

# ENDURING SPIRITS

BUILDING WINE *and* SPIRITS BRANDS  
*in* TURBULENT TIMES



2009

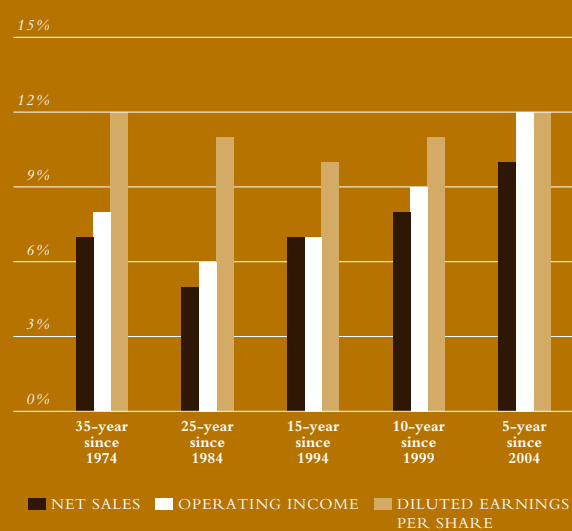
BROWN-FORMAN ANNUAL REPORT

## FINANCIAL HIGHLIGHTS

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

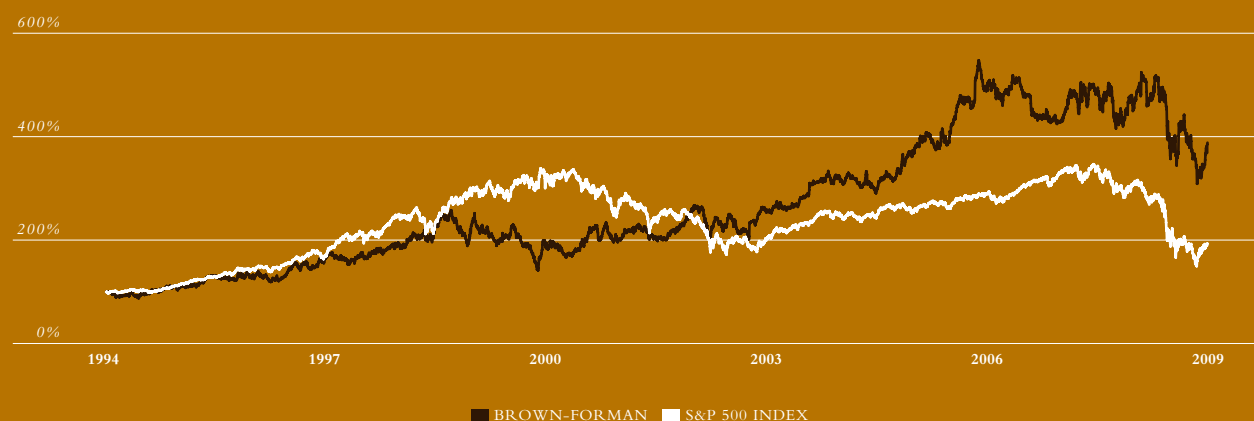
	2008	2009	% Change
CONTINUING OPERATIONS			
Net Sales	\$3,282	\$3,192	(3%)
Gross Profit	\$1,695	\$1,577	(7%)
Operating Income	\$ 685	\$ 661	(4%)
Net Income	\$ 440	\$ 435	(1%)
Earnings Per Share			
– Basic	\$ 2.87	\$ 2.89	1%
– Diluted	\$ 2.84	\$ 2.87	1%
Return on Average Invested Capital	17.2%	15.9%	
Gross Margin	51.6%	49.4%	
Operating Margin	20.9%	20.7%	

Long-Term Compound Annual Growth Rate



Brown-Forman Stock Price Performance versus the S&P 500 Index

(indexed to April 30, 1994)





PAUL C. VARGA  
*Chairman and Chief Executive Officer*

TO OUR STAKEHOLDERS: Our fiscal 2009 was one of the most challenging years in some time. We, along with virtually every other company across the globe, dealt with the impact of a severe global recession. Despite the difficulty of the environment, we were pleased with our fiscal 2009 underlying results.

**FISCAL 2009 PERFORMANCE.** There is a full discussion of our annual results beginning on page 19 of this report; I encourage you to spend some time with the numbers and our commentary. We believe they will help you understand how we manage our business and measure our progress, as we take you behind the summary reported numbers presented on the inside cover.

After reviewing the fiscal year's underlying results, one thing stood out to me most – Brown-Forman remains a very healthy company. In an environment where good health could not be taken for granted, Brown-Forman posted 3% underlying sales growth, achieved 4% underlying operating income growth, generated operating cash flow of \$491 million, and produced a return on invested capital of nearly 16%. We accomplished these results with a very acceptable level of capital risk and debt. We believe our underlying growth rate continues to be in the top tier of major wine and spirits companies. All of this helped Brown-Forman's total shareholder return outperform the S&P 500 by over 20 percentage points during our fiscal 2009.

While we are pleased with this year's results, we certainly did not escape the effects of the world's economic woes. Reported results were strongly and negatively affected by the strengthening of the U.S. dollar during the year. Additionally, our company's underlying operating income growth rate of 4% was lower than each of the last several fiscal years, primarily due to a combination of slowing consumer demand in the on-premise channel and a cautious retail environment that reduced levels of inventories. Given the less receptive environment, we invested more cautiously

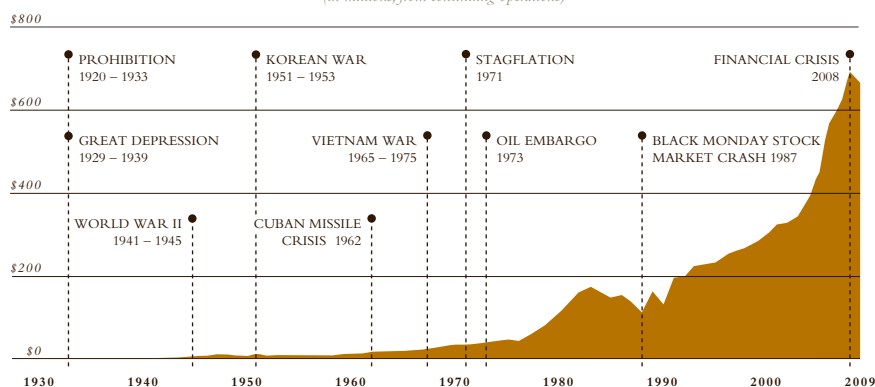
behind our brands and business. We reallocated our resources to best balance our desire for near-term growth without compromising our longer-term brand and market development ambitions.

As the environment weakened in the latter half of our fiscal year, and to help us prepare for continued uncertainty ahead, we made the very difficult decision to decrease our employee headcount by 8% through the combination of an early retirement program and a reduction in our workforce. Of all the difficult short-term/long-term trade-offs we have considered in the last several years, this was among the most difficult. Everyone at our company today remains immensely appreciative of the service and contributions made by our colleagues and friends who were part of the past year's workforce reduction.

I am proud of our organization and the results we produced in such a challenging environment. By demonstrating an adaptive capacity and the ability to diagnose problems and prioritize spending, we were able to produce high-quality results in tough conditions.

**LONGER-TERM PERFORMANCE.** While we were naturally focused on competing effectively in fiscal 2009, we also took the time to reflect on our company's position by looking both backward and forward in time. After all, these past 12 months were just one year in the extensive and continuing success story that is Brown-Forman.

It would be easy to assume that the intent of a longer-term historical review is to make our financial performance look more impressive because of the world's more recent difficulties. It does

*Brown-Forman Operating Income**(in millions, from continuing operations)*HISTORY of GROWTH *in* TURBULENT TIMES

*Through 139 years, including 75 years as a public company, Brown-Forman has weathered turbulent times before ... from Prohibition and the Great Depression through other economic downturns, wars, and social upheavals. In every instance, we have prevailed and prospered ... with tenacity, determination, and a long-term outlook ... by capitalizing on our experience, leveraging our assets, and seizing opportunities. Drawing on these attributes, we are confident that we can overcome today's challenges and continue to deliver shareholder value.*

have that effect, but as I just mentioned, our fiscal 2009 underlying results were strong compared to our key benchmarks. The benefit of taking a longer view is to focus on what matters most to Brown-Forman. Given that “our end game is to make sure the game never ends,” one should assume that we would place a priority on sustainable, long-term performance. And we do.

Similar to fiscal 2009, our longer-term history of total shareholder returns versus the S&P 500 is impressive. Over both the past five and 10 years, on average, Brown-Forman B Shares, with dividends reinvested, returned nearly 7% annually while the S&P 500 declined more than 2% annually. The story holds true over 15- and 20-year time horizons, as well, with Brown-Forman’s annual returns exceeding the S&P 500 by 6 and 3 percentage points, respectively.

**LOOKING AHEAD.** I believe that one of the most interesting artistic exercises of management, just as in life, is the balancing of short- and long-term considerations. At Brown-Forman, this task is even more relevant given the company’s 14 decades of success and our ambition to thrive for at least another 14. When we study our track record, we conclude that we have performed this balancing act quite well. While this is a source of pride for all of us at Brown-Forman, it also provides inspiration as we strive to continue this performance on the uncertain road ahead.

While we have more modest near-term growth expectations in today’s difficult global environment, we remain as

enthusiastic as ever about the long-term growth possibilities for our brands and our company. We still represent less than 1% of the world’s spirits business, despite our impressive long-term progress. We are leveraging our corporate, brand, and people assets as a means of pursuing this immense growth potential. New ideas and strategies will be critical to this effort, and in recent months, our people have been focusing more than ever on consumer and marketplace insights from which we believe new business can be created for Brown-Forman. This recent surge of creative energy is only one reason why it’s such an exciting time at our company.

Our healthy balance sheet remains a strength, and we will continue to look for new investment opportunities, but not at the risk of abandoning our generally conservative approach. Clearly, the poor global economic climate is cause for concern and has our attention. At the same time, however, we are not deterred from building brands that will thrive and endure for generations. Your commitment is a crucial ingredient in the company’s long-term success, and we thank you for your continuing support.

.....  
SINCERELY YOURS,

PAUL C. VARGA

*Chairman and Chief Executive Officer  
June 26, 2009*



GEO. GARVIN BROWN IV  
*Presiding Chairman of the Board*

FELLOW SHAREHOLDERS: The company's solid underlying performance this past year, as detailed in Paul's letter and in the balance of this report, reflects the strength of the company's leadership, the resilience of our people, and the quality of our brands.

It also highlights, yet again, the stability and competitive advantage afforded by our status as a family-controlled, publicly traded company and the well-designed and balanced governance system that we have put in place to oversee it. And, thanks to the combined efforts of the Board, management, and long-term shareholders, I am pleased to report that we have spent thoughtful time renewing these sources of strength over the past 12 months.

Our Board had another year of well-planned transition, where our newer independent and family Directors were able to overlap with some of our longer-standing Directors, who were in their last year of service.

Specifically, the Board honored and thanked long-standing Directors Owsley Brown II, our former Chairman and CEO, Barry Bramley, Matthew Simmons, and Donald Calder for their many contributions over the past years. In addition, the Board was pleased to add John D. Cook, Director Emeritus of McKinsey & Company, as a new independent Director to the Board, bringing a breadth of global business experience to Brown-Forman.

The composition of the Board continues to give Brown-Forman the balance of independent, family, and management Directors that contributes to the company's sound underpinnings and ability to perform well in both favorable and unfavorable economic times. During fiscal 2009, the Board made various refinements to its governance guidelines and practices.

We also continued to strengthen and expand the Brown family shareholders' interaction with the Brown-Forman

community, via the Brown-Forman/Brown Family Shareholders Committee. Formed in July 2007, the "Committee" has made progress on a range of topics, including protocols relating to the employment of family members, philanthropy, and fifth- and sixth-generation education about the corporation. More broadly, the Committee has evolved into a platform for the engagement of ever-more numerous family shareholders with the company beyond the ranks of the Board and employee base. As a result, the number of family members who are actively engaged and helping to perpetuate Brown-Forman's long-term growth and independence continues to grow.

As I contrast the ongoing challenges of the global economy and the competitive environment we face with the steady, growth-orientated management style and thoughtful governance of the company, I cannot help but take tremendous pride in the collective efforts and contributions of all of Brown-Forman's stakeholders.

With sincere thanks and fond wishes to the Brown-Forman community for the coming year,

.....  
SINCERELY YOURS,

A handwritten signature in dark ink, appearing to read "Geo. Brown".

GEO. GARVIN BROWN IV  
*Presiding Chairman of the Board*  
June 26, 2009

# 139 YEARS *and* COUNTING

CAPITALIZING ON OUR EXPERIENCE

.....

AS *the* SAYING GOES, EXPERIENCE IS  
*the* BEST TEACHER ...  
*and* BROWN-FORMAN HAS GAINED BROAD  
*and* DEEP EXPERIENCE *in* ITS 139 YEARS.  
WE HAVE LEARNED A GREAT DEAL ALONG *the* WAY,  
*and* WE ARE PUTTING THAT  
HARD-EARNED KNOWLEDGE *to* WORK DAILY  
AS WE CONTINUE *to* BUILD A  
GREAT COMPANY *and* GREAT BRANDS.



Brown-Forman's rich and lengthy experience as a company, coupled with our long-standing shareholders' enduring commitment, forms the basis of our long-term perspective. While we acknowledge the importance of short-term results, we do not obsess over them. Instead, we devote our energies and efforts to achieving consistent, sustainable results year after year.

That means we are willing to invest in anticipation of future profits, although the potential return may be years away. This practice allows us to dial back spending when consumers are less responsive. And this broad perspective extends to our philosophy of patiently building brands that will endure for generations.

**SOUND STRATEGY.** The soundness of our strategic approach to business has been well proven, in good times and bad. The result is a continuity of investment and a consistency of performance over time.

Over the past 35 years, our company's gross profit has grown at an average compound rate of 8%. This growth generated the resources to invest an average of 9% in advertising and 8% in our infrastructure and the people who build our brands, and produced operating income growth of 8% over the same period.

**EMBRACING OPPORTUNITY.** Throughout its history, our company has survived, and emerged stronger from, any number of challenges. None was more dire for the company and the entire beverage alcohol industry than Prohibition, enacted into law in 1920. That year, Owsley Brown saved our company by applying for and receiving one of only 10 licenses granted by the federal government to sell whiskey for medicinal purposes. Three years later, we made our first acquisition, buying Early Times and its substantial inventory to ensure adequate supplies of whiskey for the duration of Prohibition.

With the repeal of Prohibition in 1933, we completed our first public stock issuance to provide a larger capital base for our company to re-enter the marketplace vigorously following Prohibition and the lean years of the Depression.

As a result of these survival tactics, Brown-Forman is the only U.S. spirits company to exist legally before, during, and after Prohibition. A celebration of this chapter in our history culminated on December 5, 2008 – the 75th anniversary of the repeal of Prohibition – as company executives and Board members rang the closing bell at the New York Stock Exchange.

**BEST VS. BIGGEST.** Our strength and endurance as a company result from our focus on our brands and from consistently meeting the needs of customers and consumers around the world. Many companies, lured by the pursuit of size, talk about their strategies in numerical terms, of being No. 1 or the biggest in a particular segment.

In contrast, we concentrate on continuous improvement. Rather than setting our sights on becoming the biggest, we are determined to be the best brand builder in the industry. Clearly, there can be strategic advantages that come with greater size, but we believe size should be a result of our work and is not a prerequisite for it.

# RAISING *the* BAR

LEVERAGING OUR EXISTING ASSETS

.....

LEVERAGING ASSETS – PEOPLE,  
FACILITIES, PROCESSES, BRANDS, *and* MORE –  
IS TAKING WHAT WE ALREADY  
HAVE *and* MAKING IT WORK BETTER *and*  
MORE COST-EFFECTIVELY.





Leveraging assets goes well beyond capacity utilization at our production facilities. At Brown-Forman, we seek to maximize the effectiveness of everything we own and all those who manage those assets. And we see a wealth of opportunity still to be gained.

Leveraging our existing assets involves both tangible and intangible areas of our business – from production facilities, business processes, brands, and trademarks to our balance sheet, borrowing capacity, and corporate reputation. Above all, our most important asset is the people of Brown-Forman, at every level across the enterprise and around the world. Our people make the decisions on the front lines in the day-to-day battle for market share and consumer loyalty, executing our business plans, advancing our corporate goals, and delivering exceptional results.

**INNOVATIVE PEOPLE.** Our people guide our business and direct our brand investments, deploying our advertising and promotion to the most responsive channels and geographies. As the consumer shift from on-premise to off-premise consumption

continued throughout last year, our people reallocated our brand investments to more incremental off-premise activity. Importantly, the activities that received focus were not just advertising-related. Some advertising investments were moved into value-added packs that temporarily increased the cost of goods sold, but gave consumers branded items such as flasks or barware.

Beyond brand investments, our people direct our selling and administrative efforts around the world and make decisions on how best to conduct and support the business. Rarely, that may mean reducing our workforce. We consider our people to be our most crucial asset, and we plan to continue to invest in them. As with all our investments, we must be careful stewards of our shareholders' capital and work to provide an optimal, efficient organization that delivers strong returns.

#### SUCCESSFUL LINE EXTENSIONS

*Among Jack Daniel's most successful line extensions, Gentleman Jack achieved depletions of 270,000 nine-liter cases this fiscal year, sparked by a new package launch in 2007. Meanwhile, Jack Daniel's & Cola, boasting 21% compounded growth over the past decade, reached global depletions of 2.4 million nine-liter cases.*



LITTLE BLACK  
DRESS WINES PASSED *the*  
**100,000**  
NINE-LITER  
**CASE MARK**  
JUST THREE YEARS AFTER  
INTRODUCTION.

PEOPLE ASSETS – REFLECTING A KNOWLEDGEABLE,

*varied, and inclusive workforce – are critical to our performance and success.*

*Tapping ideas and innovation from a broadly diverse, worldwide employee team gives us access to a robust range of valuable viewpoints.*

**PRODUCTION FACILITIES AND PROCESSES.** We have many production facilities, backed by a strong production team that is constantly looking for ways to increase efficiency – enabling us to make more products, using less material, for less money without sacrificing quality, all while minimizing our impact on the environment. At the same time, our R&D team is continuously finding ways to improve the excellence of our products.

**BRANDS AND TRADEMARKS.** With over 30 brands, none of which has reached its full potential, we have many opportunities for further underlying growth – both with brands having broad international reach and with those with more localized appeal. We see significant potential for Jack Daniel’s in developing markets such as India and Russia, where the brand’s annual depletions are less than 100,000 nine-liter cases combined. We believe Finlandia has only scratched the surface outside its core eastern European markets, and brands being developed in the U.S. market, such as Woodford Reserve, Tuaca, and Bonterra, have a whole world to grow in.

Beyond the underlying growth of our core brands, we search for meaningful ways to expand them through line extensions. We have expanded our flagship brand, Jack Daniel’s, into a family of brands with Gentleman Jack, Jack Daniel’s Single Barrel,

Jack Daniel’s Country Cocktails, and Jack Daniel’s & Cola. Finlandia has extended outside traditional vodka to flavored versions such as Mango, Lime, Redberry, Cranberry, Grapefruit, Wild Berries, and Tangerine. Woodford Reserve has an ultra-premium line extension with its Master’s Collection series.

**BALANCE SHEET AND BORROWING CAPACITY.** Our strong balance sheet gave us uninterrupted access to debt markets throughout the worldwide financial crisis last fall. Our continued “A2” rating from Moody’s and “A” rating from Standard & Poor’s are assets we take great pride in. While some companies were forced to find alternative sources of capital, sell assets, or even seek bankruptcy protection, we were able to continue with our normal operating and capital decisions.

We believe that maintaining a conservative balance sheet allows us to be opportunistic. While our first priority for cash flow remains the ongoing growth and development of our current brands, one of our important long-term strategies has been to acquire brands that enhance our company’s value. From our early acquisitions of Early Times in 1923 and Jack Daniel’s in 1956 to our most recent acquisitions of Chambord in 2006 and Casa Herradura in 2007, we continually seek strong, enduring brands to enhance our portfolio.



WOODFORD RESERVE  
ACHIEVES  
**DOUBLE-DIGIT  
GROWTH**  
in NORTH AMERICA  
FOR the 13TH  
CONSECUTIVE YEAR.



OVER HALF of FINLANDIA’S GROWTH  
COMES FROM EASTERN EUROPE,  
WHERE the BRAND IS the  
**LARGEST IMPORTED**  
PREMIUM VODKA in COUNTRIES  
INCLUDING RUSSIA, POLAND,  
HUNGARY, ROMANIA, BULGARIA, and  
the CZECH REPUBLIC.

OVER *the* PAST TWO DECADES,

*Fetzer Vineyards' relentless environmental efforts have reduced the waste it sends to landfills annually by 96% since 1990 – from 1,724 cubic yards to only 60 cubic yards – while doubling wine production.*

**CORPORATE REPUTATION.** We have long considered an engaged, steady shareholder base with a lasting ownership perspective as one of our greatest assets. We believe that our status as a publicly traded, family-controlled company gives us a distinct competitive advantage, and that a strong relationship with the Brown family is essential to our growth, independence, and long-term value creation for all shareholders.

This steady shareholder base and long-term view have enhanced our corporate reputation as a fair and reliable partner. Aligning our interests with suppliers, wholesalers, distributors, agencies, and retailers, we have been able to build our business without full ownership of our route-to-consumer. Our solid character has supported and enabled our growth, both domestically and internationally.

**LEVERAGING ASSETS IN ACTION.** Recently acquired el Jimador tequila had suffered from lackluster marketing and poor distribution in the U.S., and we saw the potential for some reasonably quick wins. In the U.S. tequila category, the 100% agave segment is the most dynamic, with a large opportunity in the mid-premium section. So we reformulated el Jimador from its prior 51% agave version to 100% agave, while targeting a U.S. shelf price between \$20 and \$24 a bottle. We also improved the package to lead el Jimador's expansion in the U.S. and to reinvigorate the brand in its home market of Mexico. Our people, facilities, and trademarks all combined to enhance the brand's future value for our company.

When we acquired Sonoma-Cutrer in 1999, it was known as a super-premium priced, exclusively on-premise Chardonnay brand. In early 2007, our team developed a line extension exclusively for the off-premise channel, and in early 2007 we launched Sonoma-Cutrer Sonoma Coast at a shelf price of \$25 per bottle. Leveraging our existing brand, we unlocked more value for our company from the Sonoma-Cutrer brand – realizing a significant increase in the per-case revenue we make from selling Sonoma Coast off-premise compared with selling Russian River Ranches on-premise.

EL JIMADOR  
*is the*  
**Best Selling**  
*tequila*  
*in Mexico.*



**No. 1**

SONOMA-CUTRER

No. 1 MOST POPULAR CHARDONNAY

No. 1 TOP RESTAURANT SELLER

No. 1 MOST POPULAR WINE BY THE GLASS

*Wine & Spirits 20th Annual Restaurant Poll, April 2009*



# A WORLD *of* OPPORTUNITY

IMPLEMENTING STRATEGIES FOR GROWTH

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BEGINNING WITH GEORGE GARVIN BROWN'S  
FOUNDING VISION *to* SELL WHISKEY  
*in* SEALED GLASS BOTTLES *to* ENSURE QUALITY,  
WE HAVE EXPLORED *and* EXPLOITED  
OPPORTUNITIES WITH INGENUITY *and* INNOVATION.  
TODAY, THAT CREATIVE, OPPORTUNISTIC SPIRIT  
CONTINUES *to* DRIVE OUR SUCCESS.



Over the last two decades, global spirits volume grew gradually from 1.6 billion nine-liter cases to 2.2 billion cases at calendar 2008 year end. Brown-Forman's market capitalization over that same period climbed from \$1.6 billion to \$7.8 billion, while our share of the global market remained at about 1%. For us, this translates into a whole world of opportunity to build our brands and expand our markets.

**PORTFOLIO STRATEGY.** At the heart of the Brown-Forman way of brand building is our overriding objective of adding value to each and every one of our brands. We recognize that innovation is crucial to successful brand building – turning insights into initiatives, then implementing them successfully. As a company, we are constantly evolving our portfolio strategy to benefit from all emerging opportunities, whether by leveraging our existing assets, adding new brands, or optimizing our route-to-consumer.

Taking a buy-and-build approach, we seek to bring brands into our company and build them for the next generation and the generation after that. Over the past half century, a number of acquired brands have benefitted from our investment approach and have grown their nine-liter case depletions significantly from our brand-building expertise. Jack Daniel's, acquired in the mid-1950s with an initial annual volume of 160,000 cases, has reached 9.5 million cases. Acquired in the late 1970s, Southern Comfort has seen depletions climb from 1.6 million cases to 2.3 million cases today. Volumes of Fetzer and Sonoma-Cutrer wines, both acquired in the 1990s, have grown significantly – from 1.9 million cases to 2.8 million cases for Fetzer and from 150,000 cases to 285,000 cases for Sonoma-Cutrer. During our 10 years of ownership, Tuaca liqueur has nearly tripled depletions from 50,000 cases to 140,000 cases. And since 2000, Finlandia vodka has grown dramatically, with depletions accelerating from 1.6 million cases to over 3.0 million cases today. We continually seek ways to grow and develop our portfolio – by finding the right brand at the right price.

In conjunction with this evolving portfolio strategy, we occasionally divest brands or assets. In recent years, we exited our consumer durables business to focus solely on wine and spirits. This year, after careful consideration, we made the decision to sell our Bolla and Fontana Candida Italian wine brands to Gruppo Italiano Vini. The sale, finalized in December 2008, allows us to better focus our time and resources on the best opportunities for growth and shareholder returns. This was a difficult decision, because we had more than 40 years of history marketing Bolla.

**MARKET STRATEGY.** In recent years, companies of every sort have been increasingly attracted to the rapidly developing BRIC markets – an acronym for Brazil, Russia, India, and China – home to more than 40% of the world's population. While we share this interest and expect the BRIC markets to gain increased importance to our company in the years ahead, we find this focus too simplistic and too limiting.

As we explore market opportunities in all corners of the world, we follow a highly analytical process of market assessment. Our analysis covers many factors, including target population and ease of doing business. We seek to determine whether a market's size and potential are worth our effort, whether that potential is short- or long-term, and what our plan for growth will be. This detailed analysis has led us to invest more heavily in developed markets such as France, rather than in emerging markets such as Brazil. France ranks as the world's largest whiskey market outside the U.S., and Jack Daniel's has only recently surpassed 2% market

THIRTY YEARS AGO, WE LAUNCHED A CONCERTED EFFORT

*to extend our brand portfolio beyond the borders of the U.S. By fiscal 1988, 7% of our company's net sales were derived from outside the U.S., growing to 24% over the next 10 years and surpassing 52% today.*

share there, while consumers in Brazil tend to drink the local cachaça and its whiskey market is relatively small.

**ROUTE-TO-CONSUMER STRATEGY.** Our route-to-consumer strategy is designed to give us unencumbered access to consumers by operationally achieving an expanded sales channel presence in a socially responsible manner. While it may appear different from market to market, our strategy is founded on three core elements.

First is influence – the forward integration in selected areas and activities to gain increased involvement with in-market performance management decisions. Second is innovation – creating and leveraging advantageous partnerships and alliances. And third is adaptability – retaining flexibility to adapt to changing circumstances, and deploying business models tailored to the unique dynamics of each local market around the globe. Ultimately, our route-to-consumer strategy provides a road map to intelligently gain a sustainable competitive advantage through an enhanced concentration on our brand and market opportunities.

In the early days of our international growth, our route-to-consumer efforts had little forward integration. We partnered with distributors whom we entrusted with nearly all the development and market execution of our brands' business plans. But

as we gained experience and deployed more of our own people in country, we increased our involvement and influence over key marketing and brand-building activities. As a result, today we have control over local brand management in the majority of our non-U.S. markets, ensuring our global brand strategy is localized and relevant to our target consumers.

We employ a broad range of models with varying degrees of control – including conventional agency arrangements, cost-sharing relationships as we have with Bacardi in the U.K., joint ventures as we have with Bacardi and Moët Hennessy in Ireland, and full ownership of distribution that we maintain in several countries including Australia, Poland, and Mexico.

We believe these varied approaches give us the flexibility to adapt to the specific market and changing conditions. While the models are different from country to country, they share the same objective of giving us the clearest path to our consumers to best execute our brands' business plans across the globe.

There is ample opportunity for us to seize – developing our brands and strengthening our portfolio, fueling our global expansion and elevating our route-to-market. As we continue to innovate, from our largest brands such as Jack Daniel's, Finlandia, and Southern Comfort to our developing brands such as Chambord and Herradura ... we expect great things to come.



**HERRADURA PACKAGING**  
*After determining that Herradura's packaging did not sufficiently support the tequila brand's positioning in the category, for fiscal 2010 we revamped the label and packaging to better communicate its ultra-premium status.*



  
**CHAMBORD**  
BLACK RASPBERRY LIQUEUR  
FRANCE  
**No. 1**  
*liqueur in Australia.*

DELIVERING  
PROOF  
POSITIVE

BUILDING ENDURING BRANDS

.....

AT BROWN-FORMAN, WE SEEK TO ENRICH  
*the* EXPERIENCE *of* LIFE, *in* OUR  
OWN WAY, BY RESPONSIBLY BUILDING BEVERAGE  
ALCOHOL BRANDS THAT THRIVE *and*  
ENDURE FOR GENERATIONS. TODAY, WE OFFER A  
BROAD *and* BALANCED PORTFOLIO *of* MORE  
THAN 30 DISTINCT PREMIUM WINE *and* SPIRITS BRANDS ...  
INCLUDING NINE BRANDS THAT  
EACH BOAST GLOBAL DEPLETIONS *in* EXCESS *of*  
1 MILLION CASES ANNUALLY.





FINLANDIA VODKA  
IS MADE FROM INGREDIENTS BORN  
FROM *the PURITY of FINLAND'S*  
NATURE. *In ADDITION to ITS CLASSIC*  
PREMIUM VODKA, *the*  
**BRAND FAMILY**  
INCLUDES A POPULAR LINE *of*  
FINLANDIA FUSION FLAVORED VODKAS  
*in* LIME, MANGO, CRANBERRY, WILD  
BERRIES, REDBERRY, GRAPEFRUIT,  
*and* TANGERINE.

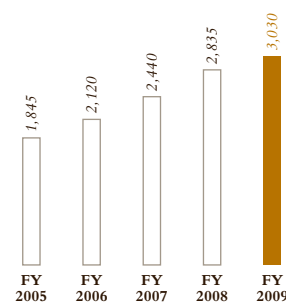


FINLANDIA  
*boasts compound growth*  
**of 12%**  
OVER THE PAST  
*five years.*



*One of our fastest-growing brands,  
Finlandia surpassed 3 million nine-liter  
case depletions for the first time this year.*

Depletions  
(nine-liter cases in thousands)



## FINLANDIA VODKA

*Investing patiently and prudently, our company develops brands over time. After becoming Finlandia's exclusive U.S. importer in 1996, we formed a joint venture to market and sell Finlandia globally in 2000. Two years later, we increased our interest in the joint venture from 45% to 80%, and by 2004 acquired total ownership and the right to market and sell Finlandia worldwide.*



JACK DANIEL'S WAS  
the  
**HIGHEST-  
PLACED**  
SPIRIT BRAND in the  
U.K.'S 2008/2009  
SUPERBRANDS LIST.

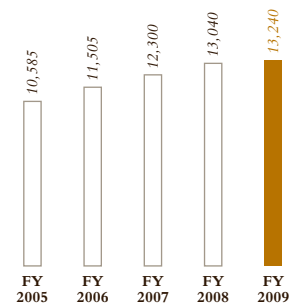


*Jack Daniel's has become an icon by effectively communicating its core values of Authenticity, Integrity, and Independence.*

GENTLEMAN JACK  
was named to  
IMPACT'S 2008  
**Hot Brands**  
list.



Family of Brands Depletions  
(nine-liter cases in thousands)



## JACK DANIEL'S FAMILY of WHISKEY BRANDS

*Established in 1866, Jack Daniel's is still crafted at America's oldest registered distillery in the small town of Lynchburg, Tennessee, using the finest grains and pure, iron-free water from our cave spring. The family of brands includes Jack Daniel's Old No. 7 Brand Tennessee Whiskey (Black Label and Green Label), Jack Daniel's Single Barrel Tennessee Whiskey, and Gentleman Jack Rare Tennessee Whiskey, as well as the Jack Daniel's & Cola and Jack Daniel's Country Cocktails lines of ready-to-drink products.*



#### SOUTHERN COMFORT LIQUEURS

In 1874, in New Orleans' French Quarter, a young bartender named M.W. Heron began offering his customers a better-tasting cocktail by adding a secret mix of fruits and spices to barrel whiskey and creating Southern Comfort. To this day, Southern Comfort embraces the same spirit – celebrating hospitality, experimentation, and genuine good times with friends.



#### EL JIMADOR TEQUILAS

el Jimador is the No. 1 selling tequila in Mexico. It is a high-quality, authentic, 100% agave tequila that makes great-tasting cocktails, especially the Paloma. el Jimador, meaning “the harvester,” was named to honor the men who harvest the locally grown agave with great pride and care.



#### HERRADURA TEQUILAS

Casa Herradura has produced the world's finest tequilas since 1870. Herradura is hand-harvested, hand-crafted, and estate-bottled at one of Mexico's most historic distilleries. Herradura, meaning “horseshoe,” was named 2007 Distiller of the Year by Wine Enthusiast Magazine.

#### FETZER WINES

For decades, Fetzer has been committed to sustainability and environmental stewardship in every aspect of the winemaking process and has become known as “The Earth Friendly Wine.” This not only makes us better winemakers and stewards of the land, but also better neighbors and members of the community.



#### CANADIAN MIST BLENDED CANADIAN WHISKY

Canadian Mist is the versatile, light-tasting whisky that is just right for a variety of drinks and today's casual lifestyle. Canadian Mist is triple-distilled in Collingwood, Ontario, and won a Double Gold Medal for taste at the 2009 San Francisco World Spirits Competition, its fourth gold medal since 2005.



#### KORBEL CALIFORNIA CHAMPAGNES\*

Korbel California Champagne marks the occasion. It has been America's symbol of celebration for over 127 years. Korbel marks, acknowledges, and honors people and occasions. Made in the traditional Méthode Champenoise style, it is the No. 1 selling premium sparkling wine in the U.S.



#### SONOMA-CUTRER WINES

Sonoma-Cutrer is “America's Grand Cru” and crafts many different world-class expressions of Chardonnay and Pinot Noir using traditional Burgundian methods and our own meticulous philosophy. Few wine producers in the world have such a singular focus and uncompromising excellence and commitment to growing, crafting, and marketing their wines as Sonoma-Cutrer.



#### EARLY TIMES KENTUCKY WHISKY

Since 1860, Early Times remains the reliable American whisky that provides a relaxing reward at the end of a hard day's work. The Early Times Mint Julep has been the “official drink of the Kentucky Derby” for 22 consecutive years.



#### TUACA LIQUEUR

According to legend, the origins of Tuaca's secret recipe date back to the Renaissance and a drink crafted for Lorenzo de' Medici. In 1938, Tuoni and Canepa created Tuaca, their version of this smooth, yet bold, liqueur with an inviting taste of vanilla-citrus. A bartender favorite, it is best enjoyed cold and straight, but is also great in a variety of drinks.

#### CHAMBORD LIQUEUR

Chambord is inspired by a liqueur produced for King Louis XIV during his visit to Chateau de Chambord. Today, Chambord is crafted from the finest raspberries and blackberries, vanilla, honey, citrus, and cognac to create a delicious, all-natural, black raspberry liqueur. In cocktails or sipped alone, Chambord transforms ordinary occasions into extraordinary experiences.



#### WOODFORD RESERVE KENTUCKY STRAIGHT BOURBON WHISKY

Woodford Reserve represents the new generation of super-premium bourbons. Its artisan craftsmanship results in a bourbon of such uncommon complexity and balance that it has been awarded gold medals in the industry's most prestigious tasting competitions.



#### BONTERRA VINEYARDS WINES

Bonterra Vineyards is the world's leading producer of premium wines crafted from 100% organically grown grapes. Bonterra is committed to making world-class wines – through respect for the Earth, the vineyard, and the environment. Bonterra captures the passion and belief that “organically grown grapes make better wines.”



#### OLD FORESTER KENTUCKY STRAIGHT BOURBON WHISKY

“The bourbon lovers' bourbon,” Old Forester is the original, premium bourbon that satisfies the bourbon drinker's passion for a rich, full-bodied taste. Founder George Garvin Brown's claim that “there is nothing better in the market” has assured its quality since 1870.



#### LITTLE BLACK DRESS WINES

Little Black Dress wine is a stylish beverage that allows women to express their inner beauty through the confidence and reliability that is delivered through the familiar icon, the Little Black Dress. Little Black Dress is the natural, versatile, go-to choice in wine that women can count on.

Remaining portfolio: Antiguo Tequila, Bel Arbor Wines, Don Eduardo Tequilas, Five Rivers Wines, Jekel Vineyards Wines, Michel Picard Wines\*, Pepe Lopez Tequilas, Sanctuary Wines, and Virgin Vines Wines\*.

\* Brands that we represent in the U.S. and other select markets.

# 2009 FINANCIAL RESULTS

SELECTED FINANCIAL DATA .....	PAGE 18
MANAGEMENT'S DISCUSSION <i>and</i> ANALYSIS.....	PAGE 19
CONSOLIDATED STATEMENTS <i>of</i> OPERATIONS.....	PAGE 31
CONSOLIDATED BALANCE SHEETS .....	PAGE 32
CONSOLIDATED STATEMENTS <i>of</i> CASH FLOWS.....	PAGE 33
CONSOLIDATED STATEMENTS <i>of</i> STOCKHOLDERS' EQUITY.....	PAGE 34
CONSOLIDATED STATEMENTS <i>of</i> COMPREHENSIVE INCOME .....	PAGE 35
NOTES <i>to</i> CONSOLIDATED FINANCIAL STATEMENTS .....	PAGE 36
REPORTS <i>of</i> MANAGEMENT.....	PAGE 47
REPORT <i>of</i> INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.....	PAGE 48
IMPORTANT INFORMATION <i>on</i> FORWARD-LOOKING STATEMENTS.....	PAGE 49
QUARTERLY FINANCIAL INFORMATION .....	PAGE 50
DIRECTORS <i>and</i> MANAGEMENT EXECUTIVE COMMITTEE .....	PAGE 51
CORPORATE INFORMATION.....	PAGE 52

SELECTED FINANCIAL DATA

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

Year Ended April 30,	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>CONTINUING OPERATIONS</b>										
Net Sales	\$ 1,542	1,572	1,618	1,795	1,992	2,195	2,412	2,806	3,282	3,192
Gross Profit	\$ 812	848	849	900	1,024	1,156	1,308	1,481	1,695	1,577
Operating Income	\$ 296	320	326	341	383	445	563	602	685	661
Income from Continuing Operations	\$ 187	200	212	222	243	339	395	400	440	435
Weighted Average Shares used to calculate Earnings per Share										
– Basic	171.3	171.2	170.8	168.4	151.7	152.2	152.6	153.6	153.1	150.5
– Diluted	171.4	171.4	171.2	168.9	152.5	153.1	154.3	155.3	154.5	151.5
Earnings per Share from Continuing Operations										
– Basic	\$ 1.09	1.17	1.24	1.32	1.60	2.23	2.59	2.61	2.87	2.89
– Diluted	\$ 1.09	1.17	1.24	1.32	1.59	2.22	2.56	2.58	2.84	2.87
Gross Margin	52.6%	53.9%	52.5%	50.1%	51.4%	52.7%	54.2%	52.8%	51.6%	49.4%
Operating Margin	19.2%	20.3%	20.2%	19.0%	19.2%	20.3%	23.3%	21.5%	20.9%	20.7%
Effective Tax Rate	35.9%	35.8%	34.1%	33.6%	33.1%	32.6%	29.3%	31.7%	31.7%	31.1%
Average Invested Capital	\$ 889	1,016	1,128	1,266	1,392	1,535	1,863	2,431	2,747	2,893
Return on Average Invested Capital	22.0%	20.7%	19.3%	18.0%	18.5%	23.0%	21.9%	17.4%	17.2%	15.9%
<b>TOTAL COMPANY</b>										
Cash Dividends Declared per Common Share	\$ 0.49	0.51	0.54	0.58	0.64	0.73	0.84	0.93	1.03	1.12
Average Stockholders' Equity	\$ 976	1,111	1,241	1,290	936	1,198	1,397	1,700	1,668	1,793
Total Assets at April 30	\$ 1,802	1,939	2,016	2,264	2,376	2,649	2,728	3,551	3,405	3,475
Long-term Debt at April 30	\$ 33	33	33	629	630	351	351	422	417	509
Total Debt at April 30	\$ 259	237	200	829	679	630	576	1,177	1,006	999
Cash Flow from Operations	\$ 241	232	249	243	304	396	343	355	534	491
Return on Average Stockholders' Equity	22.1%	20.7%	18.1%	18.7%	27.1%	25.7%	22.9%	22.9%	26.4%	24.2%
Total Debt to Total Capital	19.8%	16.6%	13.2%	49.4%	38.3%	32.5%	26.9%	42.8%	36.8%	35.5%
Dividend Payout Ratio	38.5%	38.1%	41.4%	41.1%	38.2%	36.1%	40.0%	36.8%	35.8%	38.9%

Notes:

1. Includes the consolidated results of Finlandia Vodka Worldwide, Tioni e Canepa, Swift & Moore, Chambord, and Casa Herradura since their acquisitions in 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 and a 5-for-4 common stock split in October 2008.
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.
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.

Below, we review Brown-Forman's consolidated financial condition and results of operations for fiscal years ended April 30, 2007, 2008, and 2009. We also comment on our anticipated financial performance, discuss factors that may affect our future financial condition and performance, and make other forward-looking statements. Please read this Management's Discussion and Analysis section of our report together with the consolidated financial statements for the year ended April 30, 2009, their related notes, and the important note on forward-looking statements on page 49. This note lists some risk factors that could cause actual results to differ materially from what we currently expect.

As discussed in Note 2 to the accompanying financial statements, we sold Brooks & Bentley and Hartmann in fiscal 2007. We report these entities as discontinued operations in the accompanying financial statements.

## EXECUTIVE OVERVIEW

Brown-Forman Corporation produces and markets high-quality consumer beverage alcohol products including Tennessee, Canadian, and Kentucky whiskeys; Kentucky bourbon; tequila; vodka; liqueurs; California sparkling wine; table wine; and ready-to-drink products. Our brands include Jack Daniel's and its related brands; Finlandia; Southern Comfort; Tequila Herradura; el Jimador; Canadian Mist; Chambord; Woodford Reserve; Fetzer, Bonterra, and Sonoma-Cutrer wines; and Korbel Champagne.

### OUR MARKETS

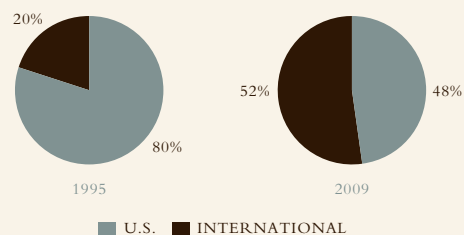
In the mid-1990s, we embarked on a strategic initiative to expand our international footprint. This initiative has succeeded, as our sales generated outside of the U.S. have expanded from about 20% to over 50% in fiscal 2009. Today, we sell our brands in more than 135 countries. In fiscal 2008, we passed a milestone when we generated the majority of our net sales outside the U.S. Despite the adverse impact of a strong U.S. dollar, we continued to generate more than half of our net sales outside the U.S. in fiscal 2009. The U.S. remains our largest, most important market, contributing 48% of our net sales in fiscal 2009 (unchanged from fiscal 2008). Our net sales declined about 1% in the U.S. and about 4% outside the U.S., reflecting reductions in distributor and retail trade inventory levels. But net sales outside the U.S. increased by 2% on a constant-currency basis. ("Constant-currency" represents reported net sales with the effect of a stronger U.S. dollar removed. We believe it is important to understand our growth in sales on a constant-dollar basis, as fluctuations in exchange rates can distort the underlying<sup>(1)</sup> growth in sales, both positively and negatively.)

Europe, our second-largest region, accounts for 28% of our net sales. For fiscal 2009, net sales in Europe declined 7% on an as-reported basis. This decline was mostly due to the U.S. dollar's dramatic strengthening against European currencies, particularly during the latter half of the fiscal year. After adjusting for this foreign exchange impact, net sales in Europe declined 4%. We continued to enjoy solid underlying growth in a number of markets there, particularly in Eastern Europe and France. But overall growth in Europe slowed as the economic crisis affected many Western European markets and some Eastern European markets.

Net sales outside Europe and the U.S. constitute 24% of our total sales and declined by 1% in fiscal 2009. The decline was driven primarily by the effect of a stronger U.S. dollar. Net sales in the rest of the world increased by 10% on a constant-currency basis. We continued to experience good underlying growth for a number of our brands in markets such as Australia, Latin America, and various Asian markets.

<sup>(1)</sup> Underlying growth represents the percentage growth in reported financial results in accordance with generally accepted accounting principles (GAAP) in the United States, adjusted for certain items. We believe providing underlying growth helps provide transparency to our comparable business performance.

### Net Sales Contribution



Our main international markets include the U.K., Australia, Mexico, Poland, Germany, France, Spain, Italy, South Africa, China, Japan, Canada, and Russia. We continue to see long-term growth opportunities for our portfolio of brands in both developed and emerging markets, particularly Eastern Europe, Asia, and Latin America. Naturally, the more we expand our business outside the U.S., the more our financial results will be exposed to exchange rate fluctuations. This exposure includes the sale of our brands in currencies other than the U.S. dollar and the cost of goods, services, and manpower paid for in currencies other than the U.S. dollar. Because we sell more in local currencies than we purchase, we have a net exposure to changes in the U.S. dollar's strength. To buffer these exchange rate fluctuations, we regularly hedge a portion of our foreign currency exposure. But over the long term, our reported financial results will generally be hurt by a stronger U.S. dollar and helped by a weaker U.S. dollar.

Not surprisingly, the global economic crisis has curtailed consumption of premium spirits brands in a number of ways. In the U.S. and the U.K., we have seen less activity in on-premise accounts such as bars, pubs, and restaurants as consumers have shifted to more at-home consumption and dining. We have also seen evidence of consumers trading down from super-premium and premium brands to popular and value-priced brands. We have seen the switch to at-home consumption and trading down in some other international markets. Nevertheless, we believe the long-term growth potential for premium spirits remains positive due to favorable demographic trends and continued consumer desire for premium brands. This is particularly true in many emerging markets, where Western premium brands are aspirational. But in the short term, we believe the current economic contraction's duration and severity could constrain our performance.

### OUR BRANDS

Our strategic platform for growing sales and earnings is based on expanding our brands geographically, introducing new brand offerings, acquiring brands, taking price increases, and divesting non-core and under-performing assets. Over the past several years, we have made significant advances in each area, including expanding international sales, continually developing new flavors in the vodka and ready-to-drink (RTD) categories, acquiring the Casa Herradura tequila brands and Chambord liqueur in fiscal 2007, increasing prices strategically over the last several years, and completing the divestiture of our consumer durables business in fiscal 2007.

We built on this strategic platform in fiscal 2009 by continuing international growth; developing new packaging and flavors for a number of brands; and, as part of our ongoing review of our portfolio, divesting our Italian wine brands, Bolla and Fontana Candida. Depletions (shipments direct to retailers or from distributors to wholesalers and retailers) for our total brand portfolio are approaching 36 million nine-liter cases, and nine of our brands saw depletions of more than 1 million nine-liter cases in fiscal 2009.



Jack Daniel's Tennessee Whiskey is 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 less than 1% in fiscal 2009 as the global recession affected key markets for the brand and credit pressures resulted in significantly lower retail inventory levels around the world. Essentially flat volumes in the U.S. and declines in some Western European markets were more than offset by continued solid growth in Eastern Europe, Australia, Southeast Asia, India, and Latin America.

Although the global macroeconomic environment has reduced demand for premium spirits in some markets, we believe the positive long-term environment for premium spirits, continued advertising and promotion support, and Jack Daniel's iconic brand image will continue to drive the brand's sustained growth. Because Jack Daniel's generates a significant percentage of our total net sales and earnings, it remains our primary focus, vital to our overall performance. We attribute the brand's slower growth in fiscal 2009 primarily to the weaker global economy. But any significant declines in Jack Daniel's volume or selling price, particularly over an extended time, could materially depress our earnings. We remain encouraged by the brand's resiliency in the face of a challenging environment and its continued development in emerging markets. As economies slowly recover, we anticipate a return to growth in the brand's more established markets.

The Jack Daniel's family of brands, which includes Jack Daniel's Tennessee Whiskey, Gentleman Jack, Jack Daniel's Single Barrel, and Jack Daniel's RTD products such as Jack Daniel's & Cola and Jack Daniel's Country Cocktails, grew volumes 2% globally. Net sales on an as-reported basis declined 3% due to the impact of a stronger U.S. dollar and lower distributor and trade inventories. But on a constant-currency basis, net sales increased 2%. Line extensions of Jack Daniel's have continued to contribute to annual growth. For instance, our repackaging of Gentleman Jack, launched in fiscal 2007, helped generate over a 20% increase in volume in fiscal 2009; depletions are now approaching 300,000 nine-liter cases. The dramatic increase in taxes in Australia on RTD products curtailed the profit growth of Jack Daniel's & Cola in that market, but globally, our Jack Daniel's RTD depletions grew by 4% due to strong growth in Germany. Australia is our single most important market for Jack Daniel's & Cola, and the tax situation there remains uncertain. At the end of last year, the 70% RTD excise tax was repealed by the federal legislature but reinstituted recently by the executive branch. Jack Daniel's & Cola contributes significantly to our growth in the Asia Pacific region, and a continued unfavorable tax environment would inhibit our near-term growth.

Finlandia is our second-largest brand by volume and an important part of our overall brand portfolio. Finlandia delivered volume growth of 7% in fiscal 2009 and surpassed the 3 million nine-liter case mark for the first time. Net sales grew by 10% on an as-reported basis and by 12% on a constant-currency basis. Finlandia's growth came from continued market penetration in Poland, Russia, and other Eastern European markets. In contrast to Jack Daniel's and Southern Comfort, about 90% of Finlandia sales come from outside the U.S., providing both geographic and portfolio diversification.

Southern Comfort is our third-largest brand. Its volumes declined 5% in fiscal 2009 after holding steady in fiscal 2008. Net sales declined 11% in fiscal 2009 on a reported basis and 3% on a constant-currency basis. Many of Southern Comfort's key markets were significantly hurt by the global recession, including the U.S., the U.K., Spain, Ireland, and South Africa, resulting in reduced volumes. Southern Comfort has suffered from the consumers' shift toward more off-premise drinking occasions, where they are less likely to mix complicated

cocktails. We believe that the inventory reductions also hurt the brand's volume and net sales for fiscal 2009. Southern Comfort's long-term success has been built on pricing, innovative packaging, products, and drink offerings. To reinvigorate the brand's growth, we have developed new product offerings such as ready-to-drink and ready-to-pour Southern Comfort offerings to introduce in early fiscal 2010.

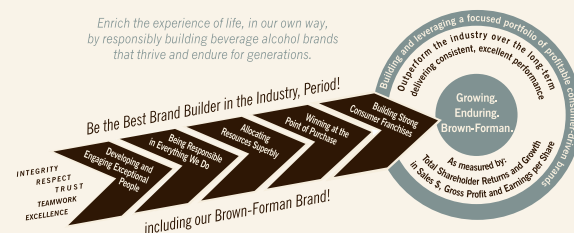
In fiscal 2007, we significantly broadened and diversified our portfolio by acquiring the Casa Herradura brands, including el Jimador, Herradura, New Mix (a tequila-based RTD product), Antiguo, and Suave 35. These brands have proven to be a source of growth, as depletions increased by 6% in fiscal 2009. Net sales declined slightly on an as-reported basis but increased by 6% on a constant-currency basis. These premium tequila brands have considerable potential for future growth because they are strong competitors in a growing category in the U.S. and the rest of the world outside of Mexico, and are only now expanding their geographic footprint.

Depletions for our mid-priced brands generally declined in fiscal 2009. Fetter Valley Oaks, Korbel, Canadian Mist, and Early Times all recorded declines – but some of our wine offerings, including Little Black Dress, enjoyed good growth. These are largely off-premise driven brands in fiercely price-competitive segments. Although they may see some short-term benefit from consumers trading down in the current difficult economic environment, we expect longer-term growth for most of these brands to be modest.

Our brands in the super-premium price category continued to develop despite the economic headwinds. Woodford Reserve, Gentleman Jack, Sonoma-Cutrer, Tuaca, and Bonterra all scored depletion gains in fiscal 2009. Chambord depletions declined in volume but grew net sales in the low single digits on a constant-currency basis. Most Chambord is consumed on premise, so demand has been hurt by consumers dining out less. But we are encouraged by the performance of these small-but-growing super-premium brands and expect to see more growth opportunities, particularly as the world economy recovers.

## OUR ROUTE-TO-CONSUMER STRATEGY

Introduced in 2003, the "Brown-Forman Arrow" summarizes our overall strategy. It captures our overarching objective to "Be the Best Brand Builder in the Industry, Period!" and the five supporting imperatives that help us reach this 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 can choose a premium beverage alcohol brand. To accomplish this easy access, we use a variety of distribution models around the world. Among the factors we consider in choosing the distribution model for a given market are (1) that market's long-term attractiveness and competitive dynamics and (2) our portfolio's stage of development in that market. Based on this assessment, we aim to choose the most appropriate model to optimize our access to consumers in that market at that time. Our choice of model can evolve as market dynamics change and as our portfolio matures.

We own and operate our own distribution network in a handful of markets, including Australia, China, Poland, Mexico, Korea, the Czech Republic, Taiwan, and Thailand. In these markets, we sell our products directly to retail stores or to wholesalers. In the U.K. and Germany, we partner with another supplier, Bacardi, to sell a combined portfolio of our companies' brands. In the U.S., we sell our product to either wholesalers or, in states that directly control alcohol sales, state governments that then sell to retail customers and consumers. In many other markets, we rely significantly on other spirits producers to distribute our products. While to date this has happened rarely, if ever, consolidation among wholesalers in the U.S. or spirits producers around the world could hinder the distribution of our products in the future as a result of reduced attention to our brands, the possibility that our brands may comprise a smaller portion of their business, or a changing competitive environment.

In fiscal 2009, we strengthened our sales alliance with Bacardi in the U.S. by expanding it to several more states. Focused sales teams within our distributors in these states sell our companies' strong portfolios while each company continues its own unique brand-building initiatives to support alliance distributors.

After reviewing our distribution arrangements in 12 markets in Central and Eastern Europe and Turkey, we renewed some and replaced others in fiscal 2009. We believe the new distribution arrangements should improve our ability to influence and access local consumers. In fiscal 2010, we expect to repeat this review process in at least a dozen markets in Western Europe, Central Europe, and Russia and in three markets in Asia. We expect to pursue strategies and partnerships that will improve our in-market brand-building efforts. But in the short term, if changes are made to our route to consumers in a market, we could potentially experience temporary sales disruptions.

## OUR COMPETITION

We operate in a highly competitive industry. We compete against many global, regional, and local brands in a variety of categories of beverage alcohol, but most of our brands compete primarily in the industry's premium end. Trade information indicates that we are one of the largest suppliers of wine and spirits in the U.S. While the industry has consolidated considerably over the last decade, the 10 largest global spirits companies control less than 15% of the total global market for spirits, and in Asia their share is less than 3%. We believe that the overall market environment offers considerable growth opportunities for exceptional builders of premium wine and spirits brands.

## OUR BUSINESS ENVIRONMENT

We expect long-term demand for wine and spirits to continue to grow in the U.S. and our major markets outside the U.S. But our near-term view of the overall business environment for many of our brands has been tempered by the current global recession, which has decreased consumers' disposable income and increased unemployment. As a result, some consumers have shifted their consumption patterns from on-premise to off-premise, hurting some of our higher-priced brands that skew to the on-premise occasion. We have shifted some of our advertising and promotion efforts to the off-premise market and have developed new product offerings, such as ready-to-drink and ready-to-pour beverages for convenient at-home consumption.

Recent trends also suggest that beverage alcohol consumers are trading down to lower-priced brands, which could hurt the short-term performance of many of our brands. We believe the demand for premium brands will accelerate once we emerge from the global economic downturn and, despite our near-term caution, we are encouraged by the favorable demographic trends in the U.S. over the next several years. In addition, we

see enormous potential for our brands to grow in the global marketplace, where our business today accounts for only 1% of the total global market for wine and spirits. Markets outside the U.S. accounted for only about 20% of our net sales in fiscal 1995, but today they account for over 50%. We see great opportunities for growth outside the U.S., not only in emerging markets (such as Brazil, Russia, Mexico, and China) but also in developed markets (such as France and Australia).

**Public attitudes; government policies.** Our ability to market and sell our products depends heavily on society's attitudes toward drinking and government policies that flow from them. A number of organizations criticize abusive drinking and blame alcohol manufacturers for problems associated with alcohol misuse. Specifically, critics incorrectly say that alcohol companies intentionally market their products to encourage underage drinking. Legal or regulatory measures directed in response against beverage alcohol (including its advertising and promotion) could adversely affect our sales.

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 do not think these are good strategies. In our view, society is more likely to curb alcohol abuse by better educating consumers about beverage alcohol and moderate drinking than by restricting alcohol advertising and sales or by imposing punitive taxes.

We strongly oppose underage and abusive drinking. We are very careful to target our products only to adults. We have developed a comprehensive internal marketing code and also adhere to marketing and advertising guidelines of the U.S. Distilled Spirits Council, the Wine Institute, and the European Forum for Responsible Drinking, among others. Brown-Forman contributes significant resources to The Century Council, an organization that we and other spirits producers created in the early 1990s to combat misuse of alcohol, including drunk driving and underage drinking. We actively participate in similar organizations where they exist in our other primary global markets.

Regulatory measures currently are a particular concern in Europe, where many countries are devoting increased attention to more restrictive alcohol policies. The World Health Organization (WHO) has undertaken 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, it is highly influential, particularly in the developing world. We believe WHO 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.** Broadly speaking, we seek two things:

1. recognition that beverage alcohol should be regarded like other products that have inherent benefits and risks and
2. equal treatment for distilled spirits, wine, and beer – all forms of beverage alcohol – by governments and their agencies.

We fully acknowledge that beverage alcohol, when misused or abused, can contribute to social and health issues. But we also believe strongly that beverage alcohol should be viewed like other consumer products – such as food and motor vehicles, any of which can be hazardous if misused. Our belief is that beverage alcohol plays an important part in enriching the lives of the vast

majority of those who choose to drink. That is why we encourage responsible consumption as we promote our brands. And it is why we discourage underage drinking and irresponsible drinking, including drunk driving. We believe that the optimal way to discourage alcohol misuse and abuse is by partnering with parents, schools, law enforcement, and other concerned stakeholders.

Distilled spirits, wine, and beer are all forms of beverage alcohol, and we believe governments should treat them equally. But generally (especially in the U.S.), distilled spirits are taxed far more highly than beer per ounce of alcohol, and are subject to tighter restrictions on where and when consumers can buy them. Compared with beer and wine, distilled spirits are also denied the right to advertise in some venues. Achieving greater cultural acceptance of our products and parity with beer and wine in having access to consumers is a major goal and one we share with other distillers. We seek fairer distribution rules, such as Sunday sales in those U.S. states that still ban them and laws that permit product tasting, so that consumers can sample our products and buy them more easily. We encourage rules that liberalize international trade, so that we can expand our business more globally. As we explain below, we oppose tax increases that make our products more expensive for consumers, and seek to diminish the tax advantage that beer enjoys.

**Taxes.** Recent proposals in the U.S. to increase the taxes on beverage alcohol as a source of new government revenue are of considerable concern. Beverage alcohol is taxed separately and substantially through state and federal excise taxes (FET), above and beyond corporate income taxes on their producers. The U.S. FET for spirits per ounce of pure alcohol is twice that for beer. Besides placing a disproportionate tax burden on spirits, any FET increase would have a negative economic effect on the hospitality industry and its millions of workers.

In 2008, only three of the top 10 global spirits companies were U.S. companies.<sup>(2)</sup> Several former U.S.-based beverage companies have been acquired by foreign companies over the years and shifted employment and trademark ownership to countries with more favorable tax regimes. We estimate that our fiscal 2010 effective corporate income tax rate will be over 32%, compared to recent effective rates ranging from 10.6% to 25% for our largest foreign competitors. Current discussions in the U.S. Congress about decreasing or eliminating the ability of U.S. companies to get a tax credit for foreign taxes paid and the ability to defer the U.S. deduction of expenses incurred in connection with foreign investments in other countries could make this disadvantage bigger and further damage the global competitiveness of U.S. companies such as ours.

The U.S. Congress is also considering the repeal of the LIFO (last-in-first-out) treatment of inventory, an accepted accounting practice in the U.S. for 70 years. LIFO is designed to minimize artificial inflation gains and accurately reflect replacement costs. We strongly oppose this repeal. LIFO is particularly important to companies like Brown-Forman, whose aging process requires some distilled spirits to be held in inventory for several years before being sold. As proposed, LIFO repeal would also result in an unprecedented "recapture" of tax benefits received in prior years — in effect, a retroactive tax increase.

Increased tax rates and tax law changes are risks we face in many of our international markets as well. As our sales around the world continue to grow and tax regimes in international markets become increasingly onerous for our business and products, our exposure to tax changes in other countries becomes more pronounced. For instance, in April 2008, the Australian government suddenly imposed a 70% excise tax increase on spirits-based

RTD products. We successfully shifted some sales to our regular proof products and changed our product formula to a less tax-penalized one, but this massive tax increase hurt our Australian business and our overall global profit.

**Foreign exchange rates.** Foreign currencies' strength relative to the U.S. dollar affects sales and the cost of purchasing goods and services in our other markets. This year, a stronger U.S. dollar hurt our earnings, particularly in the U.K., Europe, and Australia. Although we have hedged the majority of our exposure to foreign exchange fluctuations in 2010 by entering into foreign currency forwards and option contracts, our earnings are expected to be hurt when compared to fiscal 2009 due to the rapid, significant strengthening of the dollar in fiscal 2009 before we entered into most of our current hedge contracts. In addition, if the U.S. dollar again appreciates significantly, the effect on the unhedged portion would hurt our reported results.

## OUR FISCAL 2010 EARNINGS OUTLOOK

We face the most challenging and uncertain economy in decades, and in the near term we expect the global economic environment to remain weak and consumers to remain wary. As a result, we are not planning for much change in fiscal 2010. Several factors are out of our control, including the health of the financial markets and volatility in foreign exchange. So we are focusing on factors we can control, setting priorities to drive growth and position ourselves well once the economy recovers. We will be striving to improve the productivity of all of our investments in every aspect of our business by allocating resources to maximize growth and accelerating innovation.

We are projecting modest underlying growth in operating income in fiscal 2010 despite our expectation that the consumer environment will continue to be challenging. We expect the dramatic strengthening of the U.S. dollar that took place in the middle of 2009 to erode our reported results in fiscal 2010. More specifically, recent spot rates for the U.S. dollar could reduce our fiscal 2010 earnings by \$0.12 per share (net of hedged foreign currency exposures), compared to our earnings in fiscal 2009. Continued volatility in the global economic environment could further dampen consumer demand and foreign exchange rates. We are uncertain as to how sustained credit and cash pressures may affect the purchasing behavior of our distributor partners and retailers this year. Given these uncertainties, we are expecting our fiscal 2010 diluted earnings per share to be in the range of \$2.60 to \$3.00, compared to fiscal 2009 earnings per share of \$2.87. We believe the improvement or deterioration of the global economic and consumer environment, and the related retail and distributor response, as well as foreign currency fluctuations, will most likely affect the company's actual performance within this range.

Although our near-term underlying growth expectations are modest, we remain confident about the future of our brands and our company. We are committed to outperforming our competitors and we expect to emerge from this economic crisis as an even stronger company.

## RESULTS OF OPERATIONS

Our total diluted earnings per share was \$2.87 in fiscal 2009, all of which came from continuing operations. The discussion of our results from continuing operations below relates exclusively to our beverage alcohol business. It excludes the results related to our former consumer durables segment, which we have segregated from continuing operations and present as discontinued operations for all periods presented. See "Discontinued Operations," Note 2 to the accompanying consolidated statements.

<sup>(2)</sup> The top 10 companies in 2008 were Diageo (UK), Pernod (France), United Spirits (India), Bacardi (Bermuda), Fortune Brands (U.S.), Brown-Forman (U.S.), Constellation Spirits (U.S.), Gruppo Campari (Italy), Suntory (Japan), and Belvedere Group (France). Source: Impact Databank, November 15, 2008.



## CONTINUING OPERATIONS

Our beverage alcohol business includes strong brands representing a wide range of varietal wines, champagnes, and spirits such as whiskey, bourbon, vodka, tequila, and liqueurs. 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 system in many markets outside the U.S., but we distribute our own products in several markets, including Australia, China, Poland, Mexico, Korea, the Czech Republic, Taiwan, and Thailand.

Distributors and retailers normally keep some of our products in 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 for a period do not necessarily reflect actual consumer purchases during that 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 19) to approximate consumer demand. We also use syndicated data and monitor inventory levels in the trade to confirm that depletions accurately represent consumer demand.

## FISCAL 2009 COMPARED TO FISCAL 2008

Net sales of \$3.2 billion decreased 3%, or \$90 million, compared to net sales in fiscal 2008. The most significant factor lowering our annual net sales was the stronger U.S. dollar, which reduced our net sales by over \$150 million. Despite this foreign exchange headwind and a difficult environment in several countries in Western Europe where our net sales declined, our net sales outside the U.S. still constitute more than half (52%) of total sales. Just 10 years ago, sales outside the U.S. constituted only about 25% of our total sales. This expansion in sales outside the U.S. reflects the execution of our strategic initiative from the mid-90s to expand our international footprint by growing our existing portfolio and acquiring other brands.

The major factors driving our fiscal 2009 change in net sales were:

	<i>Change vs. 2008</i>
• Underlying change in net sales	3%
<i>Net price/mix</i> .....	3%
<i>Volume</i> .....	0%
• Australia excise tax increase	1%
• Estimated net change in distributor inventories	(1%)
• Discontinued agency brands	(1%)
• Foreign exchange	(5%)
Reported change in net sales	<u>(3%)</u>

In the table above, “Australia excise tax increase” refers to the additional revenue collected due to the 70% increase in excise tax on ready-to-drink products in Australia, implemented on April 27, 2008. Because net sales are recorded including excise tax, we believe separately identifying the effect of this item helps explain our sales trends.

“Estimated net change in distributor inventories” refers to the estimated financial impact of changes in distributor inventories for our brands. We compute this effect using our estimated depletion trends and separately

identify distributor inventory changes in our explanation of changes for our key measures. Based on the estimated depletions and the fluctuations in distributor inventory levels, we then adjust the percentage variances from the prior year to the current year for our key measures. We believe separately identifying the impact of this item helps to explain how varying levels of distributor inventories can affect our business.

“Discontinued agency brands” refers primarily to agency brands Appleton, Amarula, Durbanville Hills, and Red Bull, which exited our portfolio during fiscal 2008.

“Foreign exchange” refers to net gains or losses resulting from our sales and purchases in currencies other than the U.S. dollar. We disclose this separately to explain our business changes on a constant-currency basis, because exchange rate fluctuations can 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 2009, the stronger U.S. dollar hurt our net sales, gross profit, operating income, and earnings per share but helped 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-currency basis. We believe separately identifying foreign exchange's effect on major line items of the consolidated statement of operations makes our underlying business performance more transparent.

The primary drivers contributing to our 3% underlying growth in net sales were the brands Jack Daniel's Tennessee Whiskey, Finlandia, Gentleman Jack, and New Mix, and the geographies of Poland, Australia, the U.K., Mexico, the U.S., and Russia. Higher used barrel sales also contributed to the underlying net sales growth. The following discussion provides more detail of our volume and sales changes for the year.

Global depletion volume for Jack Daniel's Tennessee Whiskey grew for the 17th consecutive year, though only modestly; the brand's growth rate of less than 1% is the lowest in over 15 years. Several key Jack Daniel's markets saw volumetric declines due in part to the effects of the global economic downturn. Most affected were our travel retail channel, South Africa, and some Western European markets, including Germany, Italy, and Spain. In the U.S., despite flat depletions, consumer takeaway trends (according to National Alcohol Beverage Control Association (NABCA) data for the 12 months ending April 2009) reflect modest volume growth for the brand, at nearly 2%. The difference between our depletion results and these takeaway trends implies a significant reduction in retail inventory levels for the fiscal year.

Further, the overall distilled spirits category in the U.S. continued to grow during fiscal 2009. U.S. industry trends, as measured by NABCA data, indicate total distilled spirits volume grew 3.3% for the 12 months ending April 30, 2009, while Jack Daniel's grew approximately 2% for the same period. Jack Daniel's outperformed its major competitors and on a dollar basis grew 4% for the year, consistent with the growth in total distilled spirits.

Consumer demand continued to expand for this iconic, authentic American whiskey in several international markets, including Australia (where the brand surpassed 300,000 nine-liter cases), France, Poland, Canada, Romania, Mexico, and many markets in Southeast Asia and Latin America. The brand's largest market outside the U.S., the U.K., experienced 1% growth in depletions and is nearly at a record 1 million nine-liter case mark. Reported net sales for the brand globally declined in the low single digits, but on a constant-currency basis, the brand grew net sales in the low single digits.

Performance for the rest of the Jack Daniel's family of brands was solid. Depletions for Gentleman Jack, one of the fastest-growing brands in our portfolio, increased by more than 20% in fiscal 2009, with volumes

approaching 300,000 nine-liter cases. Gentleman Jack's net sales grew at a double-digit rate on both an as-reported and constant-currency basis. A major increase in excise taxes in Australia on ready-to-drink products significantly affected the profitability of Jack Daniel's & Cola in that market. Globally, the brand's depletions (which are quickly approaching 2.4 million nine-liter cases) grew 6%, fueled by strong gains in Germany.

Finlandia continued to be a major driver of growth in net sales in fiscal 2009 and a growing contributor to our international expansion. Global volumes grew 7% in fiscal 2009, passing the 3 million nine-liter case mark for the first time. Net sales advanced 10% on an as-reported basis and 12% on a constant-currency basis for the fiscal year, reflecting both volume and pricing gains. Finlandia's growth was led by continued market penetration in Eastern Europe, particularly in Poland, the brand's largest market (where we sell over 900,000 nine-liter cases), and in Russia (where we sell over 200,000 nine-liter cases).

Southern Comfort's global depletions declined 5% in fiscal 2009, while its net sales declined 11%, reflecting the negative effect of the stronger U.S. dollar. Most of the brand's key markets were adversely affected by the global recession and by declining on-premise trends, including the U.S., the U.K., Spain, Ireland, and South Africa, where volumes dropped. But the brand's second-largest market outside the U.S., Australia, experienced double-digit depletion growth. To reinvigorate Southern Comfort's growth in fiscal 2010, we are introducing three new product offerings, including ready-to-pour and ready-to-drink line extensions: Southern Comfort Hurricane and Southern Comfort Sweet Tea for the U.S. market and Southern Comfort Lemonade and Lime for the U.K. market.

In fiscal 2007, we significantly expanded and diversified our portfolio with the acquisition of the Casa Herradura brands. These brands have proven to be a source of growth, with depletions increasing by 6% in fiscal 2009. Net sales declined slightly on an as-reported basis but increased by 6% on a constant-currency basis. We believe these premium brands have considerable potential for future growth because they are strong competitors in a growing category and are only now expanding their geographic footprint.

Overall depletion and net sales performance were mixed for our other brands. Despite economic headwinds and some consumers trading down, several of our super-premium priced brands registered depletion gains in fiscal 2009, including Woodford Reserve, Sonoma-Cutrer, Tuaca, and Bonterra. Fetzter Valley Oaks, Korbel California Champagnes, Canadian Mist, and Early Times all recorded low single-digit percentage depletion declines in fiscal 2009.

This table highlights our major brands' worldwide depletion results for fiscal 2009:

	Nine-liter Cases (000s)	% Change vs. 2008
Jack Daniel's	9,475	0%
New Mix RTDs <sup>(1)</sup>	4,635	7%
Jack Daniel's RTDs <sup>(2)</sup>	3,405	4%
Finlandia	3,030	7%
Southern Comfort	2,335	(5%)
Fetzter Valley Oaks	2,295	(3%)
Canadian Mist	1,850	(2%)
Korbel Champagnes	1,290	(1%)
el Jimador	1,050	3%

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

(2) Jack Daniel's RTD products include all ready-to-drink line extensions of Jack Daniel's such as Jack Daniel's & Cola and Jack Daniel's Country Cocktails.

Gross profit declined 7%, or \$118 million. Two factors accounted for more than three-fourths of this decline: (1) the stronger U.S. dollar, which lowered gross profit nearly \$70 million, and (2) a \$22 million non-cash agave inventory write-down included in cost of sales. As we reported in our Form 10-Q filings in fiscal 2009, some of our agave fields suffered abnormally high mortality and disease levels, reducing the expected yield by an estimated \$22 million. Although we based this provision on our best estimate, actual inventory losses could be significantly different. Higher-than-predicted inventory losses could materially impair our results of operations and financial condition. As of April 30, we believe our estimate to be adequate.

Reductions in distributor inventory levels and lost gross profit associated with terminated agency relations also reduced gross profit for the year. Our underlying change in gross profit for the year was flat. It lagged the 3% increase in underlying net sales growth due in part to incremental value-added packaging costs, higher grain and fuel costs, and shifts in brand and geographic mix. The table below summarizes the major factors that reduced gross profit growth for the year.

	Change vs. 2008
• Underlying change in gross profit	0%
• Estimated net change in distributor inventories	(1%)
• Discontinued agency brands	(1%)
• Non-cash agave inventory writedown	(1%)
• Foreign exchange	(4%)
Reported change in gross profit	(7%)

In this table, "Non-cash agave inventory writedown" refers to an abnormal number of agave plants identified early in fiscal 2009 as dead or dying. Although agricultural uncertainties are inherent in any business that includes growing and harvesting raw materials, we believe that the magnitude of this item in the fiscal year distorts the underlying trends of our business.

Gross margin (gross profit as a percent of net sales) declined from 51.6% to 49.4% for the year, mostly attributable to five factors:

- (1) The non-cash agave inventory writedown (which depressed our gross margin 0.7% points)
- (2) Australia's 70% increase in excise tax on ready-to-drink products, which increased both our net sales and our costs of sales by the same amount
- (3) Increased value-added packaging costs
- (4) Higher costs of grain and fuel
- (5) Shifts in brand and geographic mix

Advertising expenses were down \$32 million, or 8%, due in part to the absence of spending behind agency and Italian wine brands that we no longer sell. In addition, the stronger U.S. dollar contributed significantly to the decrease in spending for the year. Overall advertising spending on a constant-currency basis (excluding the effect of discontinued brands) was modestly down, as we reallocated our spending and adjusted our promotional mix to those brands, markets, and channels where consumers and the trade were most responsive to investments in this challenging, volatile economic environment.

	Change vs. 2008
• Discontinued agency brands	(1%)
• Divestiture of Italian wine brands	(1%)
• Underlying change in advertising	(2%)
• Foreign exchange	(4%)
Reported change in advertising	(8%)

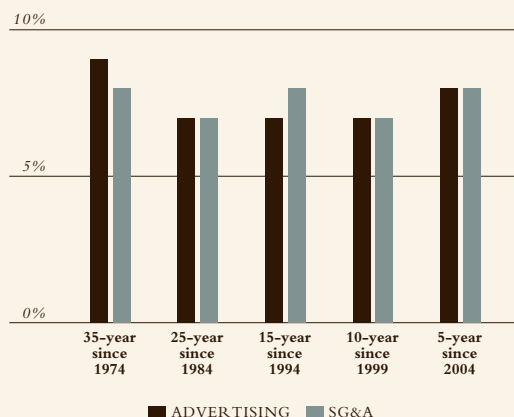
Fiscal 2009 advertising excluded increased spending for value-added packaging of approximately \$13 million (reflected in cost of sales in our financial statements) and selective consumer price promotion (reflected in net sales). Both of these costs are a form of advertising. Considering these reallocation decisions, overall investments behind our brands were again up in fiscal 2009.

Selling, general, and administrative (SG&A) expenses decreased \$44 million, or 7%, influenced by these factors:

	Change vs. 2008
• Early retirement/workforce reduction charge	2%
• Transition expenses for acquisitions	(1%)
• Foreign exchange	(3%)
• Underlying change in SG&A	(5%)
Reported change in SG&A	(7%)

This 5% underlying decline in SG&A expenses reflects our tight management of discretionary expenses, lower performance-related costs (including incentive compensation), and the leveraging of incremental investments made in recent years to support our global route-to-market efforts. The \$12 million charge incurred in fiscal 2009 resulting from cost-cutting measures (including an early retirement program and a workforce reduction action) are expected to position us for both the difficult times we are confronting today and the uncertain and challenging environment that we anticipate in fiscal 2010. In the table above, "Transition expenses for acquisitions" refers to transition-related expenses associated with the acquisition of Casa Herradura brands in 2007.

*Long-Term Operating Expense Investment Trends*  
(Compound Annual Growth Rate)



Other income increased \$18 million in fiscal 2009, due primarily to the \$20 million gain we realized on the sale of Bolla and Fontana Candida Italian wine brands to Gruppo Italiano Vini. The decision to sell these brands reflects our evolving portfolio strategy and a continuation of our efforts to focus our time and resources on the best opportunities for growth and shareholder returns.

Operating income for fiscal 2009 decreased 4%, or \$24 million. Operating income was hurt by:

- the stronger U.S. dollar (which reduced operating income nearly \$30 million),
- the \$22 million pre-tax non-cash charge related to an abnormal number of agave plants identified during the year as dead or dying,
- the \$12 million of one-time costs associated with our early retirement program and workforce reduction actions taken during the year, and
- a net reduction in distributor inventory levels and the loss of income from discontinued agency brands.

Operating income benefitted from the \$20 million net gain recognized on the sale of our Italian wine brands, lower transition expenses associated with our fiscal 2007 acquisition of Casa Herradura, and underlying operating income growth from the business.

The chart below summarizes the major factors driving the change in operating income for the year and identifies our underlying operating income growth for fiscal 2009 of 4%. While lower than our growth rate in recent years, this rate is still strong – particularly in light of the global economic downturn – and, we believe in the top tier of our key competitor set performance.

	Change vs. 2008
• Underlying change in operating income	4%
• Divestiture of Italian wine brands	3%
• Transition expenses for acquisitions	1%
• Discontinued agency brands	(1%)
• Estimated net change in distributor inventories	(2%)
• Early retirement/workforce reduction charge	(2%)
• Non-cash agave inventory write-down	(3%)
• Foreign exchange	(4%)
Reported change in operating income	(4%)

Positive factors influencing our underlying growth in operating income for the year include:

- higher consumer demand for Jack Daniel's Tennessee Whiskey in several markets;
- continued expansion of Finlandia in Eastern Europe;
- gains for several other brands, including New Mix, Gentleman Jack, Sonoma-Cutrer, Tuaca, and Little Black Dress wines;
- higher used barrel sales;
- lower operating expenses due to tight management of discretionary expenses; and
- lower performance-related costs such as incentive compensation.

These positive factors were partially offset by a volume decline for Southern Comfort globally, volume declines for Jack Daniel's in some Western European markets, lower profits for Jack Daniel's & Cola in Australia after an excise tax increase, and higher costs of goods due in part to incremental value-added packaging costs and input costs.

Operating margin (operating income divided by net sales) remained strong at 20.7%, consistent with fiscal 2008 despite the 2.2-point decline in gross margin from 51.6% to 49.4%. In fiscal 2009, we reallocated our mix of spending to where we believe the consumer and trade are most responsive to investments, including value-added gift packaging (reflected in cost of goods) and selective discounting programs (reflected in net sales). As a result, we believe operating margin is a more appropriate year-over-year measure of our performance than gross margin.

Interest expense (net) decreased by \$10 million compared to fiscal 2008, reflecting both a shift from debt with higher fixed rates to debt with lower variable rates and an overall reduction in debt levels.

The effective tax rate reported in fiscal 2009 was 31.1% compared to 31.7% in fiscal 2008. During fiscal 2009, we lowered our effective tax rate by using part of a capital loss carryforward from the sale of Lenox Inc. to eliminate the gain realized from the sale of Italian wine brands in December 2008. This positive factor was partially offset by a decrease in the benefit that we receive from income earned by our foreign subsidiaries that have lower tax rates than the U.S. rate, primarily due to the lower tax benefit on the provision for agave losses.

Diluted earnings per share reached a record \$2.87 in fiscal 2009, up 1% over fiscal 2008. Performance for the year was helped by underlying growth in operating income, the gain on the sale of Italian wine brands, a reduction of net interest expense, a lower effective tax rate, and fewer shares outstanding after share repurchases. Reported earnings were hurt by the significant strengthening of the U.S. dollar, the write-down of agave inventory, a reduction in distributor and trade inventory levels, and a charge associated with the early retirement program and reduction in workforce.

Basic and diluted earnings per share. In Note 16 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 2008 COMPARED TO FISCAL 2007

Net sales increased 17%, or \$476 million, fueled by an accelerating demand for our brands (especially outside the U.S.), the effect of the acquisition of Chambord and Casa Herradura brands, and the benefits of a weaker U.S. dollar. Jack Daniel's registered growth for the 16th consecutive year, as demand expanded more than 4% globally, adding 375,000 nine-liter cases, reaching nearly 9.5 million nine-liter cases. Jack Daniel's ready-to-drink products grew 10%, passing the 3 million nine-liter case mark on the strength of Jack Daniel's & Cola sales in Australia. 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. For the second consecutive year, worldwide depletions for Finlandia grew 16%, fueled by volume growth in Poland (the brand's largest market) and Russia. Southern Comfort worldwide depletions were flat, with solid volume gains in the U.K. offset by low single-digit percentage declines in the U.S. Overall volume performance during fiscal 2008 was mixed for the other brands in our portfolio. Bonterra, Chambord, Woodford Reserve, and Sonoma-Cutrer experienced high single-digit or double-digit percentage increases. Fetzer Valley Oaks and Korbel California Champagnes saw low single-digit percentage depletion growth. Canadian Mist, Bolla, and Early Times recorded modest depletion declines.

Gross profit grew \$214 million, or 14%. This growth resulted from the same factors that generated revenue growth. 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 lower gross margins earned in Mexico for Herradura, el Jimador, New Mix, and agency brands acquired during the Casa Herradura purchase. 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.

Advertising expenses increased \$54 million, or 15%, reflecting incremental spending behind Jack Daniel's, Southern Comfort, Finlandia, and other brands, including Woodford Reserve, Bonterra, and Sonoma-Cutrer, and spending behind acquired brands (Chambord and the Casa Herradura brands). The negative impact of a weaker U.S. dollar contributed to the increase in advertising spending for the year.

Selling, general, and administrative expenses increased \$57 million, or 10%, driven primarily by the full-year effect of acquisitions along with inflation on salary and related expenses.

Amortization expense increased \$3 million in fiscal 2008. The increase in the amortization expense for fiscal 2008 reflects the 12 full months of amortization of the cost of the U.S. distribution rights for the Herradura brand 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 recognized in fiscal 2007 on the sale of an Italian winery used in producing Bolla wines to Gruppo Italiano Vini (GIV). The Bolla brand remained part of our portfolio until it was sold to GIV in December 2008 in a separate agreement.

Operating income reached \$685 million in fiscal 2008, an improvement of \$83 million, or 14%, resulting primarily from increased 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 operating 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. On a dollar basis, price increases on selected brands in selected markets offset the rising costs of raw materials and fuel and contributed to the growth in operating income for the year. Comparisons to the prior year were also affected by the absence of an \$11 million gain recognized in fiscal 2007 on the sale of winery assets.

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

Effective tax rate 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 the prior 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 increased 10% to \$2.84 in fiscal 2008. 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 2007 acquisition of Casa Herradura.

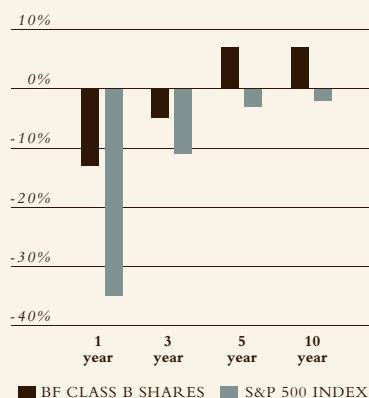
#### OTHER KEY PERFORMANCE MEASURES

Our primary goal is to increase the value of our shareholders' investment consistently and sustainably over the long term. We believe that long-term relative performance 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, 1999, would have grown to approximately \$195 by the end of fiscal 2009, assuming reinvestment of all dividends and ignoring personal taxes and transaction costs. This represents an annualized return of 7% over the 10-year period, compared to a 2% annualized decrease for the S&P 500. While a more recent investment in Brown-Forman would have declined over the past year due to the global economic crisis and its effect on global equity markets, the rate of decline of 13% over the one-year period ended April 30, 2009, compared favorably to a 35% decline for the S&P 500.

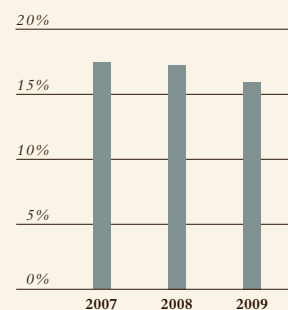
#### Compound Annual Growth in Total Shareholder Return

(as of April 30, 2009, dividends reinvested)



**Return on average invested capital.** Our return on average invested capital remains healthy, particularly considering current market conditions. While our return of 15.9% was down moderately compared to that of the two prior fiscal years, our return outpaced those of our major wine and spirits competitors. While our average invested capital was flat in fiscal 2009 compared to fiscal 2008, our reported earnings declined due primarily to a stronger U.S. dollar. We expect our return on average invested capital to remain essentially unchanged next fiscal year but to increase over the long term, given our positive outlook for earnings growth and careful management of our investment base.

#### Return on Average Invested Capital



#### LIQUIDITY AND CAPITAL RESOURCES

Our ability to consistently generate cash from operations 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.

#### CASH FLOW SUMMARY

(Dollars in millions)	2007	2008	2009
Operating activities	\$ 355	\$ 534	\$491
Investing activities:			
Acquisitions	(1,045)	2	—
Sale of discontinued operations	12	—	17
Net (purchase) sale of short-term securities	74	86	—
Additions to property, plant, and equipment	(58)	(41)	(49)
Other	(21)	(19)	(5)
Subtotal Investing Activities	(1,038)	28	(37)
Financing activities:			
Net (repayment) issuance of debt	597	(172)	(4)
Acquisition of treasury stock	—	(223)	(39)
Special distribution to stockholders	—	(204)	—
Dividends paid	(143)	(158)	(169)
Other	33	21	(4)
Subtotal Financing Activities	487	(736)	(216)
Foreign exchange effect	4	10	(17)
Change in cash/cash equivalents	\$(192)	\$(164)	\$221

Cash provided by operations was \$491 million in fiscal 2009 compared to \$534 million in fiscal 2008. This 8% decrease primarily reflects the absence of a refund of value-added taxes related to the acquisition of Casa Herradura received in fiscal 2008 and a reduction in net income due in part to the appreciation of the U.S. dollar during fiscal 2009.

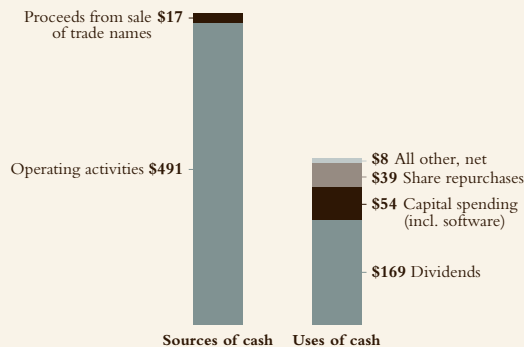


Cash used by investing activities in fiscal 2009 increased \$65 million compared to fiscal 2008, largely reflecting our liquidation of \$86 million of short-term investments last year.

Cash used for financing activities decreased by \$520 million, primarily reflecting (1) the \$204 million special distribution to shareholders in May 2007, (2) a \$168 million net decrease in debt repayments, and (3) a \$184 million decrease in share repurchases of our common stock compared to fiscal 2008.

In comparing fiscal 2008 with fiscal 2007, cash provided by operations increased \$179 million, reflecting higher earnings and a reduction in working capital requirements. Cash provided by investing activities 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, reflecting a \$769 million increase in net debt repayments compared to fiscal 2007, a \$204 million special distribution to shareholders in May 2007, and the repurchase of \$223 million of our common stock during fiscal 2008.

*Fiscal 2009 Cash Utilization*



**Capital expenditures.** Investments in property, plant, and equipment were \$58 million in fiscal 2007, \$41 million in fiscal 2008, and \$49 million in fiscal 2009. Expenditures over the three-year period included investments to maintain, expand, and improve production efficiency, and to build our brands.

We expect capital expenditures for fiscal 2010 to be \$40 million to \$50 million, consistent with spending over the past two fiscal years. Our capital spending plans in fiscal 2010 include investments in cost-saving initiatives at our production facilities and compliance or maintenance projects. We expect to fund fiscal 2010 capital expenditures with cash provided by operations.

**Share repurchases.** During fiscal 2008, under a stock repurchase plan authorized by our Board of Directors in November 2007, we repurchased 3,721,563 shares of common stock (42,600 of Class A and 3,678,963 of Class B) for \$200 million.

Separately, under an agreement approved in May 2007 by a committee of our Board of Directors composed exclusively of non-family directors, we repurchased about \$22 million in shares during fiscal 2008 from a Brown family member. We also paid about \$1 million during fiscal 2008 for shares surrendered by two employees to satisfy income tax withholding obligations, in accordance with our policy.

In December 2008, we announced that our Board of Directors authorized us to repurchase up to \$250 million of our outstanding Class A

and Class B common shares over the succeeding 12 months, subject to market conditions. This plan lets us repurchase shares from time to time for cash in open market purchases, block transactions, or privately negotiated transactions as allowed under federal securities laws. As of April 30, 2009, we had repurchased 838,692 shares (11,800 of Class A and 826,892 of Class B) under this plan for \$39 million. The average repurchase price per share, including broker commissions, was \$47.22 for Class A and \$46.43 for Class B.

**Liquidity.** We continue to manage liquidity conservatively to meet current obligations, fund capital expenditures, and maintain dividends, while reserving adequate capacity for acquisition opportunities. In fiscal year 2009, we enhanced our liquidity by issuing \$250 million of unsecured, 5% notes, due in 2014, with the proceeds used for general corporate purposes, including reducing our outstanding short-term commercial paper. We also continued to hold excess cash equivalents as a buffer during these uncertain times.

We have access to several liquidity sources to supplement our cash flow:

- Our **commercial paper program**, supported by our bank credit facility, continues to fund our short-term credit needs at attractive interest rates. Our commercial paper has enjoyed steady demand from investors.
- If we could no longer get short-term funding in the commercial paper market, we expect that we could satisfy our liquidity needs by drawing on our **\$800 million bank credit facility** (currently unused). This facility expires April 30, 2012, and carries favorable terms compared with current market conditions. Under extreme market conditions, this agreement might not be fully funded. Several banks in our credit facility consortium have received significant federal government funding and could fail or become nationalized; we do not know the effect such an extreme event might have on those banks' commitment to fund our credit facility.
- While we are concerned about this uncertainty, the markets for **investment-grade bonds** and **private placements** are currently robust. These should provide a source of long-term financing that we could use to pay off our short-term debt if necessary.

We have been closely monitoring our counterparty risks with respect to our cash balances and derivative contracts (that is, foreign currency and commodity hedges) and have unwound exposures when prudent. Absent significant further deterioration of market conditions, we believe our current liquidity position is strong and sufficient to meet all of our financial commitments for the foreseeable future, including the April 1, 2010, maturity of \$150 million in our floating rate notes.

**Acquisitions.** Effective May 31, 2006, we acquired Chambord liqueur and all related assets from Chatam International Incorporated and its operating subsidiary, Charles Jacquinet Cie Inc., for \$251 million, including transaction costs.

On January 18, 2007, we acquired substantially all of the assets of Casa Herradura and its affiliates relating to its tequila business. Those assets include the Herradura and el Jimador tequilas, the New Mix tequila-based ready-to-drink brand, trade names and trademarks associated with those brands (and other acquired brands), related production facilities, and the sales, marketing, and distribution organization in Mexico. The acquisition, including transaction costs and fees, cost \$794 million. We financed the acquisition with \$114 million of cash and \$680 million of commercial paper, \$400 million of which we later 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” trademark 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 Mexico trademarks, and BFCTL owned the trademarks for all markets outside 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 already own. In exchange, we paid \$12 million to the other shareholders of TOJ and BFCTL and surrendered 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. We made the distribution of \$1.32 per share on May 10, 2007, to shareholders of record on April 5, 2007.

## 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 13 to the accompanying consolidated financial statements). The following table summarizes the amounts of those obligations as of April 30, 2009, and the years when those obligations must be paid:

### LONG-TERM OBLIGATIONS<sup>(1)</sup>

(Dollars in millions)	Total	2010	2011- 2014	After 2014
Long-term debt	\$662	\$153	\$509	\$—
Interest on long-term debt	106	28	77	1
Grape purchase obligations	103	29	59	15
Operating leases	48	16	29	3
Postretirement benefit obligations <sup>(2)</sup>	22	22	n/a	n/a
Agave purchase obligations <sup>(3)</sup>	n/a	n/a	n/a	n/a
Total	\$941	\$248	\$674	\$19

(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, 2009, we have unfunded pension and other postretirement benefit obligations of \$175 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 \$22 million of expected contribution in fiscal 2010. 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, 2009, based on current market prices, obligations under these contracts totaled \$10 million.

We expect to meet these obligations with internally generated funds.

## MARKET RISKS

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 on Forward-Looking Statements” (page 49) 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 for our largest exposures will exceed our foreign currency expenses by approximately \$435 million in fiscal 2010. To the extent that this foreign currency exposure is not hedged, our results of operations 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. Provided these contracts remain effective, we will not recognize any unrealized gains or losses until we recognize the underlying hedged transactions in earnings. At April 30, 2009, our foreign currency hedges had a notional value of \$375 million and a net unrealized loss of \$3 million.

Incorporating the impact of our hedging program, we estimate that, for our significant currency exposures, if the value of the U.S. dollar were to average 10% higher in fiscal 2010 than our fiscal 2009 effective rates, our fiscal 2010 operating income would decrease by \$28 million. Conversely, if the value of the U.S. dollar were to decline 10% relative to fiscal 2009 effective rates, our operating income would decrease by \$6 million due to the hedged positions we took in 2009 following the rapid strengthening of the U.S. dollar.

**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 corn. At April 30, 2009, we had outstanding hedge positions on approximately 1 million bushels of corn with unrealized losses of \$2 million. We estimate that a 10% decrease in corn prices would increase the unrealized loss at April 30, 2009, by \$1 million. We expect to mitigate the effect of increases in our raw material costs through our hedging strategies, ongoing production initiatives, and targeted 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. Based on the April 30, 2009, 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 \$2 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 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.

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.

Based on our long-term assumptions, we believe none of our goodwill or other intangible assets are impaired. However, two of our recently-acquired brand names, Chambord and Herradura, are currently being significantly affected by the global economic turmoil. (As of April 30, 2009, the book values of the Chambord and Herradura brand names are \$116 million and \$124 million, respectively.) At the test date for impairment, January 31, 2009, the fair value of the Chambord and Herradura brand names exceeded the carrying value by \$3 million and \$2 million, respectively. A 50 basis point increase in our cost of capital, a key assumption in which a small change can have a significant effect, would decrease the fair value of the Chambord and Herradura brand names by \$11 million and \$10 million, respectively. This would result in a brand name impairment charge.

We have a number of plans and initiatives that we believe will drive the anticipated growth of these brands, and this growth is essential to our fair value estimate. These initiatives include new packaging, shifting focus and spend to the off-premise market, line extensions, and more aggressive international expansion. If our initiatives are not sufficiently successful or the current weak economy continues for a prolonged period or declines further, one or both of these brand names could become impaired, which would adversely affect our earnings and stockholders' equity.

**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 April 30 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, 2009, we have increased the discount rate for pension obligations from 6.64% to 7.94%, and for other postretirement benefit obligations from 6.45% to 7.80%. Pension and postretirement benefit expense for fiscal 2010 is estimated to be approximately \$17 million, compared to \$20 million for fiscal 2009. A decrease/increase in the discount rate of 25 basis points would increase/decrease the fiscal 2010 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 2009, our annual income tax rate for continuing operations was 31.1%, compared to 31.7% in fiscal 2008. During fiscal 2009, our effective tax rate was favorably affected by the use of capital loss carryforwards to offset the gain recorded on the sale of Bolla and Fontana Candida Italian wine brands. This positive factor was partially offset by a decrease in the beneficial impact of taxes provided in foreign jurisdictions.

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.

**Recent accounting pronouncements.** See Note 1 to the accompanying consolidated financial statements.



CONSOLIDATED STATEMENTS *of* OPERATIONS

(Expressed in millions, except per share amounts)

Year Ended April 30,	2007	2008	2009
Net sales	\$2,806	\$3,282	\$3,192
Excise taxes	588	700	711
Cost of sales	737	887	904
GROSS PROFIT	1,481	1,695	1,577
Advertising expenses	361	415	383
Selling, general, and administrative expenses	535	592	548
Amortization expense	2	5	5
Other income, net	(19)	(2)	(20)
OPERATING INCOME	602	685	661
Interest income	18	8	6
Interest expense	34	49	37
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	586	644	630
Income taxes	186	204	195
INCOME FROM CONTINUING OPERATIONS	400	440	435
Loss from discontinued operations, net of income taxes	(11)	—	—
NET INCOME	\$ 389	\$ 440	435
Basic earnings (loss) per share:			
Continuing operations	\$ 2.61	\$ 2.87	\$ 2.89
Discontinued operations	(0.07)	—	—
TOTAL	\$ 2.54	\$ 2.87	\$ 2.89
Diluted earnings (loss) per share:			
Continuing operations	\$ 2.58	\$ 2.84	\$ 2.87
Discontinued operations	(0.07)	—	—
TOTAL	\$ 2.51	\$ 2.85	\$ 2.87

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

CONSOLIDATED BALANCE SHEETS

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

April 30,	2008	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 119	\$ 340
Accounts receivable, less allowance for doubtful accounts of \$19 in 2008 and \$15 in 2009	453	367
Inventories:		
Barreled whiskey	311	313
Finished goods	155	143
Work in process	179	144
Raw materials and supplies	40	52
Total inventories	685	652
Current portion of deferred income taxes	102	105
Other current assets	97	110
<b>TOTAL CURRENT ASSETS</b>	<b>1,456</b>	<b>1,574</b>
Property, plant, and equipment, net	501	483
Goodwill	688	675
Other intangible assets	699	686
Other assets	61	57
<b>TOTAL ASSETS</b>	<b>\$3,405</b>	<b>\$3,475</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 380	\$ 326
Short-term borrowings	585	337
Current portion of long-term debt	4	153
Other current liabilities	15	20
<b>TOTAL CURRENT LIABILITIES</b>	<b>984</b>	<b>836</b>
Long-term debt, less unamortized discount of \$0 in 2008 and \$1 in 2009	417	509
Deferred income taxes	89	80
Accrued pension and other postretirement benefits	121	175
Other liabilities	69	59
<b>TOTAL LIABILITIES</b>	<b>1,680</b>	<b>1,659</b>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock:		
Class A, voting, \$0.15 par value (57,000,000 shares authorized; 56,964,000 shares issued)	9	9
Class B, nonvoting, \$0.15 par value (100,000,000 shares authorized; 99,363,000 shares issued)	10	15
Additional paid-in capital	74	67
Retained earnings	1,931	2,189
Accumulated other comprehensive income (loss):		
Pension and other postretirement benefits adjustment	(88)	(127)
Cumulative translation adjustment	99	(10)
Unrealized (loss) gain on cash flow hedge contracts	(6)	4
Treasury stock, at cost (5,522,000 and 6,200,000 shares in 2008 and 2009, respectively)	(304)	(331)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,725</b>	<b>1,816</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$3,405</b>	<b>\$3,475</b>

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

CONSOLIDATED STATEMENTS of CASH FLOWS

(Expressed in millions)

Year Ended April 30,	2007	2008	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$389	\$440	\$435
Adjustments to reconcile net income to net cash provided by operations:			
Net loss from discontinued operations	11	—	—
Depreciation and amortization	44	52	55
Non-cash agave inventory write-down	—	—	22
Gain on sale of brand names	—	—	(20)
Stock-based compensation expense	8	10	7
Deferred income taxes	(7)	5	12
Other	(11)	(3)	—
Change in assets and liabilities, excluding the effects of businesses acquired or sold:			
Accounts receivable	(47)	(43)	33
Inventories	(41)	(3)	(34)
Other current assets	(9)	(4)	(5)
Accounts payable and accrued expenses	14	21	4
Accrued income taxes	(20)	(12)	(8)
Noncurrent assets and liabilities	18	71	(10)
Net cash provided by operating activities of discontinued operations	6	—	—
Cash provided by operating activities	355	534	491
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of businesses, net of cash acquired	(1,045)	2	—
Acquisition of distribution rights	(25)	—	—
Acquisition of brand names and trademarks	—	(13)	—
Proceeds from sale of brand names and trademarks	—	—	17
Proceeds from sale of discontinued operations	12	—	—
Purchase of short-term investments	(249)	—	—
Sale of short-term investments	323	86	—
Additions to property, plant, and equipment	(58)	(41)	(49)
Proceeds from sale of property, plant, and equipment	14	6	—
Computer software expenditures	(9)	(12)	(5)
Net cash used for investing activities of discontinued operations	(1)	—	—
Cash (used for) provided by investing activities	(1,038)	28	(37)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net change in short-term borrowings	178	184	(249)
Proceeds from long-term debt	421	—	249
Repayment of long-term debt	(2)	(356)	(4)
Debt issuance costs	(2)	—	(2)
Net proceeds (payments) from exercise of stock options	27	11	(6)
Excess tax benefits from stock options	8	10	4
Acquisition of treasury stock	—	(223)	(39)
Special distribution to stockholders	—	(204)	—
Dividends paid	(143)	(158)	(169)
Cash provided by (used for) financing activities	487	(736)	(216)
Effect of exchange rate changes on cash and cash equivalents	4	10	(17)
Net (decrease) increase in cash and cash equivalents	(192)	(164)	221
Cash and cash equivalents, beginning of year	475	283	119
Cash and cash equivalents, end of year	\$283	\$119	\$340
<b>SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:</b>			
Interest	\$ 32	\$ 50	\$ 34
Income taxes	\$205	\$236	\$222

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

CONSOLIDATED STATEMENTS of STOCKHOLDERS' EQUITY

(Dollars expressed in millions, except per share amounts)

Year Ended April 30,	2007	2008	2009
CLASS A COMMON STOCK	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 9</u>
CLASS B COMMON STOCK			
Balance at beginning of year	10	10	10
Stock distribution (Note 1)	<u>—</u>	<u>—</u>	<u>5</u>
Balance at end of year	<u>10</u>	<u>10</u>	<u>15</u>
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	47	64	74
Stock issued under compensation plans	2	3	—
Stock-based compensation expense	6	6	5
Adjustment for stock option exercises	1	(9)	(16)
Excess tax benefits from stock options	<u>8</u>	<u>10</u>	<u>4</u>
Balance at end of year	<u>64</u>	<u>74</u>	<u>67</u>
RETAINED EARNINGS			
Balance at beginning of year	1,607	1,649	1,931
Net income	389	440	435
Cash dividends (\$0.93, \$1.03, and \$1.12 per share, in 2007, 2008, and 2009, respectively)	(143)	(158)	(169)
Special cash distribution to stockholders (\$1.32 per share in 2007)	(204)	—	—
Stock distribution (Note 1)	—	—	(5)
Adoption of SFAS 158 measurement date provision, net of tax of \$2 (Note 13)	<u>—</u>	<u>—</u>	<u>(3)</u>
Balance at end of year	<u>1,649</u>	<u>1,931</u>	<u>2,189</u>
TREASURY STOCK, AT COST			
Balance at beginning of year	(128)	(102)	(304)
Acquisition of treasury stock	—	(223)	(39)
Stock issued under compensation plans	24	17	10
Stock-based compensation expense	<u>2</u>	<u>4</u>	<u>2</u>
Balance at end of year	<u>(102)</u>	<u>(304)</u>	<u>(331)</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of year	18	(57)	5
Net other comprehensive income (loss)	19	62	(147)
Adjustment to initially apply SFAS 158, net of tax of \$60 (Note 13)	(94)	—	—
Adoption of SFAS 158 measurement date provision, net of tax of \$(6) (Note 13)	<u>—</u>	<u>—</u>	<u>9</u>
Balance at end of year	<u>(57)</u>	<u>5</u>	<u>(133)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$1,573</u>	<u>\$1,725</u>	<u>\$1,816</u>
CLASS A COMMON SHARES OUTSTANDING (IN THOUSANDS)			
Balance at beginning of year	56,829	56,870	56,573
Acquisition of treasury stock	—	(340)	(22)
Stock issued under compensation plans	<u>41</u>	<u>43</u>	<u>39</u>
Balance at end of year	<u>56,870</u>	<u>56,573</u>	<u>56,590</u>
CLASS B COMMON SHARES OUTSTANDING (IN THOUSANDS)			
Balance at beginning of year	65,636	66,367	64,019
Stock distribution (Note 1)	—	—	30,175
Acquisition of treasury stock	—	(2,937)	(843)
Stock issued under compensation plans	<u>731</u>	<u>589</u>	<u>186</u>
Balance at end of year	<u>66,367</u>	<u>64,019</u>	<u>93,537</u>
TOTAL COMMON SHARES OUTSTANDING (IN THOUSANDS)	<u>123,237</u>	<u>120,592</u>	<u>150,127</u>

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

CONSOLIDATED STATEMENTS *of* COMPREHENSIVE INCOME

*(Dollars expressed in millions, except per share amounts)*

Year Ended April 30,	2007	2008	2009
<b>COMPREHENSIVE INCOME</b>			
Net income	\$ 389	\$ 440	\$ 435
Other comprehensive income (loss):			
Foreign currency translation adjustment	22	53	(109)
Pension and other postretirement benefits adjustment, net of tax of \$1, \$(9), and \$30 in 2007, 2008, and 2009, respectively	(1)	11	(48)
Amounts related to cash flow hedges:			
Reclassification to earnings, net of tax of \$(2), \$(4), and \$4 in 2007, 2008, and 2009, respectively	3	7	(6)
Net gain (loss) on hedging instruments, net of tax of \$3, \$6, and \$(12) in 2007, 2008, and 2009, respectively	(6)	(9)	16
Net other comprehensive income (loss)	18	62	(147)
Total comprehensive income	<u>\$ 407</u>	<u>\$ 502</u>	<u>\$ 288</u>

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

**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.

**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 68% 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 \$150 and \$189 higher than reported at April 30, 2008 and 2009, 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.

During 2009, we recorded a \$22 provision for inventory losses (which is included in cost of sales) resulting from abnormally high levels of mortality and disease in some of our agave fields. We believe this provision is adequate as of April 30, 2009, but actual inventory losses could be significantly different.

**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.

**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 \$242, \$303, and \$328 for 2007, 2008, and 2009, 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.

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

	2007	2008	2009
Basic and diluted net income (loss):			
Continuing operations	\$ 400	\$ 440	\$ 435
Discontinued operations	(11)	—	—
Total	\$ 389	\$ 440	\$ 435
Share data (in thousands):			
Basic average common shares outstanding	153,586	153,080	150,452
Dilutive effect of non-vested restricted stock	73	114	147
Dilutive effect of stock options and SSARs	1,592	1,317	923
Diluted average common shares outstanding	155,251	154,511	151,522
Basic earnings (loss) per share:			
Continuing operations	\$ 2.61	\$ 2.87	\$ 2.89
Discontinued operations	(0.07)	—	—
Total	\$ 2.54	\$ 2.87	\$ 2.89
Diluted earnings (loss) per share:			
Continuing operations	\$ 2.58	\$ 2.84	\$ 2.87
Discontinued operations	(0.07)	—	—
Total	\$ 2.51	\$ 2.85	\$ 2.87

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 416,000 common shares, 945,000 common shares, and 1,899,000 common shares were excluded from the calculation of diluted earnings per share for 2007, 2008, and 2009, respectively, because the exercise price of the awards was greater than the average market price of the shares.

During fiscal 2008, under a stock repurchase plan authorized by our Board of Directors in November 2007, we repurchased 3,721,563 shares (42,600 of Class A and 3,678,963 of Class B) for \$200.

In December 2008, we announced that our Board of Directors authorized the repurchase of up to \$250 of our outstanding Class A and Class B common shares over the next 12 months, subject to market conditions. Under this plan, we can repurchase shares from time to time for cash in open market purchases, block transactions, and privately negotiated transactions in accordance with applicable federal securities laws. As of April 30, 2009, we have repurchased a total of 838,692 shares (11,800 of Class A and 826,892 of Class B) under this plan for approximately \$39. The average repurchase price per share, including broker commissions, was \$47.22 for Class A and \$46.43 for Class B.

**Stock distribution.** In September 2008, our Board of Directors authorized a stock split, effected as a stock dividend, of one share of Class B common stock for every four shares of either Class A or Class B common stock held by stockholders of record as of the close of business on October 6, 2008, with fractional shares paid in cash. The distribution took place on October 27, 2008.

As a result of the stock distribution, we reclassified approximately \$5 from the company's retained earnings account to its common stock account. The \$5 represents the \$0.15 par value per share of the shares issued in the stock distribution.

All previously reported per share and Class B share amounts in the accompanying financial statements and related notes have been restated to reflect the stock distribution.

**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 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 noncontrolling interests held by other parties in a subsidiary of the parent company.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, which provides additional guidance on the treatment of unvested share-based awards (such as restricted stock) in the calculation of earnings per share.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*, which expands the required disclosures about plan assets of defined benefit pension and other postretirement plans.

Each of the above pronouncements becomes effective during our 2010 fiscal year. We do not expect our adoption of these pronouncements to have a material impact on our financial statements.

During 2008, we adopted SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities*. (See Note 8 for the disclosures required by SFAS 161.) SFAS 157, *Fair Value Measurements*, and SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, also became effective during fiscal 2009, as discussed in Note 10.

**Reclassifications.** We have reclassified some prior year amounts to conform with this year's presentation.

**2. DISCONTINUED OPERATIONS** We sold our wholly-owned subsidiary Lenox, Inc. ("Lenox") during fiscal 2006. 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 statement of operations for fiscal 2007. 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 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,	2007	2008	2009
Net sales	\$ 50	\$ —	\$ —
Operating expenses	(53)	—	—
Impairment charge	(9)	—	—
Transaction costs	(1)	—	—
Loss before income taxes	(13)	—	—
Income tax benefit	2	—	—
Net loss from discontinued operations	\$( 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 Jacquinet et Cie Inc., for \$251, including transaction costs. The acquisition consisted primarily of the Chambord brand name and goodwill, to which we allocated \$116 and \$127 of the purchase price, respectively. The entire amount allocated to goodwill is deductible for income tax purposes.

**Casa Herradura.** In January 2007, we acquired 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 such 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 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
<b>Net assets acquired</b>	<b>\$794</b>

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

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, 2007	\$670
Casa Herradura purchase price finalization	8
Foreign currency translation adjustment	10
Balance as of April 30, 2008	688
Foreign currency translation adjustment	(13)
<b>Balance as of April 30, 2009</b>	<b>\$675</b>

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, 2008 and 2009, our other intangible assets consisted of:

	<i>Gross Carrying Amount</i>		<i>Accumulated Amortization</i>	
	2008	2009	2008	2009
Finite-lived intangible assets:				
Distribution rights	\$ 25	\$ 25	\$ (7)	\$ (12)
Indefinite-lived intangible assets:				
Trademarks and brand names	\$681	\$673	\$ —	\$ —

Amortization expense related to intangible assets was \$2 in 2007 and \$5 in both 2008 and 2009. We expect to recognize amortization expense of \$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, and other events.

**5. COMMITMENTS** We have contracted with various growers and wineries to supply some of our future grape and bulk wine requirements. Many of these contracts call for prices to be adjusted annually up or down, according to market conditions. Some contracts set a fixed purchase price that might be higher or lower than prevailing market price. We have total purchase obligations related to both types of contracts of \$29 in 2010, \$24 in 2011, \$16 in 2012, \$11 in 2013, \$8 in 2014, and \$15 after 2014.

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, 2009, based on current market prices, obligations under these contracts totaled \$10.

We made rental payments for real estate, vehicles, and office, computer, and manufacturing equipment under operating leases of \$19 in 2007, \$19 in 2008, and \$21 in 2009. We have commitments related to minimum lease payments of \$16 in 2010, \$13 in 2011, \$8 in 2012, \$5 in 2013, \$3 in 2014, and \$3 after 2014.

**6. CREDIT FACILITIES** We have a committed revolving credit agreement with various domestic and international banks for \$800 that expires on April 30, 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, 2009, with a ratio of nearly 20 to 1, we were within this covenant's parameters. At April 30, 2009, we also had the ability to issue an undetermined amount of debt securities under an SEC shelf registration filed in January 2007.

**7. DEBT** Our long-term debt consisted of:

April 30,	2008	2009
Variable-rate notes, due in fiscal 2010	\$150	\$150
5.2% notes, due in fiscal 2012	250	250
5.0% notes, due in fiscal 2014	—	250
Other	21	12
	421	662
Less current portion	4	153
	\$417	\$509

Debt payments required over the next five fiscal years consist of \$153 in 2010, \$3 in 2011, \$253 in 2012, \$2 in 2013, and \$251 in 2014. The weighted average interest rate on the variable-rate notes was 4.0% and 1.3% at April 30, 2008 and 2009, respectively. In addition to long-term debt, we had short-term borrowings outstanding with weighted average interest rates of 2.2% and 0.5% at April 30, 2008 and 2009, respectively.

**8. DERIVATIVE FINANCIAL INSTRUMENTS** Our multinational business exposes us to global market risks, including the effect of fluctuations in currency exchange rates, commodity prices, and interest rates. We use derivatives to manage financial exposures that occur in the normal course of business. We formally document the purpose of each derivative contract, which includes linking the contract to the financial exposure it is designed to mitigate. We do not hold or issue derivatives for trading purposes.

We use currency derivative contracts to limit our exposure to the currency exchange risk that we cannot mitigate internally by using netting strategies. We designate most of these contracts as cash flow hedges of forecasted transactions (expected to occur within three years). We record all changes in the fair value of cash flow hedges (except any ineffective portion) in accumulated other comprehensive income (AOCI) until the underlying hedged transaction occurs, at which time we reclassify that amount into earnings. We designate some of our currency derivatives as hedges of net investments in foreign subsidiaries. We record all changes in the fair value of net investment hedges (except any ineffective portion) in the cumulative translation adjustment component of AOCI.

We assess the effectiveness of our hedges based on changes in forward exchange rates. The ineffective portion of the changes in fair value of our hedges (recognized immediately in earnings) during each of our last three fiscal years was not material.

We do not designate some of our currency derivatives as hedges because we use them to at least partially offset the immediate earnings impact of changes in foreign exchange rates on existing assets or liabilities. We immediately recognize the change in fair value of these contracts in earnings.

As of April 30, 2009, we had outstanding foreign currency contracts of \$375, related primarily to our euro, British pound, and Australian dollar exposures.

We also had outstanding exchange-traded futures and options contracts on 1 million bushels of corn as of April 30, 2009. We use these contracts to mitigate our exposure to corn price volatility. Because we do not designate these contracts as hedges for accounting purposes, we immediately recognize the changes in their fair value in earnings.

This table presents the fair values of derivative instruments included on our consolidated balance sheet as of April 30, 2009:

	<i>Amount</i>	<i>Classification</i>
Derivatives in a gain position:		
Currency derivatives designated as cash flow hedges	\$12	Accrued expenses
Derivatives in a loss position:		
Currency derivatives designated as cash flow hedges	\$(13)	Accrued expenses
Currency derivatives not designated as hedges	\$(1)	Accrued expenses
Commodity derivatives not designated as hedges	\$(2)	Accrued expenses

This table presents the amounts affecting our consolidated statement of operations for the year ended April 30, 2009:

	<i>Amount</i>	<i>Classification</i>
Currency derivatives designated as cash flow hedges:		
Net gain recognized in AOCI	\$28	n/a
Net gain reclassified from AOCI into income	\$10	Net sales
Derivatives not designated as hedging instruments:		
Currency derivatives - net gain recognized in income	\$23	Net sales
Commodity derivatives - net loss recognized in income	\$(7)	Cost of sales

We expect to reclassify \$9 of deferred net gains recorded in AOCI as of April 30, 2009, to earnings during fiscal 2010. The actual amounts that we ultimately reclassify to earnings will depend on the exchange rates in effect when the underlying hedged transactions occur. The maximum term of our contracts outstanding at April 30, 2009 is 18 months.

**Credit risk.** We are exposed to credit-related losses if the other parties to our derivative contracts breach them. This credit risk is limited to the fair value of the contracts. To manage this risk, we enter into contracts only with major financial institutions that have earned investment-grade credit ratings; we have established counterparty credit guidelines that are continually monitored and reported to senior management according to prescribed guidelines; and we monetize contracts when warranted. Because of the safeguards we have put in place, we consider the risk of counterparty default to be immaterial.

Some of our derivative instruments require us to maintain a specific level of creditworthiness, which we maintained throughout fiscal 2009. If our creditworthiness were to fall below such level, then the other parties to our derivative instruments could request immediate payment or collateralization for derivative instruments in net liability positions. As of April 30, 2009, the aggregate fair value of all derivatives with creditworthiness requirements that were in a net liability position was \$2.

**9. FAIR VALUE OF FINANCIAL INSTRUMENTS** The fair value of cash, cash equivalents, 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 determined as discussed in Note 10. A comparison of the fair values and carrying amounts of these instruments is as follows:

April 30,	2008		2009	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
Assets:				
Cash and cash equivalents	\$119	\$119	\$340	\$340
Commodity contracts	7	7	—	—
Liabilities:				
Commodity contracts	—	—	2	2
Foreign currency contracts	10	10	1	1
Short-term borrowings	585	585	337	337
Current portion of long-term debt	4	4	153	149
Long-term debt	417	417	509	535

**10. FAIR VALUE MEASUREMENTS** 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. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three-level hierarchy based upon the assumptions (inputs) used to determine fair value. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment.

The three levels are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be derived from or corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity.

In February 2008, the FASB issued FSP FAS 157-2, which permits a one-year deferral for the implementation 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 (at least annually), such as goodwill and other indefinite-lived intangible assets. We elected to defer adoption of the provisions of SFAS 157 that relate to such items until the beginning of our 2010 fiscal year. We do not expect our adoption to have a material impact on our financial statements. We adopted the other provisions of SFAS 157 on May 1, 2008, with no material impact on our financial statements.

As of April 30, 2009, the fair values of our financial assets and liabilities are as follows:

	Total	Level 1	Level 2	Level 3
Assets	n/a			
Liabilities:				
Commodity contracts	\$2	\$2	—	—
Foreign currency contracts	\$1	—	\$1	—

The fair value of commodity contracts is based on quoted prices in active markets. The fair value of foreign exchange contracts is determined through pricing models or formulas using observable market data.

SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which became effective as of May 1, 2008, provides the option to measure at fair value many financial instruments and certain other items for which fair value measurement is not required. We have currently chosen not to elect this option.

**11. BALANCE SHEET INFORMATION** Supplemental information on our year-end balance sheet is as follows:

April 30,	2008	2009
Property, plant, and equipment:		
Land	\$ 88	\$ 89
Buildings	342	347
Equipment	453	475
Construction in process	24	14
	907	925
Less accumulated depreciation	406	442
	\$501	\$483
Accounts payable and accrued expenses:		
Accounts payable, trade	\$129	\$ 96
Accrued expenses:		
Advertising	67	52
Compensation and commissions	86	76
Excise and other non-income taxes	41	51
Self-insurance claims	10	11
Postretirement benefits	7	6
Interest	2	5
Other	38	29
	251	230
	\$380	\$326

**12. TAXES ON INCOME** 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:

	2007	2008	2009
United States	\$489	\$533	\$533
Foreign	97	111	97
	\$586	\$644	\$630

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 pretax 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 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,	2008	2009
Deferred tax assets:		
Postretirement and other benefits	\$71	\$98
Accrued liabilities and other	25	26
Inventories	76	83
Loss carryforwards	32	35
Valuation allowance	(28)	(35)
Total deferred tax assets, net	176	207
Deferred tax liabilities:		
Trademarks and brand names	(123)	(146)
Property, plant, and equipment	(40)	(39)
Total deferred tax liabilities	(163)	(185)
Net deferred tax asset	\$13	\$22

The \$35 valuation allowance at April 30, 2009, relates primarily to a \$15 capital loss carryforward associated with the sale of Lenox during fiscal 2006 and a \$16 non-trading loss carryforward generated by Brown-Forman Beverages Europe during fiscal 2009 in the U.K. During fiscal 2009, we used \$8 of capital loss carryforward to offset the gain recorded on the sale of the Bolla and Fontana Candida Italian wine brands. Currently, we are unaware of any transaction that will permit the use of the capital loss carryforward relating to the sale of Lenox, which expires in fiscal 2011. In addition, although the non-trading losses in the U.K. can be carried forward indefinitely, we are unaware of any transaction that will permit them to be utilized. 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 (\$242 and \$258 at April 30, 2008 and 2009, 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 \$45 and \$51 would have been provided as of April 30, 2008 and 2009, 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:

	2007	2008	2009
Current:			
Federal	\$141	\$154	\$142
Foreign	27	26	23
State and local	16	19	15
	184	199	180
Deferred:			
Federal	5	3	11
Foreign	1	4	1
State and local	(4)	(2)	3
	2	5	15
	\$186	\$204	\$195

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		
	2007	2008	2009
U.S. federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of U.S. federal tax benefit	1.3	1.5	1.8
Income taxed at other than U.S. federal statutory rate	(1.5)	(1.8)	(1.3)
Tax benefit from export sales	(1.0)	—	—
Tax benefit from U.S. manufacturing	(0.7)	(1.8)	(1.7)
Capital loss benefit	—	—	(1.2)
Other, net	(1.4)	(1.2)	(1.5)
Effective rate	31.7%	31.7%	31.1%

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.

At April 30, 2009, we had \$26 of gross unrecognized tax benefits, \$19 of which would reduce our effective income tax rate if recognized. A reconciliation of the beginning and ending unrecognized tax benefits follows:

	2008	2009
Unrecognized tax benefits at beginning of year	\$43	\$35
Additions for tax positions provided in prior periods	1	1
Additions for tax positions provided in current period	4	4
Settlements of tax positions in the current period	(7)	(2)
Lapse of statutes of limitations	(6)	(12)
Unrecognized tax benefits at end of year	\$35	\$26

We record interest and penalties related to unrecognized tax benefits as a component of our income tax provision. Total gross interest and penalties of \$8 and \$6 were accrued as of April 30, 2008 and 2009, respectively. The impact of interest and penalties on our effective tax rates for 2008 and 2009 was not material.

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., 2005 in Ireland and Italy, 2003 in the U.K. and Finland, and 2002 in Poland. Audits of our fiscal 2006 and 2007 U.S. federal tax returns were initiated during fiscal 2009.

We believe it is reasonably possible that the gross unrecognized tax benefits may decrease by approximately \$2 in the next 12 months as a result of settlement and expiration of statutes of limitations.

**13. 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. As discussed below, we now use a measurement date of April 30 to determine the amounts of the plan obligations and assets.

On April 30, 2007, we adopted SFAS 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS 158 requires that, beginning in fiscal 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. Accordingly, as of the beginning of our 2009 fiscal year, we changed the measurement date for our annual pension and other postretirement benefit expenses and all plan assets and liabilities from January 31 to April 30. As a result of this change in measurement date, we recorded an increase of \$6 (net of tax of \$4) to stockholders' equity as of May 1, 2008, as follows:

	Pension Benefits	Medical and Life Insurance Benefits	Total Benefits
Retained earnings	\$(2)	\$ (1)	\$(3)
Accumulated other comprehensive income (loss)	8	1	9
Total	\$ 6	\$—	\$ 6

**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.

	<i>Pension Benefits</i>		<i>Medical and Life Insurance Benefits</i>	
	2008	2009	2008	2009
Obligation at beginning of year	\$448	\$451	\$ 53	\$ 52
Service cost	13	13	1	1
Interest cost	27	30	3	3
Net actuarial gain	(21)	(53)	(3)	(9)
Plan amendments	1	1	—	—
Retiree contributions	—	—	1	1
Benefits paid	(17)	(20)	(3)	(4)
Measurement date change	—	(8)	—	—
Special termination benefits	—	1	—	—
Obligation at end of year	\$451	\$415	\$ 52	\$ 44

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 2009 of \$20 and \$4, respectively. Expected benefit payments over the next 10 years are as follows:

	<i>Pension Benefits</i>	<i>Medical and Life Insurance Benefits</i>
2010	\$ 24	\$ 3
2011	24	3
2012	25	3
2013	26	3
2014	27	4
2015–2019	158	19

**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.

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 April 30, 2008 and 2009, and the target allocation for 2010, by asset category, are as follows:

	Actual 2008	Actual 2009	Target 2010
Equity securities	56%	52%	47%
Debt securities	22	28	30
Real estate	10	8	8
Other	12	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.)

	<i>Pension Benefits</i>		<i>Medical and Life Insurance Benefits</i>	
	2008	2009	2008	2009
Fair value at beginning of year	\$396	\$397	\$ —	\$ —
Measurement date change	—	2	—	—
Actual return on plan assets	16	(110)	—	—
Retiree contributions	—	—	1	1
Company contributions	2	15	2	3
Benefits paid	(17)	(20)	(3)	(4)
Fair value at end of year	\$397	\$284	\$ —	\$ —

Consistent with our funding policy, we expect to contribute \$3 to our postretirement medical and life insurance benefit plans in 2010. While we may decide to contribute more, we currently expect to contribute \$19 to our pension plans in 2010.

**Funded status.** The funded status of a plan refers to the difference between its assets and its obligations. This table shows the funded status of our plans.

	<i>Pension Benefits</i>		<i>Medical and Life Insurance Benefits</i>	
	2008	2009	2008	2009
Assets	\$397	\$284	\$ —	\$ —
Obligations	(451)	(415)	(52)	(44)
Assets contributed after measurement date	1	—	—	—
Funded status	\$(53)	\$(131)	\$(52)	\$(44)

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

	<i>Pension Benefits</i>		<i>Medical and Life Insurance Benefits</i>	
	2008	2009	2008	2009
Other assets	\$ 23	\$ 6	\$ —	\$ —
Accounts payable and accrued expenses	(4)	(3)	(3)	(3)
Accrued postretirement benefits	(72)	(134)	(49)	(41)
Net liability	<b>\$ (53)</b>	<b>\$ (131)</b>	<b>\$ (52)</b>	<b>\$ (44)</b>
Accumulated other comprehensive loss:				
Net actuarial loss (gain)	\$131	\$ 203	\$ 5	\$ (5)
Prior service cost	5	5	1	1
	<b>\$136</b>	<b>\$ 208</b>	<b>\$ 6</b>	<b>\$ (4)</b>

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.)

	<i>Plan Assets</i>		<i>Accumulated Benefit Obligation</i>		<i>Projected Benefit Obligation</i>	
	2008	2009	2008	2009	2008	2009
Plans with assets in excess of accumulated benefit obligation	\$397	\$ 38	\$336	\$ 31	\$397	\$ 32
Plans with accumulated benefit obligation in excess of assets	—	246	45	346	54	383
Total	<b>\$397</b>	<b>\$284</b>	<b>\$381</b>	<b>\$377</b>	<b>\$451</b>	<b>\$415</b>

**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.

	<i>Pension Benefits</i>		
	2007	2008	2009
Service cost	\$13	\$13	<b>\$13</b>
Interest cost	24	27	<b>30</b>
Special termination benefits	—	—	<b>1</b>
Expected return on plan assets	(32)	(32)	<b>(35)</b>
Amortization of:			
Prior service cost	1	1	<b>1</b>
Net actuarial loss	12	12	<b>6</b>
Net expense	<b>\$18</b>	<b>\$21</b>	<b>\$16</b>

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 actuarial 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 actuarial loss that will be amortized from accumulated other comprehensive loss into pension expense in 2010 is \$1 and \$4, 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 actuarial gain or loss at the end of the year.

**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.

	<i>Medical and Life Insurance Benefits</i>		
	2007	2008	2009
Service cost	\$1	\$1	<b>\$1</b>
Interest cost	3	3	<b>3</b>
Net expense	<b>\$4</b>	<b>\$4</b>	<b>\$4</b>

**Other comprehensive income.** 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 2009:

	<i>Pension Benefits</i>	<i>Medical and Life Insurance Benefits</i>
Prior service cost	\$ 1	\$ —
Actuarial loss (gain)	92	(9)
Amortization reclassified to net income:		
Prior service cost	(1)	—
Net actuarial loss	(6)	—
Net amount recognized in other comprehensive income	<b>\$86</b>	<b>\$ (9)</b>



**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:

	<i>Pension Benefits</i>		<i>Medical and Life Insurance Benefits</i>	
(In percent)	2008	2009	2008	2009
Discount rate	6.64	7.94	6.45	7.80
Rate of salary increase	4.00	4.00	—	—
Expected return on plan assets	8.75	8.50	—	—

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

	<i>Pension Benefits</i>			<i>Medical and Life Insurance Benefits</i>		
(In percent)	2007	2008	2009	2007	2008	2009
Discount rate	5.95	6.04	6.87	5.95	5.98	6.87
Rate of salary increase	4.00	4.00	4.00	—	—	—
Expected return on plan assets	8.75	8.75	8.75	—	—	—

The discount rate represents the interest rate used to discount the cash-flow 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:

	<i>Medical and Life Insurance Benefits</i>	
(In percent)	2008	2009
Health care cost trend rate assumed for next year:		
Present rate before age 65	9.0	8.0
Present rate age 65 and after	9.0	8.0

We project health care cost trend rates to decline gradually to 5.0% by 2015 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, 2009, by \$4 and the aggregate service and interest costs for 2009 by less than \$1.

**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 \$8, \$9, and \$10 for matching contributions during 2007, 2008, and 2009, respectively.

**14. SEGMENT INFORMATION** The following table presents our net sales by product category and geographic region:

	2007	2008	2009
Net sales:			
Spirits	\$2,425	\$2,896	\$2,832
Wine	381	386	360
	\$2,806	\$3,282	\$3,192

	2007	2008	2009
Net sales:			
United States	\$1,498	\$1,564	\$1,542
Europe	816	955	892
Other	492	763	758
	\$2,806	\$3,282	\$3,192

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 \$64 and \$52 as of April 30, 2008 and 2009, respectively. Other long-lived assets located outside the U.S. are not significant.

**15. 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. No material accrued loss contingencies are recorded as of April 30, 2009.

**16. 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 7,433,000 shares of common stock to eligible employees until July 22, 2014. As of April 30, 2009, awards for 5,029,000 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.

Here is a summary of stock option and SSAR activity under the Plan as of April 30, 2009, and changes during the year then ended:

	Shares (in thousands)	Weighted Average Exercise Price Per Option/SSAR	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at May 1, 2008	4,474	\$ 35.91		
Granted	497	57.41		
Exercised	(625)	26.24		
Forfeited or expired	(31)	53.77		
<b>Outstanding at April 30, 2009</b>	<b>4,315</b>	<b>\$39.65</b>	<b>5.0</b>	<b>\$43</b>
<b>Exercisable at April 30, 2009</b>	<b>3,030</b>	<b>\$32.69</b>	<b>3.8</b>	<b>\$43</b>

The total intrinsic value of options and SSARs exercised during 2007, 2008, and 2009 was \$26, \$31, and \$17, respectively.

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 2007, 2008, and 2009 were \$12.85, \$12.20, and \$11.41 per award, respectively. Fair values were estimated using the Black-Scholes pricing model with the following assumptions:

	2007	2008	2009
Risk-free interest rate	5.0%	4.7%	3.5%
Expected volatility	16.9%	17.2%	18.1%
Expected dividend yield	1.8%	1.7%	1.8%
Expected life (years)	6	6	6

We also grant restricted shares of common stock under the Plan. As of April 30, 2009, there are approximately 162,000 restricted shares outstanding, with a weighted-average remaining restriction period of 2.2 years. The following table summarizes restricted stock activity during 2009.

	Weighted Restricted Shares (in thousands)	Average Fair Value at Grant Date
Outstanding at May 1, 2008	188	\$44.69
Granted	48	57.46
Vested	(68)	39.01
Forfeited	(6)	46.45
<b>Outstanding at April 30, 2009</b>	<b>162</b>	<b>\$50.75</b>

The total fair value of restricted stock vested during 2008 and 2009 was \$1 and \$3, respectively. No restricted stock vested during 2007.

The accompanying consolidated statements of operations reflect compensation expense related to stock-based incentive awards on a pre-tax basis of \$8 in 2007, \$10 in 2008, and \$7 in 2009, partially offset by deferred income tax benefits of \$3 in 2007, \$4 in 2008, and \$3 in 2009. As of April 30, 2009, there was \$9 of total unrecognized compensation cost related to non-vested stock-based compensation. That cost is expected to be recognized over a weighted-average period of 1.8 years.

**17. RESTRUCTURING COSTS** In April 2009, we accrued \$12 related to our decision to reduce our workforce through involuntary employment termination and voluntary early retirement. That amount, which is reflected in selling, general, and administrative expenses, consists of severance and other special termination benefits. No material additional expenses are expected to be incurred as a result of this reduction in workforce, which was completed in fiscal 2009. We expect substantially all of the accrued amount to be paid during fiscal 2010.

**18. OTHER INCOME** 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 then produced 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 continued to sell Bolla Wines in the brand's other markets.

Under a separate agreement, in December 2008, we recognized a gain of \$20 on the sale of the Bolla and Fontana Candida wine brands to GIV. In order to facilitate the transition of the brands to GIV, we served as its agent for these brands in the U.S. through February 28, 2009.

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.

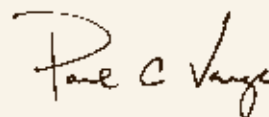
The Audit Committee of the Board of Directors, which is composed of independent directors, meets regularly with the independent registered public accounting firm, PricewaterhouseCoopers LLP (PwC), internal auditors, and representatives of management to review accounting, internal control structure, and 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 our business activities.

MANAGEMENT'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING

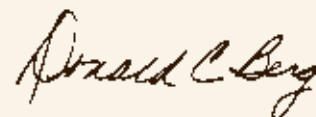
Management is also responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability 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, 2009.

There has been no change in the Company's internal control over financial 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. The effectiveness of the Company's internal control over financial reporting as of April 30, 2009, has been audited by PwC, as stated in their report that appears on page 48.



Paul C. Varga  
President and Chief Executive Officer



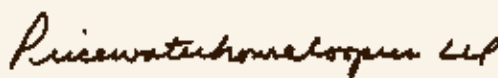
Donald C. Berg  
Executive Vice President and Chief Financial Officer

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, 2009 and April 30, 2008, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2009 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, 2009, 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 47 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 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.



Louisville, Kentucky  
June 26, 2009

This report contains statements, estimates, and projections that are “forward-looking statements” as defined under U.S. federal securities laws. Words such as “expect,” “believe,” “intend,” “estimate,” “will,” “anticipate,” “see,” “project,” and similar words identify forward-looking statements, which speak only as of the date we make them. 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. By their nature, forward-looking statements involve risks, uncertainties, and other factors (many beyond our control) that could cause our actual results to differ materially from our historical experience or from our current expectations or projections. These risks and other factors include, but are not limited to:

- deepening or expansion of the global economic downturn or turmoil in financial and equity markets (and related credit and capital market instability and illiquidity); decreased consumer and trade spending; higher unemployment; supplier, customer or consumer credit, or other financial problems; further inventory reductions by distributors, wholesalers, or retailers; bank failures or governmental nationalizations, etc.
- competitors’ pricing actions (including price promotions, discounting, couponing, or free goods), marketing, product introductions, or other competitive activities aimed at our brands
- trade or consumer reaction to our product line extensions or new marketing initiatives
- further decline in consumer confidence or spending, whether related to global economic conditions, wars, natural disasters, pandemics (such as swine flu), terrorist attacks, or other factors
- increases in tax rates (including excise, sales, corporate, individual income, dividends, or capital gains), changes in tax rules (e.g., LIFO, foreign income deferral, or U.S. manufacturing deduction) or accounting standards, tariffs, or other restrictions affecting beverage alcohol, and the unpredictability and suddenness with which they can occur
- trade or consumer resistance to price increases in our products
- tighter governmental restrictions on our ability to produce and market our products, including advertising and promotion
- business disruption, decline or costs related to reductions in workforce or other cost-cutting measures
- lower returns on pension assets, higher interest rates on debt, or significant changes in recent inflation rates (whether up or down)
- fluctuations in the U.S. dollar against foreign currencies, especially the British pound, euro, Australian dollar, or Polish zloty
- reduced bar, restaurant, hotel, and other on-premise business; consumer shifts to discount stores to buy our products; or other price-sensitive consumer behavior
- changes in consumer preferences, societal attitudes, or cultural trends that result in reduced consumption of our products
- distribution arrangement changes that affect the timing of our sales or limit our ability to market or sell our products
- adverse impacts resulting from our acquisitions, dispositions, joint ventures, business partnerships, or portfolio strategies
- lower profits, due to factors such as fewer used barrel sales, lower production volumes (either for our own brands or those of third parties), or cost increases in energy or raw materials, such as grapes, grain, agave, wood, glass, plastic, or closures
- Climatic changes, agricultural uncertainties, our suppliers’ financial hardships, or other factors that reduce the availability or quality of grapes, agave, grain, glass, closures, plastic, or wood
- negative publicity related to our company, brands, personnel, operations, business performance, or prospects
- product counterfeiting, tampering, or contamination and resulting negative effects on our sales, brand equity, or corporate reputation
- adverse developments stemming from state, federal, or other governmental investigations of beverage alcohol industry business, trade, or marketing practices by us, our distributors, or retailers
- impairment in the recorded value of inventory, fixed assets, goodwill, or other intangibles

## QUARTERLY FINANCIAL INFORMATION

(Expressed in millions, except per share amounts)

	Fiscal 2008					Fiscal 2009				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net Sales	\$ 739	\$ 893	\$ 877	\$ 772	\$3,282	\$ 790	\$ 935	\$ 784	\$ 683	\$3,192
Gross Profit	391	470	433	401	1,695	381	467	371	359	1,577
Net Income										
Continuing Operations	95	130	116	99	440	88	143	123	80	435
Total Company	95	129	116	99	440	88	143	123	80	435
Basic EPS										
Continuing Operations	\$ 0.62	\$ 0.84	\$ 0.76	\$ 0.65	\$ 2.87	\$ 0.59	\$ 0.95	\$ 0.82	\$ 0.53	\$ 2.89
Total Company	0.62	0.84	0.76	0.66	2.87	0.59	0.95	0.82	0.53	2.89
Diluted EPS										
Continuing Operations	\$ 0.62	\$ 0.83	\$ 0.75	\$ 0.65	\$ 2.84	\$ 0.58	\$ 0.94	\$ 0.81	\$ 0.53	\$ 2.87
Total Company	0.62	0.83	0.75	0.65	2.85	0.58	0.94	0.81	0.53	2.87
Cash Dividends per Common Share										
Declared	\$ 0.49	\$ —	\$ 0.54	\$ —	\$ 1.03	\$ 0.54	\$ —	\$ 0.58	\$ —	\$ 1.12
Paid	0.24	0.24	0.27	0.27	1.03	0.27	0.27	0.29	0.29	1.12
Market Price Per Common Share										
Class A High	\$62.00	\$66.00	\$62.80	\$60.92	\$66.00	\$63.17	\$62.91	\$54.92	\$50.97	\$63.17
Class A Low	53.20	55.76	50.40	52.00	50.40	53.61	40.91	38.30	35.06	35.06
Class B High	\$59.41	\$63.90	\$60.92	\$58.68	\$63.90	\$63.02	\$62.98	\$53.49	\$48.41	\$63.02
Class B Low	51.01	52.83	49.08	49.68	49.08	53.58	41.94	40.46	34.97	34.97

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





From Left: Martin S. Brown, Jr., Patrick Bousquet-Chavanne, Dace Brown Stubbs (seated), William M. Street, Richard P. Mayer, James S. Welch, Jr., William E. Mitchell, Donald G. Calder (seated), Sandra A. Frazier, John D. Cook, Paul C. Varga, Geo. Garvin Brown IV

## BROWN-FORMAN CORPORATION BOARD of DIRECTORS

### Geo. Garvin Brown IV <sup>(1) (4)</sup>

Presiding Chairman of the Board,  
Brown-Forman Corporation;  
Senior Vice President and  
Managing Director,  
Western Europe and Africa

### Paul C. Varga <sup>(1)</sup>

Chairman and Chief Executive Officer,  
Brown-Forman Corporation,  
Louisville, Kentucky

### Patrick Bousquet-Chavanne <sup>(3) (4)</sup>

President and Chief Executive Officer,  
T-Ink Technologies, Inc.,  
New York, New York

### Martin S. Brown, Jr.

Partner,  
Adams and Reese LLP,  
Nashville, Tennessee

### Donald G. Calder <sup>(2) (4) (6)</sup>

President and Chief Financial Officer,  
G.L. Ohrstrom & Co., Inc.,  
New York, New York

### John D. Cook <sup>(2) (3)</sup>

Director Emeritus,  
McKinsey & Company,  
Chicago, Illinois

### Sandra A. Frazier

Founder and Member,  
Tandem Public Relations LLC,  
Louisville, Kentucky

### Richard P. Mayer <sup>(3) (4)</sup>

Former Chairman and  
Chief Executive Officer,  
Kraft General Foods North America  
(now Kraft Foods Inc.),  
Northfield, Illinois

### William E. Mitchell <sup>(2)</sup>

Chairman,  
Arrow Electronics, Inc.,  
Melville, New York

### William M. Street <sup>(2)</sup>

Former President,  
Brown-Forman Corporation,  
Louisville, Kentucky

### Dace Brown Stubbs

Private Investor,  
Vero Beach, Florida

### James S. Welch, Jr. <sup>(1)</sup>

Vice Chairman,  
Brown-Forman Corporation,  
Louisville, Kentucky

## BROWN-FORMAN CORPORATION MANAGEMENT EXECUTIVE COMMITTEE

(as of May 1, 2009)

### Paul C. Varga <sup>(1)</sup>

Chairman and Chief Executive Officer

### James S. Welch, Jr. <sup>(1)</sup>

Vice Chairman

### James L. Bareuther

Executive Vice President,  
Global Business Development

### Donald C. Berg

Executive Vice President,  
Chief Financial Officer

### Matthew E. Hamel <sup>(5)</sup>

Executive Vice President,  
General Counsel, and Secretary

### Mark I. McCallum

Executive Vice President,  
Chief Operating Officer

### Michael J. Keyes

President,  
North American Region

### Jill A. Jones

Senior Vice President

### Philip A. Lichtenfels

Senior Vice President

### Jane C. Morreau

Senior Vice President

### Lisa P. Steiner

Senior Vice President

### Marshall B. Farrer

Vice President

(1) Member of Executive Committee of the Board of Directors (2) Member of Audit Committee

(3) Member of Compensation Committee (4) Member of the Corporate Governance and Nominating Committee

(5) Secretary to Board of Directors, Executive Committee of the Board of Directors, and Audit Committee (6) Retirement effective July 23, 2009

**Corporate Headquarters**

850 Dixie Highway  
 Louisville, Kentucky 40210  
 (502) 585-1100  
 Internet address: [www.brown-forman.com](http://www.brown-forman.com)  
 E-mail address: [brown-forman@b-f.com](mailto:brown-forman@b-f.com)

**Employees**

On May 1, 2009, Brown-Forman employed over 4,100 people, including approximately 300 on a part-time or temporary basis. Brown-Forman Corporation is an Equal Employment Opportunity and Affirmative Action employer. All human resource practices, actions, and programs are administered without regard to race, color, national or ethnic origin, gender, age, religion, veteran status, sexual preference, or disability. It is also the policy of Brown-Forman to prohibit sexual and other harassment.

**Stockholders**

The two classes of stock of Brown-Forman Corporation are listed on the New York Stock Exchange. There were 3,253 holders of record of Class A Common Stock and 6,616 holders of record of Class B Common Stock as of April 30, 2009. Stockholders reside in all 50 states and in 25 foreign countries.

**Dividend Reinvestment Service**

For information on the Company's Dividend Reinvestment Service, write to:

National City Bank, now a part of PNC  
 Shareholder Services Operations, Dept. 5352  
 P.O. Box 94946  
 Cleveland, OH 44101-4946  
 1-800-622-6757

**Form 10-K**

Interested stockholders may obtain without charge a copy of the Company's Form 10-K, as filed with the Securities and Exchange Commission, upon written request to: Stockholder Services, Brown-Forman Corporation, 850 Dixie Highway, Louisville, Kentucky 40210. The Form 10-K can also be downloaded from the Company's Web site at [www.brown-forman.com](http://www.brown-forman.com). Click on the Investor Relations section of the Web site and then on Financial Reports and Filings, and then on SEC Filings to view the Form 10-K, as well as other important documents.

**Corporate Governance Guidelines, Committee Charters, and Codes**

The Company's Corporate Governance Guidelines, which were amended by the Board in May 2009, are published on the Company's Web site. These guidelines set forth Board responsibilities, director qualification standards, Board meeting and attendance requirements, committee composition requirements, primary committee responsibilities, policies related to director compensation, management succession, director access to management and independent advisors, and an annual self-evaluation requirement for the Board, among other things. Our four standing Board committees – Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Executive Committee – operate pursuant to written charters, each of which is posted on the Company's Web site. The Company has adopted the Brown-Forman Code of Conduct and Compliance Guidelines, which set forth standards of ethical behavior applicable to all Company employees and directors. The Code of Conduct contains a Code of Ethics for Senior Financial Officers, which details the Company's further expectation that all financial, accounting, reporting, and auditing activities of the Company be conducted in compliance with applicable rules and regulations, and in

accordance with the highest ethical standards. The Code of Conduct, including the Code of Ethics for Senior Financial Officers, can be found on the Company's Web site. You may request a print copy of any of these documents at no 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).

**Listed**

New York Stock Exchange, New York City  
 BFA/BFB

**Registrar and Transfer Agent and Dividend Disbursing Agent**

National City Bank, now a part of PNC, Cleveland, Ohio  
 E-mail Address: [shareholder.inquiries@nationalcity.com](mailto:shareholder.inquiries@nationalcity.com)

**Counsel**

Stoll Keenon Ogden PLLC, Louisville, Kentucky

**Independent Registered Public Accounting Firm**

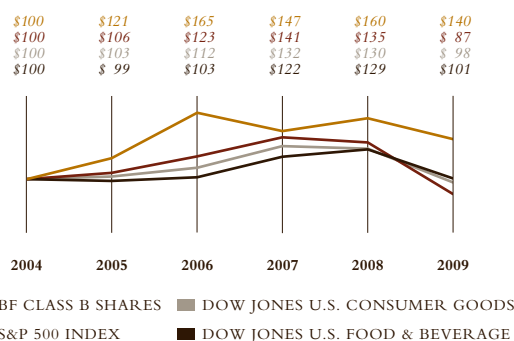
PricewaterhouseCoopers LLP, Louisville, Kentucky

**Stock Performance Graph**

This graph compares the cumulative total shareholder return of our Class B Common Stock against the Standard & Poor's 500 Stock Index, the Dow Jones U.S. Consumer Goods Index, and the Dow Jones U.S. Food & Beverage Index. The graph assumes \$100 was invested on April 30, 2004, and that all dividends were reinvested. The cumulative returns shown on the graph represent the value that these investments would have had on April 30 in the years since 2004.

**Compound Annual Growth in Total Shareholder Return**

(as of April 30, 2009, dividends reinvested)

**Environmental Stewardship**

Brown-Forman is committed to being a responsible corporate citizen. As a responsible corporate citizen, Brown-Forman is committed to environmental stewardship and sustainability. Our environment efforts focus primarily on the efficient use of natural resources, conserving energy and water, and minimizing waste.

This annual report is printed on FSC-certified paper.

**MOHAWK** windpower







BROWN-FORMAN

YOUR FRIENDS AT BROWN-FORMAN

ENCOURAGE YOU *to*

PLEASE DRINK RESPONSIBLY

\*\*\*\*\*

850 DIXIE HIGHWAY LOUISVILLE, KENTUCKY 40210 WWW.BROWN-FORMAN.COM