketplace. Maintaining our competitive position depends on our continued ability to offer products that have a strong appeal to consumers. Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, and changes in dining and beverage consumption patterns, as they have from time to time in the past. Consumer preferences away from our premium brands in any of our major markets, or from our ready-to-drink products, particularly Jack Daniel's & Cola in Australia (its largest market) or New Mix, the el Jimador based ready-to-drink product we sell in Mexico, may adversely hurt our results of operations.

NATIONAL AND LOCAL GOVERNMENTS MAY ADOPT REGULATIONS OR UNDERTAKE INVESTIGATIONS THAT COULD INCREASE OUR COSTS OR OUR LIABILITIES, OR THAT COULD LIMIT OUR WINE AND SPIRITS BUSINESS ACTIVITIES.

Our operations are subject to extensive regulatory requirements regarding advertising, marketing, labeling, distribution and production. Legal or regulatory measures against beverage alcohol could adversely affect our business. In particular, governmental bodies in countries where we operate may impose or increase limitations on advertising and promotional activities, or adopt other non-tariff measures that could hurt our sales. In addition, particularly in the United States, federal officials and officials in some states have begun investigating trade practices of beverage alcohol suppliers,

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distributors and retailers. Adverse developments in or as a result of these regulatory measures and investigations or similar investigations could hurt our business.

TAX INCREASES AND CHANGES IN ACCOUNTING STANDARDS COULD HURT OUR FINANCIAL RESULTS.

The wine and spirits business is highly sensitive to changes in taxes. Increases in state or federal excise taxes in the U.S. could depress our domestic wine and spirits business, both through reducing overall consumption and by encouraging consumers to switch to lower-taxed categories of beverage alcohol. No legislation to increase U.S. federal excise taxes on distilled spirits is currently pending, but future increases are possible, as are taxes levied on the broader business community. From time to time, state and local governments increase beverage alcohol taxes. Changes to the U.S. presidency and Congress may lead to significant increases in taxes paid by beverage alcohol producers, as well as the business community at large. New accounting standards or pronouncements, and changes in interpretation of existing standards, could have a significant effect on our reported results for the affected periods as well.

Tax rate increases, such as income taxes, excise taxes, value added taxes, import and export duties, and/or tariff barriers, and the suddenness and unpredictability with which they can occur, also affect our beverage alcohol business in the many other countries in which we do business. In the past, changes in tax rates in these markets have not been significant to our overall business, but as our sales outside the United States continue to grow and tax regimes in these markets get increasingly onerous for our products, this risk becomes more pronounced. For instance, the Australian government recently and unexpectedly imposed a significant excise tax increase on spirits-based ready-to-drink products, which could impede sales of Jack Daniel's & Cola in that product's largest market.

IF THE SOCIAL ACCEPTABILITY OF OUR PRODUCTS DECLINES OR GOVERNMENTS ADOPT POLICIES AGAINST BEVERAGE ALCOHOL, OUR BUSINESS COULD BE MATERIALLY ADVERSELY AFFECTED.

Our ability to market and sell our alcohol beverage products depends heavily on both society's attitudes toward drinking and governmental policies that flow from those attitudes. In recent years, there has been increased social and political attention directed at the beverage alcohol industry. The recent attention has focused largely on public health concerns related to alcohol abuse, including drunk driving, underage drinking, and health consequences from the misuse of beverage alcohol. Alcohol critics in the U.S., Europe and other countries around the world increasingly seek governmental measures to make beverage alcohol more expensive, less available, and more difficult to advertise and promote. If the social acceptability of beverage alcohol were to decline significantly, sales of our products could materially decrease. Our sales would also suffer if governments sought to ban or restrict advertising or promotional activities, to limit hours or places of sale, or took other actions that discourage alcohol purchase or consumption.

LITIGATION COULD EXPOSE OUR BUSINESS TO FINANCIAL AND REPUTATIONAL RISK.

The courts have dismissed most of the recent putative class action lawsuits against spirits, beer, and wine manufacturers, including Brown-Forman. The suits had alleged that our marketing causes illegal alcohol consumption by persons under the legal drinking age. The cases not dismissed have been withdrawn voluntarily and that series of litigation is concluded. However, the attorneys general in a number of U.S. states continue to investigate trade marketing practices of beverage alcohol producers and wholesalers. Lawsuits or governmental investigations similar to these could hurt our business and the overall industry.

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PRODUCTION COST INCREASES MAY ADVERSELY AFFECT OUR BUSINESS, ESPECIALLY WINES AND TEQUILAS.

Our California-based wine operations have entered into long-term contracts with various growers and wineries to supply portions of our future grape requirements. Most of the contracts call for prices to be determined based on market conditions, within a certain range, and most of the contracts also have minimum tonnage requirements. Although these contracts may provide some protection in times of rising grape prices, the contracts may result in above-market costs during times of declining prices. Likewise, our Mexico-based tequila operations have entered into long-term contracts with land owners in regions where blue agave can be grown. Most of these contracts require us to plant, maintain, and harvest the agave, plus compensate the owners based on specified percentages of the crop at the prevailing market price at the time of harvest. Instability in agave market conditions could cause us to pay above-market costs for some of the agave we use to produce tequila. There can be no assurances as to the future prevailing market prices for grapes or agave or our ability, relative to our competitors, to take advantage of changes in market prices. Weather, changes in climate conditions, diseases, and other agricultural uncertainties that affect the mortality, health, yield or quality of grapes and agave also present risks for these businesses.

CONSOLIDATION AMONG, INCREASED COMPETITION BY OR POOR PERFORMANCE BY SPIRITS PRODUCERS, WHOLESALERS OR RETAILERS COULD HINDER THE MARKETING, SALE AND DISTRIBUTION OF OUR PRODUCTS.

We use a number of different business models to market and distribute our products. In the United States we sell our products either to wholesale distributors or, in those states that control alcohol sales, to state governments who then sell to retail customers and consumers. In our other markets around the world, we use a variety of route-to-consumer frameworks, but in many markets we rely largely on other spirits producers to distribute and market our products. Distributor, wholesaler and retailer consolidations have not in the past negatively affected our business. Nevertheless, consolidation among spirits producers overseas or wholesalers in the United States could hinder the distribution and sale of our products as a result of reduced attention and resource allocation to our brands during transition periods, the possibility that our brands may represent a smaller portion of their business, and/or a changing competitive environment. We also believe that our size relative to that of our competitors gives us sufficient scale to succeed; but we nevertheless face a risk that a continuing consolidation of the large beverage alcohol companies could put us at a competitive disadvantage.

Retailers and wholesalers of our products offer products that compete directly with ours for shelf space, promotional displays and consumer purchases. Pricing, marketing and other competitive behavior by other suppliers, and by distributors and retailers who sell their products focused against one or more of our major products could also adversely affect the sales of our products and our financial results. In times of an economic slowdown, consumers tend to be particularly price sensitive and make more of their purchases in discount stores and other off-premise establishments. Therefore, the effects of these competitive activities may be more pronounced in a difficult economic climate.

WE MAY NOT SUCCEED IN OUR STRATEGIES FOR ACQUISITIONS AND DISPOSITIONS.

From time to time, we acquire additional brands or businesses, such as our recent purchases of the Casa Herradura business and Chambord Liqueur. We intend to continue to seek acquisitions that we believe will increase long-term shareholder value, but we cannot assure that we will be able to find and purchase businesses at acceptable prices and terms. It may also prove difficult to integrate acquired businesses and personnel into our existing operations, and



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to bring them into conformity with our trade practice standards, financial control environment and U.S. public company requirements. Integration may involve significant expenses and management time and attention, and may otherwise disrupt our business. Our ability to grow the volumes and maintain or increase the profit margins on the brands we acquire will be important to our future performance. For instance, our expectations for future profit contribution from the main brands we purchased in the Casa Herradura business depend on our ability to grow the Herradura and el Jimador brands in the U.S. and other key tequila markets around the world.

Business acquisitions also may expose us to unknown liabilities, the possible loss of key customers and employees knowledgeable about the acquired business, and risks associated with doing business in countries or regions with less stable governments, political climates, and legal systems and/or economies, among other risks. Acquisitions could also lead us to incur additional debt and related interest expense, issue shares, and increase our contingent liabilities, as well as to experience dilution in earnings per share and a reduction in our return on invested capital. Acquisitions may cause us to incur future restructuring charges or impairment losses on goodwill and intangible assets with an indefinite life, which may also adversely affect our financial performance.

We also evaluate from time-to-time the potential disposition of assets or businesses that may no longer help us meet our growth, return and strategic objectives. In selling assets or businesses, we may not get a price or terms as favorable as we anticipated. We could also encounter difficulty in finding buyers on acceptable terms in a timely manner, which could delay our accomplishment of strategic objectives. Expected cost savings from reduced overhead relating to the sold assets may not materialize.

TERMINATION OF OUR RIGHTS TO DISTRIBUTE AND MARKET AGENCY BRANDS INCLUDED IN OUR PORTFOLIO COULD ADVERSELY AFFECT OUR BUSINESS.

In addition to the brands our company owns, we also market and distribute products on behalf of other brand owners in selected markets, including the U.S. Our rights to sell these agency brands are based on contracts with the various brand owners, which have varying lengths, renewal terms, termination rights, and other provisions. We earn a margin for these sales and also gain distribution cost efficiencies in some instances. Therefore, the termination of our rights to distribute agency brands included in our portfolio could adversely affect our business.

COUNTERFEIT PRODUCTION OF OUR PRODUCTS COULD ADVERSELY AFFECT OUR INTELLECTUAL PROPERTY RIGHTS, BRAND EQUITY AND OPERATING RESULTS.

The beverage alcohol industry is experiencing problems with product counterfeiting and other forms of trademark infringement, especially within the Asian and Eastern European markets. Given our dependence on brand recognition, we devote substantial resources on a worldwide basis to protect our intellectual property rights. In addition, we have taken steps to reduce the ability of others to imitate our products. Although we believe that our intellectual property rights are legally supported in the markets in which we do business, the protection afforded intellectual property rights varies greatly from country to country. Confusingly similar, lower quality or even dangerous counterfeit product could reach the market and adversely affect our intellectual property rights, brand equity and/or operating results.

In addition, sales of a brand might diminish because of a scare over product contamination. Actual contamination of our products or raw materials used to produce, ferment or distill them, whether arising deliberately by a third party, or accidentally, could lead to below average product quality and even illness or injury to consumers. If a product recall becomes necessary, that also could

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impede sales of the affected product or across our brand portfolio.

PRESS ARTICLES AND OTHER PUBLIC MEDIA MAY AFFECT OUR STOCK PRICE AND BUSINESS PERFORMANCE.

Press articles or other public media related to our company, brands, personnel, operations, business performance or prospects may affect our stock price and the performance of our business, regardless of the accuracy of the substance of the communication. Since we are a branded consumer products company, adverse publicity can hurt both our company's stock price and actual performance, as consumers might steer away from brands or products that receive bad press.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Significant properties are as follows:

Owned facilities:

- Office facilities:
  - Corporate offices (including renovated historic structures)
  - Louisville, Kentucky
- Production and warehousing facilities:
  - Lynchburg, Tennessee
  - Louisville, Kentucky
  - Collingwood, Ontario, Canada
  - Shively, Kentucky
  - Woodford County, Kentucky
  - Hopland, California
  - Paso Robles, California
  - Windsor, California
  - Livorno, Italy
  - Albany, Kentucky
  - Waverly, Tennessee
  - Blois, France
  - Amatitan, Mexico

Leased facilities:

- Production and bottling facility in Dublin, Ireland
- Warehousing facility in Mendocino County, California
- Stave and heading mill in Jackson, Ohio

The lease terms expire at various dates and are generally renewable.

We believe that the facilities are in good condition and are adequate for our business.

Item 3. Legal Proceedings

Brown-Forman Corporation and many other manufacturers of spirits, wine, and beer were defendants in a series of essentially similar putative class action lawsuits seeking damages and injunctive relief for alleged marketing of beverage alcohol to underage consumers. All of the cases have been dismissed or withdrawn; therefore, this series of litigation is concluded.

Nine essentially identical lawsuits were filed: "Hakki v. Adolph Coors Company,

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et.al., " District of Columbia Superior Court No. CD 03-9183 (November 2003); "Kreft v. Zima Beverage Co., et.al.," District Court, Jefferson County, Colorado, No. 04cv1827 (December 2003); and "Wilson v. Zima Company, et.al.," U.S. District Court for the Western District of North Carolina, Charlotte Division, No. 3:04cv141 ( January 2004);. "Eisenberg v. Anheuser-Busch," U.S. District Court for the District of Northern Ohio, No. 1:04cv1081; "Elizabeth H. Sciocchette v. Advanced Brands," Albany County, New York Supreme Court No. 102205 (February 16, 2005); "Roger and Kathy Bertovich v. Advanced Brands," Hancock County, West Virginia, Circuit Court No. 05-C-42M (February 17, 2005); "Jacquelin Tomberlin v. Adolph Coors," Dane County (Madison, Wisconsin) Circuit Court, (February 23, 2005); "Viola Alston v. Advanced Brands," Wayne County, Michigan, Circuit Court No. 05-509294, (March, 30, 2005), and "Craig Konhauzer v. Adolph Coors Company," Broward County Florida Circuit Court, No. 05004875 (March 30, 2005). In addition, Brown-Forman received in February, 2004, a pre-lawsuit notice under the California Consumer Protection Act indicating that the same lawyers intend to file a lawsuit there against many industry defendants, including Brown-Forman, presumably on the same facts and legal theories; however, no action was filed in California.

Brown-Forman and the other defendants successfully obtained orders dismissing six of the cases: Kreft (Colorado) in October 2005; Eisenberg (Ohio) in February 2006; Tomberlin (Wisconsin) in March 2006; Hakki (D.C.) in March 2006; Alston (Michigan) in May 2006; and Bertovich (West Virginia) in August 2006. Konhauzer (Florida) and Sciocchette (New York) voluntarily withdrew their respective suits before service of summons. The Wilsons (North Carolina) dismissed with prejudice their complaint in November 2007. Each involuntary dismissal was appealed by the respective plaintiffs. The Hakki dismissal was affirmed by the D.C. Court of Appeals in June 2007 and is final. The consolidated Alston and Eisenberg dismissals were affirmed by the Federal Circuit Court of Appeals for the Sixth Circuit in July 2007; plaintiffs withdrew their Petition for Certiorari to the United States Supreme Court in November 2007. The Colorado and Wisconsin Courts of Appeals affirmed the Kreft and Tomberlin dismissals, respectively, in October 2007; those opinions are final. The Bertoviches (West Virginia) in November 2007 withdrew their appeal to the Federal Court of Appeals for the Fourth Circuit. As all of the cases have been dismissed or withdrawn, this series of litigation is concluded.

#### Item 4. Submission of Matters to a Vote of Security Holders

None.

#### Executive Officers of the Registrant

Name ----	Age ---	Principal Occupation and Business Experience -----
Paul C. Varga	44	Chairman of the Company since August 2007. Chief Executive Officer since August 2005. President and Chief Executive Officer of Brown-Forman Beverages (a division of the Company) from August 2003 to August 2005. Global Chief Marketing Officer of Brown-Forman Beverages from 2000 to August 2003.
Donald C. Berg	53	Executive Vice President and Chief

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		Financial Officer since May 2008. Senior Vice President and Director of Corporate Finance from July 2006 to May 2008. President of Brown-Forman Spirits Americas from July 2003 to July 2006.
Matthew E. Hamel	48	Executive Vice President, General Counsel, and Secretary since October 2007. Associate General Counsel and Vice President, Law, of the Enterprise Media Group of Dow Jones & Company, Inc., from December 2006 to October 2007. Vice President, General Counsel and Secretary of Dow Jones Reuters Business Interactive LLC (d/b/a Factiva) from December 1999 to December 2006.
James S. Welch, Jr.	49	Vice Chairman, Executive Director of Corporate Affairs, Strategy, Diversity, and Human Resources since 2007. Vice Chairman, Executive Director of Corporate Strategy and Human Resources from 2003 to 2007. Senior Vice President and Executive Director of Human Resources from 1999 to 2003.
James L. Bareuther	62	Executive Vice President and Chief Operating Officer of Brown-Forman since July 2006. Executive Vice President and Chief Operating Officer of Brown-Forman Beverages from August 2003 to July 2006. President of Brown-Forman Spirits Americas from 2001 to July 2003.
Mark I. McCallum	53	Executive Vice President and Chief Brand Officer since May 2006. Senior Vice President and Chief Marketing Officer from July 2003 to May 2006. Executive Vice President of Marketing for Darden Restaurants, Inc., from 2001 to 2003.
Jane C. Morreau	49	Senior Vice President and Director of Finance, Accounting, and Technology since May 2008. Senior Vice President and Controller from December 2006 to May 2008. Vice President and Controller from August 2002 to December 2006.

### PART II

#### Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A and Class B Common Stock is traded on the New York Stock Exchange

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(symbols "BFA" and "BFB," respectively).

Holders of record of Common Stock at April 30, 2008:

Class A Common Stock (Voting)	3,417
Class B Common Stock (Nonvoting)	4,028

The following table provides information about shares of our common stock that we repurchased during the quarter ended April 30, 2008:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
February 1, 2008 - February 29, 2008	1,550,900	\$64.94	1,550,900
March 1, 2008 - March 31, 2008	2,350	\$64.53	2,350
April 1, 2008 - April 30, 2008	--	--	--
Total	1,553,250	\$64.94	1,553,250

As announced on November 28, 2007, our Board of Directors authorized the repurchase of up to \$200.0 million of outstanding Class A and Class B common stock over the following 12 months, subject to market and certain other conditions. Under this plan, shares could be repurchased from time to time for cash in open market purchases, block transactions, and privately negotiated transactions. The shares included in the above table were acquired as part of that share repurchase plan, which we completed in March 2008. Under the plan, we repurchased a total of 2,977,250 shares (42,600 of Class A and 2,934,650 of Class B) for \$200.0 million, plus broker commissions of less than \$0.1 million. The average repurchase price per share, including commissions, was \$68.76 for Class A and \$67.17 for Class B.

For the other information required by this item, refer to the section entitled "Quarterly Financial Information" at the front of the 2008 Annual Report to Stockholders, which information is incorporated into this report by reference.

### Item 6. Selected Financial Data

For the information required by this item, refer to the section entitled "Selected Financial Data" on page 20 of the 2008 Annual Report to Stockholders, which information is incorporated into this report by reference.

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For the information required by this item, refer to the section entitled "Management's Discussion and Analysis" on pages 21 through 32 of the 2008 Annual Report to Stockholders, and the section entitled "Important Information on Forward-Looking Statements" on page 51 of the 2008 Annual Report to Stockholders, which information is incorporated into this report by reference.

#### Impact of Inflation and Changing Prices

Inflation affects the way we market and price our products in many markets around the world. In general, and with respect to the most recent three fiscal years, we believe that we have been able to increase prices to counteract the majority of the inflationary effects on our net sales, revenue and income from continuing operations.

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### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

For the information required by this item, refer to the section entitled "Market Risks" beginning on page 31 of the 2008 Annual Report to Stockholders, which information is incorporated into this report by reference.

### Item 8. Financial Statements and Supplementary Data

For the information required by this item, refer to the Consolidated Financial Statements, Notes to Consolidated Financial Statements, Reports of Management, and Report of Independent Registered Public Accounting Firm on pages 33 through 50 of the 2008 Annual Report to Stockholders, which information is incorporated into this report by reference.

### Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

### Item 9A. Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Brown-Forman (its principal executive and principal financial officers) have evaluated the effectiveness of the company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO concluded that the company's disclosure controls and procedures: are effective to ensure that information required to be disclosed by the company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and include controls and procedures designed to ensure that information required to be disclosed by the company in such reports is accumulated and communicated to the company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. There has been no change in the company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

For the other information required by this item, refer to "Management's Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" on pages 49 and 50 of the 2008 Annual Report to Stockholders, respectively, which information is incorporated into this report by reference.

### Item 9B. Other Information

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 24, 2008, which information is incorporated into this report by reference:

- (a) "Election of Directors" on pages 6 through 8 (for information on directors);
- (b) "Corporate Governance" on page 9 (for information on our Code of Ethics);

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(c) "Section 16(a) Beneficial Ownership Reporting Compliance" on page 20 (for information on delinquent Section 16 filings); and (d) "Audit Committee" on pages 21 and 22. Also, see the information with respect to "Executive Officers of the Registrant" under Part I of this report, which information is incorporated herein by reference.

We will post any amendments to our Code of Ethics that applies to our chief executive officer, principal financial officer, controller and principal accounting officer, and any waivers that are required to be disclosed by the rules of either the SEC or NYSE on our website.

We filed during the fiscal year ended April 30, 2008 with the NYSE the Annual CEO Certification regarding the Company's compliance with the NYSE's Corporate Governance listing standards as required by Section 303A-12(a) of the NYSE Listed Company Manual. In addition, the Company has filed as exhibits to this annual report and to the annual report on Form 10-K for the year ended April 30, 2007, the applicable certifications of its Chief Executive Officer and its Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002, regarding the quality of the company's public disclosures.

### Item 11. Executive Compensation

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 24, 2008, which information is incorporated into this report by reference: (a) "Executive Compensation" on pages 23 through 48; and (b) "Compensation Committee Interlocks and Insider Participation" on pages 54 and 55.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

#### Equity Compensation Plan Information

In July 2004, shareholders approved the 2004 Omnibus Compensation Plan as the successor to both the 1994 Omnibus Compensation Plan providing equity awards to employees and the Non-Employee Directors ("NED") Plan providing equity awards to non-employee directors. At the time the NED Plan was discontinued, it had not been submitted to shareholders. The following table provides information on these plans as of the end of the most recently completed fiscal year:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights(1)
Equity compensation plans approved by security holders	3,431,403	\$45.45
Equity compensation plans not approved by security holders	147,585	\$31.80
	-----	-----
Total	3,578,988	\$44.89
	=====	=====

For the other information required by this item, refer to the section entitled

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"Stock Ownership" on pages 15 through 20 of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 24, 2008, which information is incorporated into this report by reference.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 24, 2008, which information is incorporated into this report by reference: (a) "Certain Relationships and Related Transactions" on pages 53 and 54; and (b) "Corporate Governance" on pages 9 through 14.

### Item 14. Principal Accountant Fees and Services

For the information required by this item, refer to the sections entitled "Fees Paid to Independent Registered Public Accounting Firm" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm" on page 22 of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 24, 2008, which information is incorporated into this report by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) (1) and (2) - Index to Consolidated Financial Statements and Schedule:

(1) Incorporated by reference to our Annual Report to Stockholders for the year ended April 30, 2008:

Consolidated Statements of Operations for the  
years ended April 30, 2006, 2007, and 2008\*  
Consolidated Balance Sheets at April 30, 2007 and 2008\*  
Consolidated Statements of Cash Flows for the  
years ended April 30, 2006, 2007, and 2008\*  
Consolidated Statements of Stockholders' Equity  
for the years ended April 30, 2006, 2007, and 2008\*  
Notes to Consolidated Financial Statements\*  
Reports of Management\*  
Report of Independent Registered Public Accounting Firm\*  
Important Information on Forward-Looking Statements

(2) Consolidated Financial Statement Schedule:

Report of Independent Registered Public Accounting Firm  
on Financial Statement Schedule  
II - Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been omitted either because they are not required under the related instructions, because the information required is included in the consolidated financial statements and

Form  
Annual  
Pag



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notes thereto, or because they are not applicable.

\* Incorporated by reference to Item 8 in this report.

(a) (3) - Exhibits: Filed with this report:

### Exhibit Index

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- |      |  |
|------|--|
| 13   | Brown-Forman Corporation's Annual Report to Stockholders for the year ended April 30, 2008, but only to the extent set forth in Items 1, 5, 6, 7, 7A, 8 and 9A of this Annual Report on Form 10-K for the year ended April 30, 2008. |
| 21   | Subsidiaries of the Registrant.  |
| 23   | Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.  |
| 31.1 | CEO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.   |
| 31.2 | CFO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.   |
| 32   | CEO and CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (not considered to be filed).   |

### Previously Filed:

#### Exhibit Index

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- |       |  |
|-------|--|
| 2(a)  | Asset Purchase Agreement, dated as of March 15, 2006, among Chatham International Incorporated, Charles Jacquin et Cie., Inc., the Selling Stockholders and Brown-Forman Corporation, which is incorporated into this report by reference to Brown-Forman Corporation's Form 10-K filed on June 29, 2006.  |
| 2(b)  | Asset Purchase Agreement, dated as of August 25, 2006, among Jose Guillermo Romo de la Pena, Luis Pedro Pablo Romo de la Pena, Grupo Industrial Herradura, S.A. de C.V., certain of their respective affiliates, Brown-Forman Corporation and Brown-Forman Tequila Mexico, S. de R.L.de C.V., a subsidiary of Brown-Forman Corporation, as amended, which is incorporated into this report by reference to Brown-Forman Corporation's Forms 8-K filed on August 29, 2006, December 22, 2006, January 16, 2007, and January 22, 2007. |
| 3(i)  | Restated Certificate of Incorporation of registrant, which is incorporated into this report by reference to Brown-Forman Corporation's Form 10-Q filed on March 4, 2004.   |
| 3(ii) | By-laws of Registrant, as amended on November 15, 2007, which is incorporated into this report by reference to Brown-Forman Corporation's Form 8-K filed on November 16, 2007.   |
| 4     | Form of Indenture dated as of March 1, 1994 between Brown-Forman Corporation and The First National Bank of Chicago, as Trustee, which is incorporated into this report by reference to Brown-Forman Corporation's Form S-3 (Registration No. 33-52551) filed on   |

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March 8, 1994.

- 10 (a) Brown-Forman Corporation Supplemental Executive Retirement Plan, which is incorporated into this report by reference to Brown-Forman Corporation's Form 10-K filed on July 23, 1990.\*
- 10 (b) A description of the Brown-Forman Savings Plan, which is incorporated into this report by reference to page 10 of Brown-Forman's definitive proxy statement filed on June 27, 1996 in connection with its 1996 Annual Meeting of Stockholders.\*
- 10 (c) Brown-Forman Corporation 2004 Omnibus Compensation Plan, which is incorporated into this report by reference to Brown-Forman's definitive proxy statement filed on June 30, 2004 in connection with its 2004 Annual Meeting of Stockholders.
- 10 (d) Five-Year Credit Agreement dated as of April 30, 2007 by and among Brown-Forman Corporation, Brown-Forman Beverages, Europe, LTD, certain borrowing subsidiaries and certain lender parties thereto, Bank of America, N.A., as Syndication Agent and as a Lender, Citicorp North America, Inc., Barclays Bank Plc, National City Bank and Wachovia Bank, National Association as Co-Documentation Agents and as Lenders, JPMorgan Chase Bank, N.A. as Administrative Agent and as a Lender and J.P. Morgan Europe Limited, as London Agent., which is incorporated into this report by reference to Brown-Forman Corporation's Form 8-K filed on May 2, 2007.
- 10 (e) Form of Restricted Stock Agreement, as amended, which is incorporated into this report by reference to Brown-Forman Corporations's Form 10-K filed on June 30, 2005.\*
- 10 (f) Form of Employee Stock Appreciation Right Award, which is incorporated into this report by reference to Brown-Forman Corporation's Form 8-K filed on August 2, 2006.\*
- 10 (g) Form of Employee Non-Qualified Stock Option Award, which is incorporated into this report by reference to Brown-Forman Corporation's Form 8-K filed on August 2, 2006.\*
- 10 (h) Form of Non-Employee Director Stock Appreciation Right Award, which is incorporated into this report by reference to Brown-Forman Corporation's Form 8-K filed on August 2, 2006.\*
- 10 (i) Form of Non-Employee Director Non-Qualified Stock Option Award, which is incorporated into this report by reference to Brown-Forman Corporation's Form 8-K filed on August 2, 2006.\*
- 10 (j) Summary of Director and Named Executive Officer Compensation.\*\*
- 10 (k) The description of the terms of \$150,000,000 of Floating Rate Notes due 2010 and \$250,000,000 of 5.2% Notes due 2012, which description is incorporated into this report by reference to the Indenture, the Officer's Certificate pursuant thereto and the 2010 and 2012 global notes filed as exhibits to Brown-Forman Corporation's Form 8-K filed on April 3, 2007.
- 10 (l) First Amendment to the Brown-Forman Omnibus Compensation Plan Restricted Stock Agreement, which is incorporated into this report by reference to Brown-Forman's Annual Report on Form 10-K for the year ended April 30, 2007, filed on June 28, 2007.\*
- 10 (m) Second Amendment to the Brown-Forman 2004 Omnibus Compensation Plan

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Restricted Stock Agreement, which is incorporated into this report by reference to Brown-Forman's Annual Report on Form 10-K for the year ended April 30, 2007, filed on June 28, 2007.\*

10 (n) Letter Agreement dated as of April 28, 2008, between Brown-Forman Corporation and Phoebe A. Wood, which is incorporated into this report by reference to Brown-Forman Corporation's Form 8-K filed on April 28, 2008.\*

14 Code of Ethics, which is incorporated into this report by reference to Brown-Forman Corporation's Form 10-K filed on July 2, 2004.

\* Indicates management contract, compensatory plan or arrangement.

\*\* Incorporated by reference to the sections entitled "Executive Compensation" and "Director Compensation" in the Proxy Statement distributed in connection with our Annual Meeting of Stockholders to be held on July 24, 2008, which is being filed in conjunction with this Annual Report on Form 10-K. (Fiscal 2008 compensation policies with respect to the company's directors and named executive officers will remain in effect until the company's Compensation Committee determines fiscal-year 2009 compensation at its July 2008 meeting.)

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROWN-FORMAN CORPORATION  
(Registrant)

Date: June 27, 2008

/s/ Paul C. Varga  
By: Paul C. Varga  
Chairman and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on June 27, 2008 as indicated:

/s/ Donald C. Berg  
By: Donald C. Berg  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

/s/ Barry D. Bramley  
By: Barry D. Bramley  
Director

/s/ Geo. Garvin Brown IV  
By: Geo. Garvin Brown IV

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Director, Presiding Chairman of the Board

/s/ Martin S. Brown, Jr.  
By: Martin S. Brown, Jr.  
Director

/s/ Owsley Brown II  
By: Owsley Brown II  
Director, Former Chairman of the Board

/s/ Donald G. Calder  
By: Donald G. Calder  
Director

/s/ Sandra A. Frazier  
By: Sandra A. Frazier  
Director

/s/ Richard P. Mayer  
By: Richard P. Mayer  
Director

/s/ William E. Mitchell  
By: William E. Mitchell  
Director

/s/ Jane C. Morreau  
By: Jane C. Morreau  
Senior Vice President and Director  
of Finance, Accounting and Technology  
(Principal Accounting Officer)

/s/ Matthew R. Simmons  
By: Matthew R. Simmons  
Director

/s/ William M. Street  
By: William M. Street  
Director, Former President,  
Brown-Forman Corporation

/s/ Dace Brown Stubbs  
By: Dace Brown Stubbs  
Director

/s/ Paul C. Varga  
By: Director, Chairman and  
Chief Executive Officer

/s/ James S. Welch, Jr.

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By: James S. Welch, Jr.  
Director, Vice Chairman

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors  
of Brown-Forman Corporation:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated June 27, 2008 appearing in the 2008 Annual Report to Stockholders of Brown-Forman Corporation and Subsidiaries (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
Louisville, Kentucky  
June 27, 2008

S-1

### BROWN-FORMAN CORPORATION AND SUBSIDIARIES SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS For the Years Ended April 30, 2006, 2007, and 2008 (Expressed in thousands)

	Col. A -----	Col. B -----	Col. C(1) -----	Col. C(2) -----
	Description -----	Balance at Beginning of Period -----	Additions Charged to Costs and Expenses -----	Additions Charged to Other Accounts -----
2006				
	Allowance for Doubtful Accounts	\$ 5,115	\$164	--
2007				
	Allowance for Doubtful Accounts	\$ 5,264	\$316	\$16,374 (1)
2008				

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Allowance for Doubtful Accounts	\$21,954	\$992	--
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- (1) Amount recorded as part of the Casa Herradura acquisition.  
(2) Doubtful accounts written off, net of recoveries.

S-2

Exhibit 13

## FINANCIAL HIGHLIGHTS

(Expressed in millions, except per share amounts and ratios)

Year Ended April 30,	2007	2008	% Change
CONTINUING OPERATIONS			
Net Sales	\$2,806	\$3,282	17%
Gross Profit	\$1,481	\$1,695	14%
Operating Income	\$ 602	\$ 685	14%
Net Income	\$ 400	\$ 440	10%
Earnings Per Share			
- Basic	\$ 3.26	\$ 3.59	10%
- Diluted	\$ 3.22	\$ 3.55	10%
Return on Average Invested Capital	17.4%	17.2%	
Gross Margin	52.8%	51.6%	
Operating Margin	21.5%	20.9%	

## QUARTERLY FINANCIAL INFORMATION

(Expressed in millions, except per share amounts)

	Fiscal 2007					Fiscal 2008	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter
Net Sales	\$633	\$727	\$755	\$691	\$2,806	\$739	\$820
Gross Profit	349	383	387	362	1,481	391	425
Net Income							
Continuing Operations	95	125	112	69	400	95	125
Total Company	94	124	105	67	389	95	125
Basic EPS							
Continuing Operations	\$0.77	\$1.02	\$0.91	\$0.56	\$3.26	\$0.77	\$1.02
Total Company	0.76	1.01	0.86	0.54	3.17	0.77	1.02
Diluted EPS							
Continuing Operations	\$0.76	\$1.00	\$0.90	\$0.56	\$3.22	\$0.77	\$1.00
Total Company	0.76	1.00	0.85	0.54	3.14	0.77	1.00
Cash Dividends Per Common Share							
Declared	\$0.56	\$0.00	\$0.61	\$0.00	\$1.17	\$0.61	\$0.00
Paid	0.28	0.28	0.30	0.30	1.17	0.30	0.00
Market Price Per Common Share							
Class A High	\$77.70	\$79.58	\$73.23	\$71.19	\$79.58	\$77.50	\$82.00
Class A Low	69.14	71.55	66.41	66.32	66.32	66.50	69.14

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Class B High	\$77.65	\$79.38	\$72.65	\$68.25	\$79.38	\$74.26	\$79.38
Class B Low	68.32	71.19	64.20	63.54	63.54	63.76	66.32

Note: Quarterly amounts may not add to amounts for the year due to rounding.

## SELECTED FINANCIAL DATA (Expressed in millions, except per share amounts and ratios) Year Ended April 30,

	1999	2000	2001	2002	2003	2004
	-----	-----	-----	-----	-----	-----
CONTINUING OPERATIONS						
Net Sales	\$1,446	1,542	1,572	1,618	1,795	1,992
Gross Profit	\$ 741	812	848	849	900	1,024
Operating Income	\$ 279	296	320	326	341	383
Income from Continuing Operations	\$ 176	187	200	212	222	243
Weighted Average Shares used to calculate Earnings per Share						
- Basic	137.2	137.0	137.0	136.7	134.7	121.4
- Diluted	137.4	137.2	137.1	137.0	135.1	122.0
Earnings per Share from Continuing Operations						
- Basic	\$ 1.28	1.36	1.46	1.55	1.65	2.00
- Diluted	\$ 1.28	1.36	1.46	1.55	1.65	1.99
Gross Margin	51.2%	52.6%	53.9%	52.5%	50.1%	51.4%
Operating Margin	19.3%	19.2%	20.3%	20.2%	19.0%	19.2%
Effective Tax Rate	36.0%	35.9%	35.8%	34.1%	33.6%	33.1%
Average Invested Capital	\$ 681	889	1,016	1,128	1,266	1,392
Return on Average Invested Capital	26.7%	22.0%	20.7%	19.3%	18.0%	18.5%
TOTAL COMPANY						
Cash Dividends Declared per Common Share	\$ 0.58	0.61	0.64	0.68	0.73	0.80
Average Stockholders' Equity	\$ 855	976	1,111	1,241	1,290	936
Total Assets at April 30	\$1,735	1,802	1,939	2,016	2,264	2,376
Long-Term Debt at April 30	\$ 46	33	33	33	629	630
Total Debt at April 30	\$ 290	259	237	200	829	679
Cash Flow from Operations	\$ 213	241	232	249	243	304
Return on Average Stockholders' Equity	23.4%	22.1%	20.7%	18.1%	18.7%	27.1%
Total Debt to Total Capital	24.0%	19.8%	16.6%	13.2%	49.4%	38.3%
Dividend Payout Ratio	39.5%	38.5%	38.1%	41.4%	41.1%	38.2%

### Notes:

1. Includes the consolidated results of Sonoma-Cutrer Vineyards, Finlandia Vodka Worldwide, Tuoni e Canepa, Swift & Moore, Chambord, and Casa Herradura since their acquisitions in April 1999, December 2002, February 2003, February 2006, May 2006, and January 2007, respectively.
2. Weighted average shares, earnings per share, and cash dividends declared per common share have been adjusted for a 2-for-1 common stock split in January 2004.
3. We define Return on Average Invested Capital as the sum of net income (excluding extraordinary items) and after-tax interest expense, divided by average invested capital. Invested capital equals assets less liabilities, excluding interest-bearing debt.
4. We define Return on Average Stockholders' Equity as net income applicable to common stock divided by average stockholders' equity.

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5. We define Total Debt to Total Capital as total debt divided by the sum of total debt and stockholders' equity.
6. We define Dividend Payout Ratio as cash dividends divided by net income.

20

### MANAGEMENT'S DISCUSSION AND ANALYSIS

In the discussion below, we review Brown-Forman's consolidated financial condition and results of operations for the fiscal years ended April 30, 2006, 2007, and 2008. We also predict our anticipated financial performance, make other forward-looking statements, and discuss factors that may affect our future financial condition and performance. We have prepared a list of some risk factors that could cause actual results to differ materially from our anticipated results. Please read this Management's Discussion and Analysis section in conjunction with our consolidated financial statements for the year ended April 30, 2008, their related notes, and the important disclaimer regarding forward-looking statements on page 51.

As discussed in Note 2 to the accompanying financial statements, we sold Lenox, Inc. during fiscal 2006, and sold Brooks & Bentley and Hartmann in fiscal 2007. As a result, we have reported them as discontinued operations in the accompanying financial statements.

### EXECUTIVE OVERVIEW

Brown-Forman Corporation is a producer and marketer of fine-quality consumer beverage alcohol products, including Jack Daniel's and its family of brands; Southern Comfort; Finlandia; Tequila Herradura; el Jimador Tequila; Canadian Mist; Fetzer, Bolla, Bonterra, and Sonoma-Cutrer wines; and Korbel California Champagne. We market and sell various categories of beverage alcohol products, such as Tennessee, Canadian, and Kentucky whiskies; Kentucky bourbon; California sparkling wine; tequila; table wine; liqueurs; vodka; gin; and ready-to-drink products.

### Our Markets

We sell our brands in more than 135 countries. For the first time in our company's history, in fiscal 2008 more than half of total sales came from markets outside of the U.S. But our largest and most important single market remains the U.S., where 48% of our net sales were generated in fiscal 2008, compared to 53% in fiscal 2007. Our sales grew 31% outside the U.S. when compared to fiscal 2007, while sales in the U.S. grew 4%.

Net sales in Europe, our second largest region, grew 17% in fiscal 2008, influenced in part by a weaker U.S. dollar as well as by solid underlying growth in a number of markets, particularly in Eastern Europe. Europe represented 29% of total net sales in fiscal 2008. Net sales from the rest of the world (outside Europe and the U.S.) were up 55% in fiscal 2008 and now constitute 23% of our total net sales. The double-digit increase in net sales reflects the acquisition of Casa Herradura and its related sales outside of the U.S., primarily in Mexico, and solid growth for several other brands in our portfolio in Australia, Canada, Latin America, and various Asian markets.

International expansion continues to provide a significant portion of our growth, as it has over the past decade. In fact, markets outside of the U.S. contributed more than 85% of the overall growth in consolidated net sales in fiscal 2008 and constituted approximately 52% of our total reported net sales for the year. Fifteen years ago, just prior to the adoption of our strategic initiative to expand our international footprint, net sales outside the U.S. contributed less than 20% of our total net sales. Today, the principal



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international markets for our brands include the U.K., Australia, Mexico, Poland, Germany, Spain, Canada, France, the Czech Republic, Italy, South Africa, China, Japan, and Russia. As we continue to expand outside of the U.S., foreign exchange rate fluctuations increasingly affect our financial results - in terms of both sales from goods sold in local currencies and the cost of goods, services, and manpower purchased and paid in local currencies. On a net basis, we sell more in local currencies than we buy, thus exposing our financial results to the negative impact of a strengthening U.S. dollar. To help protect against this, we regularly hedge our foreign currency exposure. But over the long term, reported profits from our international business may be adversely affected if the U.S. dollar strengthens against other currencies.

Consumer demand for premium brands in the U.S. continued to expand this past year, but at a lower growth rate than in fiscal 2007, reflecting the challenging economic environment and softening on-premise trends. However, positive demographic trends, continued consumer interest in spirits-based cocktails, and some consumers' trading up to premium offerings helped maintain the growth for premium spirits in the U.S. We anticipate that this environment will continue in the U.S., but consumer preferences can change quickly and could affect our performance if we do not respond quickly to changing industry and competitive dynamics. In the short term, the uncertain economic conditions in the U.S. and other key markets linked to the U.S., such as Western Europe and Mexico, could also hurt our performance.

### Net Sales by Geography (in millions)

	2006 ----	2007 ----	2008 ----
United States	\$1,404	\$1,498	\$1,564
Europe	709	816	955
Rest of World	299	492	763
	-----	-----	-----
Total	\$2,412	\$2,806	\$3,282
	=====	=====	=====

### Our Brands

Over the past several years, we delivered growth in sales and earnings by expanding our portfolio geographically, by introducing new brand offerings, by adding new brands via acquisitions, by taking price increases, and by divesting non-core businesses. Our divestiture of our former consumer durables businesses, completed in fiscal 2007, allows us to focus on optimizing opportunities in the beverage business.

We seized upon two opportunities in fiscal 2007 to further strengthen our portfolio by buying Chambord liqueur and the Casa Herradura brands (including el Jimador, Herradura, New Mix tequila-based ready-to-drink, Antiguo, and Suave 35). These brands contributed to our growth in sales in the fiscal year and met our other expectations for the year. These brand additions in the premium or super-premium spirits categories, in high-priority markets, complement and fit well in our portfolio of premium brands. We anticipate that brands from these acquisitions will provide long-term earnings growth at rates at or above our historical average, strengthening our growth profile.

Our brand portfolio approached 36 million nine-liter cases in depletions (shipments from distributors to retailers) in fiscal 2008. We also had 10 brands with depletions exceeding 1 million nine-liter cases.

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Jack Daniel's Tennessee Whiskey remains the most important brand in our portfolio and one of the largest, most profitable spirits brands in the world, based on our review of industry data. Global depletions for Jack Daniel's increased 4% in fiscal 2008, approaching 9.5 million nine-liter cases, driven by strong growth outside the U.S.

A positive long-term environment for premium spirits, increased levels of advertising and promotional support, and Jack Daniel's overall marketplace strength have combined to provide solid growth in volumes and double-digit gains in gross profit on a global basis. A significant percent of our total earnings is derived from Jack Daniel's, and the brand's growth is vital to our overall marketplace strength. Accordingly, it remains our primary focus. While a significant decline in volume or selling price for the brand could materially depress our overall earnings, we are encouraged by the accelerating geographic diversification of the brand's profits, which continued in fiscal 2008, and favorable demographic trends in the U.S. and around the world. We believe this brand has continued global growth potential and upward pricing opportunities.

The Jack Daniel's family of brands, which includes Jack Daniel's Tennessee Whiskey, Gentleman Jack, Jack Daniel's Single Barrel, and the Jack Daniel's & Cola ready-to-drink (measured on a drinks-equivalent basis) crossed the 10 million case mark - and together grew volumes at an impressive 6% rate globally, with reported net sales advancing 12%. These brands are an increasingly important source of annual growth. Our recently repackaged Gentleman Jack brand was the fastest-growing brand in our portfolio, growing over 40%, with volumes well in excess of 200,000 nine-liter cases in fiscal 2008. A very recent development - an increase in the tax on ready-to-drink products in Australia - will likely create some headwinds in fiscal 2009 because Australia is our largest and most significant market for Jack Daniel's & Cola. The brand is also important to our continued growth in the Asia-Pacific region.

Southern Comfort and Finlandia are the next two most important brands for us. Southern Comfort delivered 6% growth in net sales on flat volumes, as solid growth outside the U.S. was offset by declines in the U.S. (the brand's largest market). Finlandia surpassed Southern Comfort in volumetric terms in fiscal 2008, with its depletion trends accelerating 16%, led by strong growth in Poland (the brand's largest market, at over 800,000 nine-liter cases) and Russia. In contrast to Jack Daniel's and Southern Comfort, we sell nearly 90% of Finlandia's 2.8 million nine-liter cases outside of the U.S. We expect both Southern Comfort and Finlandia to contribute significantly to our long-term growth.

Our mid-priced brands had mixed results during fiscal 2008. Depletions increased for Fetzter's Valley Oaks wines and Korbel California Champagnes, but decreased for Bolla, Canadian Mist, and Early Times. These large, off-premise-driven category leaders remain important contributors to our earnings and cash flow, and compete in extremely price-competitive categories that will likely intensify in the short term with the difficult economic environment in the U.S. While these brands could benefit from consumers trading down or from a shift of on-premise sales to off-premise sales during a soft economy, we have only modest growth expectations for most of these brands.

Our brands that compete in the super-premium price category expanded significantly with the acquisitions of Chambord and the Casa Herradura brands. These acquired brands accounted for approximately 40% of total net sales growth in fiscal 2008. We believe these super-premium brands and the developing brands in our portfolio represent significant worldwide growth opportunities for us. While volume growth rates for super-premium brands in the U.S. are not as high as they have been over the last several years, we continue to experience double-digit depletion growth for several of our brands priced in this category, including Bonterra, Gentleman Jack, and Woodford Reserve. Each of these brands

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reported global net sales gains of at least 20% in fiscal 2008. In addition, Tuaca, Sonoma-Cutrer, and Chambord continued to register solid depletion gains and combined to grow net sales at a double-digit rate. We remain encouraged by the growth prospects for these brands and believe they have the potential to contribute meaningfully to our future earnings, especially as we expand the Casa Herradura tequila brands across our geographic portfolio.

### Our Route-to-Consumer Strategy

Introduced five years ago, the Brown-Forman Arrow captures our overarching objective to "Be the Best Brand Builder in the Industry, Period!" and the five supporting imperatives that reach that goal. Our strategies grow from this overarching objective.

A critical component of our brand-building strategy is a multifaceted program designed to ensure that consumers can find our products whenever and wherever they have an opportunity to choose a premium beverage alcohol brand. We use a variety of distribution models around the world to implement this program. Our preference for a particular arrangement or partnership depends on our assessment of a market's long-term competitive dynamics and our portfolio's stage of development in that market. We own and operate our distribution network in several markets, including Australia, China, the Czech Republic, Korea, Mexico, Poland, and Thailand. In the United Kingdom and Germany, we have joined forces with another supplier, Bacardi, to sell our and their products. In all of these markets, we sell our beverage alcohol products directly to retail stores and to wholesalers. In many other markets, including the U.S., we use third parties to distribute our portfolio of brands.

The distribution environment in the U.S. continued to change this past year, with a number of distributor consolidations. In the U.S., we formed a sales alliance with Bacardi and Remy Cointreau in a few key states. Our alliance provides for focused sales teams within our distributors in these states to sell the strong, complementary portfolio of the three companies, while we each continue our own unique, independent brand building to supplement the distributor's effort. We have been evaluating options to further this alliance in other parts of the U.S.

22

During fiscal 2008, we decided to combine our brand portfolio in Mexico. Effective June 1, 2008, we began to integrate our existing brands into the sales and marketing operation we acquired with Casa Herradura. Meanwhile, over the next 12 to 24 months, several of our distribution contracts in Europe will expire. We are carefully reviewing our distribution arrangements in these markets, and as always, we will seek out strategies and/or partnerships that can improve our in-market brand-building efforts.

### Our Competition

Our brands operate in a highly competitive industry. We compete against many global, regional, and local brands in several categories and price points of beverage alcohol, but our portfolio is skewed to the premium end of the industry. Trade information indicates that we are one of the largest wine and spirits suppliers in the U.S. based on revenues.

### Our Earnings Outlook

Our fiscal 2009 earnings outlook of \$3.73 to \$3.98 per diluted share reflects our expectations for continued solid international growth, improving trends for both Jack Daniel's and Southern Comfort in the U.S., and strong growth from Casa Herradura brands in the U.S. Additionally, we have incorporated anticipated

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increases in raw material and fuel costs as well as continued leverage from prior investments in selling, general, and administrative expenses into our 3% to 10% operating income growth expectations for the year. This outlook also reflects our expectations for a higher effective tax rate, the benefits of the fiscal 2008 share repurchase, and lower interest expense. As a result, we currently expect fiscal 2009 earnings per diluted share growth of 5% to 12%.

### RESULTS OF OPERATIONS

Our total company diluted earnings per share were \$3.56 in fiscal 2008, all but \$0.01 of which came from continuing operations. The following discussion of our results from continuing operations excludes the results related to the former Consumer Durables segment, which we have segregated from continuing operations and reflected as discontinued operations for all periods presented. See "Discontinued Operations" on page 29.

### CONTINUING OPERATIONS

Continuing operations consist of our beverage business, which includes strong brands representing a wide range of varietal wines, champagnes, and spirits such as whiskey, bourbon, vodka, tequila, and liqueur. The largest market for our brands is the U.S., which generally prohibits wine and spirits manufacturers from selling their products directly to consumers. Instead, we sell our products to wholesale distributors or state-owned operators, who then sell the products to retailers, who in turn sell to consumers. We use a similar tiered distribution model in many markets outside the U.S., but we distribute our own products in several markets, including Australia, China, the Czech Republic, Korea, Mexico, Poland, and Thailand.

Distributors and retailers normally keep some of our products on hand as inventory, so retailers can sell more (or less) of our products to consumers than distributors buy from us during any given period. Because we generally record revenues when we ship our products to distributors, our sales do not necessarily reflect actual consumer demand during any particular period. Ultimately, of course, consumer demand is critical in understanding the underlying health and financial results of our brands and business. The beverage alcohol industry generally uses depletions (defined on page 22) to approximate consumer demand. We also utilize syndicated data and monitor inventory levels in the trade to confirm that depletions are representative of consumer demand.

### Fiscal 2008 Compared to Fiscal 2007

Net sales approached \$3.3 billion, a record in fiscal 2008, and an increase of 17% over net sales in fiscal 2007. For the first time in our history, sales outside the U.S. constituted more than half (52%) of the total; just five years ago, sales outside the U.S. constituted less than 30% of our total sales. This shift in the geographic mix of our sales reflects an accelerating demand for our portfolio in markets outside the U.S., the effect of acquired brands, and the benefits of a weaker U.S. dollar. Over 85% of the \$476 million increase in our net sales for fiscal 2008 came from markets outside the U.S.

The major factors driving our fiscal 2008 sales increase were:

	Growth vs. 2007
Acquisitions	7%
Foreign exchange	4%
Underlying net sales growth:	6%
Volume	4%
Price/Mix	2%
	-----
Reported net sales growth	17%

=====

In the table above, "Acquisitions" refers to the effect our Chambord and Casa Herradura acquisitions, which occurred in May 2006 and January 2007, respectively, had on our results. Significant acquisitions can make year-to-year comparisons difficult to understand. We believe disclosing the effect of these acquisitions separately clarifies the underlying year-to-year changes and provides helpful information in forecasting and planning our growth expectations.

"Foreign exchange" refers to net gains and losses incurred by our sales and purchases in currencies other than the U.S. dollar. We disclose this separately to explain our business growth on a constant dollar basis, because exchange rate fluctuations distort the underlying growth of our business (both positively and negatively). To filter out the effect of foreign exchange fluctuations, we translate current year results at prior year rates. In fiscal 2008, the weaker U.S. dollar benefited our net sales, gross profit, operating income, and earnings per share but hurt our advertising and selling, general, and administrative expenses. Although foreign exchange volatility is a reality for a global company, we routinely review our company performance on a constant dollar basis. We believe that separately identifying the effect foreign exchange has on each major line item of the consolidated statement of operations makes our underlying business performance more transparent.

Fiscal 2008 was another solid year for Jack Daniel's Tennessee Whiskey, as volume increased for the 16th consecutive year, approaching 9.5 million nine-liter cases. Consumer demand continued to expand for this iconic, authentic American whiskey, as the brand added 375,000 nine-liter cases globally to its already large base, growing more than 4% over the prior year. Depletions expanded 8% outside the U.S., with geographically diverse, broad-based gains in many markets, while net sales grew nearly 17%. The most notable case increases were in the U.K. (the brand's largest market outside the U.S., where annual volumes now approach 1 million nine-liter cases), France, Poland, Russia, Romania, and Turkey. Both volumes and net sales improved in the low single digits in the brand's largest market, the U.S.

23

The overall distilled spirits category in the U.S. continued to grow during fiscal 2008. Industry trends, as measured by National Alcohol Beverage Control Association (NABCA) data, indicate total distilled spirits volume grew 3.1% for the 12 months ending April 30, 2008, while Jack Daniel's in the U.S. grew about 1% for the same period. In our opinion, several factors contributed to the industry-lagging growth for Jack Daniel's in this key market:

- Jack Daniel's crossed the \$20 and \$40 price points in most U.S. markets on its two key sizes. We have seen temporary volume declines for this brand when it crossed through key price points before, and, as in the past, we expect a rebound this time, too.
- "Trading down" has been affecting this brand recently, which derives its high-volume, premium-price business from a consumer franchise representing a broad range of household incomes. When economic times are challenging, as we are seeing in the U.S. today, some of our consumers seek cheaper alternatives.
- Some consumers have "traded across" to other premium brands as our competition discounted more deeply.
- To a lesser extent, "trading up" has also affected performance; we believe our recently repackaged Gentleman Jack brand benefited from this shift,

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showing strong growth for the year.

We have planned numerous initiatives to ensure Jack Daniel's continues its relevance in the current competitive consumer environment. As a result, we believe that Jack Daniel's growth rate in the U.S. will improve in fiscal 2009 and more closely approximate that of the distilled spirits category generally. However, if Jack Daniel's growth rate in the U.S. does not improve, it could reduce our earnings expectations for fiscal 2009.

Performance for the rest of the Jack Daniel's family of brands was also strong. Growing 10%, Jack Daniel's ready-to-drink products passed the 3 million cases on the strength of Jack Daniel's & Cola sales in Australia. Meanwhile, Gentlemen Jack was the fastest-growing brand in our portfolio, growing over 40% with volumes well in excess of 200,000 nine-liter cases in fiscal 2008.

Finlandia continues to be a major, and growing, contributor to our international expansion. Since taking a majority stake in Finlandia in fiscal 2003, we have added more than 1 million cases to the brand's annual depletions. Over 95% of this incremental volume has been in international markets. The brand was a major driver of growth for us in fiscal 2008. Global volumes advanced 16%, surpassing Southern Comfort in volumes sold, while net sales gained 33%, reflecting volume gains, price increases, and the benefit of a weak U.S. dollar. Strong double-digit growth in many parts of Europe, particularly Poland, the brand's largest market (where we sold over 800,000 nine-liter cases of the brand), and Russia (where we added over 100,000 nine-liter cases) fueled the brand's growth for the year.

While Southern Comfort global depletions were flat in fiscal 2008, the brand's net sales grew 6%, reflecting continued premium pricing in the U.S. and the benefits of a weaker dollar. Southern Comfort registered solid volume gains in the U.K. (the brand's largest market outside the U.S.), South Africa, and Australia. Low-single-digit volume declines in the U.S. on a volumetric basis were more than offset by the effect of price increases, which led to net sales growth of more than 1% in the brand's largest market.

Overall volume performance was mixed for the other brands in our portfolio. Bonterra, Chambord, Woodford Reserve, and Sonoma-Cutrer experienced high single-digit or double-digit increases. Fetzer Valley Oaks and Korbel California Champagnes registered low single-digit depletion growth. Canadian Mist, Bolla, and Early Times recorded modest depletion declines in fiscal 2008.

The following table highlights worldwide depletion results for our major brands during fiscal 2008:

	Nine-Liter Cases (000s)	% Change vs. 2007
	-----	-----
Jack Daniel's	9,450	4%
New Mix RTDs(1)	4,340	NA
Other RTDs(2)	3,675	9%
Finlandia	2,835	16%
Southern Comfort	2,460	0%
Fetzer Valley Oaks	2,355	2%
Canadian Mist	1,895	(3%)
Korbel Champagnes	1,305	2%
Bolla	1,130	(3%)

(1) New Mix is a tequila-based RTD (ready-to-drink) brand we acquired in January 2007 as part of the Casa Herradura acquisition, and sold exclusively in Mexico.

(2) Other RTD (ready-to-drink) products include Jack Daniel's and

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Southern Comfort products.

Gross profit is one of our key performance measures. The same factors described above that boosted revenue growth also fueled gross profit growth. In fiscal 2008, gross profit grew \$214 million, or 14%, to approximately \$1.7 billion. The table below summarizes the major factors driving the gross profit growth for the year.

	Growth vs. 2007
Acquisitions	4%
Foreign exchange	4%
Underlying gross profit growth:	6%
Volume	4%
Price/Mix	2%
	-----
Reported gross profit growth	14%
	=====

Underlying gross profit growth of 6% was fueled primarily by solid consumer demand for Jack Daniel's, Finlandia, Jack Daniel's & Cola, and Gentleman Jack. Price increases on several brands, including Jack Daniel's, Southern Comfort, Finlandia, Canadian Mist, Early Times, Sonoma-Cutrer, and Korbel Champagne, also contributed to the underlying growth in gross profit.

24

Gross margin declined from 52.8% in fiscal 2007 to 51.6% in fiscal 2008. The major reason for this decline was the full-year effect of the addition of Casa Herradura results. The gross margins for Herradura and el Jimador on sales in the U.S. are above our overall average margin; however, gross margins on both these brands and on New Mix (a tequila-based ready-to-drink product) and agency brands acquired as part of this acquisition are all considerably lower in Mexico. Gross margins for the year were also suppressed by high raw material and fuel costs, which were nearly offset by price increases on several of our brands in selected markets. Over the long term, as the mix of our tequila business shifts toward more U.S. revenue, we expect gross margins to improve, though rising raw material and fuel costs will likely put pressure on margins in the short term.

Advertising expenses were up \$54 million, or 15%, as we continued our long track record of investing to build our brands. Spending behind acquired brands (Chambord and the Casa Herradura brands) and the weaker U.S. dollar contributed to the increase in spending for the year. On a constant exchange basis, and excluding the effect of acquisitions on a comparable basis, advertising investments were up 6%, reflecting incremental spending behind Jack Daniel's, Southern Comfort, Finlandia, and other brands, including Woodford Reserve, Bonterra, and Sonoma-Cutrer.

	Growth vs. 2007
Acquisitions	5%
Foreign exchange	4%
Underlying advertising growth	6%
	-----
Reported advertising growth	15%
	=====

Selling, general, and administrative expenses increased \$57 million, or 10%, influenced by these factors:

Growth

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	vs. 2007
Acquisitions	6%
Foreign exchange	1%
Underlying SG&A growth	3%
	-----
Reported SG&A growth	10%
	=====

Inflation of salary and related expenses was a primary factor contributing to the underlying increase in selling, general, and administrative expenses. This underlying increase in selling, general, and administrative expenses is significantly lower than recent years, as we leveraged the past several years of incremental investments in this area to support our global route-to-market efforts. The graph on this page reflects our consistently strong investments in our overall operating expenses over several long-term periods. These increases in advertising and selling, general, and administrative expenses essentially mirrored growth in gross profit over the same periods.

### Long-term Operating Expense Investment Trends (CAGR: Compound Annual Growth Rate)

	Advertising	SG&A
35-year CAGR since 1973	9%	9%
25-year CAGR since 1983	7%	7%
15-year CAGR since 1993	8%	8%
10-year CAGR since 1998	9%	9%
5-year CAGR since 2003	13%	12%
3-year CAGR since 2005	12%	12%

Amortization expense increased \$3 million in fiscal 2008. Before we acquired Casa Herradura in January 2007, the U.S. distribution rights for the Herradura brand had been granted to another party through December 31, 2011. After purchasing Casa Herradura, we acquired those distribution rights from that party for \$25 million, which we are amortizing on a straight-line basis through December 31, 2011. The increase in the amortization expense for fiscal 2008 reflects the 12 full months of amortization of the cost of acquiring those distribution rights compared to the last three months of fiscal 2007.

Other income decreased \$17 million in fiscal 2008, due primarily to the absence of an \$11 million gain we had recognized in fiscal 2007 on the sale of an Italian winery used in producing Bolla wines to Gruppo Italiano Vini (GIV). The Bolla brand remains a part of our portfolio, though we moved the responsibility for producing these Italian wines to GIV, an Italian company, during fiscal 2007.

Operating income for fiscal 2008 improved 14%, or \$83 million. Positive factors driving operating income growth were higher consumer demand for Jack Daniel's Tennessee Whiskey, Jack Daniel's & Cola, and Finlandia, particularly outside the U.S., and excellent growth in the U.S. for Gentleman Jack. Improved volumes and profits from several other brands, largely focused in the U.S., including Bonterra, Jack Daniel's Single Barrel, Woodford Reserve, and Tuaca, also contributed to income growth. Additionally, benefits from a weaker U.S. dollar and the incremental profits from the Casa Herradura and Chambord acquisitions in fiscal 2007 boosted year-over-year growth in operating income. Margin expansion, driven by price increases, offset the rising costs of raw materials and fuel. Comparisons to the prior year were also affected by the absence of the \$11 million gain recognized in fiscal 2007 on the sale of winery assets. The following chart summarizes the major factors driving our 14% growth in operating income and identifies our underlying operating income growth for fiscal 2008 of 8%, which while lower than our growth rate in recent years, is consistent with our long-term, 15-year growth rate in operating income.



	Growth vs. 2007
Foreign exchange	5%
Acquisitions	3%
Absence of prior year net gain on sale of winery property	(2%)
Underlying operating income growth	8%
	-----
Reported operating income growth	14%
	=====

Interest expense (net) increased \$25 million compared to fiscal 2007, primarily reflecting the financing of the Casa Herradura acquisition.

Effective tax rate reported in fiscal 2008 was 31.7%, unchanged from fiscal 2007. During fiscal 2008, our effective tax rate was favorably affected by an increase in the net reversal of previously recorded income tax provisions for items effectively settled, compared to last year. This positive factor was offset primarily by additional taxes related to a tax law change in Mexico (effective January 1, 2008) and the absence of benefits received in fiscal 2007 from investments in tax-exempt securities.

Diluted earnings per share reached a record \$3.55, up 10% over fiscal 2007. Performance for the year benefited from solid growth for Jack Daniel's and Finlandia and improved volume and profits from Jack Daniel's & Cola ready-to-drink product, sold primarily in Australia, and Gentleman Jack. Reported earnings were also helped by a weaker U.S. dollar, and the benefit of share repurchases. Partially offsetting these gains were the expected dilutive effect of the Casa Herradura transition and the absence of a gain on the sale of winery property.

BASIC AND DILUTED EARNINGS PER SHARE. In Note 15 to our consolidated financial statements, we describe our 2004 Omnibus Compensation Plan and how we issue stock-based awards under it. In Note 1, under "Stock-Based Compensation" we describe how the plan is designed to avoid diluting earnings per share.

#### Fiscal 2007 Compared to Fiscal 2006

Net sales increased 16%, or \$394 million, fueled by (then) record sales for Jack Daniel's, Southern Comfort, and Finlandia, reflecting higher volumes and margin expansion related to price increases in various markets. The benefit of a weaker U.S. dollar and our acquisitions of Chambord and Casa Herradura in fiscal 2007 also contributed to the increase in net sales. Jack Daniel's registered growth for the 15th consecutive year, as demand expanded more than 6% globally, adding 525,000 nine-liter cases, for a total of over 9 million nine-liter cases. For the second consecutive year, worldwide depletions for Finlandia grew 15%, fueled by volume growth in Poland (the brand's largest market) and double-digit increases in numerous other markets, including Israel, Russia, and the U.K. Southern Comfort worldwide depletions grew 3%, with mid-single-digit gains in the U.S. and South Africa. Several other brands experienced growth in sales during fiscal 2007, including Jack Daniel's & Cola ready-to-drink product, Gentleman Jack, Jack Daniel's Single Barrel, Bonterra, Sonoma-Cutrer, Woodford Reserve, Fetzer Valley Oaks, and Korbel.

Gross profit grew 13%, or \$173 million. This growth resulted from the same factors that generated revenue growth. Gross margin declined from 54.2% in fiscal 2006 to 52.8% in fiscal 2007. The major factor driving this decline in

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margin was the full-year effect of recording excise taxes for our German and Australian businesses, which lowered gross margin by 1.5%. The distribution structures changed in these markets in October 2005 and February 2006, respectively, causing us to be responsible for collecting and remitting excise taxes in these markets.

Advertising expenses increased 12%, or \$38 million, as we expanded our brand-building activities behind Jack Daniel's, Southern Comfort, Finlandia, Gentleman Jack, Bonterra, Tuaca, and Sonoma-Cutrer. Spending behind acquired brands (Chambord and the Casa Herradura brands) coupled with the negative impact of a weaker U.S. dollar contributed to the increase in spending for the year.

Selling, general, and administrative expenses increased 14%, or \$66 million, driven by higher compensation and postretirement costs and route-to-market changes made during fiscal 2006 that resulted in incremental infrastructure costs in fiscal 2007 from our businesses in Germany and Australia. In addition, our acquisitions of Chambord and Casa Herradura contributed to the year-over-year increase in selling, general, and administrative expenses.

Other income decreased \$28 million in fiscal 2007, due primarily to the absence of the following items:

- \$14 million in consideration received from LVMH Moet Hennessy Louis Vuitton for the early termination of our distribution and marketing rights to the Glenmorangie family of brands;
- a \$25 million gain related to a contractual fee paid to us by Pernod Ricard following their decision to exit a joint venture arrangement with us in Australia (we now own 100% of this distribution arrangement in this country); and
- a \$5 million gain on the sale of winery assets in Monterey, California.

Partially offsetting the absence of these items that occurred in fiscal 2006 was an \$11 million gain we recognized on the sale of an Italian winery used in producing Bolla wines to Gruppo Italiano Vini (GIV). GIV, an Italian company, produces these Italian wines for us while the Bolla brand name remains in our portfolio.

Operating income reached a (then) record \$602 million in fiscal 2007, growing \$39 million, or 7%, reflecting solid underlying performances from our premium global brands, a weaker U.S. dollar, and a net gain on the sale of winery property in Italy. These positive factors were partially offset by the absence of several items that occurred in fiscal 2006, including a cash payment received for the early termination of marketing and distribution rights for the Glenmorangie family of brands, a net gain related to the restructuring of the ownership of our Australian distributor, and a gain on the sale of winery property in California.

Interest expense (net) increased \$12 million compared to fiscal 2006, reflecting the financing of the Casa Herradura acquisition.

Effective tax rate in fiscal 2007 was 31.7%, compared to 29.3% reported in fiscal 2006. The increase was primarily attributable to the absence of a tax benefit achieved in fiscal 2006 by offsetting various capital gains items (from the early termination of Glenmorangie marketing and distribution rights, the sale of winery property, and consideration received in our Australian distribution operation) against the capital loss resulting from the sale of Lenox, Inc. The effective tax rate also increased due to the phase-out of the extraterritorial income exclusion, as provided by The American Jobs Creation Act of 2004.

Diluted earnings per share increased 1% to \$3.22 in fiscal 2007. This growth resulted from the same factors that generated operating income growth, though it was tempered by higher interest expense related to the financing of the Casa Herradura acquisition and a higher effective tax rate in fiscal 2007.

#### OTHER KEY PERFORMANCE MEASURES

Our primary goal is to increase the value of our shareholders' investment consistently and sustainably over the long term. We believe that long-term growth in the market value of our stock is a good indication of our success in delivering attractive returns to shareholders.

**TOTAL SHAREHOLDER RETURN.** An investment made in Brown-Forman Class B stock over terms of one, three, five, and 10 years would have outperformed the returns of the total S&P 500 over the same periods. Specifically, a \$100 investment in our Class B stock on April 30, 1998, would have grown to nearly \$300 by the end of fiscal 2008, assuming reinvestment of all dividends and ignoring personal taxes and transaction costs. This represents an annualized return of nearly 12% over the 10-year period, compared to a 4% annualized increase for the S&P 500. A more recent investment in Brown-Forman outstripped the market even further, with our Class B stock yielding a return of 8% over the one-year period ended April 30, 2008, compared to a 5% decline for the S&P 500.

Compound Annual Growth in Total Shareholder Return  
(as of April 30, 2008, and including dividend reinvestment)

	1 Year	3 Years	5 Years	10 Years
Brown-Forman Class B shares	8%	10%	15%	12%
S&P 500 index	(5%)	8%	11%	4%

**RETURN ON AVERAGE INVESTED CAPITAL.** Our return on average invested capital remains very healthy, particularly considering current market conditions. While our returns have recently trended lower, with a slight decline in fiscal 2008 to 17.2%, our returns continue to outpace those of nearly all of our competitors. While we have registered record earnings over the past three years, our recent returns have been diluted by the investments made to acquire Chambord liqueur and Casa Herradura. We believe that our return on average invested capital will increase next fiscal year and continue to improve over the long term, given our positive outlook for earnings growth and careful management of our investment base. Further, we expect our most recent acquisitions to build and enhance our returns, as the new brands have considerable growth potential.

#### Return on Average Invested Capital:

Fiscal 2006	21.9%
Fiscal 2007	17.4%
Fiscal 2008	17.2%

#### BUSINESS ENVIRONMENT FOR WINE AND SPIRITS

**GENERALLY.** Generally. We expect the business climate for distilled spirits to remain solid in the U.S. and our major markets outside the U.S. over the next several years. We are encouraged by the favorable demographic trends in the U.S. Wine and spirits combined have taken market share in beverage alcohol from beer in the U.S. over the last decade. The trend toward premium products also continues, which helps many of our brands.

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We see enormous potential for continued growth in the global marketplace. The demographics are strongly in our favor. We have experienced tremendous success in our global expansion since we began the effort almost 15 years ago. While markets outside the U.S. accounted for less than 20% of our net sales in fiscal 1994, in fiscal 2008, for the first time in our company's history, net sales outside the U.S. constituted over 50% of our total net sales. Yet our business today accounts for less than 1% of the global beverage alcohol market. We expect our growth in markets outside the U.S. to surpass our growth in the U.S. We see great opportunity in emerging markets such as Central and Eastern Europe, Russia, and China, as well as countries that some might consider to be developed markets.

We believe our business will benefit from the contributions of Herradura, el Jimador, and other tequila brands we acquired in fiscal 2007, first in the U.S. and Mexico, and then in markets in other parts of the world. We believe these brands have the potential to become significant engines of growth for our business over the next decade and beyond. We expect their consumer appeal and authenticity will enable us to build on our brand-building strengths.

Nevertheless, a slowing economy and less disposable income in the U.S. and other key markets linked to the U.S., such as Western Europe and Mexico, and higher costs for energy and raw materials, temper somewhat our view of the near-term business environment in these markets.

As with spirits, favorable demographic trends should help the top-line growth of our wine brands. However, acceptable profitability remains a challenge for our wine products, due to margin pressure and high fixed costs. We continue to pursue opportunities to improve our overall wine cost structure and the performance of our brands.

**PUBLIC ATTITUDES, GOVERNMENT POLICIES.** Our ability to market and sell our beverage alcohol products depends heavily on society's attitudes toward drinking and government policies that flow from those attitudes. This is not just a U.S. issue, but one we see increasingly in Europe and around the world. A number of organizations criticize abusive drinking and blame alcohol manufacturers for problems associated with alcohol misuse. Specifically, critics say alcohol companies market their products to encourage underage drinking.

27

We are extremely careful to market our beverage products only to adults. We were one of the first companies to adopt a comprehensive marketing code governing the sale of our spirits and wine brands. Our marketing code emphasizes the importance of content and placement to minimize exposure to the underaged. We adhere to marketing codes of the Distilled Spirits Council of the United States, the Wine Institute, and the European Forum for Responsible Drinking, among others. We contribute significant resources to The Century Council, an organization that we and other spirits producers created to combat drunk driving and underage drinking. In Europe, we are an active member of similar organizations, including the Portman Group and the Drinkaware Trust in the United Kingdom.

Illegal alcohol consumption by underage drinkers and abusive drinking by a minority of adult drinkers give rise to public issues of great significance. Alcohol critics seek governmental measures to make beverage alcohol more expensive, less available, and more difficult to advertise and promote. We disagree that this is a good strategy to deal with the minority of individuals who abuse alcohol. In our view, society is more likely to curb alcohol abuse by better educating consumers about beverage alcohol and by setting a good example through moderate drinking than by restricting alcohol advertising and sales or

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by imposing punitive taxes.

Legal or regulatory measures against beverage alcohol (including its advertising and promotion) could hurt our sales. Regulatory measures are a particular concern currently in Europe, where the European Union and many of its member countries are devoting increased attention to more restrictive alcohol policies. In the U.S., distilled spirits are at a marked disadvantage to beer and wine in taxation, access to network television advertising, and in the number and type of sales outlets. Achieving greater cultural acceptance of our products and parity with beer and wine in taxation and access to consumers are major goals that we share with other distillers.

Notably, the World Health Organization (WHO) has begun a major alcohol policy-making process intended to produce a global strategy to combat the misuse of alcohol. While the WHO's global strategy will not carry the force of law, the organization is highly influential, particularly in the developing world. We believe its alcohol policy recommendations will be taken seriously and probably adopted into law in many WHO member states. We are committed to working with the WHO during this policy-making process to ensure that its global strategy is based on sound science and recognizes the critical distinction between the use and abuse of beverage alcohol.

**POLICY OBJECTIVES.** We believe that beverage alcohol should be regarded like other beneficial products, such as food, pharmaceuticals, and automobiles - all of which can be hazardous if misused by the consumer. Therefore, we encourage the proper use of our products and discourage misuse of alcohol, particularly drinking by those under the legal drinking age. We believe the most powerful way to encourage proper drinking and discourage alcohol abuse is through partnership with parents, schools, law enforcement, and other concerned stakeholders.

We also seek recognition that distilled spirits, wine, and beer are all forms of beverage alcohol, and should be treated on an equal basis by government. Generally speaking, however, and especially in the U.S., distilled spirits are subject to higher taxes per ounce of pure alcohol, are subject to more severe restrictions on the places and hours of sale, and in some venues (such as network TV) are denied the right to advertise. We seek to "level the playing field" for beverage alcohol.

We also seek, for the convenience of our customers, Sunday sales in those U.S. states that still ban them. We encourage rules that liberalize international trade, so that we can expand our international business. We oppose tax increases which make our products more expensive for our consumers, and seek to diminish the tax advantage enjoyed by beer.

**TAXES.** Like all goods, beverage alcohol sales are sensitive to higher tax rates and tax reforms. No legislation to increase U.S. federal excise taxes on distilled spirits is currently pending, but future excise tax increases are always possible, as are tax increases or changes levied on the broader business community. From time to time, some city and state legislatures increase beverage alcohol taxes. The cumulative effect of such tax changes over time likely would hurt sales. Changes to the U.S. presidency and Congress may lead to significant increases in taxes paid by beverage alcohol producers, as well as the business community at large.

Increased tax rates, advertising restrictions, burdensome labeling requirements, and outmoded product standards affect beverage alcohol in many of our international markets as well. In the past, those changes have not been significant to our overall business, but as our sales outside the U.S. continue to grow and tax regimes in international markets become increasingly onerous for our products, this risk becomes more pronounced. For instance, the Australian government recently and unexpectedly imposed a significant excise tax increase on spirits-based ready-to-drink products, which could impede sales of Jack

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Daniel's & Cola in that brand's largest market.

THE LITIGATION CLIMATE. Courts have dismissed most of the recent putative class action lawsuits against spirits, beer, and wine manufacturers, including Brown-Forman, which alleged that our marketing causes illegal alcohol consumption by persons under the legal drinking age. The cases not dismissed have been withdrawn voluntarily, and that series of litigation is concluded. However, the attorneys general in a number of U.S. states continue to investigate the trade marketing practices of beverage alcohol producers and wholesalers. Lawsuits or governmental investigations similar to these could hurt our business and the overall industry.

DISTRIBUTION STRATEGY. We use a variety of business models to market and distribute our products. In the U.S., we sell our products to wholesalers through the mandatory three-tier system. In a number of other countries, we rely on other spirits producers to distribute our products. Consolidation among spirits producers overseas or wholesalers in the U.S. could hinder the distribution of our wine and spirits products in the future, but to date this has rarely happened. Wholesalers and distributors typically seek to distribute our premium spirits and wine brands, and we expect that demand to continue.

EXCHANGE RATES. The strength of foreign currencies relative to the U.S. dollar affects sales and the cost of purchasing goods and services in our other markets. This year, a weaker U.S. dollar helped our earnings, particularly in the U.K., Continental Europe, and Australia. We have hedged the majority of our exposure to foreign exchange fluctuation in 2009 by entering into foreign currency forwards and option contracts. However, if the U.S. dollar appreciates significantly, any portion not hedged would affect our business negatively.

28

### DISCONTINUED OPERATIONS

#### Summary of Operating Performance (Dollars in millions, except per share amounts)

	2006	2007	2008
	----	----	----
Net sales	\$166	\$ 50	\$ --
Operating expenses	(178)	(53)	--
Impairment charge	(60)	(9)	--
Transaction costs	(10)	(1)	--
	----	----	----
Loss before income taxes	(82)	(13)	--
Income tax benefit	7	2	--
	----	----	----
Net loss from discontinued operations	\$ (75)	\$ (11)	\$ --
	=====	=====	=====
Loss per share:			
Basic	(0.62)	(0.09)	--
Diluted	(0.61)	(0.09)	--

As discussed in Note 2 to the accompanying financial statements, we sold Lenox, Inc. during fiscal 2006, and sold Brooks & Bentley and Hartmann in fiscal 2007. As a result, we have reported them as discontinued operations in the accompanying financial statements.

The net loss from discontinued operations in fiscal 2007 was \$11 million compared to a net loss of \$75 million in fiscal 2006. Fiscal 2006 included a

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pre-tax impairment charge and transaction costs totaling \$70 million in addition to a loss from the operations of Lenox Inc. incurred during the period before the sale. The fiscal 2007 loss included a pre-tax impairment charge of \$9 million. The majority of this impairment related to our decision to sell Hartmann and to focus our efforts entirely on our beverage business. The \$7 million pre-tax impairment charge associated with Hartmann consisted of a goodwill impairment of \$4 million and an impairment charge of \$3 million that represented the excess of the carrying value of the net assets to be sold over the expected sales proceeds, net of estimated selling costs.

Before we decided to sell Hartmann, no impairment charge was recorded because we believed its operations would generate sufficient future cash flows to enable us to fully recover its carrying amount. The decision to sell Hartmann reflected the Board's opinion that the sum of the price to be obtained from the sale and the strategic value of focusing entirely on our beverage business would be greater than the value of continuing to operate Hartmann.

There was also a \$2 million pre-tax impairment charge recorded for Brooks & Bentley in fiscal 2007. This impairment charge reflected a revision to its estimated fair value and costs to sell, based on the negotiations that resulted in its ultimate sale.

### LIQUIDITY AND CAPITAL RESOURCES

Our ability to generate cash from operations consistently is one of our most significant financial strengths. Our strong cash flows enable us to pay dividends, pursue brand-building programs, and make strategic acquisitions that we believe will enhance shareholder value. Investment grade ratings of A2 from Moody's and A from Standard & Poor's provide us with financial flexibility when accessing global credit markets. We believe cash flows from operations are more than adequate to meet our expected operating and capital requirements. In fiscal 2008, our cash flow from operations and cash on hand enabled us to fund capital expenditures of \$53 million (including property, plant, and equipment and technology software investments), to distribute \$362 million to our shareholders (including dividends and the special distribution in May 2007), and to repurchase \$223 million of our stock.

Cash Flow Summary (Dollars in millions)	2006	2007	2008
	-----	-----	-----
Operating activities	\$ 343	\$ 355	\$ 534
Investing activities:			
Acquisitions	--	(1,045)	2
Sale of discontinued operations	205	12	--
Net (purchase) sale of short-term securities	(160)	74	86
Additions to property, plant, and equipment	(51)	(58)	(41)
Other	3	(21)	(19)
	-----	-----	-----
	(3)	(1,038)	28
Financing activities:			
Net (repayment) issuance of debt	(55)	597	(172)
Acquisition of treasury stock	(3)	--	(223)
Special distribution to stockholders	--	--	(204)
Dividends paid	(128)	(143)	(158)
Other	26	33	21
	-----	-----	-----
	(160)	487	(736)
	-----	-----	-----

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Foreign exchange effect	--	4	10
	-----	-----	-----
Change in cash and cash equivalents	\$ 180	\$ (192)	\$ (164)
	=====	=====	=====

Cash provided by operations was \$534 million in fiscal 2008 compared to \$355 million in fiscal 2007. This increase was driven by higher earnings and a reduction in working capital requirements compared to fiscal 2007, including a refund of taxes received in fiscal 2008 related to the acquisition of Casa Herradura.

Cash provided by investing activities in fiscal 2008 increased \$1,066 million compared to fiscal 2007, reflecting the \$794 million acquisition of Casa Herradura (including fees) in January 2007 and the \$251 million acquisition of Chambord in May 2006.

Cash used for financing activities increased by \$1,223 million, primarily reflecting a \$769 million change in net debt compared to fiscal 2007 and a \$204 million special distribution to shareholders in May 2007. The increase in cash used for financing activities also reflects the repurchase of \$223 million of our common stock during fiscal 2008.

In comparing fiscal 2007 with fiscal 2006, cash provided by operations increased \$12 million, as a reduction in cash used for discontinued operations following the sale of Lenox, Inc. in fiscal 2006 and higher earnings were partially offset by an increase in working capital requirements. Cash used for investing activities increased by \$1,035 million in fiscal 2007, reflecting the acquisitions of Chambord and Casa Herradura for a total of \$1,045 million. Cash provided by financing activities increased by \$647 million, reflecting the issuance of both commercial paper and long-term debt to finance the acquisition of Casa Herradura.

29

### Fiscal 2008 Cash Utilization

#### Sources of Cash:

Operating activities	65%
Short-term borrowings	22%
Short-term investments	10%
Stock option exercises	3%

#### Uses of Cash:

Distributions to shareholders	36%
Long-term debt	36%
Share repurchases	22%
Capital spending	5%
Acquisitions	1%

**CAPITAL EXPENDITURES.** Investments in property, plant, and equipment were \$51 million in fiscal 2006, \$58 million in fiscal 2007, and \$41 million in fiscal 2008. Expenditures over the three-year period included investments to maintain, expand, and improve efficiencies of our production operations and to provide capital resources to build our brands.

We expect capital expenditures for fiscal 2009 to be \$65 to \$75 million, a significant increase compared to our spending over the past three fiscal years. This increase reflects investments to further expand capacity of our production and distribution facilities to meet the continued growing demand for Jack Daniel's and investments behind Casa Herradura. We also plan to continue to



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invest in technology to understand our consumers better and to sharpen our focus on cost-cutting initiatives to combat rising raw material and fuel costs. We expect to fund fiscal 2009 capital expenditures with cash provided by operations.

**SHARE REPURCHASES.** In March 2003, we repurchased 7.9 million shares of our common stock for \$561 million, including transaction costs, through a "Dutch auction" tender offer. We financed the repurchase by issuing \$600 million in debt; of this amount, \$250 million was repaid in March 2006, and the remaining \$350 million was repaid in March 2008 with existing commercial paper capacity.

In November 2007, our Board of Directors authorized the repurchase of up to \$200 million of outstanding Class A and Class B common stock subject to market and Securities and Exchange Committee rules, and certain other conditions. We completed the \$200 million repurchase plan in March 2008.

Under the plan, we repurchased a total of 2,977,250 shares (42,600 of Class A and 2,934,650 of Class B) for \$200 million. The average repurchase price per share, including commissions, was \$68.76 for Class A and \$67.17 for Class B.

Separately, under an agreement approved in May 2007 by a committee of our Board of Directors composed exclusively of non-family directors, approximately \$22 million in share repurchases was purchased from one or more trusts beneficially owned by a Brown family member. Additionally, approximately \$1 million was paid in exchange for shares surrendered by two employees to satisfy income tax withholding obligations, in accordance with our policy.

**LIQUIDITY.** We access short-term capital markets by issuing commercial paper, backed by a bank credit agreement for \$800 million that expires in fiscal 2012. This credit agreement provides us with an immediate, continuing liquidity source. At April 30, 2008, we had no outstanding borrowings under it.

In January 2007, we filed a shelf registration with the SEC for an undetermined amount of securities that gives us prompt access to longer term financing.

**ACQUISITIONS.** Effective May 31, 2006, we completed the acquisition of Chambord liqueur and all related assets from Chatam International Incorporated and its operating subsidiary, Charles Jacquin et Cie Inc., for \$251 million, including transaction costs. The acquisition consisted primarily of the Chambord brand name and goodwill, to which we allocated \$116 million and \$127 million of the purchase price, respectively.

On January 18, 2007, we completed the acquisition of substantially all of the assets of Casa Herradura and its affiliates relating to its tequila business, including the Herradura and el Jimador tequilas, the New Mix tequila-based ready-to-drink brand, the trade names and trademarks associated with those brands and other acquired brands, as well as related production facilities and the sales, marketing, and distribution organization in Mexico. The cost of the acquisition, including transaction costs and fees, was \$794 million, which we allocated to the acquired assets and liabilities (see Note 3 to the accompanying consolidated financial statements). We financed the acquisition with approximately \$114 million of cash and approximately \$680 million of commercial paper, \$400 million of which was subsequently replaced with long-term debt.

In May 2007, we ended our joint ventures in the tequila business with the Orendain family of Mexico. We had shared ownership of the "Don Eduardo" and other Orendain trademarks and related intellectual property with the Orendain family since 1999 through two joint venture companies: Tequila Orendain de Jalisco (TOJ) and BFC Tequila Limited (BFCTL). TOJ produced the tequila and held the trademarks in Mexico. BFCTL owned the trademarks for all markets excluding Mexico. Upon ending the joint ventures, we acquired the remaining portion of the global trademark for the Don Eduardo super-premium tequila brand that we did not

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already own. In exchange, we paid \$12 million to the other shareholders of TOJ and BFCTL and surrendered to them our interest in all other Orendain trademarks previously owned by these two companies. Although we expect to continue to grow the Don Eduardo brand, these two former joint ventures were not material to our consolidated results of operations or financial position.

SPECIAL DISTRIBUTION. On March 22, 2007, our Board of Directors approved the distribution to shareholders of the \$204 million in cash received (net of transaction fees) from the sale of Lenox, Inc. and Brooks & Bentley. The distribution of \$1.653 per share was made on May 10, 2007, to shareholders of record on April 5, 2007. The Internal Revenue Service has issued to us a private letter ruling stating that the special distribution will be treated as a distribution in partial liquidation pursuant to Sections 302(b)(4) and 302(e)(1) of the Internal Revenue Code.

30

### LONG-TERM OBLIGATIONS

We have long-term obligations related to contracts, leases, employee benefit plans, and borrowing arrangements that we enter into in the normal course of business (see Notes 5, 7 and 12 to the accompanying consolidated financial statements). The following table summarizes the amounts of those obligations as of April 30, 2008, and the years when those obligations must be paid:

Long-Term Obligations(1) (Dollars in millions)	Total	2009	2010- 2013	After 2013
	-----	-----	-----	-----
Long-term debt	\$ 421	\$ 4	\$414	\$ 3
Interest on long-term debt	68	21	47	--
Grape purchase obligations	107	29	57	21
Operating leases	56	17	35	4
Postretirement benefit obligations(2)	7	7	n/a	n/a
Agave purchase obligations(3)	n/a	n/a	n/a	n/a
	-----	-----	-----	-----
Total	\$ 659	\$ 78	\$553	\$ 28
	=====	=====	=====	=====

- (1) Excludes reserves for tax uncertainties as we are unable to reasonably predict the ultimate amount or timing of settlement.
- (2) As of April 30, 2008, we have unfunded pension and other postretirement benefit obligations of \$105 million. Because the specific periods in which those obligations will be funded are not determinable, no amounts related to those obligations are reflected in the above table other than the \$7 million of expected contribution in fiscal 2009. Historically, we have generally funded these obligations with the minimum annual contribution required by ERISA, but we may elect to contribute more than the minimum amount in future years.
- (3) As discussed in Note 5 to the accompanying consolidated financial statements, we have obligations to purchase agave, a plant whose sap forms the raw material for tequila. Because the specific periods in which those obligations will be paid are not determinable, no amounts related to those obligations are reflected in the table above. However, as of April 30, 2008, based on current market prices, obligations under these contracts totaled \$22 million.

We expect to meet these obligations with internally generated funds.

### MARKET RISKS

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We are exposed to market risks arising from adverse changes in commodity prices affecting the cost of our raw materials and energy, foreign exchange rates, and interest rates. We try to manage risk responsibly through a variety of strategies, including production initiatives and hedging strategies. Our foreign currency hedging contracts are subject to changes in exchange rates, our commodity futures and option contracts are subject to changes in commodity prices, and some of our debt obligations are subject to changes in interest rates. We discuss these contracts below and also provide a sensitivity analysis.

See Note 5 to our consolidated financial statements for details on our grape and agave purchase obligations, which are also exposed to commodity price risk, and "Critical Accounting Estimates" for a discussion of our pension and other postretirement plans' exposure to interest rate risks.

See "Important Information Regarding Forward-Looking Statements" (page 51) for details on how economic conditions affecting market risks also affect the demand for and pricing of our products.

**FOREIGN EXCHANGE.** We estimate that our foreign currency revenues will exceed our foreign currency expenses by \$470 million in fiscal 2009. To the extent that this foreign currency exposure is not hedged, our results of operations and financial position improve when the U.S. dollar weakens against foreign currencies and decline when the dollar strengthens against them. However, we routinely use foreign currency forward and option contracts to hedge our foreign exchange risk. If these contracts work as intended, we will not recognize any unrealized gains or losses on them until we recognize the underlying hedged transactions in earnings. At April 30, 2008, our foreign currency hedges had a notional value of \$342 million and a net unrealized loss of \$9 million.

With our hedging program, we estimate that, for the currencies in which we do business, if the value of the U.S. dollar were to average 10% higher in fiscal 2009 than in fiscal 2008, our fiscal 2009 operating income would decrease by \$19 million. Conversely, a 10% average decline in the value of the dollar would increase operating income by \$31 million.

**COMMODITY PRICES.** Commodity prices are affected by weather, supply and demand conditions, and other geopolitical and economic variables. We use futures contracts and options to reduce the price volatility of some commodities, primarily corn. At April 30, 2008, we had outstanding hedge positions on approximately 3 million bushels of corn with unrealized gains of \$4 million. We estimate that a 10% decrease in corn prices would reduce the unrealized gain at April 30, 2008, by \$2 million. We expect to mitigate the effect of increases in our raw material and energy costs through our hedging strategies, ongoing production initiatives, and select increases in prices for our brands.

**INTEREST RATES.** Our short-term investments and our variable-rate debt are exposed to the risk of changes in interest rates. We offset a portion of this risk by entering into an interest rate swap which fixed the rate on \$75 million of our variable-rate notes for the nine-month period ending July 1, 2008. Based on the April 30, 2008 balances of variable-rate debt and investments, a 1% point increase in interest rates would increase our annual interest expense (net of interest income on cash and short-term investments) by \$6 million.

### CRITICAL ACCOUNTING ESTIMATES

Our financial statements reflect certain estimates involved in applying the following critical accounting policies that entail uncertainties and subjectivity. Using different estimates could have a material effect on our operating results and financial condition.

**GOODWILL AND OTHER INTANGIBLE ASSETS.** We have obtained most of our brands through acquisitions from other companies. Upon acquisition, the purchase price

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is first allocated to identifiable assets and liabilities, including brand names and other intangible assets, based on estimated fair value, with any remaining purchase price recorded as goodwill. Goodwill and intangible assets with indefinite lives are not amortized. We consider all of our brand names to have indefinite lives.

We assess our brand names and goodwill for impairment at least annually to ensure that estimated future cash flows continue to exceed the related book value. A brand name is impaired if its book value exceeds its fair value. Goodwill is evaluated for impairment if the book value of its reporting unit exceeds its estimated fair value. Fair value is determined using discounted estimated future cash flows, with consideration of market values for similar assets when available. If the fair value of an evaluated asset is less than its book value, the asset is written down to its estimated fair value.

31

Considerable management judgment is necessary to assess impairment and estimate fair value. The assumptions used in our evaluations, such as forecasted growth rates and cost of capital, are consistent with our internal projections and operating plans.

**PROPERTY, PLANT, AND EQUIPMENT.** We depreciate our property, plant, and equipment on a straight-line basis using our estimates of useful life, which are 20 to 40 years for buildings and improvements, 3 to 10 years for machinery, equipment, vehicles, furniture, and fixtures, and 3 to 7 years for capitalized software.

We assess our property, plant, and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset or asset group may not be recoverable. Fair value is determined using discounted estimated future cash flows, with consideration of market values for similar assets when available. If the fair value of an evaluated asset is less than its book value, we write it down to its estimated fair value.

Considerable management judgment is necessary to assess impairment and estimate fair value. Assumptions used in these evaluations are consistent with our internal projections and operating plans.

**PENSION AND OTHER POSTRETIREMENT BENEFITS.** We sponsor various defined benefit pension plans as well as postretirement plans providing retiree health care and retiree life insurance benefits. Benefits are based on such factors as years of service and compensation level during employment. The benefits expected to be paid are expensed over the employees' expected service. This requires us to make certain assumptions to determine the net benefit expense and obligations, such as interest rates, return on plan assets, the rate of salary increases, expected service, and health care cost trend rates.

The assets, obligations, and assumptions used to measure pension and retiree medical expenses are determined as of January 31 of the preceding year ("measurement date"). Because obligations are measured on a discounted basis, the discount rate is a significant assumption. It is based on interest rates for high-quality, long-term corporate debt at each measurement date. The expected return on pension plan assets is based on our historical experience and our expectations for long-term rates of return. The other assumptions also reflect our historical experience and management's best judgment regarding future expectations. We review our assumptions on each annual measurement date. As of April 30, 2008, we have increased the discount rate for pension obligations from 6.04% to 6.64%, and for other postretirement benefit obligations from 5.98% to 6.45%. Pension and postretirement benefit expense for fiscal 2009 is estimated to be approximately \$20 million, compared to \$25 million for fiscal 2008. A

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decrease/increase in the discount rate of 25 basis points would increase/decrease the fiscal 2009 expense by approximately \$2 million.

**Income taxes.** Our annual effective tax rate is based on our income and the statutory tax rates in the various jurisdictions where we do business. In fiscal 2008, our annual income tax rate for continuing operations was 31.7%, unchanged from fiscal 2007. During fiscal 2008, our effective tax rate was favorably affected by an increase in the net reversal of uncertain tax positions in accordance with the effective settlement of each item. This positive factor was offset primarily by additional taxes related to a tax law change in Mexico (effective January 1, 2008) and the absence of benefits received in fiscal 2007 from investments in tax-exempt securities.

Significant judgment is required in evaluating our tax positions. We establish reserves when we believe that certain positions are likely to be challenged and may not succeed, despite our belief that our tax return positions are fully supportable. We adjust these reserves in light of changing circumstances, such as the progress of a tax audit. We believe current reserves are appropriate for all known contingencies, but this situation could change.

Several years can elapse before we can resolve a particular matter for which we have established a reserve. Although predicting the final outcome or the timing of resolution of any particular tax matter can be difficult, we believe that our reserves reflect the likely outcome of known tax contingencies. Unfavorable settlement of any particular issue could require use of our cash; whereas a favorable resolution could result in either reduced cash tax payments, or the reversal of previously established reserves or some combination of these which could result in a reduction to our effective tax rate upon resolution.

**CONTINGENCIES.** We operate in a litigious environment, and we are sued in the normal course of business. Sometimes plaintiffs seek substantial damages. Significant judgment is required in predicting the outcome of these suits and claims, many of which take years to adjudicate. We accrue estimated costs for a contingency when we believe that a loss is probable and we can make a reasonable estimate of the loss, and adjust the accrual as appropriate to reflect changes in facts and circumstances.

Brown-Forman Corporation and many other manufacturers of spirits, wine, and beer were defendants in a series of nine essentially identical putative class action lawsuits that began in 2003 seeking damages and injunctive relief for alleged marketing of beverage alcohol to underage consumers. As each of these cases has been dismissed or withdrawn, the last in November 2007, this series of litigation is concluded.

**RECENT ACCOUNTING PRONOUNCEMENTS.** See Note 1 to the accompanying consolidated financial statements.

32

### Brown-Forman CONSOLIDATED STATEMENTS OF OPERATIONS (Expressed in millions, except per share amounts)

Year Ended April 30,	2006	2007	2008
Net sales	\$2,412	\$2,806	\$3,282
Excise taxes	468	588	700
Cost of sales	636	737	887
	<hr/>		
Gross profit	1,308	1,481	1,695

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Advertising expenses	323	361	415
Selling, general, and administrative expenses	469	535	592
Amortization expense	--	2	5
Other income, net	(47)	(19)	(2)
	-----	-----	-----
Operating income	563	602	685
Interest income	14	18	8
Interest expense	18	34	49
	-----	-----	-----
Income from continuing operations before income taxes	559	586	644
Income taxes	164	186	204
	-----	-----	-----
Income from continuing operations	395	400	440
Loss from discontinued operations, net of income taxes	(75)	(11)	--
	-----	-----	-----
Net income	\$ 320	\$ 389	\$ 440
	=====	=====	=====
Basic earnings (loss) per share:			
Continuing operations	\$ 3.24	\$ 3.26	\$ 3.59
Discontinued operations	(0.62)	(0.09)	--
	-----	-----	-----
Total	\$ 2.62	\$ 3.17	\$ 3.59
	=====	=====	=====
Diluted earnings (loss) per share:			
Continuing operations	\$ 3.20	\$ 3.22	\$ 3.55
Discontinued operations	(0.61)	(0.09)	--
	-----	-----	-----
Total	\$ 2.60	\$ 3.14	\$ 3.56
	=====	=====	=====

Note: Earnings (loss) per share amounts for continuing operations and discontinued operations may not add to total amount for the company due to rounding.

The accompanying notes are an integral part of the consolidated financial statements.

33

Brown-Forman  
CONSOLIDATED BALANCE SHEETS  
(Expressed in millions, except share and per share amounts)

April 30,	2007	2008
-----	-----	-----
Assets		
-----		
Cash and cash equivalents	\$ 283	\$ 119
Short-term investments	86	--
Accounts receivable, less allowance for doubtful		

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accounts of \$22 in 2007 and \$19 in 2008	404	453
Inventories:		
Barreled whiskey	303	311
Finished goods	151	155
Work in process	198	179
Raw materials and supplies	42	40
	-----	-----
Total inventories	694	685
Current portion of deferred income taxes	76	102
Other current assets	92	97
	-----	-----
Total Current Assets	1,635	1,456
Property, plant, and equipment, net	506	501
Prepaid pension cost	23	23
Goodwill	670	688
Other intangible assets	684	699
Other assets	33	38
	-----	-----
Total Assets	\$3,551	\$3,405
	=====	=====
Liabilities		
-----		
Accounts payable and accrued expenses	\$ 361	\$ 380
Accrued income taxes	27	15
Payable to stockholders	204	--
Short-term borrowings	401	585
Current portion of long-term debt	354	4
	-----	-----
Total Current Liabilities	1,347	984
Long-term debt, less unamortized discount of \$1 in 2007 and \$0 in 2008	422	417
Deferred income taxes	56	89
Accrued pension and other postretirement benefits	123	121
Other liabilities	30	69
	-----	-----
Total Liabilities	1,978	1,680
	-----	-----
Commitments and contingencies		
Stockholders' Equity		
-----		
Common Stock:		
Class A, voting, \$0.15 par value (57,000,000 shares authorized; 56,925,000 shares issued)	9	9
Class B, nonvoting, \$0.15 par value (100,000,000 shares authorized; 69,188,000 shares issued)	10	10
Additional paid-in capital	64	74
Retained earnings	1,649	1,931
Accumulated other comprehensive income (loss):		
Pension and other postretirement benefits adjustment	(99)	(88)
Cumulative translation adjustment	46	99
Unrealized loss on cash flow hedge contracts	(4)	(6)
Treasury stock, at cost (2,833,000 and 5,522,000 shares in 2007 and 2008, respectively)	(102)	(304)
	-----	-----
Total Stockholders' Equity	1,573	1,725

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Total Liabilities and Stockholders' Equity	\$3,551	\$3,405
--	---------	---------

The accompanying notes are an integral part of the consolidated financial statements.

34

## Brown-Forman CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in millions)

Year Ended April 30,	2006	2007	2008
Cash flows from operating activities:			
Net income	\$ 320	\$ 389	\$ 440
Adjustments to reconcile net income to net cash provided by operations:			
Net loss from discontinued operations	75	11	--
Depreciation and amortization	42	44	52
Stock-based compensation expense	9	8	10
Deferred income taxes	(33)	(7)	5
Other	(2)	(11)	(3)
Change in assets and liabilities, excluding the effects of businesses acquired or sold:			
Accounts receivable	(21)	(47)	(43)
Inventories	(37)	(41)	(3)
Other current assets	(7)	(9)	(4)
Accounts payable and accrued expenses	3	14	21
Accrued income taxes	7	(20)	(12)
Noncurrent assets and liabilities	5	18	71
Net cash provided by (used for) operating activities of discontinued operations	(18)	6	--
Cash provided by operating activities	343	355	534
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	--	(1,045)	2
Acquisition of distribution rights	--	(25)	--
Acquisition of brand names and trademarks	(1)	--	(13)
Proceeds from sale of discontinued operations	205	12	--
Purchase of short-term investments	(388)	(249)	--
Sale of short-term investments	228	323	86
Additions to property, plant, and equipment	(51)	(58)	(41)
Proceeds from sale of property, plant, and equipment	7	14	6
Computer software expenditures	--	(9)	(12)
Net cash used for investing activities of discontinued operations	(3)	(1)	--
Cash (used for) provided by investing activities	(3)	(1,038)	28
Cash flows from financing activities:			
Net change in short-term borrowings	225	178	184
Proceeds from long-term debt	--	421	--



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Repayment of long-term debt	(280)	(2)	(356)
Debt issuance costs	--	(2)	--
Proceeds from exercise of stock options	19	27	11
Excess tax benefits from stock options	7	8	10
Acquisition of treasury stock	(3)	--	(223)
Special distribution to stockholders	--	--	(204)
Dividends paid	(128)	(143)	(158)
-----			
Cash (used for) provided by financing activities	(160)	487	(736)
-----			
Effect of exchange rate changes on cash and cash equivalents	--	4	10
-----			
Net increase (decrease) in cash and cash equivalents	180	(192)	(164)
Cash and cash equivalents, beginning of year	295	475	283
-----			
Cash and cash equivalents, end of year	\$475	\$283	\$119
=====			
Supplemental disclosure of cash paid for:			
Interest	\$ 21	\$ 32	\$ 50
Income taxes	\$188	\$205	\$236

The accompanying notes are an integral part of the consolidated financial statements.

35

## Brown-Forman CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Dollars expressed in millions, except per share amounts)

Year Ended April 30,	2006	2007	2008
-----			
Class A Common Stock	\$ 9	\$ 9	\$ 9
Class B Common Stock	10	10	10
Additional Paid-in Capital:			
Balance at beginning of year	34	47	64
Stock issued under compensation plans	--	2	3
Stock-based compensation expense	8	6	6
Adjustment for stock option exercises	(3)	1	(9)
Excess tax benefits from stock options	8	8	10
-----			
Balance at end of year	47	64	74
-----			
Retained Earnings:			
Balance at beginning of year	1,415	1,607	1,649
Net income	320	389	440
Cash dividends (\$1.05, \$1.165, and \$1.285 per share in 2006, 2007, and 2008, respectively)	(128)	(143)	(158)
Special cash distribution to stockholders (\$1.6533 per share in 2007)	--	(204)	--
-----			

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Balance at end of year	1,607	1,649	1,931
-----			
Treasury Stock, at cost:			
Balance at beginning of year	(147)	(128)	(102)
Acquisition of treasury stock	(3)	--	(223)
Stock issued under compensation plans	21	24	17
Stock-based compensation expense	1	2	4
-----			
Balance at end of year	(128)	(102)	(304)
-----			
Accumulated Other Comprehensive Income (Loss):			
Balance at beginning of year	(11)	18	(57)
Net other comprehensive income	29	19	62
Adjustment to initially apply SFAS 158, net of tax of \$60 (Note 12)	--	(94)	--
-----			
Balance at end of year	18	(57)	5
-----			
Total Stockholders' Equity	\$1,563	\$1,573	\$1,725
=====			
Comprehensive Income:			
Net income	\$320	\$389	\$440
Other comprehensive income (loss):			
Foreign currency translation adjustment	(3)	22	53
Pension and other postretirement benefits adjustment, net of tax of \$(21), \$1, and \$9 in 2006, 2007, and 2008, respectively	33	(1)	11
Amounts related to cash flow hedges:			
Reclassification to earnings, net of tax of \$2, \$(2), and \$(4) in 2006, 2007, and 2008, respectively	(4)	3	7
Net gain (loss) on hedging instruments, net of tax of \$(2), \$3, and \$6 in 2006, 2007, and 2008, respectively	3	(6)	(9)
-----			
Net other comprehensive income	29	18	62
-----			
Total Comprehensive Income	\$349	\$407	\$502
=====			
Class A Common Shares Outstanding (in thousands):			
Balance at beginning of year	56,782	56,829	56,870
Acquisition of treasury stock	--	--	(340)
Stock issued under compensation plans	47	41	43
-----			
Balance at end of year	56,829	56,870	56,573
-----			
Class B Common Shares Outstanding (in thousands):			
Balance at beginning of year	65,106	65,636	66,367
Acquisition of treasury stock	(91)	--	(2,937)
Stock issued under compensation plans	621	731	589
-----			
Balance at end of year	65,636	66,367	64,019
-----			
Total Common Shares Outstanding (in thousands)	122,465	123,237	120,592
=====			

The accompanying notes are an integral part of the consolidated financial statements.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars expressed in millions, except per share amounts)

#### 1. ACCOUNTING POLICIES

We apply the following accounting policies when preparing our consolidated financial statements. References to "FASB" are to the Financial Accounting Standards Board, the private-sector organization that establishes financial accounting and reporting standards, including Statements of Financial Accounting Standards (SFAS).

**PRINCIPLES OF CONSOLIDATION.** Our consolidated financial statements include the accounts of all wholly-owned and majority-owned subsidiaries. We use the equity method to account for investments in affiliates over which we can exercise significant influence (but not control). We carry all other investments in affiliates at cost. We eliminate all intercompany transactions.

**CASH EQUIVALENTS.** Cash equivalents include bank demand deposits and all highly liquid investments with original maturities of three months or less.

**SHORT-TERM INVESTMENTS.** Short-term investments consist of auction rate securities and variable-rate demand notes. These investments are classified as available-for-sale and recorded at cost, which approximated fair value.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS.** We evaluate the collectibility of accounts receivable based on a combination of factors. When we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance to reduce the net recognized receivable to the amount we reasonably believe will be collected.

**INVENTORIES.** We state inventories at the lower of cost or market, with approximately 62% of consolidated inventories being valued using the last-in, first-out (LIFO) method. Other inventories are valued using the first-in, first-out (FIFO) method. If the FIFO method had been used, inventories would have been \$126 and \$150 higher than reported at April 30, 2007 and 2008, respectively. FIFO cost approximates current replacement cost.

Whiskey must be barrel-aged for several years, so we bottle and sell only a portion of our whiskey inventory each year. Following industry practice, we classify all barreled whiskey as a current asset. We include warehousing, insurance, ad valorem taxes, and other carrying charges applicable to barreled whiskey in inventory costs.

We classify bulk wine and agave inventories as work in process.

**PROPERTY, PLANT, AND EQUIPMENT.** We state property, plant, and equipment at cost less accumulated depreciation. We calculate depreciation on a straight-line basis over the estimated useful lives of the assets as follows: 20 to 40 years for buildings and improvements; 3 to 10 years for machinery, equipment, vehicles, furniture, and fixtures; and 3 to 7 years for capitalized software costs.

We assess our property, plant, and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset or asset group may not be recoverable. Fair value is determined using discounted estimated future cash flows, with consideration of market values for similar assets when available. If the fair value of an evaluated asset is less than its book value, we write it down to its estimated fair value.

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GOODWILL AND OTHER INTANGIBLE ASSETS. We assess our goodwill and other intangible assets for impairment at least annually. If the fair value of an evaluated asset is less than its book value, the asset is written down to its estimated fair value. Fair value is determined using discounted estimated future cash flows, with consideration of market values for similar assets when available.

FOREIGN CURRENCY TRANSLATION. The U.S. dollar is the functional currency for most of our consolidated operations. For those operations, we report all gains and losses from foreign currency transactions in current income. The local currency is the functional currency for some foreign operations. For those investments, we report cumulative translation effects as a component of accumulated other comprehensive income (loss), a component of stockholders' equity.

REVENUE RECOGNITION. We recognize revenue when title and risk of loss pass to the customer, which typically is at the time the product is shipped. Certain sales contain customer acceptance provisions that grant a right of return on the basis of either subjective criteria or specified objective criteria. Revenue is recorded net of the estimated cost of sales returns and allowances.

SALES DISCOUNTS. Sales discounts, which are recorded as a reduction of net sales, totaled \$157, \$242, and \$303 for 2006, 2007, and 2008, respectively.

COST OF SALES. Cost of sales includes the costs of receiving, producing, inspecting, warehousing, insuring, and shipping goods sold during the period.

SHIPPING AND HANDLING FEES AND COSTS. We report the amounts we bill to our customers for shipping and handling as net sales, and we report the costs we incur for shipping and handling as cost of sales.

ADVERTISING COSTS. We expense the costs of advertising during the year in which the advertisements first take place.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES. Selling, general, and administrative expenses include the costs associated with our sales force, administrative staff and facilities, and other expenses related to the non-manufacturing functions of our business.

EARNINGS PER SHARE. Basic earnings per share is based upon the weighted average number of all common shares outstanding during the period. Diluted earnings per share includes the dilutive effect of stock-based compensation awards, including stock options, stock-settled stock appreciation rights (SSARs), and non-vested restricted stock.

37

The following table presents information concerning basic and diluted earnings per share:

Year Ended April 30,	2006	2007	2008
-----			
Basic and diluted net income (loss):			
Continuing operations	\$395	\$400	\$440
Discontinued operations	(75)	(11)	--
	-----		
Total	\$320	\$389	\$440
	=====		
Share data (in thousands):			
Basic average common shares outstanding	122,094	122,868	122,464

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Dilutive effect of non-vested restricted stock	31	59	91
Dilutive effect of stock options and SSARs	1,314	1,274	1,054
	-----	-----	-----
Diluted average common shares outstanding	123,439	124,201	123,609
	=====	=====	=====
Basic earnings (loss) per share:			
Continuing operations	\$3.24	\$3.26	\$3.59
Discontinued operations	(0.62)	(0.09)	--
	-----	-----	-----
Total	\$2.62	\$3.17	\$3.59
	=====	=====	=====
Diluted earnings (loss) per share:			
Continuing operations	\$3.20	\$3.22	\$3.55
Discontinued operations	(0.61)	(0.09)	--
	-----	-----	-----
Total	\$2.60	\$3.14	\$3.56
	=====	=====	=====

Note: Earnings (loss) per share amounts for continuing operations and discontinued operations may not add to total amount for the company due to rounding.

Stock-based awards for approximately 333,000 common shares and 756,000 common shares were excluded from the calculation of diluted earnings per share for 2007 and 2008, respectively, because the exercise price of the awards was greater than the average market price of the shares.

In November 2007, our Board of Directors authorized the repurchase of up to \$200 of outstanding Class A and Class B common stock, subject to market and certain other conditions. We completed that share repurchase plan in March 2008. Under the plan, we repurchased a total of 2,977,250 shares (42,600 of Class A and 2,934,650 of Class B) for \$200. The average repurchase price per share, including commissions, was \$68.76 for Class A and \$67.17 for Class B.

STOCK-BASED COMPENSATION. Our stock-based compensation plan requires that we purchase shares to satisfy stock-based compensation requirements, thereby avoiding future dilution of earnings that would occur from issuing additional shares. We acquire treasury shares from time to time in anticipation of these requirements. We intend to hold enough treasury stock so that the number of diluted shares never exceeds the original number of shares outstanding at the inception of the stock-based compensation plan (as adjusted for any share issuances unrelated to the plan). The extent to which the number of diluted shares exceeds the number of basic shares is determined by how much our stock price has appreciated since the stock-based compensation was awarded, not by how many treasury shares we have acquired.

ESTIMATES. To prepare financial statements that conform with generally accepted accounting principles, our management must make informed estimates that affect how we report revenues, expenses, assets, and liabilities, including contingent assets and liabilities. Actual results could (and probably will) differ from these estimates.

RECENT ACCOUNTING PRONOUNCEMENTS. In September 2006, the FASB issued SFAS 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that

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are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities.

In December 2007, the FASB issued SFAS 141(R), "Business Combinations," which establishes accounting principles and disclosure requirements for all transactions in which a company obtains control over another business.

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements," which prescribes the accounting by a parent company for minority interests held by other parties in a subsidiary of the parent company.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities," which requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

SFAS 157 and SFAS 159 become effective as of the beginning of our 2009 fiscal year. However, the FASB has deferred, until the beginning of our 2010 fiscal year, the effective date of SFAS 157 as it relates to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 141(R) and SFAS 160 become effective as of the beginning of our 2010 fiscal year, while SFAS 161 becomes effective as of the end of our 2009 fiscal year. We do not expect our adoption of these pronouncements to have a material impact on our financial statements.

### 2. DISCONTINUED OPERATIONS

We sold our wholly-owned subsidiary Lenox, Inc. ("Lenox") during fiscal 2006. In connection with the sale, we recognized a non-cash impairment charge of \$60 in July 2005. The impairment charge represented the excess of the carrying value of the net assets sold over the expected sales proceeds. We also incurred transaction costs related to the sale, including legal, tax, and actuarial expenses, transaction success payments, and investment banking fees.

Lenox's results of operations and the impairment charge and other transaction costs have been classified as discontinued operations, net of income taxes, in the accompanying consolidated statements of operations for fiscal 2006.

38

After we sold Lenox, we retained ownership of Brooks & Bentley, a former Lenox subsidiary located in the U.K. We sold Brooks & Bentley in 2007. After reviewing various strategic alternatives, we also sold our wholly-owned subsidiary Hartmann, Inc. ("Hartmann") in 2007. Accordingly, the operating results of Brooks & Bentley and Hartmann are classified as discontinued operations in the accompanying consolidated statements of operations. The results of discontinued operations for 2007 include a \$9 impairment charge. The majority of this impairment relates to the decision made in 2007 by our Board of Directors to sell Hartmann and to focus our efforts entirely on our beverage business. The \$7 pre-tax impairment charge associated with Hartmann consisted of a goodwill impairment of \$4 and an impairment charge of \$3 that represented the excess of the carrying value of the net assets to be sold over the expected sales proceeds, net of estimated costs to sell.

Before we decided to sell Hartmann, no impairment charge was recorded because we believed its operations would generate sufficient future cash flows to enable us

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to fully recover its carrying amount. The decision to sell Hartmann reflected the Board's opinion that the sum of the price to be obtained from the sale and the strategic value of focusing entirely on our beverage business would be greater than the value of continuing to operate Hartmann.

There was also a \$2 pre-tax impairment charge recorded in 2007 for Brooks & Bentley. This impairment charge reflected a revision to its estimated fair value and costs to sell, based on the negotiations that resulted in its ultimate sale.

A summary of discontinued operations follows:

Year Ended April 30,	2006	2007	2008
Net sales	\$ 166	\$ 50	\$ --
Operating expenses	(178)	(53)	--
Impairment charge	(60)	(9)	--
Transaction costs	(10)	(1)	--
Loss before income taxes	(82)	(13)	--
Income tax benefit	7	2	--
Net loss from discontinued operations	\$ (75)	\$ (11)	\$ --

### 3. ACQUISITIONS

We have completed the following acquisitions over the past three years. The operating results of each acquired entity have been consolidated with our financial statements since their respective acquisition dates. Consolidated pro forma operating results would not have been materially different from the actual amounts reported.

**CHAMBORD LIQUEUR.** In May 2006, we completed the acquisition of Chambord liqueur and all related assets from Chatam International Incorporated and its operating subsidiary, Charles Jacquin et Cie Inc., for \$251, including transaction costs. We believe that Chambord, which is positioned in the super-premium spirits category, fits well with our approach to brand building. With the close of the transaction, we acquired the Chambord trademark, French manufacturing operations where the brand is produced, and the services of employees who work at the facility.

The acquisition consisted primarily of the Chambord brand name and goodwill, to which we allocated \$116 and \$127 of the purchase price, respectively. The transaction provides valuable strategic opportunities, which we believe will enable us to leverage our strong brand-building skills and our current distribution network, allowing us to grow sales of this super-premium priced product around the world. We also believe that the brand will provide us with additional distributor influence and that it complements several other brands in our portfolio, allowing for cross-selling, merchandising, and promotion, which we expect will lead to overall increased sales. These factors contributed to a purchase price that resulted in the recognition of \$127 of goodwill. The entire amount allocated to goodwill is deductible for income tax purposes.

**CASA HERRADURA.** In January 2007, we completed the acquisition contemplated in an August 2006 asset purchase agreement among Jose Guillermo Romo de la Pena; Luis Pedro Pablo Romo de la Pena; Grupo Industrial Herradura, S.A. de C.V. ("Casa Herradura"); certain of their respective affiliates; Brown-Forman; and Brown-Forman Tequila Mexico, S. de R.L. de C.V., a subsidiary of Brown-Forman. We acquired substantially all of the assets of Casa Herradura and its affiliates

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relating to its tequila business, including the Herradura and el Jimador tequilas, the New Mix tequila-based ready-to-drink brand, the trade names and trademarks associated with such brands and other acquired brands, as well as related production facilities and the sales, marketing, and distribution organization in Mexico.

We believe this acquisition provides us with several strategic opportunities, including the ownership of two strong, established brands, Herradura and el Jimador, which compete at the super-premium and premium levels, respectively, in the world's largest tequila markets - the U.S. and Mexico. In addition, we believe the growth potential for these brands is very attractive based on the fact that tequila is one of the fastest-growing spirits category in both markets. We expect these brands will help advance our entire business within the Hispanic population, which is the fastest growing demographic segment in the U.S., and increase our participation in the popular cocktail culture of the U.S., where the tequila-based margarita is the most frequently called-for mixed drink. We believe the el Jimador ready-to-drink brand extension, New Mix, which is the category leader in the Mexican market, also has growth potential. We also believe the infrastructure in Mexico will give us a strong business platform to advance our portfolio in an important international market where we have historically had very little presence. We expect to leverage our current distribution network outside of Mexico, allowing us to grow sales of these super-premium and premium brands in the U.S. and to expand the brands' presence in the rest of the world, where the opportunities for growth appear numerous given the very limited distribution of tequila. Finally, by expanding and diversifying our portfolio, we believe that these brands will provide us with additional clout with our distributors and that the brands' performance will benefit significantly from our strong brand-building skills. These factors contributed to a purchase price that resulted in the recognition of the goodwill shown on the next page.

39

The cost of the acquisition was \$794, including transaction costs of \$16, and was allocated based on management's estimates as follows:

Cash	\$ 2
Accounts receivable	39
Inventories	124
Other current assets	48
Property, plant, and equipment	65
Deferred income taxes	4
Goodwill	355
Trademarks and brand names	215
	----
Total assets	852
	----
Accounts payable and accrued expenses	52
Long-term debt	1
Other noncurrent liabilities	5
	----
Total liabilities	58
	----
Net assets acquired	\$794
	=====

Standard valuation procedures were used in determining the fair value of the acquired trademarks and brand names, which were determined to have indefinite lives. We expect the entire goodwill amount of \$355 to be deductible for tax purposes.



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We financed the acquisition with approximately \$114 of cash and approximately \$680 of commercial paper, \$400 of which was subsequently replaced with long-term debt.

### 4. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows the changes in the amounts recorded as goodwill over the past two years:

Balance as of April 30, 2006	\$192
Acquisition of Chambord (Note 3)	127
Acquisition of Casa Herradura (Note 3)	346
Foreign currency translation adjustment	5
	----
Balance as of April 30, 2007	670
Casa Herradura purchase price finalization	8
Foreign currency translation adjustment	10
	----
Balance as of April 30, 2008	\$688
	=====

In May 2007, we ended our joint ventures in the tequila business with the Orendain family of Mexico. We had shared ownership of the "Don Eduardo" and other "Orendain" trademarks and related intellectual property with the Orendain family since 1999 through two joint venture companies: Tequila Orendain de Jalisco (TOJ) and BFC Tequila Limited (BFCTL). TOJ produced the tequila and held the trademarks in Mexico. BFCTL owned the trademarks for all markets excluding Mexico. Upon ending the joint ventures (which were not material to our consolidated results of operations or financial position), we acquired the remaining portion of the global trademark for the Don Eduardo super-premium tequila brand that we did not already own. In exchange, we paid \$12 to the other shareholders of TOJ and BFCTL and surrendered to them our interest in all other Orendain trademarks previously owned by these two companies.

As of April 30, 2007 and 2008, our other intangible assets consisted of:

	Gross Carrying Amount		Accumulated Amortization	
	2007	2008	2007	2008
Finite-lived intangible assets:				
Customer relationships	\$ 4	\$ --	\$ --	\$ --
Distribution rights	25	25	(2)	(7)
	----	----	-----	-----
	\$ 29	\$ 25	\$ (2)	\$ (7)
	=====	=====	=====	=====
Indefinite-lived intangible assets:				
Trademarks and brand names	\$657	\$681	\$ --	\$ --

Amortization expense related to intangible assets was \$2 in 2007 and \$5 in 2008. We expect to recognize amortization expense of \$5 in 2009, \$5 in 2010, \$5 in 2011, and \$3 in 2012. However, actual amounts of future amortization expense may differ due to additional intangible asset acquisitions, impairment of intangible assets, accelerated amortization of intangible assets, purchase price reallocations, and other events.

### 5. COMMITMENTS

We have contracted with various growers and wineries to supply some of our

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future grape and bulk wine requirements. Many of these contracts call for prices to be determined by market conditions, but some contracts provide for minimum purchase prices that may exceed market prices. We have total purchase obligations related to both types of contracts of \$29 in 2009, \$22 in 2010, \$16 in 2011, \$11 in 2012, \$8 in 2013, and \$21 after 2013.

We also have contracts for the purchase of agave, which is used to produce tequila. These contracts provide for prices to be determined based on market conditions at the time of harvest, which, although not specified, is expected to occur over the next 10 years. As of April 30, 2008, based on current market prices, obligations under these contracts totaled \$22.

We made rental payments for real estate, vehicles, and office, computer, and manufacturing equipment under operating leases of \$16 in 2006, \$19 in 2007, and \$19 in 2008. We have commitments related to minimum lease payments of \$17 in 2009, \$14 in 2010, \$11 in 2011, \$6 in 2012, \$4 in 2013, and \$4 after 2013.

### 6. CREDIT FACILITIES

We have a committed revolving credit agreement with various domestic and international banks for \$800 that expires in fiscal 2012. Its most restrictive covenant requires that our consolidated EBITDA (as defined in the agreement) to consolidated interest expense not be less than a ratio of 3 to 1. At April 30, 2008, we were within this covenant's parameters. At April 30, 2008, we also had the ability to issue an undetermined amount of debt securities under an SEC shelf registration filed in January 2007.

40

### 7. DEBT

Our long-term debt consisted of the following:

April 30,	2007	2008
-----	-----	-----
3.0% notes, due in fiscal 2008	\$350	\$ --
Variable-rate notes, due in fiscal 2010	150	150
5.2% notes, due in fiscal 2012	250	250
Other	26	21
	-----	-----
	776	421
Less current portion	354	4
	-----	-----
	\$422	\$417
	=====	=====

Debt payments required over the next five fiscal years consist of \$4 in 2009, \$154 in 2010, \$4 in 2011, \$253 in 2012, and \$3 in 2013. The weighted average interest rate on the variable-rate notes was 5.4% and 4.0% at April 30, 2007 and 2008, respectively. In addition to long-term debt, we had short-term borrowings outstanding with weighted average interest rates of 5.3% and 2.2% at April 30, 2007 and 2008, respectively.

### 8. DERIVATIVE FINANCIAL INSTRUMENTS

We use foreign currency options and forward contracts to protect against the risk that the eventual U.S. dollar cash flows resulting from our forecasted sales and purchases of goods and services in foreign currencies will be adversely affected by changes in exchange rates. In general, average maturities are less than one year, although at April 30, 2008, we had some forward contracts with maturities approaching two years. We designate these derivative

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financial instruments as cash flow hedges.

We had outstanding foreign currency options and forward contracts, hedging primarily British pound, Australian dollar, euro, and South African rand revenues, with notional amounts totaling \$406 and \$342 at April 30, 2007 and 2008, respectively. We also had forward contracts hedging the fair value of a Mexican peso-denominated intercompany receivable, with a notional value of approximately \$120 and \$49 at April 30, 2007 and 2008, respectively. Our credit exposure is, however, limited to the contracts' fair value (see Note 9) rather than their notional amounts. We minimize credit exposure by entering into foreign currency contracts only with major financial institutions that have earned investment-grade credit ratings.

As of April 30, 2008, we have an interest rate swap contract outstanding with a \$75 notional value to fix the rate on a portion of our variable-rate notes for the nine-month period ending July 1, 2008. We have designated this contract as a cash flow hedge.

We formally assess (both at inception and at least quarterly) whether the derivative financial instruments are effective at offsetting changes in the cash flows of the hedged transactions. We defer the effective portion of a derivative's change in fair value in Accumulated Other Comprehensive Income (Loss) until the underlying hedged transaction is recognized in earnings. We recognize any ineffective portion of the change in fair value immediately in earnings. No material gains or losses were recognized in earnings due to the ineffectiveness of cash flow hedges.

We also had outstanding exchange-traded futures and options contracts on 1 million and 3 million bushels of corn as of April 30, 2007 and 2008, respectively. As these contracts are not designated as hedges for accounting purposes, gains and losses related to them are immediately recognized in earnings.

### 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, cash equivalents, short-term investments, and short-term borrowings approximates the carrying amount due to the short maturities of these instruments.

We estimate the fair value of long-term debt using discounted cash flows based on our incremental borrowing rates for similar debt. The fair value of commodity and foreign currency contracts is based on quoted market prices. A comparison of the fair values and carrying amounts of these instruments is as follows:

April 30,	2007		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$283	\$283	\$119	\$119
Short-term investments	86	86	--	--
Commodity contracts	--	--	7	7
<b>Liabilities:</b>				
Foreign currency contracts	4	4	10	10
Short-term borrowings	401	401	585	585
Current portion of long-term debt	354	347	4	4
Long-term debt	422	422	417	417

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## 10. BALANCE SHEET INFORMATION

Supplemental information on our year-end balance sheet is as follows:

April 30,	2007	2008
-----		
Property, plant, and equipment:		
Land	\$ 88	\$ 88
Buildings	323	342
Equipment	446	453
Construction in process	27	24
	-----	
	884	907
Less accumulated depreciation	378	406
	-----	
	\$506	\$501
	=====	
Accounts payable and accrued expenses:		
Accounts payable, trade	\$118	\$129
Accrued expenses:		
Advertising	65	67
Compensation and commissions	93	86
Excise and other non-income taxes	41	41
Self-insurance claims	10	10
Postretirement benefits	4	7
Interest	3	2
Other	27	38
	-----	
	243	251
	-----	
	\$361	\$380
	=====	

41

## 11. INCOME TAXES

We incur income taxes on the earnings of our domestic and foreign operations. The following table, based on the locations of the taxable entities from which sales were derived (rather than the location of customers), presents the domestic and foreign components of our income before income taxes:

Year Ended April 30,	2006	2007	2008
-----			
United States	\$395	\$489	\$533
Foreign	164	97	111
	-----		
	\$559	\$586	\$644
	=====		

The income shown above was determined according to financial accounting standards. Because those standards sometimes differ from the tax rules used to calculate taxable income, there are differences between: (a) the amount of taxable income and pre-tax financial income for a year; and (b) the tax bases of assets or liabilities and their amounts as recorded in our financial statements. As a result, we recognize a current tax liability for the estimated income tax payable on the current tax return, and deferred tax liabilities (income tax

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payable on income that will be recognized on future tax returns) and deferred tax assets (income tax refunds from deductions that will be recognized on future tax returns) for the estimated effects of the differences mentioned above. Deferred tax assets and liabilities as of the end of each of the last two years were as follows:

April 30,	2007	2008
-----		
Deferred tax assets:		
Postretirement and other benefits	\$ 71	\$ 71
Accrued liabilities and other	9	25
Inventories	62	76
Loss carryforwards	46	32
Valuation allowance	(32)	(28)
	-----	
Total deferred tax assets, net	156	176
	-----	
Deferred tax liabilities:		
Trademarks and brand names	(96)	(123)
Property, plant, and equipment	(40)	(40)
	-----	
Total deferred tax liabilities	(136)	(163)
	-----	
Net deferred tax asset	\$ 20	\$ 13
	=====	

The \$28 valuation allowance at April 30, 2008, relates primarily to the \$23 capital loss carryforward associated with the sale of Lenox during fiscal 2006. Currently, we are unaware of any transaction that will permit the use of this carryforward, which expires in fiscal 2011. The remaining valuation allowance relates to other capital loss carryforwards that expire in fiscal 2012.

Deferred tax liabilities were not provided on undistributed earnings of certain foreign subsidiaries (\$230 and \$233 at April 30, 2007 and 2008, respectively) because we expect these undistributed earnings to be reinvested indefinitely overseas. If these amounts were not considered permanently reinvested, additional deferred tax liabilities of approximately \$41 and \$42 would have been provided as of April 30, 2007 and 2008, respectively.

Total income tax expense for a year includes the tax associated with the current tax return ("current tax expense") and the change in the net deferred tax asset or liability ("deferred tax expense"). Total income tax expense for each of the last three years was as follows:

Year Ended April 30,	2006	2007	2008
-----			
Current:			
Federal	\$153	\$141	\$154
Foreign	16	27	26
State and local	19	16	19
	-----		
	188	184	199
	-----		
Deferred:			
Federal	(11)	5	3
Foreign	(8)	1	4
State and local	(5)	(4)	(2)
	-----		
	(24)	2	5
	-----		

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\$164                      \$186                      \$204  
=====

Our consolidated effective tax rate may differ from current statutory rates due to the recognition of amounts for events or transactions that have no tax consequences. The following table reconciles our effective tax rate to the federal statutory tax rate in the U.S.:

	Percent of Income Before Taxes		
Year Ended April 30,	2006	2007	2008
U.S. federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of U.S. federal tax benefit	1.3	1.3	1.5
Income taxed at other than U.S. federal statutory rate	(1.5)	(1.5)	(1.8)
Tax benefit from export sales	(1.6)	(1.0)	--
Tax benefit from U.S. manufacturing	(0.7)	(0.7)	(1.8)
Capital loss benefit	(2.8)	--	--
Other, net	(0.4)	(1.4)	(1.2)
Effective rate	29.3%	31.7%	31.7%

Effective May 1, 2007, we adopted FIN 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109," which clarifies the accounting for uncertainty in tax positions. This interpretation required that we recognize in our financial statements the impact of a tax position if that position is more likely than not to be sustained on audit, based on the technical merits of the position. Upon adoption, we made no adjustment to our unrecognized tax benefits.

42

At April 30, 2008, we had \$35 of gross unrecognized tax benefits, \$26 of which would reduce our effective income tax rate if recognized. A reconciliation of the beginning and ending unrecognized tax benefits follows:

Unrecognized tax benefits, May 1, 2007	\$43
Additions for tax positions provided in prior periods	1
Additions for tax positions provided in current period	4
Settlements of tax positions in the current period	(7)
Lapse of statutes of limitations	(6)
	-----
Unrecognized tax benefits, April 30, 2008	\$35
	=====

We record interest and penalties related to unrecognized tax benefits as a component of our income tax provision. At April 30, 2008, the gross interest and penalties provided on FIN 48 contingencies in our consolidated balance sheet was \$8. Due to the above-noted settlements and lapses of statutes of limitations, we reversed certain accruals of interest and penalties during 2008. As a result, the net amount of interest and penalties that reduced our effective tax rate and is reflected in our consolidated statement of operations was approximately \$1.

We file income tax returns in the U.S., including several state and local jurisdictions, as well as in various other countries throughout the world in which we conduct business. The major jurisdictions and their earliest fiscal years that are currently open for tax examinations are 1998 in the U.S., 2004 in Ireland and Italy; 2003 in the U.K.; and 2002 in Finland and Poland.

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We believe it is reasonably possible that the gross unrecognized tax benefits may decrease by approximately \$5 in the next 12 months because of the expiration of statutes of limitations for various state income tax positions.

### 12. PENSION AND OTHER POSTRETIREMENT BENEFITS

We sponsor various defined benefit pension plans as well as postretirement plans providing retiree health care and retiree life insurance benefits. Below, we discuss our obligations related to these plans, the assets dedicated to meeting the obligations, and the amounts we recognized in our financial statements as a result of sponsoring these plans. We use a measurement date of January 31 to determine the amounts of the plan obligations and assets presented below.

**OBLIGATIONS.** We provide eligible employees with pension and other post-retirement benefits based on such factors as years of service and compensation level during employment. The pension obligation shown below ("projected benefit obligation") consists of: (a) benefits earned by employees to date based on current salary levels ("accumulated benefit obligation"); and (b) benefits to be received by employees as a result of expected future salary increases. (The obligation for medical and life insurance benefits is not affected by future salary increases.) This table shows how the present value of our obligation changed during each of the last two years.

	Pension Benefits		Medical and Life Insurance Benefits	
	2007	2008	2007	2008
Obligation at beginning of year	\$414	\$448	\$ 53	\$ 53
Service cost	13	13	1	1
Interest cost	24	27	3	3
Actuarial loss (gain)	14	(21)	--	(3)
Plan amendments	--	1	--	--
Retiree contributions	--	--	1	1
Benefits paid	(16)	(17)	(4)	(3)
Effect of Hartmann sale	(1)	--	(1)	--
Obligation at end of year	\$448	\$451	\$ 53	\$ 52

Service cost represents the present value of the benefits attributed to service rendered by employees during the year. Interest cost is the increase in the present value of the obligation due to the passage of time. Net actuarial loss (gain) is the change in value of the obligation resulting from experience different from that assumed or from a change in an actuarial assumption. (We discuss actuarial assumptions used at the end of this note.)

As shown in the previous table, our pension and other postretirement benefit obligations were reduced by benefit payments in 2008 of \$17 and \$3, respectively. Expected benefit payments over the next 10 years are as follows:

	Pension Benefits	Medical and Life Insurance Benefits
2009	\$ 21	\$ 3
2010	22	3
2011	24	3
2012	25	3
2013	26	3
2014-2018	155	16

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ASSETS. We specifically invest in certain assets in order to fund our pension benefit obligations. Our investment goal is to earn a total return that, over time, will grow assets sufficiently to fund our plans' liabilities, after providing appropriate levels of contributions and accepting prudent levels of investment risk. To achieve this goal, plan assets are invested primarily in funds or portfolios of funds actively managed by outside managers. Investment risk is managed by company policies that require diversification of asset classes, manager styles, and individual holdings. We measure and monitor investment risk through quarterly and annual performance reviews, and periodic asset/liability studies.

43

Asset allocation is the most important method for achieving our investment goals and is based on our assessment of the plans' long-term return objectives and the appropriate balances needed for liquidity, stability, and diversification. The allocation of our pension plan assets at fair value on January 31, 2007 and 2008, and the target allocation for 2009, by asset category, are as follows:

Asset Allocation			
	Actual 2007	Actual 2008	Target 2009
Equity securities	71%	56%	57%
Debt securities	15	22	20
Real estate	6	10	8
Other	8	12	15
Total	100%	100%	100%

This table shows how the fair value of the pension plan assets changed during each of the last two years. (We do not have assets set aside for postretirement medical or life insurance benefits).

	Pension Benefits		Medical and Life Insurance Benefits	
	2007	2008	2007	2008
Fair value at beginning of year	\$368	\$396	\$ --	\$ --
Actual return on plan assets	42	16	--	--
Retiree contributions	--	--	1	1
Company contributions	2	2	3	2
Benefits paid	(16)	(17)	(4)	(3)
Fair value at end of year	\$396	\$397	\$ --	\$ --

Consistent with our funding policy, we expect to contribute \$3 to our postretirement medical and life insurance benefit plans in 2009. While we may decide to contribute more, we currently expect to contribute \$4 to our pension plans in 2009.

FUNDED STATUS. The funded status of a plan refers to the difference between its assets and its obligations. Before we adopted SFAS 158 (discussed below), this amount differed from the amount recorded as a net asset or liability on the balance sheet. This table shows the funded status of our plans.



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	Pension Benefits		Medical and Life Insurance Benefits	
	2007	2008	2007	2008
Assets	\$ 396	\$ 397	\$ --	\$ --
Obligations	(448)	(451)	(53)	(52)
Assets contributed after measurement date	--	1	1	--
Funded status	\$ (52)	\$ (53)	\$ (52)	\$ (52)

The net liability is recorded on the balance sheet as follows:

	Pension Benefits		Medical and Life Insurance Benefits	
	2007	2008	2007	2008
Prepaid pension cost	\$ 23	\$ 23	\$ --	\$ --
Accounts payable and accrued expenses	(1)	(4)	(3)	(3)
Accrued postretirement benefits	(74)	(72)	(49)	(49)
Net liability	\$ (52)	\$ (53)	\$ (52)	\$ (52)

Accumulated other comprehensive loss:

Net actuarial loss	\$148	\$131	\$ 9	\$ 5
Prior service cost	5	5	1	1
	\$153	\$136	\$ 10	\$ 6

44

On April 30, 2007, we adopted SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." SFAS 158 requires that we recognize the funded status of our pension and other postretirement benefit plans as an asset or liability on our balance sheet. SFAS 158 also requires that, beginning in 2009, the assumptions used to measure our annual pension and other postretirement benefit expenses be determined as of the balance sheet date, and all plan assets and liabilities be reported as of that date.

The following table illustrates the incremental effect of applying SFAS 158 on individual line items on our balance sheet as of April 30, 2007:

	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
Prepaid pension cost	\$ 134	\$ (111)	\$ 23
Total assets	3,662	(111)	3,551
Accounts payable and accrued expenses	357	4	361
Accrued postretirement benefits	84	39	123
Deferred income taxes	116	(60)	56
Total liabilities	1,995	(17)	1,978
Accumulated other comprehensive gain (loss)	37	(94)	(57)

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Total stockholders' equity	1,667	(94)	1,573
Total liabilities and stockholders' equity	3,662	(111)	3,551

This table compares our pension plans that have assets in excess of their accumulated benefit obligations with those whose assets are less than their obligations. (As discussed above, we have no assets set aside for postretirement medical or life insurance benefits).

	Plan Assets		Accumulated Benefit Obligation		Projected Benefit Obligation	
	2007	2008	2007	2008	2007	2008
Plans with assets in excess of accumulated benefit obligation	\$396	\$397	\$346	\$336	\$396	\$397
Plans with accumulated benefit obligation in excess of assets	--	--	42	45	52	54
Total	\$396	\$397	\$388	\$381	\$448	\$451

PENSION EXPENSE. This table shows the components of the pension expense recognized during each of the last three years. The amount for each year includes amortization of the prior service cost and net loss that was unrecognized as of the beginning of the year.

	Pension Benefits		
	2006	2007	2008
Service cost	\$ 13	\$ 13	\$ 13
Interest cost	22	24	27
Expected return on plan assets	(32)	(32)	(32)
Amortization of:			
Prior service cost	1	1	1
Net actuarial loss	8	12	12
Net expense	\$ 12	\$ 18	\$ 21

The prior service cost represents the cost of retroactive benefits granted in plan amendments and is amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits. The net loss results from experience different from that assumed or from a change in actuarial assumptions, and is amortized over at least that same period. The estimated amount of prior service cost and net loss that will be amortized from accumulated other comprehensive loss into pension expense in 2009 is \$1 and \$8, respectively.

The pension expense recorded during the year is estimated at the beginning of the year. As a result, the amount is calculated using an expected return on plan assets rather than the actual return. The difference between actual and expected returns is included in the unrecognized net gain or loss at the end of the year.

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OTHER POSTRETIREMENT BENEFIT EXPENSE. This table shows the components of the postretirement medical and life insurance benefit expense that we recognized during each of the last three years.

	Medical and Life Insurance Benefits		
	2006	2007	2008
Service cost	\$1	\$1	\$1
Interest cost	3	3	3
Net expense	\$4	\$4	\$4

OTHER COMPREHENSIVE INCOME. Since we adopted SFAS 158, changes in the funded status of our benefit plans that are not recognized in net income (as pension and other postretirement benefit expense) are instead recognized in other comprehensive income. Other comprehensive income is also adjusted to reflect the amortization of the prior service cost and net actuarial gain or loss, which is a component of net pension and other postretirement benefit expense, from accumulated other comprehensive income (loss) to net income. This table shows the amounts recognized in other comprehensive income during 2008:

	Pension Benefits	Medical and Life Insurance Benefits
Prior service cost	\$ 1	\$ --
Actuarial gain	(5)	(3)
Amortization reclassified to net income:		
Prior service cost	(1)	--
Net actuarial loss	(12)	--
Net amount recognized in other comprehensive income	\$(17)	\$ (3)

ASSUMPTIONS AND SENSITIVITY. We use various assumptions to determine the obligations and expense related to our pension and other postretirement benefit plans. The assumptions used in computing benefit plan obligations as of the end of the last two years were as follows:

	Pension Benefits		Medical and Life Insurance Benefits	
In Percent	2007	2008	2007	2008
Discount rate	6.04	6.64	5.98	6.45
Rate of salary increase	4.00	4.00	--	--
Expected return on plan assets	8.75	8.75	--	--

The assumptions used in computing benefit plan expense during each of the last three years were as follows:

	Pension Benefits			Medical and Life Insurance Benefits		
In Percent	2006	2007	2008	2006	2007	2008
Discount rate	5.80	5.95	6.04	5.80	5.95	5.98
Rate of salary increase	4.00	4.00	4.00	--	--	--

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Expected return on plan assets	8.75	8.75	8.75	--	--	--
--------------------------------	------	------	------	----	----	----

The discount rate represents the interest rate used to discount the cashflow stream of benefit payments to a net present value as of the current date. A lower assumed discount rate increases the present value of the benefit obligation. We determined the discount rate using a yield curve based on the interest rates of high-quality debt securities with maturities corresponding to the expected timing of our benefit payments.

The assumed rate of salary increase reflects the expected annual increase in salaries as a result of inflation, merit increases, and promotions. A lower assumed rate decreases the present value of the benefit obligation.

The expected return on plan assets represents the long-term rate of return that we assume will be earned over the life of the pension assets, considering the distribution of those assets among investment categories and the related historical rates of return.

The assumed health care cost trend rates as of the end of the last two years were as follows:

Medical and Life Insurance Benefits		
In Percent	2007	2008
Health care cost trend rate assumed for next year:		
Present rate before age 65	10.0	9.0
Present rate age 65 and after	10.0	9.0

We project health care cost trend rates to decline gradually to 5.0% by 2012 and to remain level after that. Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement medical plans. A one percentage point increase/decrease in assumed health care cost trend rates would have increased/decreased the accumulated postretirement benefit obligation as of April 30, 2008, by \$5 and the aggregate service and interest costs for 2008 by less than \$1.

46

SAVINGS PLANS. We also sponsor various defined contribution benefit plans that in total cover substantially all employees. Employees can make voluntary contributions in accordance with the provisions of their respective plans, which includes a 401(k) tax deferral option. We match a percentage of each employee's contributions in accordance with the provisions of the plans. We expensed \$7, \$8, and \$9 for matching contributions during 2006, 2007, and 2008, respectively.

## 13. SEGMENT INFORMATION

The following table presents net sales by product category:

	2006	2007	2008
Net sales:			
Spirits	\$2,049	\$2,425	\$2,896
Wine	363	381	386
	\$2,412	\$2,806	\$3,282

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The following table presents net sales by geographic region:

	2006	2007	2008
Net sales:			
United States	\$1,404	\$1,498	\$1,564
Europe	709	816	955
Other	299	492	763
	\$2,412	\$2,806	\$3,282

Net sales are attributed to countries based on where customers are located. The net book value of property, plant, and equipment located in Mexico was \$63 and \$64 as of April 30, 2007 and 2008, respectively. Other long-lived assets located outside the U.S. are not significant.

### 14. CONTINGENCIES

We operate in a litigious environment, and we are sued in the normal course of business. Sometimes plaintiffs seek substantial damages. Significant judgment is required in predicting the outcome of these suits and claims, many of which take years to adjudicate. We accrue estimated costs for a contingency when we believe that a loss is probable and we can make a reasonable estimate of the loss, and adjust the accrual as appropriate to reflect changes in facts and circumstances.

Brown-Forman Corporation and many other manufacturers of spirits, wine, and beer were defendants in a series of nine essentially identical putative class action lawsuits that began in 2003 seeking damages and injunctive relief for alleged marketing of beverage alcohol to underage consumers. As each of these cases has been dismissed or withdrawn, the last in November 2007, this series of litigation is concluded.

### 15. STOCK-BASED COMPENSATION

Under our 2004 Omnibus Compensation Plan (the "Plan"), we can grant stock options and other stock-based incentive awards for a total of 5,946,000 shares of common stock to eligible employees until July 22, 2014. As of April 30, 2008, awards for 4,412,000 shares remain available for issuance under the Plan. Shares delivered to employees are limited by the Plan to shares that we purchase for this purpose. No new shares may be issued.

We grant stock options and SSARs at an exercise price of not less than the fair value of the underlying stock on the grant date. Stock options and SSARs granted under the Plan become exercisable after three years from the first day of the fiscal year of grant and expire seven years after that date. The grant-date fair values of these awards granted during 2006, 2007, and 2008 were \$12.59, \$16.46, and \$15.25 per award, respectively. Fair values were estimated using the Black-Scholes pricing model with the following assumptions:

	2006	2007	2008
Risk-free interest rate	4.0%	5.0%	4.7%
Expected volatility	22.0%	16.9%	17.2%
Expected dividend yield	1.9%	1.8%	1.7%
Expected life (years)	6	6	6

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Here is a summary of stock option and SSAR activity under the Plan as of April 30, 2008, and changes during the year then ended:

	Shares (in thousands)	Weighted Average Exercise Price Per Option/SSAR	Weighted Average Remaining Contractual Term	Int
-----				
Outstanding at May 1, 2007	4,215	\$41.48		
Granted	442	68.20		
Exercised	(1,001)	40.23		
Forfeited or expired	(77)	52.59		
	-----			
Outstanding at April 30, 2008	3,579	\$44.89	5.1	
	-----			
Exercisable at April 30, 2008	2,524	\$36.39	3.9	
	-----			

The total intrinsic value of options and SSARs exercised during 2006, 2007, and 2008 was \$23, \$26, and \$31, respectively.

We also grant restricted shares of common stock under the Plan. As of April 30, 2008, there are approximately 150,000 restricted shares outstanding, with a weighted-average remaining restriction period of 2.7 years. The following table summarizes restricted stock activity during 2008.

	Restricted Shares (in thousands)	Weighted Average Grant Date Fair Value
-----		
Outstanding at May 1, 2007	122	\$49.79
Granted	43	73.11
Vested	(15)	55.92
	---	
Outstanding at April 30, 2008	150	\$55.86
	===	

The total fair value of restricted stock vested during 2008 was \$1. No restricted stock vested during 2006 or 2007.

The accompanying consolidated statements of operations reflect compensation expense related to stock-based incentive awards on a pre-tax basis of \$8 in 2006, \$8 in 2007, and \$10 in 2008, partially offset by deferred income tax benefits of \$3 in 2006, \$3 in 2007, and \$4 in 2008. As of April 30, 2008, there was \$10 of total unrecognized compensation cost related to nonvested stock-based compensation. That cost is expected to be recognized over a weighted-average period of 2.2 years.

### 16. OTHER INCOME

In July 2005, we entered into an agreement with LVMH Moet Hennessey Louis Vuitton for the early termination of our long-term importing and marketing agreements for Glenmorangie products in the U.S., Canada, and certain countries in Europe and Asia, effective July 29, 2005. We received approximately \$14 for the early termination, which is included in other income for fiscal 2006 in the accompanying consolidated statement of operations.

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In January 2006, we received proceeds of \$25 as compensation for Pernod Ricard assuming the distribution of its brands from Swift & Moore, an Australian distribution company co-owned by Pernod Ricard (following its purchase of Allied-Domecq) and us. This amount is recorded in other income for fiscal 2006. Pernod Ricard surrendered its ownership interest in Swift & Moore to us effective February 1, 2006, resulting in our becoming 100% owner of Swift & Moore as of that date. Swift & Moore, which is now Brown-Forman Australia, continues to distribute our brands in Australia.

In January 2006, we sold winery land and buildings in California for \$7, resulting in a gain of \$5 that is included in other income for fiscal 2006.

In September 2006, we entered into an agreement with Gruppo Italiano Vini (GIV) for the production of Bolla Italian wines. Under the agreement, we also sold our main Bolla wine production facility in Pedemonte, Italy, to GIV, which now produces Bolla Italian Wines for us. We recognized a gain on the sale of \$11, which is included in other income for fiscal 2007. The agreement also named GIV as Bolla's distributor in the Italian domestic market. We maintained worldwide ownership of the Bolla trademark and continue to sell Bolla Wines in the brand's other markets.

48

### REPORTS OF MANAGEMENT

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Our management is responsible for the preparation, presentation, and integrity of the financial information presented in this Annual Report. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the U.S. (GAAP), including amounts based on management's best estimates and judgments. In management's opinion, the consolidated financial statements fairly present the Company's financial position, results of operations, and cash flows.

The Audit Committee of the Board of Directors, which is composed of independent directors, meets regularly with the independent registered public accounting firm, PricewaterhouseCoopers LLP (PwC), internal auditors, and representatives of management to review accounting, internal control structure, and financial reporting matters. The internal auditors and PwC have full, free access to the Audit Committee. As set forth in our Code of Conduct and Compliance Guidelines, we are firmly committed to adhering to the highest standards of moral and ethical behaviors in all of our business activities.

#### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the U.S.

Under our supervision, and with the participation of management, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework and criteria in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, we concluded that the Company's internal control over financial reporting was effective as of April 30, 2008.

There has been no change in the Company's internal control over financial

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reporting during the most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of April 30, 2008, has been audited by PwC as stated in their report that appears on page 50.

/s/ Paul C. Varga  
Paul C. Varga  
Chairman and Chief Executive Officer

/s/ Donald C. Berg  
Donald C. Berg  
Executive Vice President and Chief Financial Officer

49

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF BROWN-FORMAN CORPORATION:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows, and stockholders' equity present fairly, in all material respects, the financial position of Brown-Forman Corporation and its subsidiaries (the "Company") at April 30, 2008 and April 30, 2007, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2008, based on criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing on page 49 of this Annual Report to Stockholders. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance



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with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP  
Louisville, Kentucky  
June 27, 2008

50

### IMPORTANT INFORMATION ON FORWARD-LOOKING STATEMENTS

This Annual Report contains statements, estimates, or projections that constitute "forward-looking statements" as defined under U.S. federal securities laws. Generally, the words "expect," "believe," "intend," "estimate," "will," "anticipate," "project," and similar expressions identify a forward-looking statement, which speaks only as of the date the statement is made. Except as required by law, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. We believe that the expectations and assumptions with respect to our forward-looking statements are reasonable. But by their nature, forward-looking statements involve known and unknown risks, uncertainties, and other factors that in some cases are out of our control. These factors could cause our actual results to differ materially from our historical experience or our current expectations or projections. Here is a non-exclusive list of such risks and uncertainties:

- continuation of the deterioration in general economic conditions, particularly in the U.S., where we earn about half of our profits, and other markets with economies linked to the U.S., including higher energy prices, declining home prices, deterioration of the sub-prime lending market, decreased discretionary income, or other factors;
- pricing, marketing, and other competitive activity focused against our major brands;
- lower consumer confidence or purchasing related to economic conditions, major natural disasters, terrorist attacks, or widespread outbreak of infectious diseases;
- tax increases, tariff barriers, or other restrictions affecting beverage alcohol, whether at the federal or state level in the U.S. or in other major markets around the world, and the unpredictability or suddenness with which they can occur;
- limitations and restrictions on distribution of products and alcohol marketing, including advertising and promotion, as a result of stricter governmental policies adopted either in the U.S. or in our other major

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- markets;
- fluctuations in the U.S. dollar against foreign currencies, especially the British pound, euro, Australian dollar, and the South African rand;
  - reduced bar, restaurant, hotel, and travel business, including travel retail;
  - longer-term, a change in consumer preferences, societal attitudes, or cultural trends that results in the reduced consumption of our premium beverage alcohol or our ready-to-drink products;
  - changes in distribution arrangements in major markets that limit our ability to market or sell our products;
  - adverse impacts relating to our acquisition strategies or our integration of acquired businesses and conforming them to our trade practice standards, financial controls environment, and U.S. public company requirements;
  - price increases in energy or raw materials, including grapes, grain, agave, wood, glass, or plastic;
  - changes in climate conditions, agricultural uncertainties, or other supply limitations that adversely affect the price, availability, or quality of grapes, agave, grain, glass, closures, or wood;
  - termination of our rights to distribute and market agency brands in our portfolio;
  - press articles or other public media related to our company, brands, personnel, operations, business performance, or prospects;
  - counterfeit production of our products and any resulting negative effect on our intellectual property rights or brand equity; and
  - adverse developments stemming from state or federal investigations of beverage alcohol industry marketing or trade practices of suppliers, distributors, or retailers.

51

Exhibit 21

## SUBSIDIARIES OF THE REGISTRANT

Name	Percentage of Voting Securities Owned	State or Jurisdiction of Incorporation
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AMG Trading, L.L.C.	100%	Delaware
Brown-Forman Arrow Continental Europe, L.L.C.	100%	Kentucky
Brown-Forman Australia Pty. Ltd.	100%	Australia
Brown-Forman Beverages North Asia, L.L.C.	100%	Delaware
B-F Korea, L.L.C.	100%	Delaware
Brown-Forman Beverages Japan, L.L.C.	100%	Delaware
Brown-Forman Thailand, L.L.C.	100%	Delaware
Canadian Mist Distillers, Limited	100%	Ontario, Canada
Chambord Liqueur Royale de France	100%	France
Early Times Distillers Company	100%	Delaware
Fetzer Vineyards	100%	California
Fratelli Bolla International Wines, Inc.	100%	Kentucky
Heddon's Gate Investments, Inc.	100%	Delaware
Jack Daniel's Properties, Inc.	100%	Delaware
Sonoma-Cutrer Vineyards, Inc.	100%	California
Southern Comfort Properties, Inc.	100%	California
Washington Investments, L.L.C.	100%	Kentucky
Woodford Reserve Stables, L.L.C.	100%	Kentucky
Longnorth Limited	100% (1) (2)	Ireland
Clintock Limited	100% (1) (3)	Ireland
Voldgade Holdings Ireland Limited	100% (2)	Ireland
Pitts Bay Trading Limited	75% (3)	Bermuda
BFC Tequila Limited	100% (3)	Ireland

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Jack Daniel Distillery, Lem Motlow, Prop., Inc.	100% (4)	Tennessee
Brown-Forman Korea Ltd.	100% (5)	Korea
Brown-Forman Worldwide (Shanghai) Co., Ltd.	100% (6)	China
Brown-Forman Czech & Slovak Republics, s.r.o.	100% (7)	Czech Republic
Brown-Forman Polska Sp. z o.o.	100% (7)	Poland
Brown-Forman Beverages Worldwide, Comercio de Bebidas Ltda.	100% (8)	Brazil
Brown-Forman Holding Mexico S.A. de C.V.	100% (8)	Mexico
Brown-Forman Worldwide, L.L.C.	100% (8)	Delaware
Amercain Investments C.V.	100% (9)	Netherlands
Finlandia Vodka Worldwide Ltd.	100% (10)	Finland
Distillerie Tuoni e Canepa Srl	100% (11)	Italy
Brown-Forman Beverages Europe, Ltd.	100% (12)	United Kingdom
Voldgade Investment Holdings A/S	100% (12)	Denmark
Brown-Forman Beverages Edinburgh	100% (13)	Scotland
Brown-Forman Tequila Mexico, S. de R.L. de C.V.	100% (14)	Mexico
Cosesa-BF S.A., de C.V.	100% (14)	Mexico
Valle de Amatitan, S.A. de C.V.	100% (14)	Mexico

The companies listed above constitute all active subsidiaries in which Brown-Forman Corporation owns, either directly or indirectly, the majority of the voting securities. No other active affiliated companies are controlled by Brown-Forman Corporation.

- (1) Includes qualifying shares assigned to Brown-Forman Corporation.
- (2) Owned by Amercain Investments C.V.
- (3) Owned by Longnorth Limited.
- (4) Owned by Jack Daniel's Properties, Inc.
- (5) Owned by B-F Korea, L.L.C.
- (6) Owned by Brown-Forman Beverages North Asia, L.L.C.
- (7) Owned by Brown-Forman Beverages Edinburgh.
- (8) Owned 99% by Brown-Forman Corporation and 1% by Early Times Distillers Company.
- (9) Owned 95% by Brown-Forman Corporation and 5% by Heddon's Gate Investments, Inc.
- (10) Owned by Brown-Forman Beverages Europe, Ltd.
- (11) Owned 55% by Fratelli Bolla International Wines, Inc. and 45% by Voldgade Investment Holdings A/S.
- (12) Owned by Voldgade Holdings Ireland Limited.
- (13) Owned 81.8% by Voldgade Investment Holdings A/S and 18.2% by Brown-Forman Beverages, Europe, Ltd.
- (14) Owned 99% by Brown-Forman Holding Mexico S.A. de C.V. and 1% by Early Times Distillers Company.

Exhibit 23

### CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-140317, 33-12413, and 33-52551) and Form S-8 (No. 333-08311, 333-38649, 333-74567, 333-77903, 333-88925, 333-89294, 333-126988, and 333-117630) of Brown-Forman Corporation of our report dated June 27, 2008 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2008 Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K. We also

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consent to the incorporation by reference of our report dated June 27, 2008 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
Louisville, Kentucky  
June 27, 2008

Exhibit 31.1

### CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Paul C. Varga, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brown-Forman Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 27, 2008

By: /s/ Paul C. Varga  
Paul C. Varga  
Chief Executive Officer

Exhibit 31.2

### CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Donald C. Berg, certify that:

- 1. I have reviewed this Annual Report on Form 10-K of Brown-Forman Corporation;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end

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of the period covered by this report based on such evaluation; and

- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 27, 2008

By: /s/ Donald C. Berg  
Donald C. Berg  
Chief Financial Officer

Exhibit 32

### CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brown-Forman Corporation ("the Company") on Form 10-K for the period ended April 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in the capacity as an officer of the Company, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 27, 2008

/s/ Paul C. Varga  
Paul C. Varga  
Chairman and  
Chief Executive Officer

/s/ Donald C. Berg  
Donald C. Berg

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Executive Vice President and  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Report.