



BROWN - F O R M A N

SECOND QUARTER REPORT TO SHAREHOLDERS



six month period
october 31, 2006

SELECTED FINANCIAL DATA
(Unaudited)

(Dollars in millions, except per share amounts)

Three Months Ended October 31,	2005	2006	Change
CONTINUING OPERATIONS			
Net sales	\$665.8	\$735.3	10%
Gross profit	357.4	385.4	8%
Operating income	160.2	182.1	14%
Net income	111.8	124.3	11%
Earnings per share:			
– Basic	0.92	1.01	10%
– Diluted	0.91	1.00	10%
Effective tax rate	29.7%	31.0%	
DISCONTINUED OPERATIONS			
Net loss	\$ (3.0)	\$ (0.5)	
Loss per share:			
– Basic	(0.03)	—	
– Diluted	(0.03)	—	
TOTAL COMPANY			
Net income	\$108.8	\$123.8	14%
Earnings per share:			
– Basic	0.89	1.01	13%
– Diluted	0.88	1.00	13%

ABOUT *the* COVER

10 Years of Woodford Reserve



We recently celebrated Woodford Reserve's 10th anniversary and the reopening of its National Landmark "homeplace" with a week-long series of special events. Visitors to The Woodford Reserve Distillery in Versailles, Kentucky enjoyed bourbon tastings hosted by our Master Distiller, cooking demonstrations by our chef-in-residence, and a chance to see Woodford Reserve Stables' first thoroughbred, Distill My Heart, in her debut appearance at the distillery.

OUR BRAND *of* BUSINESS

To our Shareholders



For the second quarter ended October 31, 2006, Brown-Forman's earnings per share of \$1.00 were up 10% from the same prior year period.¹ The higher earnings reflect volume and profit growth for the Jack Daniel's family of brands and gross profit gains for Southern Comfort, Finlandia and most of the company's other super-premium developing brands, including Sonoma-Cutrer, Tuaca, and Woodford Reserve.

Second quarter earnings benefited from a net \$0.08 per share gain related to the sale of an Italian winery completed in conjunction with the company's ongoing efforts to reduce wine costs and improve the performance of Bolla Italian wines. Excluding this net gain and adjusting comparisons for a \$0.04 per share reduction in tax expense in the prior-year period, earnings per share grew 7%. (The reduction in



¹ All financial and statistical information in this report relates to continuing operations of the company's business unless otherwise stated. Earnings per share refers to diluted earnings per share.

A Gift from Nature.



Keep your judgement pure. Drink responsibly.

©2006 Finlandia Vodka Worldwide Ltd., Helsinki, Finland. Finlandia Vodka, 40% Alc./Vol. Imported by Brown-Forman Beverages, Louisville, Kentucky USA

tax expense in the prior-year period was related to the utilization of a portion of the capital loss from the sale of Lenox, which offset the capital gain associated with the early termination of the company's Glenmorangie distribution rights reported in last year's first quarter.)

Revenues grew 10% and gross profit increased 8% in the quarter. Comparisons to the prior year were, as in the previous quarter, affected by distribution changes in Germany and Australia. The company is now responsible for the collection and remittance of excise taxes in these markets. The net effect of these changes reduces the company's reported gross margin. The gross margin on a stripped net sales basis (gross profit as a percentage of net sales excluding excise tax) was 65.3%, up from 64.9% in the prior-year period. Management believes excluding excise tax from the gross margin calculation provides a more meaningful comparison due to the changes in distribution that have occurred in these two markets.

Advertising expenses increased \$5 million, or 6% in the quarter as a result of additional investments behind the company's premium global brands. SG&A expenses increased approximately \$14 million, or 12%. Approximately \$6 million of this growth over the prior-year period was related to the previously mentioned changes in the company's distribution arrangements in Australia and Germany.

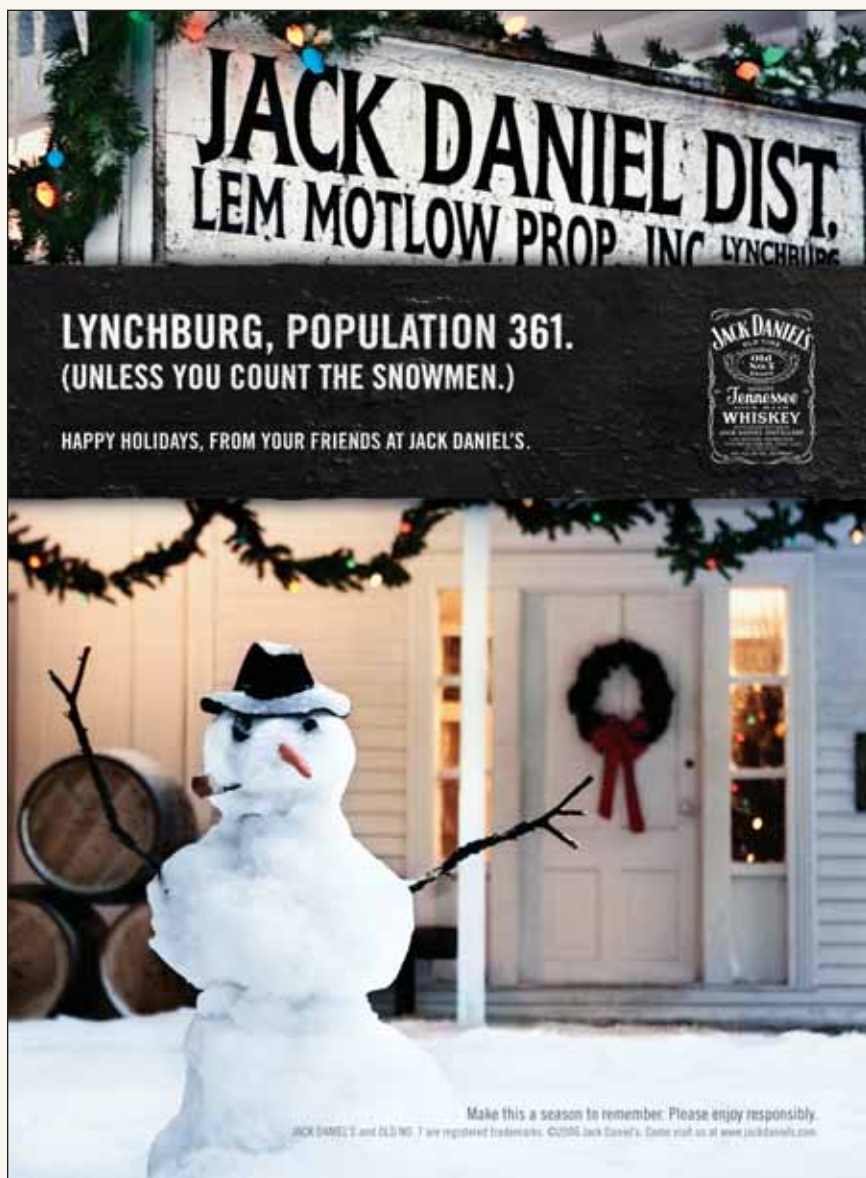
Operating income increased \$22 million in the quarter, up 14% over the same prior year period, due in part to the previously mentioned net gain on the sale of the company's Italian winery, and gross profit gains, which more than offset increases in both SG&A and brand investments.



Jack Daniel's global depletions² grew at a mid-single digit rate in the quarter, with U.S. and international volumes both increasing in the mid-single digits. Solid volume gains in Australia, France, Italy, and Japan offset softness in the quarter for the brand in the UK, Germany, and Spain. Global volumes for Southern Comfort grew at a mid-single digit rate in the quarter, led by continued growth in the U.S. Finlandia volumes grew at a double-digit rate, fueled by continued strong growth in Poland.

For the first six months of the fiscal year, earnings per share were \$1.76, up 9% from the \$1.62 earned in the same period last year. Year-to-date results


² Depletions are shipments from wholesale distributors to retail customers, and are commonly regarded in the industry as an approximate measure of consumer demand.



JACK DANIEL DIST.
LEM MOTLOW PROP. INC. LYNCHBURG

LYNCHBURG, POPULATION 361.
(UNLESS YOU COUNT THE SNOWMEN.)

HAPPY HOLIDAYS, FROM YOUR FRIENDS AT JACK DANIEL'S.



Make this a season to remember. Please enjoy responsibly.
JACK DANIEL'S and OLD NO. 7 are registered trademarks. ©2006 Jack Daniel's. Come visit us at www.jackdaniels.com.

**IT'S OUR TURN
TO RAISE THEIR SPIRITS.**



For years, the musicians of New Orleans have cheered, lifted and inspired us. Now they need our help. Visit SoComusicfund.org and view eight video stories of New Orleans musicians picking up where they left off. Make a donation of \$10 and get a "Start the Music Up" CD.* The fund will distribute your help through two charities: the New Orleans Musicians Hurricane Relief Fund and New Orleans Area Habitat for Humanity.



**THE SOUTHERN
COMFORT
MUSIC FUND**

www.SoComusicfund.org

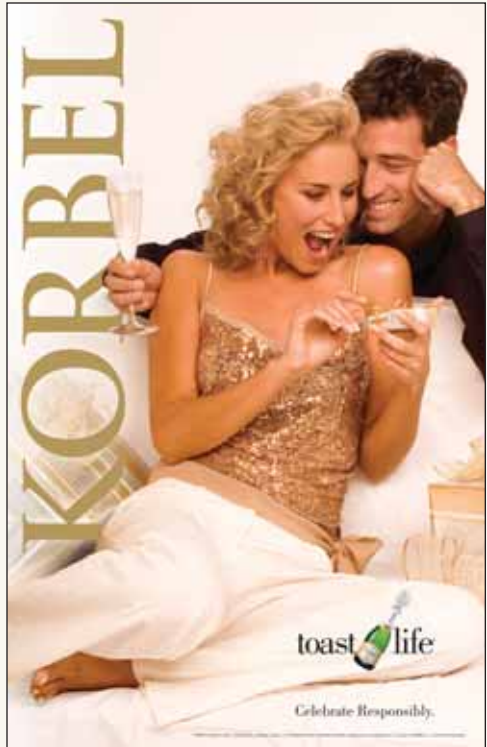
Start and end things right.
Drink Southern Comfort responsibly.

Liqueur, 21-50% Alc. By Volume, Southern Comfort Company, Louisville, KY © 2006
Some restrictions apply. See website for details. *Limited-time offer while supplies last.

benefited from solid growth for Jack Daniel's, Southern Comfort, and improved volume and profits from the Jack Daniel's & Cola ready-to-drink product that is sold primarily in Australia. Underlying earnings per share also increased 9% after adjusting comparisons for:

- profits associated with the early termination of Glenmorangie marketing and distribution rights recorded last year of approximately \$0.11 per share;
- profits recorded this year from the sale of an Italian winery of approximately \$0.08 per share;
- a \$0.06 per share benefit of favorable foreign currency fluctuations; and
- the impact of changes in global distributor inventories (which negatively affected comparisons by \$0.02 per share).

Full-Year Outlook The company is narrowing the range of its full-year earnings outlook to \$3.14 to \$3.30 per share, representing forecasted growth of 8% to 14% over adjusted prior-year earnings of \$2.90 per share. This outlook includes the current quarter's \$0.08 per share net gain from the sale of the company's Italian winery and additional benefits from foreign exchange. It also includes expected further reductions in global distributor inventory



levels and an expected higher tax rate in the second half of the fiscal year versus the prior-year second half.

This outlook excludes the impact of the company's pending acquisition of Casa Herradura, which was announced on August 28, 2006. As previously communicated, the company projects the acquisition will be dilutive to earnings through fiscal 2009. In fiscal 2007 the company estimates the transaction will dilute earnings in the range of \$0.08 to \$0.12 per share.

Dividend Declaration On November 16, 2006, the Board of Directors approved an 8.0% increase in its regular quarterly cash dividend, from \$0.28 to \$0.3025 per share. This cash dividend is payable on January 1, 2007 to shareholders of record on December 4, 2006.

I would like to take this opportunity to extend to each of you our best wishes for a joyful holiday and our sincere appreciation for your continued support.

sincerely yours,



paul c. varga

President and Chief Executive Officer

December 5, 2006

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Dollars in millions, except per share amounts)

Three Months Ended October 31,	2005	2006	Change
CONTINUING OPERATIONS*			
Net sales	\$665.8	\$ 735.3	10%
Gross profit	357.4	385.4	8%
Advertising expenses	87.4	92.7	6%
Selling, general, and administrative expenses	110.2	123.8	12%
Other expense (income), net	(0.4)	(13.2)	
Operating income	160.2	182.1	14%
Interest expense, net	1.3	1.9	
Income before income taxes	158.9	180.2	13%
Income taxes	47.1	55.9	
Net income	111.8	124.3	11%
Earnings per share:			
– Basic	0.92	1.01	10%
– Diluted	0.91	1.00	10%
DISCONTINUED OPERATIONS			
Net loss	\$ (3.0)	\$ (0.5)	
Loss per share:			
– Basic	(0.03)	—	
– Diluted	(0.03)	—	
TOTAL COMPANY			
Net income	\$108.8	\$ 123.8	14%
Earnings per share:			
– Basic	0.89	1.01	13%
– Diluted	0.88	1.00	13%

* Continuing operations do not include results from Lenox, Inc., the company's former subsidiary, which was sold on September 1, 2005. Results from discontinued operations, which include both the results of divested operations through the date of the sale and remaining operations classified as discontinued, are not reflected in this report unless expressly stated.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Dollars in millions, except per share amounts)

Six Months Ended October 31,	2005	2006	Change
CONTINUING OPERATIONS*			
Net sales	\$1,213.2	\$1,375.0	13%
Gross profit	660.4	736.7	12%
Advertising expenses	159.7	174.0	9%
Selling, general, and administrative expenses	220.5	254.7	16%
Other expense (income), net	(14.2)	(15.3)	
Operating income	294.4	323.3	10%
Interest expense, net	4.0	3.1	
Income before income taxes	290.4	320.2	10%
Income taxes	91.1	102.0	
Net income	199.3	218.2	9%
Earnings per share:			
– Basic	1.64	1.78	9%
– Diluted	1.62	1.76	9%
DISCONTINUED OPERATIONS			
Net loss	\$ (77.7)	\$ (0.6)	
Loss per share:			
– Basic	(0.64)	(0.01)	
– Diluted	(0.63)	(0.01)	
TOTAL COMPANY			
Net income	\$ 121.6	\$ 217.6	79%
Earnings per share:			
– Basic	1.00	1.77	78%
– Diluted	0.99	1.75	78%

* Continuing operations do not include results from Lenox, Inc., the company's former subsidiary, which was sold on September 1, 2005. Results from discontinued operations, which include both the results of divested operations through the date of the sale and remaining operations classified as discontinued, are not reflected in this report unless expressly stated.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(Dollars in millions)</i>	April 30, 2006	October 31, 2006
ASSETS		
Cash and cash equivalents	\$ 474.8	\$ 222.6
Short-term investments	159.9	190.2
Accounts receivable, net	328.4	441.7
Inventories	523.0	593.7
Other current assets	124.0	107.8
TOTAL CURRENT ASSETS	1,610.1	1,556.0
Property, plant, and equipment, net	428.5	427.5
Trademarks and brand names	324.9	442.1
Goodwill	195.4	324.3
Prepaid pension cost	146.1	140.1
Other assets	23.2	35.2
TOTAL ASSETS	\$2,728.2	\$2,925.2
LIABILITIES		
Accounts payable and accrued expenses	\$ 292.9	\$ 341.9
Accrued income taxes	48.3	48.5
Short-term borrowings	225.0	197.2
Other current liabilities	2.9	2.7
TOTAL CURRENT LIABILITIES	569.1	590.3
Long-term debt	351.6	353.7
Deferred income taxes	132.8	131.3
Accrued postretirement benefits	77.9	81.0
Other liabilities	33.7	19.3
TOTAL LIABILITIES	1,165.1	1,175.6
STOCKHOLDERS' EQUITY	1,563.1	1,749.6
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,728.2	\$2,925.2

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(including cash flows from discontinued operations)
(Unaudited)

(Dollars in millions)

Six Months Ended October 31,	2005	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Continuing operations	\$ 84.0	\$105.2
Discontinued operations	(18.1)	1.6
CASH PROVIDED BY OPERATING ACTIVITIES	65.9	106.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of business	—	(250.6)
Short-term investments	—	(30.3)
Proceeds from sale of discontinued operations	196.5	—
Additions to property, plant, and equipment	(21.0)	(21.2)
Other	(2.1)	11.3
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	173.4	(290.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net debt repayments	(30.0)	(30.2)
Dividends paid	(59.8)	(68.8)
Other	7.5	30.3
CASH USED FOR FINANCING ACTIVITIES	(82.3)	(68.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	—	0.5
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	157.0	(252.2)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	294.9	474.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$451.9	\$222.6

CONTINUING OPERATIONS ONLY
SUPPLEMENTAL INFORMATION

(Unaudited)

<i>(Dollars in millions, except per share amounts)</i>	<i>Three Months Ended October 31,</i>		<i>Six Months Ended October 31,</i>	
	2005	2006	2005	2006
DEPRECIATION AND AMORTIZATION	\$ 10.9	\$ 10.5	\$ 21.7	\$ 20.7
EXCISE TAXES	\$115.4	\$145.0	\$213.0	\$273.4
EFFECTIVE TAX RATE	29.7%	31.0%	31.4%	31.9%
CASH DIVIDENDS PAID PER COMMON SHARE	\$0.245	\$0.280	\$0.490	\$0.560
SHARES USED IN THE CALCULATION OF EARNINGS PER SHARE:				
– Basic	122.0	122.9	122.0	122.7
– Diluted	123.2	124.3	123.2	124.2

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 a significant portion of our profits;
- lower consumer confidence or purchasing in the wake of catastrophic events;
- 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 globally;
- adverse developments in the class action lawsuits filed against Brown-Forman and other spirits, beer and wine manufacturers alleging that our industry conspired to promote the consumption of alcohol by those under the legal drinking age;
- a strengthening U.S. dollar against foreign currencies, especially the British Pound, Euro, Australian Dollar, and the Mexican Peso;
- reduced bar, restaurant, hotel and travel business, including travel retail, in the wake of terrorist attacks;
- lower consumer confidence or purchasing associated with high energy prices;
- 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;
- increases in the price of energy or raw materials, including grapes, grain, wood, glass, and plastic;
- excess wine inventories or a world-wide oversupply of grapes;
- termination of our rights to distribute and market agency brands included in our portfolio;
- counterfeit production of our products could adversely affect our intellectual property rights, brand equity and operating results;
- adverse developments as a result of state investigations of beverage alcohol industry trade practices of suppliers, distributors and retailers.

Brown-Forman.

THE RESPECTED BRANDS *of our* BUSINESS.

premium global brands

Jack Daniel's
www.jackdaniels.com

Finlandia
www.finlandia.com

Gentleman Jack
www.gentlemanjack.com

Southern Comfort
www.southerncomfort.com

Jack Daniel's
Ready-to-Drinks
www.countrycocktails.com

Jack Daniel's
Single Barrel
www.jdsinglebarrel.com



mid-priced regional brands

Fetzer
www.fetzer.com

Early Times
www.earlytimes.com

Fontana Candida
www.fontanacandida.com

Virgin Vines*
www.virginvines.com

Canadian Mist
www.canadianmist.com

Pepe Lopez
www.pepelopez.com

Jekel
www.jekel.com

Gala Rouge
www.galarouge.com

Korbel*
www.korbel.com

Old Forester
www.oldforester.com

Bel Arbor

Sundial

Bolla
www.bolla.com

Five Rivers
www.fiveriverswinery.com

Michel Picard
www.michel-picard.com

Little Black Dress
www.lbdwines.com



brand building at its best.

Brown-Forman produces and markets some of the most well-known brands in the world. We divide our beverage portfolio into three categories: Premium Global Brands, which have broad international distribution and are sold

at premium price points; Mid-Priced Regional Brands, which are important category leaders whose volumes are concentrated in fewer markets; and Super-Premium Developing Brands, which are smaller, higher-margin brands with significant growth opportunities.

super-premium developing brands

Sonoma-Cutrer
www.sonomacutrer.com

Tuaca
www.tuaca.com

Woodford Reserve
www.woodfordreserve.com

Appleton*
www.appletonrumus.com

Bonterra
www.bonterra.com

Amarula*
www.amarula.com

Don Eduardo
www.doneduardo.com

Mariah

Durbanville Hills*

Chambord
www.chambordliqueur.com
Sanctuary

Wakefield*
www.wakefieldwines.com



hartmann luggage

Luggage, Business Cases, and
Personal Leather Accessories
www.hartmann.com



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

All trademarks, and any others mentioned in this quarterly report, are registered or otherwise protected under applicable national laws and international treaties.

BOARD OF DIRECTORS

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*Chairman of the Board,
Brown-Forman Corporation,
Louisville, Kentucky*

Paul C. Varga ⁽¹⁾

*President and Chief Executive Officer,
Brown-Forman Corporation,
Louisville, Kentucky*

Patrick Bousquet-Chavanne ⁽³⁾

*Group President,
The Estée Lauder Companies, Inc.,
New York, New York*

Barry D. Bramley

*Former Chairman and
Chief Executive Officer,
British-American Tobacco Company, Ltd.,
London, England*

Geo. Garvin Brown IV

*Vice President,
Brown-Forman Beverages International,
London, England*

Martin S. Brown, Jr.

*Partner,
Adams and Reese LLP,
Nashville, Tennessee*

Donald G. Calder ⁽²⁾

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

Sandra A. Frazier

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

Richard P. Mayer ⁽²⁾

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

Stephen E. O'Neil ⁽²⁾⁽³⁾

*Principal,
The O'Neil Group,
New York, New York*

Matthew R. Simmons ⁽³⁾

*Founder and Chairman,
Simmons and Company International,
Houston, Texas*

William M. Street ⁽¹⁾

*Former President,
Brown-Forman Corporation,
Louisville, Kentucky*

Dace Brown Stubbs

*Private Investor,
Vero Beach, Florida*

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

⁽²⁾ Member of Audit Committee

⁽³⁾ Member of Compensation Committee

CORPORATE INFORMATION

Corporate Headquarters

850 Dixie Highway
Louisville, KY 40210
(502) 585-1100

Internet Address:

<http://www.brown-forman.com>

E-Mail Address:

brown-forman@b-f.com

Dividend Reinvestment Service

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

National City Bank, Dept. 5352
Corporate Trust Operations
P.O. Box 94946
Cleveland, OH 44101-4946
1-800-622-6757

Listed

New York Stock Exchange
New York, New York
BFA/BFB

*Registrar and Transfer Agent
and Dividend Disbursing Agent*

National City Bank
Cleveland, Ohio

E-Mail Address:

shareholder.inquiries@nationalcity.com

Counsel

Stoll Keenon Ogden PLLC
Louisville, Kentucky

Auditors

PricewaterhouseCoopers LLP
Louisville, Kentucky





YOUR FRIENDS *at* BROWN-FORMAN
ENCOURAGE YOU *to* PLEASE
DRINK RESPONSIBLY



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