

**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 JULY 31, 2005

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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: August 31, 2005

Class A Common Stock (\$.15 par value, voting) 56,782,037 Class B Common Stock (\$.15 par value, nonvoting) 65,239,862

**BROWN-FORMAN CORPORATION**  
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**PART I - FINANCIAL INFORMATION**

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

**BROWN-FORMAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
(Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended July 31,	
	2004	2005
	-----	-----
Net sales	\$ 481.3	\$ 547.5
Excise taxes	82.0	97.7
Cost of sales	145.9	146.8
	-----	-----
Gross profit	253.4	303.0
Advertising expenses	61.6	72.3
Selling, general, and administrative expenses	96.3	110.3
Other expense (income), net	(0.4)	(13.7)
	-----	-----
Operating income	95.9	134.1
Interest income	0.3	1.9
Interest expense	5.2	4.5
	-----	-----
Income from continuing operations before income taxes	91.0	131.5
Income taxes	31.2	43.6
	-----	-----
Income from continuing operations	59.8	87.9
Loss from discontinued operations, net of income taxes	(8.6)	(75.1)
	-----	-----
Net income	\$ 51.2	\$ 12.8
	=====	=====
Basic earnings (loss) per share:		
Continuing operations	\$ 0.49	\$ 0.72
Discontinued operations	(0.07)	(0.62)
	-----	-----
Total	\$ 0.42	\$ (0.10)
	=====	=====
Diluted earnings (loss) per share:		
Continuing operations	\$ 0.49	\$ 0.71
Discontinued operations	(0.07)	(0.61)
	-----	-----
Total	\$ 0.42	\$ 0.10
	=====	=====
Shares (in thousands) used in the calculation of earnings (loss) per share:		
Basic	121,693	121,945
Diluted	122,414	123,161
Cash dividends per common share:		
Declared	\$0.425	\$0.490
Paid	\$0.213	\$0.245

See notes to the condensed consolidated financial statements.

**BROWN-FORMAN CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(Dollars in millions)

	April 30, 2005	July 31, 2005 (Unaudited)
	-----	-----
<b>Assets</b>		
-----		
Cash and cash equivalents	\$ 294.9	\$ 265.3
Accounts receivable, net	295.9	321.0
Inventories:		
Barreled whiskey	248.7	257.5
Finished goods	102.3	110.3
Work in process	80.5	70.0
Raw materials and supplies	38.4	50.2
	-----	-----
Total inventories	469.9	488.0
Current portion of deferred income taxes	69.9	69.9
Current assets held for sale	157.6	176.6
Other current assets	27.0	19.5
	-----	-----
Total current assets	1,315.2	1,340.3
Property, plant and equipment, net	417.9	414.2
Prepaid pension cost	130.2	128.5
Trademarks and brand names	334.2	331.5
Goodwill	192.7	188.5
Noncurrent assets held for sale	217.9	154.9
Other assets	41.0	38.8
	-----	-----
Total assets	\$2,649.1	\$2,596.7
	=====	=====
<b>Liabilities</b>		
-----		
Accounts payable and accrued expenses	\$ 264.2	\$ 227.1
Accrued income taxes	41.9	75.1
Dividends payable	--	29.9
Current portion of long-term debt	279.3	249.3
Current liabilities held for sale	52.7	63.8
	-----	-----
Total current liabilities	638.1	645.2
Long-term debt	351.5	351.6
Deferred income taxes	157.8	155.2
Accrued pension and other postretirement benefits	77.6	79.4
Noncurrent liabilities held for sale	82.9	84.7
Other liabilities	31.2	18.4
	-----	-----
Total liabilities	1,339.1	1,334.5
<b>Stockholders' Equity</b>		
-----		
Common stock:		
Class A, voting		
(57,000,000 shares authorized;		
56,841,000 shares issued)	8.5	8.5
Class B, nonvoting		
(100,000,000 shares authorized;		
69,188,000 shares issued)	10.4	10.4
Additional paid-in capital	33.9	36.1
Retained earnings	1,415.5	1,369.1
Accumulated other comprehensive income (loss)	(11.4)	(20.7)
Treasury stock		
(4,141,000 and 3,993,000 shares		
at April 30 and July 31, respectively)	(146.9)	(141.2)
	-----	-----
Total stockholders' equity	1,310.0	1,262.2
	-----	-----
Total liabilities and stockholders' equity	\$2,649.1	\$2,596.7
	=====	=====

See notes to the condensed consolidated financial statements.

**BROWN-FORMAN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited)

(In millions; amounts in parentheses are reductions of cash)

	Three Months Ended July 31,	
	2004	2005
Cash flows from operating activities:		
Net income	\$ 51.2	\$ 12.8
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Impairment charge	--	59.5
Depreciation	14.1	14.0
Deferred income taxes	(12.1)	(2.5)
Changes in assets and liabilities:		
Accounts receivable	24.3	(20.9)
Inventories	(21.1)	(38.7)
Other current assets	10.6	8.2
Accounts payable and accrued expenses	(13.8)	(20.4)
Accrued income taxes	20.1	25.1
Noncurrent assets and liabilities	5.9	(3.4)
	79.2	33.7
Cash flows from investing activities:		
Additions to property, plant, and equipment	(9.3)	(8.6)
Computer software expenditures	(0.4)	(0.5)
	(9.7)	(9.1)
Cash flows from financing activities:		
Net change in commercial paper	(33.0)	--
Reduction of long-term debt	--	(30.0)
Proceeds from exercise of stock options	4.8	4.6
Excess tax benefits from stock options	0.9	1.1
Dividends paid	(25.9)	(29.9)
	(53.2)	(54.2)
Net increase (decrease) in cash and cash equivalents	16.3	(29.6)
Cash and cash equivalents, beginning of period	67.7	294.9
Cash and cash equivalents, end of period	\$ 84.0	\$ 265.3

See notes to the condensed consolidated financial statements.

# 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 2005 annual report on Form 10-K (the "2005 Annual Report"). We made all of the adjustments (which include only normal, recurring adjustments) needed for a fair statement of this data.

We condensed or omitted some of the information found in financial statements prepared according to generally accepted accounting principles ("GAAP"). You should read these financial statements together with the 2005 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 \$137.4 million higher than reported as of April 30, 2005, and \$136.3 million higher than reported as of July 31, 2005. Changes in the 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 effective tax rate may differ from current statutory rates due to the recognition of amounts for events or transactions that do not have tax consequences. We use the estimated annual effective tax rate in determining our interim results.

### 4. Discontinued Operations

During July 2005, we entered into a definitive agreement to sell our wholly-owned subsidiary Lenox, Incorporated ("Lenox") for \$190 million in cash (subject to a post-closing working capital adjustment). The agreement followed the February 2005 announcement that we were exploring strategic alternatives for Lenox, including a possible sale. As discussed in Note 13, on September 1, 2005, we consummated the sale of substantially all of Lenox to Department 56, Inc. ("Department 56") for \$196 million. This total is \$6 million higher than previously announced due to a working capital adjustment provision included in the sale agreement.

After consummation of the sale to Department 56, we retained ownership of the Lenox headquarters building and property in Lawrenceville, New Jersey and Lenox's Brooks & Bentley subsidiary in the United Kingdom. We are actively exploring other alternatives for these assets, which are classified as held for sale in the accompanying consolidated balance sheet.

In connection with the agreement, we recognized a non-cash impairment charge of \$59.5 million during the quarter ended July 31, 2005. The impairment charge represents the excess of the carrying value of the net assets being sold over the expected sales proceeds. During the quarter, we also recorded transaction costs of \$7.5 million, including legal, tax and actuarial expenses, transaction success payments, and investment banking fees. The impairment charge and fees increase the diluted loss from discontinued operations for the quarter to \$0.61 per diluted share.

As a result of our decision to sell Lenox, its results of operations and the impairment charge and other transaction costs have been classified as discontinued operations, net of income taxes, in the accompanying consolidated statement of operations, and its assets and liabilities have been classified as held for sale in the accompanying consolidated balance sheet. In previously-released reports, Lenox's operating results and assets were presented in the Consumer Durables segment, of which it comprised the major part. The Consumer Durables segment no longer constitutes a separate reportable segment.

A summary of discontinued operations follows:

(Dollars in millions)	Three Months Ended	
	July 31,	
	2004	2005
Net sales	\$ 96.7	\$ 79.4
Operating expenses	(110.9)	(92.7)
Impairment charge	--	(59.5)
Transaction costs	--	(7.5)
Loss before income taxes	(14.2)	(80.3)
Income tax benefit	5.6	5.2
Net loss from discontinued operations	\$ (8.6)	\$ (75.1)

The net assets held for sale consist of the following:

(Dollars in millions)	April 30,	July 31,
	2005	2005
Current assets:		
Accounts receivable, net	\$ 48.4	\$ 45.0
Inventories	103.6	124.2
Other	5.6	7.4
	157.6	176.6
Noncurrent assets:		
Property, plant and equipment, net	82.8	81.0
Goodwill	89.7	30.2
Other	45.4	43.7
	217.9	154.9
Current liabilities:		
Accounts payable and accrued expenses	47.2	63.8
Accrued income taxes	5.5	--
	52.7	63.8
Noncurrent liabilities:		
Accrued postretirement benefits	78.3	80.1
Other	4.6	4.6
	82.9	84.7
Net assets held for sale	\$239.9	\$183.0

## 5. Earnings Per Share

Basic earnings per share is based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the dilutive effect of stock options and non-vested restricted stock. The following table presents information concerning basic and diluted earnings per share:

	Three Months Ended July 31,	
	2004	2005
	-----	-----
(Dollars in millions, except per share amounts)		
Basic and diluted net income (loss):		
Continuing operations	\$59.8	\$87.9
Discontinued operations	(8.6)	(75.1)
	-----	-----
Total	\$51.2	\$12.8
	=====	=====
Share data (in thousands):		
Basic average common shares outstanding	121,693	121,945
Dilutive effect of non-vested restricted stock	5	23
Dilutive effect of stock options	716	1,193
	-----	-----
Diluted average common shares outstanding	122,414	123,161
	=====	=====
Basic earnings (loss) per share:		
Continuing operations	\$0.49	\$0.72
Discontinued operations	(0.07)	(0.62)
	-----	-----
Total	\$0.42	\$0.10
	=====	=====
Diluted earnings (loss) per share:		
Continuing operations	\$0.49	\$0.71
Discontinued operations	(0.07)	(0.61)
	-----	-----
Total	\$0.42	\$0.10
	=====	=====

## 6. Goodwill and Other Intangible Assets

The following table shows the changes in the amounts recorded as goodwill during the three months ended July 31, 2005:

(Dollars in millions)

Balance as of April 30, 2005	\$192.7
Foreign currency translation adjustment	(4.2)
	-----
Balance as of July 31, 2005	\$188.5
	=====

Our other intangible assets consist of trademarks and brand names. As of July 31, 2005, we consider all of our trademarks and brand names to have indefinite useful lives.

## 7. Environmental Matters

We face environmental claims resulting from the cleanup of several manufacturing or waste disposal sites in the United States. We accrue for losses associated with environmental cleanup obligations when such losses are probable and reasonably estimable. At some sites, there are other potentially responsible parties who are expected to bear part of the costs, in which cases our accrual is based on our estimate of our share of the total costs. A portion of the cleanup costs with respect to certain sites is expected to be paid by insurance. The estimated recovery of cleanup costs from insurers is recorded as an asset when receipt is deemed probable.

We do not believe that any additional environmental cleanup costs we incur will have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

## 8. Contingencies

We operate in a litigious environment, and we get 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 a reasonable estimate of the loss can be made, and adjust the accrual as appropriate to reflect changes in facts and circumstances.

A law firm has sued Brown-Forman and many other manufacturers and marketers of spirits, wines, and beer in a series of nine very similar class action lawsuits seeking damages and injunctive relief from alleged marketing of beverage alcohol to underage consumers. The suits allege that the defendants engage in deceptive and negligent marketing practices targeting underage consumers. They seek to recover on behalf of parents those funds that their children spent on the illegal purchase of alcohol as well as disgorgement of all profits from the alleged illegal sales. Brown-Forman is vigorously defending these cases, four of which are pending on motions to dismiss. It is not possible at this time to predict the outcome of these claims but an unfavorable result in these or similar class action lawsuits could have a material adverse impact on our business.

## 9. Pension and Other Postretirement Benefits

The following table shows the components of the pension and other postretirement benefit expense recognized during the three months ended July 31:

(Dollars in millions)	Pension Benefits		Other Benefits	
	2004	2005	2004	2005
	----	----	----	----
Service cost	\$ 4.2	\$4.5	\$0.4	\$0.5
Interest cost	7.5	7.9	1.0	1.1
Expected return on plan assets	(10.8)	(10.5)	--	--
Amortization of:				
Unrecognized prior service cost	0.2	0.2	0.1	0.1
Unrecognized net loss	1.1	2.9	--	0.1
	-----	-----	-----	-----
Net expense	\$ 2.2	\$5.0	\$1.5	\$1.8
	=====	=====	=====	=====

## 10. Comprehensive Income

Comprehensive income is a broad measure of the effects of all transactions and events (other than investments by or distributions to shareholders) 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 comprehensive income:

(Dollars in millions)	Three Months Ended	
	July 31,	
	2004	2005
	-----	-----
Net income	\$51.2	\$12.8
Other comprehensive income (loss):		
Net gain (loss) on cash flow hedges	(1.1)	3.6
Net gain on securities	0.1	0.1
Foreign currency translation adjustment	2.9	(13.0)
	-----	-----
Other comprehensive income (loss)	1.9	(9.3)
	-----	-----
Comprehensive income	\$53.1	\$ 3.5
	=====	=====

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

(Dollars in millions)	April 30,	July 31,
	2005	2005
	-----	-----
Pension liability adjustment	\$38.1	\$38.1
Cumulative translation adjustment	(27.2)	(14.2)
Unrealized gain on cash flow hedge contracts	0.7	(2.9)
Unrealized gain on securities	(0.2)	(0.3)
	-----	-----
	\$11.4	\$20.7
	=====	=====

## 11. Termination of Glenmorangie Distribution Agreement

During July 2005, we entered into an agreement with LVMH Moet Hennessey Louis Vuitton for the early termination of our long-term importing and marketing agreements for Glenmorangie products in the United States, Canada, and certain countries in Europe and Asia, effective July 29, 2005. We received approximately \$13.5 million for the early termination, which is included in "other income" for the three months ended July 31, 2005, in the accompanying consolidated statement of operations.

## 12. Stock Options

Prior year amounts have been restated to reflect the retroactive adoption of FASB Statement No. 123(R), Share-Based Payment, during the fourth quarter of fiscal 2005.

## 13. Subsequent Event

On September 1, 2005, we consummated our previously announced disposition of substantially all of Lenox to Department 56 for \$196 million in cash (subject to a final working capital adjustment.) Unless otherwise indicated, the disclosures in this Quarterly Report on Form 10-Q do not reflect the consummation of the Lenox transaction.

## 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 2005 Annual Report. Note that the results of operations for the three months ended July 31, 2005, 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 present expectations or projections. Here is a non-exclusive list of such risks and uncertainties:

- changes in general economic conditions, particularly in the United States where we earn the majority of our profits;
- lower consumer confidence or purchasing associated with the aftermath of hurricane Katrina which occurred in August 2005;
- a strengthening U.S. dollar against foreign currencies, especially the British Pound;
- reduced bar, restaurant, hotel and travel business in wake of other terrorist attacks or threats, such as occurred in September, 2001 in the U.S. and in July, 2005 in London;
- lower consumer confidence or purchasing associated with rising oil prices;
- effects from recent published trends suggesting a slight reduction in the growth rate of distilled spirits in the U.S. market;
- developments in the class action lawsuits filed against Brown-Forman and other spirits, beer and wine manufacturers alleging that our advertising causes illegal consumption of alcohol by those under the legal drinking age, or other attempts to limit alcohol marketing, through either litigation or regulation;
- a dramatic change in consumer preferences, social trends or cultural trends that results in the reduced consumption of our premium spirits brands;
- tax increases, whether at the federal or state level;
- changes in distribution arrangements in major markets;
- increases in the price of raw materials, including grapes, grain, wood, and plastic;
- continued depressed retail prices and margins in our wine business because of our excess wine inventories, existing grape contract obligations, and a world-wide oversupply of grapes.

Results of Operations:  
First Quarter Fiscal 2006 Compared to First Quarter Fiscal 2005

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 and Hartmann luggage business. Discontinued Operations consist of Lenox and Brooks & Bentley.

CONTINUING OPERATIONS	Three Months Ended July 31,		Change
	2004	2005	
Net sales	\$481.3	\$547.5	14%
Gross profit	253.4	303.0	20%
Advertising expenses	61.6	72.3	17%
Selling, general, and administrative expenses	96.3	110.3	14%
Other expense (income), net	(0.4)	(13.7)	
Operating income	95.9	134.1	40%
Interest expense, net	4.9	2.6	
Income before income taxes	91.0	131.5	44%
Income taxes	31.2	43.6	
Net income	59.8	87.9	47%
Gross margin	52.6%	55.3%	
Effective tax rate	34.3%	33.2%	
Earnings per share:			
Basic	0.49	0.72	47%
Diluted	0.49	0.71	46%

Following strong top-line growth in fiscal 2005, sales accelerated in the first quarter of fiscal 2006, growing 14% over the same period last year. An increase in global trade inventories contributed approximately 5 percentage points of this growth while the absence of revenues from the introduction of new wine brands last year reduced this growth by 3 percentage points. Revenue growth was strong across most of the portfolio, with net sales from our mid-priced brands growing 7%, premium global brands expanding 22%, and our super-premium developing brand portfolio increasing 24% over the same prior year period.

Gross profit from continuing operations grew 20% for the quarter, driven largely by organic volume growth and margin enhancement from our premium global brands. The same factors that boosted revenues also positively affected our gross profit performance. Gross margin improved from 52.6% to 55.3% reflecting price increases on selected brands, favorable brand mix shift, and the continuing benefits we are realizing from our important focus on allocating resources to the most profitable brands, markets, and sizes. In addition, the absence of the new wine brands introduced last year, at a relatively lower gross profit margin, also contributed to this year over year improvement.

Advertising expenses were up about 17% for the quarter. We made significant incremental investments behind our key premium global brands -- Jack Daniel's, Finlandia, and Southern Comfort. We continue to see a number of good investment opportunities for our brands, opportunities that we think will help us take advantage of the continued robust market for premium spirits.

SG&A expenses from continuing operations were up \$14 million, or 14%, compared to the prior year period. Banking, legal and consulting fees related to our consideration of tendering a bid for Allied Domecq, higher pension costs, and expenses associated with new distribution agreements globally all contributed to the year over year increase.

Operating income grew \$38 million, or about 40% for the first quarter. Adjusting for approximately \$19 million associated with increased trade inventory levels, \$13 million for the termination of marketing and distribution rights for the Glenmorangie family of brands, and \$7 million for the absence of prior year profits from new wine brands, operating income grew \$13 million, or 14%.

Diluted earnings from continuing operations of \$0.71 per share for the first quarter ended July 31, 2005, increased 46% over the \$0.49 per share for the same period last year. Adjusting the quarterly results for the increase in global trade inventories, the termination of the Glenmorangie marketing and distribution rights, and the absence of prior year profits from new products, earnings per share from continuing operations increased approximately 19% over the prior year period.

Diluted EPS Growth from Continuing Operations	46%
Net increase in global trade inventories	(21%)
Consideration from sale of Glenmorangie distribution rights	(14%)
Absence of profits from new product introduction in prior year	8%
	-----
Adjusted EPS growth from Continuing Operations	19%
	=====

We believe that disclosing this measure of earnings per share is important because it more accurately reflects the underlying operations of the Company.

## DISCONTINUED OPERATIONS

As announced on July 21, 2005, we agreed during the first quarter to sell substantially all of the assets and liabilities of Lenox to Department 56 for \$190 million in cash. As a result, we have reported the operations of Lenox, including the assets not being sold to Department 56, as discontinued operations in the accompanying financial statements.

	Three Months Ended July 31,	
	2004	2005
	-----	-----
Net loss	\$(8.6)	\$(75.1)
Loss per share:		
Basic	(0.07)	(0.62)
Diluted	(0.07)	(0.61)

In the first quarter ended July 31, we reported a net loss from discontinued operations of \$75 million, or \$0.61 per diluted share, versus a net loss of \$9 million, or \$0.07 per share, for the same prior year period. The loss recorded in the quarter includes a non-cash impairment charge and fees related to the transaction of approximately \$0.54 per share. Excluding these items, results from discontinued operations approximated the loss posted in the same period last year.

## OUTLOOK FOR CONTINUING OPERATIONS

First quarter results were strong and business trends remain healthy for our global beverages portfolio. We remain optimistic about our growth prospects for the remainder of the year. For the full year, we expect earnings per share from continuing operations in the range of \$2.70 to \$2.80 per share, up approximately 12% to 17% over the comparable prior year period. This outlook does not include any results associated with Lenox, but does include a net gain of \$0.05 per share associated with the previously disclosed sale of distribution rights for the Glenmorangie family of brands.

## LIQUIDITY AND FINANCIAL CONDITION

Cash and cash equivalents decreased by \$29.6 million during the three months ended July 31, 2005, compared to an increase of \$16.3 million during the same period last year. Cash provided by operations declined by \$45.5 million, largely reflecting an increase in working capital due to the strength of our underlying business. The amount of cash used for both investing and financing activities was essentially the same as the amount used during the same period last year.

### **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 July 31, 2005, 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 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 are defendants in a series of essentially similar class action lawsuits seeking damages and injunctive relief for alleged marketing of beverage alcohol to underage consumers. Nine lawsuits have been filed to date, the first three against eight defendants, including Brown-Forman: "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). Two virtually identical suits with allegations similar to those in the first three lawsuits were filed in Cleveland, Ohio, in April and June, 2004, respectively, against the original eight defendants as well as an additional nine manufacturers of spirits and beer, and are now consolidated as "Eisenberg v. Anheuser-Busch," U.S. District Court for the District of Northern Ohio, No. 1:04cv1081. Five similar suits were filed in 2005: "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.

The suits allege that the defendants have engaged in deceptive marketing practices and schemes targeted at underage consumers, negligently marketed their products to the underage, and fraudulently concealed their alleged misconduct.

Plaintiffs seek class action certification on behalf of: (a) a guardian class consisting of all persons who were or are parents of children whose funds were used to purchase beverage alcohol marketed by the defendants which were consumed without their prior knowledge by their children under the age of 21 during the period 1982 to present; and (b) an injunctive class consisting of the parents and guardians of all children currently under the age of 21.

The lawsuits seek: (1) a finding that defendants engaged in a deceptive scheme to market alcoholic beverages to underage persons and an injunction against such alleged practices; (2) disgorgement and refund to the guardian class of all proceeds resulting from sales to the underage since 1982; and (3) judgment to each guardian class member for a trebled award of actual damages, punitive damages, and attorneys fees. The lawsuits, either collectively or individually, if ultimately successful, represent significant financial exposure.

Brown-Forman, in coordination with other defendants, is vigorously defending itself in these cases, four of which are pending on motions to dismiss.

On August 23 and 26, 2004, plaintiffs purporting to represent a class of consumers who purchased tableware sold in the United States from May 1, 2001, through the present filed suit against Federated Department Stores, the May Department Stores Company, Waterford Wedgwood U.S.A., and Brown-Forman's Lenox, Inc. subsidiary. In November 2004, plaintiffs filed a consolidated complaint alleging that the defendants violated Section 1 of the Sherman Act by conspiring to fix prices and to boycott sales to Bed Bath & Beyond. The cases are consolidated in the U.S. District Court for the Northern District of California, Nos. C-04-3514VRW and C-04-3622VRW. Plaintiffs seek to recover an undisclosed amount of damages, trebled in accord with the anti-trust laws, as well as costs, attorney fees and injunctive relief. Lenox, Inc. denies the allegations of the complaint and intends to defend the cases vigorously.

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

At the Annual Meeting of Stockholders of the Company held July 28, 2005, the following matter was voted upon:

Votes regarding the election of the persons named below as directors until the next annual election of directors, or until a successor has been elected and qualified:

	For	Withheld
	-----	-----
Ina Brown Bond	52,353,154	503,948
Patrick Bousquet-Chavanne	52,807,269	49,833
Barry D. Bramley	52,355,878	501,224
Geo. Garvin Brown III	52,353,154	503,948
Owsley Brown II	49,932,024	2,925,078
Donald G. Calder	52,781,297	75,805
Owsley Brown Frazier	52,378,583	478,519
Richard P. Mayer	52,110,758	746,344
Stephen E. O'Neil	52,769,782	87,320
Matthew R. Simmons	51,742,225	1,114,877
William M. Street	52,355,572	501,530
Dace Brown Stubbs	52,353,195	503,907
Paul C. Varga	52,337,445	519,657

#### 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).

## 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: September 1, 2005*

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

**Exhibit 31.1**

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

I, Paul C. Varga, certify that:

1. I have reviewed this 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 control over financial reporting.

*Date: September 1, 2005*

*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 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: September 1, 2005*

*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 July 31, 2005, 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: September 1, 2005*

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

*By: /s/ Phoebe A. Wood  
Phoebe A. Wood  
Executive Vice President  
and Chief Financial Officer*

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

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