

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

BROWN FORMAN CORP
Form 10-Q
March 07, 2008

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended JANUARY 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 002-26821

BROWN-FORMAN CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

61-0143150
(IRS Employer
Identification No.)

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

40210
(Zip Code)

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

N/A
(Former name, former address and former fiscal year,
if changed since last report)

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: February 29, 2008

Class A Common Stock (\$.15 par value, voting) 56,573,177

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

Class B Common Stock (\$.15 par value, nonvoting)

63,919,234

BROWN-FORMAN CORPORATION Index to Quarterly Report Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	Page
	Condensed Consolidated Statements of Operations	
	Three months ended January 31, 2007 and 2008	3
	Nine months ended January 31, 2007 and 2008	3
	Condensed Consolidated Balance Sheets	
	April 30, 2007 and January 31, 2008	4
	Condensed Consolidated Statements of Cash Flows	
	Nine months ended January 31, 2007 and 2008	5
	Notes to the Condensed Consolidated Financial Statements	6 - 11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12 - 20
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	21
Item 4.	Controls and Procedures	21

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	21 - 22
Item 1A.	Risk Factors	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 6.	Exhibits	23
	Signatures	24

2

PART I - FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)
---------	----------------------------------

BROWN-FORMAN CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited) (Dollars in millions, except per share amounts)

Three Months Ended

Nine Months Ended

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

	January 31,		January 31,	
	2007	2008	2007	2008
	-----	-----	-----	-----
Net sales	\$ 754.8	\$ 877.4	\$2,115.4	\$2,509.9
Excise taxes	172.7	205.0	446.1	534.8
Cost of sales	194.8	239.8	550.4	681.5
	-----	-----	-----	-----
Gross profit	387.3	432.6	1,118.9	1,293.6
Advertising expenses	94.2	107.6	267.2	314.2
Selling, general, and administrative expenses	129.2	143.3	378.1	433.1
Amortization expense	--	1.3	--	3.8
Other (income), net	(4.9)	(1.2)	(20.1)	(7.2)
	-----	-----	-----	-----
Operating income	168.8	181.6	493.7	549.7
Interest income	5.6	1.9	14.2	6.1
Interest expense	8.1	11.0	19.6	38.6
	-----	-----	-----	-----
Income from continuing operations before income taxes	166.3	172.5	488.3	517.2
Income taxes	54.7	56.6	157.4	176.5
	-----	-----	-----	-----
Income from continuing operations	111.6	115.9	330.9	340.7
Loss (income) from discontinued operations, net of income taxes	(6.5)	0.1	(8.2)	--
	-----	-----	-----	-----
Net income	\$ 105.1	\$ 116.0	\$ 322.7	\$ 340.7
	=====	=====	=====	=====
Basic earnings (loss) per share:				
Continuing operations	\$ 0.91	\$ 0.94	\$ 2.69	\$ 2.77
Discontinued operations	(0.05)	--	(0.07)	--
	-----	-----	-----	-----
Total	\$ 0.86	\$ 0.94	\$ 2.63	\$ 2.77
	=====	=====	=====	=====
Diluted earnings (loss) per share:				
Continuing operations	\$ 0.90	\$ 0.93	\$ 2.66	\$ 2.74
Discontinued operations	(0.05)	--	(0.07)	--
	-----	-----	-----	-----
Total	\$ 0.85	\$ 0.94	\$ 2.60	\$ 2.74
	=====	=====	=====	=====
Shares (in thousands) used in the calculation of earnings (loss) per share:				
Basic	122,964	122,836	122,810	123,085
Diluted	124,230	123,974	124,189	124,278
Cash dividends per common share:				
Declared	\$0.6050	\$0.6800	\$1.1650	\$1.2850
Paid	\$0.3025	\$0.3400	\$0.8625	\$0.9450

See notes to the condensed consolidated financial statements.

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

3

BROWN-FORMAN CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)
 (Dollars in millions)

	April 30, 2007 -----	January 31, 2008 -----
Assets		

Cash and cash equivalents	\$ 282.8	\$ 136.6
Short-term investments	85.6	--
Accounts receivable, net	403.7	473.1
Inventories:		
Barreled whiskey	302.8	305.4
Finished goods	150.6	155.4
Work in process	198.5	181.2
Raw materials and supplies	42.5	40.5
	-----	-----
Total inventories	694.4	682.5
Current portion of deferred income taxes	76.1	76.1
Other current assets	92.6	75.6
	-----	-----
Total current assets	1,635.2	1,443.9
Property, plant and equipment, net	506.3	502.1
Goodwill	670.2	684.1
Other intangible assets	683.9	698.5
Prepaid pension cost	23.0	24.7
Other assets	32.8	38.3
	-----	-----
Total assets	\$3,551.4 =====	\$3,391.6 =====
Liabilities		

Accounts payable and accrued expenses	\$ 361.1	\$ 354.1
Accrued income taxes	27.0	15.0
Payable to stockholders	203.7	41.5
Short-term borrowings	401.1	243.0
Current portion of long-term debt	354.0	354.0
	-----	-----
Total current liabilities	1,346.9	1,007.6
Long-term debt	421.9	417.3
Deferred income taxes	56.6	69.7
Accrued pension and other postretirement benefits	122.8	130.0
Other liabilities	29.8	72.4
	-----	-----
Total liabilities	1,978.0	1,697.0
Stockholders' Equity		

Common stock:		
Class A, voting		
(57,000,000 shares authorized; 56,882,000 and		
56,925,000 shares issued at April 30 and		
January 31, respectively)	8.5	8.5
Class B, nonvoting		

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

(100,000,000 shares authorized; 69,188,000 shares issued)	10.4	10.4
Additional paid-in capital	63.9	75.1
Retained earnings	1,649.6	1,832.2
Accumulated other comprehensive income	(57.2)	(23.8)
Treasury stock (2,833,000 and 4,070,000 shares at April 30 and January 31, respectively)	(101.8)	(207.8)
	-----	-----
Total stockholders' equity	1,573.4	1,694.6
	-----	-----
Total liabilities and stockholders' equity	\$3,551.4	\$3,391.6
	=====	=====

See notes to the condensed consolidated financial statements.

4

BROWN-FORMAN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in millions)

	Nine Months Ended January 31,	
	2007	2008
	-----	-----
Cash flows from operating activities:		
Net income	\$ 322.7	\$ 340.7
Adjustments to reconcile net income to net cash provided by operations:		
Net loss from discontinued operations	8.2	--
Depreciation and amortization	31.8	38.4
Gain on sale of property, plant, and equipment	(11.4)	(2.8)
Stock-based compensation expense	5.9	7.5
Deferred income taxes	(2.0)	14.6
Changes in assets and liabilities, excluding the effects of businesses acquired or sold:		
Accounts receivable	(63.0)	(63.4)
Inventories	(44.2)	(1.1)
Other current assets	7.9	18.0
Accounts payable and accrued expenses	0.1	(4.6)
Accrued income taxes	6.4	(15.3)
Noncurrent assets and liabilities	6.5	65.3
Net cash provided by operating activities of discontinued operations	8.7	--
	-----	-----
Cash provided by operating activities	277.6	397.3
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(1,045.5)	1.6
Acquisition of distribution rights	(25.0)	--
Acquisition of brand name	--	(12.0)
Purchase of short-term investments	(246.7)	--
Sale of short-term investments	256.8	85.6
Additions to property, plant, and equipment	(39.1)	(31.6)
Proceeds from sale of property, plant, and equipment	14.6	5.7
Computer software expenditures	(6.4)	(10.9)
Net cash used for investing activities		

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

of discontinued operations	(0.5)	--
	-----	-----
Cash (used for) provided by investing activities	(1,091.8)	38.4
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	666.1	(159.9)
Repayment of long-term debt	--	(4.5)
Proceeds from exercise of stock options	25.6	12.8
Excess tax benefits from stock options	6.2	6.9
Acquisition of treasury stock	--	(122.0)
Special distribution to stockholders	--	(203.7)
Dividends paid	(106.1)	(116.6)
	-----	-----
Cash provided by (used for) financing activities	591.8	(587.0)
Effect of exchange rate changes on cash and cash equivalents	1.5	5.1
	-----	-----
Net decrease in cash and cash equivalents	(220.9)	(146.2)
Cash and cash equivalents, beginning of period	474.8	282.8
	-----	-----
Cash and cash equivalents, end of period	\$ 253.9	\$ 136.6
	=====	=====

See notes to the condensed consolidated financial statements.

5

BROWN-FORMAN CORPORATION
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

In these notes, "we," "us," and "our" refer to Brown-Forman Corporation.

1. Condensed Consolidated Financial Statements

We prepared these unaudited condensed consolidated statements using our customary accounting practices as set out in our annual report on Form 10-K for the year ended April 30, 2007 (the "2007 Annual Report"). We made all of the adjustments (which include only normal, recurring adjustments, unless otherwise noted) needed for a fair statement of this data.

We condensed or omitted some of the information found in financial statements prepared according to accounting principles generally accepted in the United States of America ("GAAP"). You should read these financial statements together with the 2007 Annual Report, which does conform to GAAP.

2. Inventories

We use the last-in, first-out ("LIFO") method to determine the cost of most of our inventories. If the LIFO method had not been used, inventories at current cost would have been \$126.0 million higher than reported as of April 30, 2007, and \$144.5 million higher than reported as of January 31, 2008. Changes in the

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

LIFO valuation reserve for interim periods are based on a proportionate allocation of the estimated change for the entire fiscal year.

3. Income Taxes

Our consolidated quarterly effective tax rate is based upon our expected annual operating income, statutory tax rates, and tax laws in the various jurisdictions in which we operate. Significant or unusual items, including adjustments to accruals for tax uncertainties, are recognized in the quarter in which the related event occurs. The effective tax rate of 34.1% for the nine months ended January 31, 2008, is based on an expected effective tax rate of 33.6% on ordinary income for the full fiscal year, plus additional interest on previously provided tax contingencies and the tax effect of other events occurring through January 31, 2008. Our expected tax rate from operations includes current fiscal year additions for existing tax contingency items.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that we recognize in our financial statements the benefit of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position.

6

We adopted the provisions of FIN 48 as of May 1, 2007, and made no adjustment to our unrecognized tax benefits. Upon adoption, we had \$43.8 million of gross unrecognized tax benefits, \$34.1 million of which would reduce our effective income tax rate if recognized. We do not believe that our gross liability for unrecognized tax benefits will materially change over the next 12 months although we do expect that the statute of limitations on certain gross unrecognized state income tax benefits of \$5.5 million will expire during this period. We do not anticipate that our current fiscal year effective income tax rate will be materially affected by the net changes to our uncertain tax positions during the current fiscal year because we believe current year net additions of tax and interest on existing tax contingencies will be offset by the recognition of previously unrecognized net tax benefits from lapsing statutes of limitation.

It is our continuing practice to record interest and penalties related to unrecognized tax benefits as a component of our income tax provision. As of May 1, 2007, our gross liability for accrued interest and penalties on our unrecognized tax benefits totaled \$8.7 million.

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 our business. The major tax jurisdictions and their earliest fiscal years that are currently open for tax examinations are 2003 in the U.S. and United Kingdom, 2004 in Italy and Ireland, 2002 in Finland, and 2001 in Poland.

4. Discontinued Operations

Discontinued Operations consist of Hartmann and Brooks & Bentley, wholly-owned subsidiaries that we sold in fiscal 2007. Those subsidiaries, along with Lenox, Inc., the wholly-owned subsidiary that we sold in fiscal 2006, comprised our former consumer durables business.

5. Earnings Per Share

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

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. Stock-based awards for approximately 325,000 common shares and 322,000 common shares were excluded from the calculation of diluted earnings per share for the periods ended January 31, 2007 and 2008, respectively, because the exercise price of the awards was greater than the average market price of the shares.

7

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

(Dollars in millions, except per share amounts)	Three Months Ended January 31,		Nine Months Ended January 31,	
	2007	2008	2007	2008
	-----	-----	-----	-----
Basic and diluted net income (loss):				
Continuing operations	\$111.6	\$115.9	\$330.9	\$340.0
Discontinued operations	(6.5)	0.1	(8.2)	(0.1)
	-----	-----	-----	-----
Total	\$105.1	\$116.0	\$322.7	\$339.8
	=====	=====	=====	=====
Share data (in thousands):				
Basic average common shares outstanding	122,964	122,836	122,810	123,000
Dilutive effect of non-vested restricted stock	62	93	55	55
Dilutive effect of stock options and SSARs	1,204	1,045	1,324	1,324
	-----	-----	-----	-----
Diluted average common shares outstanding	124,230	123,974	124,189	124,379
	=====	=====	=====	=====
Basic earnings (loss) per share:				
Continuing operations	\$0.91	\$0.94	\$2.69	\$2.76
Discontinued operations	(0.05)	--	(0.07)	(0.07)
	-----	-----	-----	-----
Total	\$0.86	\$0.94	\$2.63	\$2.69
	=====	=====	=====	=====
Diluted earnings (loss) per share:				
Continuing operations	\$0.90	\$0.93	\$2.66	\$2.76
Discontinued operations	(0.05)	--	(0.07)	(0.07)
	-----	-----	-----	-----
Total	\$0.85	\$0.94	\$2.60	\$2.69
	=====	=====	=====	=====

6. Payable to Stockholders

On March 22, 2007, our Board of Directors approved the distribution to stockholders of the \$203.7 million in cash received (net of transaction fees) from the sale of Lenox and Brooks & Bentley. The distribution of \$1.6533 per share was made on May 10, 2007, to stockholders of record on April 5, 2007.

On January 22, 2008, our Board of Directors approved a regular quarterly cash dividend of \$0.34 per share on Class A and Class B Common Stock. Stockholders of

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

record on March 5, 2008 will receive the cash dividend on April 1, 2008.

8

7. Pension and Other Postretirement Benefits

The following table shows the components of the pension and other postretirement benefit expense recognized during the periods covered by this report:

(Dollars in millions)	Three Months Ended		Nine Months Ended	
	January 31,		January 31,	
	2007	2008	2007	2008
	-----	-----	-----	-----
Pension Benefits:				
Service cost	\$3.1	\$3.4	\$9.3	\$10.1
Interest cost	5.9	6.6	17.6	19.9
Expected return on plan assets	(7.7)	(8.0)	(23.0)	(24.2)
Amortization of:				
Unrecognized prior service cost	0.2	0.2	0.5	0.6
Unrecognized net loss	2.8	3.0	8.5	9.1
	-----	-----	-----	-----
Net expense	\$4.3	\$5.2	\$12.9	\$15.5
	=====	=====	=====	=====
Other Postretirement Benefits:				
Service cost	\$0.3	\$0.2	\$0.8	\$0.8
Interest cost	0.7	0.8	2.2	2.3
Amortization of unrecognized net loss	0.1	0.1	0.3	0.2
	-----	-----	-----	-----
Net expense	\$1.1	\$1.1	\$3.3	\$3.3
	=====	=====	=====	=====

8. Contingencies

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

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

9

9. Comprehensive Income

Comprehensive income is a broad measure of the effects of all transactions and events (other than investments by or distributions to stockholders) that are recognized in stockholders' equity, regardless of whether those transactions and events are included in net income. The following table adjusts the Company's net income for the other items included in the determination of comprehensive income:

(Dollars in millions)	Three Months Ended	Nine Months Ended
-----------------------	--------------------	-------------------

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

	January 31,		January 31,	
	2007	2008	2007	2008
	-----	-----	-----	-----
Continuing operations:				
Net income	\$111.6	\$115.9	\$330.9	\$340.7
Other comprehensive income (loss):				
Net unrealized gain on cash flow hedges	1.5	3.1	2.0	0.1
Net unrealized loss on securities	--	--	--	(0.3)
Postretirement benefits adjustment	--	2.0	--	6.0
Foreign currency translation adjustment	4.2	4.7	6.3	27.6
	-----	-----	-----	-----
	5.7	9.8	8.3	33.4
	-----	-----	-----	-----
Comprehensive income	117.3	125.7	339.2	374.1
	-----	-----	-----	-----
Discontinued operations:				
Net (loss) income	(6.5)	0.1	(8.2)	--
Other comprehensive income (loss):				
Foreign currency translation adjustment	0.2	--	0.7	--
	-----	-----	-----	-----
Comprehensive (loss) income	(6.3)	0.1	(7.5)	--
	-----	-----	-----	-----
Total comprehensive income	\$111.0	\$125.8	\$331.7	\$374.1
	=====	=====	=====	=====

Accumulated other comprehensive income (loss) consisted of the following:

(Dollars in millions)	April 30,	January 31,
	2007	2008
	-----	-----
Postretirement benefits adjustment	\$ (99.2)	\$ (93.2)
Cumulative translation adjustment	45.7	73.3
Unrealized loss on cash flow hedge contracts	(4.0)	(3.9)
Unrealized gain on securities	0.3	--
	-----	-----
	\$ (57.2)	\$ (23.8)
	=====	=====

10

10. Acquisition of Brand Name

In May 2007, we ended our joint ventures in the tequila business with the Orendain family of Mexico. We had shared ownership of the "Don Eduardo" and other "Orendain" trademarks and related intellectual property with the Orendain family since 1999 through two joint venture companies: Tequila Orendain de Jalisco (TOJ) and BFC Tequila Limited (BFCTL). TOJ produced the tequila and held the trademarks in Mexico. BFCTL owned the trademarks for all markets excluding Mexico. Upon ending the joint ventures, we acquired the remaining portion of the global trademark for the Don Eduardo super premium tequila brand that we did not already own. In exchange, we paid \$12.0 million to the other shareholders of TOJ and BFCTL and surrendered to them our interest in all other Orendain trademarks previously owned by these two companies.

11. Recent Accounting Pronouncements

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" (FAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (FAS 159). FAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities.

In December 2007, the FASB issued FASB Statement No. 141(R), "Business Combinations" (FAS 141(R)), 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 FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (FAS 160), which prescribes the accounting by a parent company for minority interests held by other parties in a subsidiary of the parent company.

The provisions of FAS 157 and FAS 159 become effective as of the beginning of our 2009 fiscal year. The provisions of FAS 141(R) and FAS 160 become effective as of the beginning of our 2010 fiscal year. We are currently evaluating the impact that these pronouncements will have on our financial statements.

12. Subsequent Events

On November 28, 2007, our Board of Directors authorized the repurchase of up to \$200.0 million of outstanding Class A and Class B common stock, subject to market and certain other conditions. We completed the aforementioned share repurchase plan in March 2008. Under the plan, we repurchased a total of 2,977,250 shares (42,600 of Class A and 2,934,650 of Class B) for \$200.0 million, plus broker commissions of less than \$0.1 million. The average repurchase price per share, including commissions, was \$68.76 for Class A and \$67.17 for Class B.

11

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis along with our 2007 Annual Report. Note that the results of operations for the nine months ended January 31, 2008, do not necessarily indicate what our operating results for the full fiscal year will be. In this Item, "we," "us," and "our" refer to Brown-Forman Corporation.

Important Note on Forward-Looking Statements:

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

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

present expectations or projections. Here is a non-exclusive list of such risks and uncertainties:

- continuation of the deterioration in general economic conditions, particularly in the United States where we earn about half of our profits, including higher energy prices, declining home prices, deterioration of the sub-prime lending market, or other factors;
- pricing, marketing and other competitive activity focused against our major brands;
- lower consumer confidence or purchasing related to economic conditions, major natural disasters, terrorist attacks or widespread outbreak of infectious diseases;
- tax increases, whether at the federal or state level or in major international markets and/or tariff barriers or other restrictions affecting beverage alcohol;
- limitations and restrictions on distribution of products and alcohol marketing, including advertising and promotion, as a result of stricter governmental policies adopted either in the United States or in international markets;
- fluctuations in the U.S. dollar against foreign currencies, especially the British pound, euro, Australian dollar, and the South African rand;
- reduced bar, restaurant, hotel and travel business, including travel retail;
- longer-term, a change in consumer preferences, social trends or cultural trends that results in the reduced consumption of our premium spirits brands;
- changes in distribution arrangements in major markets that limit our ability to market or sell our products;
- adverse impacts relating to our acquisition strategies or our integration of acquired businesses and conforming them to the company's trade practice standards, financial controls environment and U.S. public company requirements;
- price increases in energy or raw materials, including grapes, grain, agave, wood, glass, and plastic;
- changes in climate conditions and agricultural uncertainties that adversely affect the supply of grapes, agave, grain or wood;
- termination of our rights to distribute and market agency brands in our portfolio;
- press articles or other public media related to our company, brands, personnel, operations, business performance or prospects;
- counterfeit production of our products and any resulting negative effect on our intellectual property rights or brand equity; and
- adverse developments stemming from state or federal investigations of beverage alcohol industry marketing or trade practices of suppliers, distributors or retailers.

12

Results of Operations:

Third Quarter Fiscal 2008 Compared to Third Quarter Fiscal 2007

A summary of our operating performance (expressed in millions, except percentage and per share amounts) is presented below. Continuing Operations consist of our beverage business. Discontinued Operations consist of Lenox, Brooks & Bentley, and Hartmann, which previously comprised our consumer durables business.

CONTINUING OPERATIONS	Three Months Ended		
	January 31,		
	2007	2008	Change
	-----	-----	-----
Net sales	\$754.8	\$877.4	16%
Gross profit	387.3	432.6	12%
Advertising expenses	94.2	107.6	14%

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

Selling, general, and administrative expenses	129.2	143.3	11%
Amortization expense	--	1.3	
Other (income), net	(4.9)	(1.2)	
Operating income	168.8	181.6	8%
Interest expense, net	2.5	9.1	
Income before income taxes	166.3	172.5	4%
Income taxes	54.7	56.6	
Net income	111.6	115.9	4%
Gross margin	51.3%	49.3%	
Effective tax rate	32.9%	32.8%	
Earnings per share:			
Basic	\$0.91	\$0.94	4%
Diluted	0.90	0.93	4%

13

Net sales for the three months ended January 31, 2008 grew 16% to \$877.4 million. The components of the increase in net sales were:

	Growth vs. Prior Period
Acquisitions(1)	10%
Underlying net sales growth	4%
Foreign exchange(2)	4%
Estimated global trade inventory changes(3)	(2%)

Reported net sales growth	16%
	=====

Jack Daniel's global depletions(4) grew at a low-single digit rate in the quarter, with volume growth improving in the low-single digits in the U.S. and increasing in the mid-single digits internationally. Adjusted for foreign exchange, net sales grew in the mid-single digits, reflecting volume gains and higher net selling prices. Strong double-digit volume and net sales gains were recorded in the quarter for the super-premium Jack Daniel's brand extension, Gentleman Jack. Volumes for Jack Daniel's & Cola, our ready-to-drink brand extension in Australia, expanded at a double-digit rate, approaching 20% growth for the three month period. Finlandia's net sales grew at a double-digit rate, reflecting the benefits of both volume and price increases. The volume gains were driven by continued robust growth in consumer demand in Eastern Europe, including double-digit gains in Poland, the Czech Republic, Hungary, Romania and Russia. Over the twelve months ended January 2008, the brand has grown by more than four hundred thousand nine-liter cases, nearing the 2.8 million nine-liter case mark on a 12-month basis. Southern Comfort experienced softness in volume trends for the quarter, with low-single digit declines globally that offset benefits of higher pricing. Several other brands experienced an increase in net sales for the three month period, including Bonterra, Woodford Reserve, Sonoma-Cutrer, Tuaca, and Fetzer Valley Oaks, reflecting higher volumes and higher prices.

 (1) Refers to the acquisition of the Casa Herradura brands in January 2007 and Chambord in May 2006, thus making comparisons difficult to understand. In addition, we believe that separately identifying the results of these

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

acquisitions provides helpful information in forecasting and planning the growth expectations of the company.

- (2) Refers to net gains and losses incurred by the company relating to sales and purchases in currencies other than the U.S. dollar. We use the measure to understand the growth of the business on a constant dollar basis as fluctuations in exchange rates can distort the underlying growth of our business (both positively and negatively). To neutralize the effect of foreign exchange fluctuations, we have historically translated current year results at prior year rates. While we recognize that foreign exchange volatility is a reality for a global company, we routinely review our company performance on a constant dollar basis. We believe this allows both management and our investors to understand better our company's growth trends.
- (3) Refers to the estimated financial impact of changes in wholesale trade inventories for the company's brands in markets where we use third-party distributors. We compute this effect using our estimated depletion trends and separately identify trade inventory changes in the variance analysis for our key measures. Based on the estimated depletions and the fluctuations in trade inventory levels, we then adjust the percentage variances from prior to current periods for our key measures. We believe it is important to identify this estimated impact in order for management and investors to understand the results of our business without distortions that can arise from varying levels of wholesale inventories.
- (4) Depletions are shipments from wholesale distributors to retail customers, and are commonly regarded in the industry as an approximate measure of consumer demand.

14

Gross profit increased \$45.3 million, up 12% from the third quarter of last year. The same factors that boosted the double-digit increase in sales also contributed to the gains in gross profit, as illustrated in the following table:

	Growth vs. Prior Period
Acquisitions	6%
Underlying gross profit growth	4%
Foreign exchange	3%
Estimated global trade inventory changes	(1%)

Reported gross profit growth	12%
	=====

Gross margin was 49.3%, down from 51.3% in the same prior-year period. The gross margin decline reflects the addition of the relatively lower-margin Mexican business, higher cost of sales due to increased raw material costs and an unfavorable geographic and brand mix shift for the three month period. These factors were only partially offset by favorable foreign exchange and higher prices.

Advertising expenses increased 14% to \$107.6 million in the quarter, primarily reflecting investments behind acquired brands (\$7.3 million), the effects of a weaker U.S. dollar (\$3.8 million), and additional activities to support both Jack Daniel's and Finlandia. SG&A expenses increased 11% to \$143.3 million, due largely to additional expenses associated with the acquisition of the Casa Herradura brands(5) (\$10.7 million) and the effects of a weaker U.S. dollar (\$2.0 million). Adjusting for the spending in support of Casa Herradura and foreign currency fluctuations, advertising expenses and SG&A grew 3% and 2%, respectively, for the three month period.

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

Operating income increased \$12.8 million, up 8% from the same period last year. The addition of profits from the Casa Herradura brands acquired in January 2007, benefits from favorable foreign exchange fluctuations, higher global consumer demand for Jack Daniel's Tennessee Whiskey and Finlandia Vodka, a strong increase in U.S. demand for Gentleman Jack, and continued solid growth for the Jack Daniel's & Cola ready-to-drink in Australia contributed to the growth in operating income for the quarter. Partially offsetting these gains were softness for Southern Comfort and higher raw material costs. Adjusting for the benefits of a weaker U.S. dollar, the impact of changes in global trade inventories, and profits from Casa Herradura, underlying operating income improved 7% for the third quarter.

(5) References to Casa Herradura include all brands (el Jimador, Herradura, New Mix, Antiguo, Suave 35 and other brands) and operations acquired in January 2007.

15

	Growth vs. Prior Period
Underlying operating income growth	7%
Acquisitions	3%
Foreign exchange	2%
Estimated global trade inventory changes	(4%)

Reported operating income growth	8%
	=====

Net interest expense increased by \$6.6 million over the same prior year period due largely to the financing of the Casa Herradura acquisition.

Diluted earnings per share of \$0.93 for the quarter improved 4% compared to the same prior year period. Reported earnings were affected by the Casa Herradura acquisition, a weaker U.S. dollar, lower trade inventories, and the absence of last year's interest earned on proceeds from the sale of Lenox (which were distributed to shareholders in May 2007).

Results of Operations:

Nine Months Fiscal 2008 Compared to Nine Months Fiscal 2007

A summary of our operating performance (expressed in millions, except percentage and per share amounts) is presented below. Continuing Operations consist of our beverage business. Discontinued Operations consist of Lenox, Brooks & Bentley, and Hartmann, which previously comprised our consumer durables business.

	Nine Months Ended		
	January 31,		
CONTINUING OPERATIONS	2007	2008	Change
	-----	-----	-----
Net sales	\$2,115.4	\$2,509.9	19%
Gross profit	1,118.9	1,293.6	16%
Advertising expenses	267.2	314.2	18%
Selling, general, and administrative expenses	378.1	433.1	15%
Amortization expense	--	3.8	
Other (income), net	(20.1)	(7.2)	
Operating income	493.7	549.7	11%

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

Interest expense, net	5.4	32.5	
Income before income taxes	488.3	517.2	6%
Income taxes	157.4	176.5	
Net income	330.9	340.7	3%
Gross margin	52.9%	51.5%	
Effective tax rate	32.2%	34.1%	
Earnings per share:			
Basic	\$2.69	\$2.77	3%
Diluted	2.66	2.74	3%

16

Net sales for the nine months ended January 31, 2008 grew \$394.5 million, up 19% over the same prior-year period. The major factors driving the increase in net sales were:

	Growth vs. Prior Period
Acquisitions	9%
Underlying net sales growth	6%
Foreign exchange	4%

Reported net sales growth	19%
	=====

The underlying growth in net sales reflects solid international consumer demand for Jack Daniel's and Finlandia. Following third quarter performance, Jack Daniel's volume growth remains in the low-single digits globally, with volume gain in the low-single digits in the U.S. and high-single digits internationally. Adjusted for the benefits of a weaker dollar, net sales for the brand grew in the mid-single digits, reflecting volume gains and higher net selling prices. Finlandia's net sales on a constant-currency basis grew over 20%, driven by price increases and double-digit volume gains. Double-digit increases in both volumes and net sales for several of our other brands including Jack Daniel's & Cola, Gentleman Jack, Woodford Reserve and Bonterra also contributed to the increase in net sales for the first nine months.

Gross profit increased \$174.7 million, up 16% from the same period last year. The same factors that boosted the double-digit increase in sales also contributed to the gains in gross profit, as follows.

	Growth vs. Prior Period
Underlying gross profit growth	6%
Acquisitions	6%
Foreign exchange	4%

Reported gross profit growth	16%
	=====

Our gross margin declined 140 basis points in the period due in part to the addition of Casa Herradura results. While the gross profit margin for Herradura and el Jimador sales in the U.S. are above our company's overall average margin, gross margins on sales of these brands as well as the agency brands and New Mix, a tequila-based ready-to-drink, are all considerably lower in Mexico. As the mix of our business shifts toward more U.S. tequila revenue, we expect gross margins

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

to improve. Gross margins in the period were also suppressed by the higher raw material costs. These factors were offset by foreign exchange benefits, a favorable shift in mix of our business to higher margin international markets, and higher prices.

17

For the first nine months of the fiscal year, advertising expenses increased \$47.0 million, or 18%, to \$314.2 million, due largely to incremental investments behind Jack Daniel's, Southern Comfort and Finlandia, new investments in support of acquired brands (\$19.9 million), and a weaker U.S. dollar (\$9.3 million). SG&A expenses increased \$55.0 million, or 15%, to \$433.1 million, due primarily to the \$32.3 million infrastructure and one-time transition expenses associated with the addition of acquired brands. A weaker U.S. dollar (\$5.4 million) also contributed to the year-over-year increase. Adjusting for spending in support of acquisitions and foreign currency fluctuations, advertising expenses and SG&A expenses grew 7% and 5%, respectively, for the first nine months.

Prior to our acquisition of Casa Herradura, the U.S. distribution rights for the Herradura brand had been granted to a third party through December 31, 2011. Upon completing the acquisition of Casa Herradura, we acquired those distribution rights from that third party at a cost of \$25.0 million. This amount is being amortized on a straight-line basis over the period ending December 31, 2011. The amortization expense of \$3.8 million for the current period reflects nine months of amortization of the cost of those distribution rights.

Other income decreased \$12.9 million due primarily to the absence of an \$11.1 million gain recognized last year on the sale of an Italian winery used in producing Bolla wines.

Operating income was \$549.7 million, up 11% from \$493.7 million earned in the same period last year. Adjusting reported results for the weaker U.S. dollar, recent acquisitions, global trade inventory changes, and last year's net gain on the sale of winery assets, underlying operating income was up 7%.

	Growth vs. Prior Period
Underlying operating income growth	7%
Foreign exchange	5%
Acquisitions	2%
Estimated global trade inventory changes	(1%)
Absence of gain on winery assets	(2%)

Reported operating income growth	11%
	=====

The 7% year-to-date underlying growth, while approximating long-term underlying growth in operating income for our company, is down from the double-digit underlying growth in operating income that we have experienced over the last three years. The slowdown in growth is primarily related to our performance in the first half of this fiscal year in the U.S., where slightly less than half of our sales are generated. Our performance in this important market improved in the third quarter but continued, we believe, to be affected by the following factors:

- A slowdown in the overall spirits growth rate over the past two years;
- Competitive efforts (primarily the frequency and depth of price discounting) and use of certain types of promotions by our competitors;
- A sluggish economic environment; and

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

- A slower growth rate in disposable income, resulting in some shift from on-premise to off-premise drinking occasions, and a reduction in some consumers' ability or willingness to purchase some of our premium products.

18

Net interest expense increased by \$27.1 million over the prior period due largely to the financing of the Casa Herradura acquisition.

Diluted earnings per share of \$2.74 for the quarter improved 3% compared to the same prior year period. Reported earnings were affected by a weaker U.S. dollar, acquisitions, lower trade inventories, a higher effective income tax rate, the absence of last year's interest earned on proceeds from the sale of Lenox (which were distributed to shareholders in May 2007), and the absence of last year's gain associated with the sale of winery assets in Italy. The increase in the effective income tax rate compared to the prior period reflects the absence of the low tax gain on the sale of our Italian winery last year and event-driven items that affected this year.

FULL-YEAR OUTLOOK

We have narrowed the range of our full-year earnings outlook for fiscal 2008 to \$3.42 to \$3.50 per diluted share, representing forecasted growth of 9% to 11% over comparable prior year earnings of \$3.14 per share. This includes the expected dilution from the Casa Herradura acquisition and an approximate \$0.01 per share benefit associated with the share repurchase announced in November 2007. Our earnings expectations for the fourth quarter include continued growth for our brands globally, an expected lower effective tax rate, and modest additional benefits from foreign exchange. This outlook is tempered slightly by a challenging economic environment and our expectations of continued higher raw material costs.

LIQUIDITY AND FINANCIAL CONDITION

Cash and cash equivalents decreased by \$146.2 million during the nine months ended January 31, 2008, compared to a decrease of \$220.9 million during the same period last year. Cash provided by operations increased from \$277.6 million to \$397.3 million, primarily reflecting higher earnings and working capital improvements compared to last year, including a refund of taxes related to the acquisition of Casa Herradura, and a significantly smaller seasonal increase in inventory. Cash provided by investing activities increased over last year by \$1,130.2 million, due to the \$794.9 million acquisition of Casa Herradura (including fees) in January 2007 and the \$250.6 million acquisition of Chambord in May 2006. Cash used for financing activities increased by \$1,178.8 million over last year, due largely to an \$830.5 million increase in net debt repayments compared to the same period last year and the \$203.7 million special distribution to shareholders in May 2007. The increase in cash used for financing activities also reflects the repurchase of \$122.0 million of our common stock.

Approximately \$22.0 million of the \$122.0 million in share repurchases mentioned above was purchased from one or more trusts beneficially owned by a Brown family member under an agreement approved in May 2007 by a committee of our Board of Directors comprised exclusively of non-family directors. Approximately \$0.8 million was paid in exchange for shares surrendered by two employees to satisfy income tax withholding obligations, in accordance with Company policy. The remaining \$99.2 million was repurchased pursuant to an authorization by our Board of Directors in November 2007 to repurchase up to \$200.0 million of outstanding Class A and Class B common stock, subject to market and Securities and Exchange Committee rules, and certain other conditions. We completed the \$200.0 million repurchase plan in March 2008.

On January 22, 2008, our Board of Directors approved a regular quarterly cash dividend of \$0.34 per share on Class A and Class B common stock. Stockholders of record on March 5, 2008 will receive the cash dividend on April 1, 2008.

As of January 31, 2008, our outstanding debt includes \$350.0 million of 3.0% notes that mature on March 15, 2008. We expect to repay these notes with short-term debt.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" (FAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (FAS 159). FAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities.

In December 2007, the FASB issued FASB Statement No. 141(R), "Business Combinations" (FAS 141(R)), 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 FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (FAS 160), which prescribes the accounting by a parent company for minority interests held by other parties in a subsidiary of the parent company.

The provisions of FAS 157 and FAS 159 become effective as of the beginning of our 2009 fiscal year. The provisions of FAS 141(R) and FAS 160 become effective as of the beginning of our 2010 fiscal year. We are currently evaluating the impact that these pronouncements will have on our financial statements.

Our critical accounting policies have not changed since April 30, 2007. However, as discussed in Note 3 to the accompanying financial statements, we adopted FASB Interpretation No. 48 effective May 1, 2007.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We hold debt obligations, foreign currency forward and option contracts, and commodity futures contracts that are exposed to risk from changes in interest rates, foreign currency exchange rates, and commodity prices, respectively. Established procedures and internal processes govern the management of these market risks. As of January 31, 2008, we do not consider the exposure to these market risks to be material.

Item 4. Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Brown-Forman (its principal executive and principal financial officers) have

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

21

Brown-Forman and the other defendants successfully obtained orders dismissing six of the cases: Kreft (Colorado) in October 2005; Eisenberg (Ohio) in February 2006; Tomberlin (Wisconsin) in March 2006; Hakki (D.C.) in March 2006; Alston (Michigan) in May 2006; and Bertovich (West Virginia) in August 2006. Konhauzer (Florida) and Sciocchette (New York) voluntarily withdrew their respective suits before service of summons. The Wilsons (North Carolina) dismissed with prejudice their complaint in November 2007. Each involuntarily dismissal was appealed by the respective plaintiffs. The Hakki dismissal was affirmed by the D.C. Court of Appeals in June 2007 and is final. The consolidated Alston and Eisenberg dismissals were affirmed by the Federal Circuit Court of Appeals for the Sixth Circuit in July 2007; plaintiffs' withdrew their Petition for Certiorari to the

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

United States Supreme Court in November 2007. The Colorado and Wisconsin Courts of Appeals affirmed the Kreft and Tomberlin dismissals, respectively, in October 2007; those opinions are final. The Bertoviches (West Virginia) in November 2007 withdrew their appeal to the Federal Court of Appeals for the Fourth Circuit. As all of the cases have been dismissed or withdrawn, this series of litigation is concluded.

Item 1A. Risk Factors

Other than with respect to the revision and additions below and the changes set forth in the Form 10-Q for the fiscal quarters ended July 31, 2007 and October 31, 2007, there have been no changes to "Item 1A: Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended April 30, 2007. The revision and additions below should be read together with the risk factors and information disclosed in our 2007 Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q filed September 7, 2007 and December 7, 2007.

The risk factor entitled "Consolidation among or poor performance by spirits producers, wholesalers or retailers could hinder the marketing and distribution of our products" is amended and restated in its entirety as follows:

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

We use a number of different business models to market and distribute our products. In the United States we sell our products to wholesalers through the mandatory three-tier system. In international markets, we rely largely on other spirits producers to distribute and market our products. Distributor, wholesaler and retailer consolidations have not in the past negatively affected our business. Nevertheless, consolidation among spirits producers overseas or wholesalers in the United States could temporarily hinder the distribution and sale of our products as a result of reduced attention and resource allocation to our brands, due to transitional disruption, the possibility that our brands may represent a smaller portion of their business, and/or a changing competitive environment. Pricing, marketing and other competitive behavior by other suppliers, and by distributors and retailers who sell their products, which is focused against one or more of our major products could also adversely affect the sales of our products and our financial results. The effects of these competitive activities may be more pronounced in times of an economic slowdown when consumers are particularly price sensitive and are making fewer purchases in on-premise establishments.

22

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about shares of our common stock that we repurchased during the quarter ended January 31, 2008:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
November 1, 2007 - November 30, 2007	--	--	--
December 1, 2007 - December 31, 2007	373,100	\$73.75	373,100
January 1, 2008 - January 31, 2008	1,054,231	\$68.23	1,050,900
Total	1,427,331	\$69.67	1,424,000

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

As announced on November 28, 2007, our Board of Directors authorized the repurchase of up to \$200.0 million of outstanding Class A and Class B common stock over the next 12 months, subject to market and certain other conditions. Under this plan, shares can be repurchased from time to time for cash in open market purchases, block transactions, and privately negotiated transactions. 1,424,000 of the shares included in the above table were acquired as part of this program.

We completed the aforementioned share repurchase plan in March 2008. Under the plan, we repurchased a total of 2,977,250 shares (42,600 of Class A and 2,934,650 of Class B) for \$200.0 million, plus broker commissions of less than \$0.1 million. The average repurchase price per share, including commissions, was \$68.76 for Class A and \$67.17 for Class B.

The remaining 3,331 shares included in the above table were received from an employee to satisfy income tax withholding obligations triggered by the employee's retirement from the Company.

Item 6. Exhibits

- 31.1 CEO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 31.2 CFO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32 CEO and CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (not considered to be filed).

23

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BROWN-FORMAN CORPORATION
(Registrant)

Date: March 7, 2008

By: /s/ Phoebe A. Wood
Phoebe A. Wood
Vice Chairman and
Chief Financial Officer
(On behalf of the Registrant and
as Principal Financial Officer)

24

Exhibit 31.1

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

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

I, Paul C. Varga, certify that:

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

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

control over financial reporting.

Date: March 7, 2008

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

Exhibit 31.2

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

I, Phoebe A. Wood, certify that:

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

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 7, 2008

By: /s/ Phoebe A. Wood
Phoebe A. Wood
Chief Financial Officer

Exhibit 32

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

In connection with the Quarterly Report of Brown-Forman Corporation ("the Company") on Form 10-Q for the period ended January 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in the capacity as an officer of the Company, that:

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

Date: March 7, 2008

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

By: /s/ Phoebe A. Wood
Phoebe A. Wood
Vice Chairman and
Chief Financial Officer

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

This certificate is being furnished solely for purposes of Section 906 and is

Edgar Filing: BROWN FORMAN CORP - Form 10-Q

not being filed as part of the Periodic Report.